

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

COUNTY AUDITOR

MONROE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**

11/05/2008



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Sandra M. Newmann	01-01-05 to 12-31-08
President of the County Council	Michael Woods Vic Kelson	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	Iris Kiesling Patrick Stoffers	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF MONROE COUNTY

We have audited the records of the County Auditor for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Monroe County for the year 2007.

STATE BOARD OF ACCOUNTS

August 21, 2008

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the county owed money to the county, but a list of such employees was not certified to the County Treasurer. This was filed with the County Treasurer on May 27, 2008, for 2007 and 2008.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

CONGRESSIONAL SCHOOL INTEREST

The second distribution of interest for 2006 was not made to the school corporations. There were no distributions made in 2007. On March 20, 2008, distributions were made of the congressional school interest funds for the second half of 2006 and for all of 2007 and for the first payment in 2008.

Semiannually, on the last Monday in January and the second Monday of July, the auditor of each county shall make distribution of the interest on the congressional school fund to the treasurer of each school corporation (Accounting and Uniform Compliance Guidelines Manual for County Auditor's, Chapter 11).

DEPOSITS

Receipts were deposited later than the next business day. Receipts tested reflected some deposits being made up to 1 ½ months after they were received.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

ACCOUNTING RECORDS

Several posting errors were made in the County's accounting records.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Auditors, Chapter 14)

INTERNAL CONTROL OVER PAYROLL

As stated in the prior report, controls over the receipting, disbursing, recording, and accounting for the financial activities of payroll were insufficient. We performed an extended payroll review in response to numerous complaints of errors in county payroll. The following exceptions and control weaknesses were noted:

COUNTY AUDITOR  
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AUDIT RESULTS AND COMMENTS  
(Continued)

We observed that payroll period ending February 2, 2007, did not have any State or Local withholdings paid to the Indiana Department of Revenue.

The W-3 report filed did not agree with the filed quarterly 941 reports. The variances were as noted below:

	<u>W-3</u>	<u>Form 941</u>	<u>Variance</u>
Wages	\$ 17,424,444.07	\$ 17,782,609.46	\$ 358,165.39
Federal Income Tax Withheld	1,772,129.85	1,772,129.85	-
Social Security Wages	17,654,237.34	17,653,927.34	(310.00)
Social Security Withheld	1,094,551.87	1,094,543.50	(8.37)
Medicare Wages	17,674,808.08	17,674,808.08	-
Medicare Tax Withheld	256,289.02	256,284.72	(4.30)

Personnel files reviewed did not contain documentation for all deductions or documentation did not agree to the amount withheld.

Any inaccurate employee withholdings should be researched and corrected. Any incorrect reporting should be corrected. The IRS should be contacted on the best way to proceed.

Deductions for federal, state, and county (local option) taxes should offer no difficulty, since remittances to the Internal Revenue Service and to the State Department of Revenue should be equal to the amounts withheld from employees. The same is true where the entire amount deducted from employees' earnings for any purpose is paid by the employees. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 6)

SURPLUS TAX FUND

The Auditor was holding \$43,674.50 in Surplus Tax Funds, which were held more than three years. The Surplus Tax Fund Ledger was not reconciled to the Auditor's Ledger as of December 31, 2007.

Indiana Code 6-1.1-26-6(c) states:

"If an excess payment is not claimed within the three (3) year period after November 10 of the year in which the payment was made and the county treasurer has given the written notice required under subsection (d), the county auditor shall transfer the excess from the surplus tax fund into the general fund of the county. If the county treasurer has given written notice concerning the excess under subsection (d), the excess may not be refunded under subsection (a) after the expiration of that three (3) year time period transfer on the schedule."

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Auditors, Chapter 14)

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
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IMPROPER WATERCRAFT EXCISE TAX DISTRIBUTION

Watercraft excise tax detail from the Bureau of Motor Vehicles was tested for proper distribution. Four out of nine quietuses with detail were tested for proper distribution. In February of 2007, \$33.25 was received by Monroe County which was for Steuben County, Fremont Township. These funds were distributed to Benton Township taxing district in Monroe County instead of being returned to the State of Indiana for proper distribution. A chart is shown below to show the discrepancies between the original distribution to the taxing districts and the tested distribution.

Taxing Districts	Original Distribution	Tested Distribution	Over (Under) Distributed
Bean Blossom Township	\$ 3,847.58	\$ 2,013.32	\$ 1,834.26
Benton Township	7,137.04	7,736.01	(598.97)
Clear Creek Township	17,773.07	39,926.58	(22,153.51)
Indian Creek Township	1,086.89	1,350.52	(263.63)
Polk Township	2,033.38	2,726.02	(692.64)
Richland Township	2,752.71	5,651.44	(2,898.73)
Ellettsville	4,087.55	1,219.79	2,867.76
Salt Creek Township	7,277.00	7,307.91	(30.91)
Washington Township	3,686.47	1,948.07	1,738.40
Bloomington Township	12,051.30	3,830.26	8,221.04
Bloomington City	9,311.41	2,679.09	6,632.32
Perry Township	9,571.90	6,739.67	2,832.23
Perry City	7,607.97	6,061.94	1,546.03
Van Buren Township	3,697.30	5,877.82	(2,180.52)
Van Buren City	3,252.32	00.00	3,252.32
Stinesville	-	72.20	(72.20)
Out of County	-	33.25	(33.25)
Totals	<u>\$ 95,173.89</u>	<u>\$ 95,173.89</u>	<u>\$ -</u>

The amount of the tax due on each boat is based on the boat's class and age. Indiana Code 6-6-11-10 sets out fourteen classifications for boats based on the value of the boat when it was new and Indiana Code 6-6-11-11 provides for reductions based on the age of the boat. The tax is paid to the Bureau of Motor Vehicles and license branches may be used for the collection of the tax.

Before the eleventh day of the month following the month in which the collections are made, the Bureau of Motor Vehicles shall report the excise taxes collected to the county treasurer. The Bureau shall also forward a copy of the excise tax report to the county auditor.

Upon receipt of the report and copies of the registration certificates, the county auditor shall determine the total amount of boat excise taxes collected for each taxing district in the county. The amount so collected shall be apportioned and distributed among the respective funds of each taxing district in the manner and at the same time as property taxes are apportioned and distributed. Such determination shall be made from copies of boat registration forms furnished by the Bureau of Motor Vehicles. Collections received should be recorded in a separate section of County Form Nos. 24F, County Auditor's Record of Annual License Excise Tax, and 24-ET, County Auditor's Allocation of License Excise Tax, in the same manner as vehicle license excise tax is recorded.

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MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

At the time of each semiannual tax settlement the county treasurer shall report such tax collections on County Form No. 49BC, Report of Boat Excise Tax Received, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. If a boat owner sells his (her) boat they are entitled to a credit of the remainder of the tax in accordance with the formula outlined in IC 6-6-11-17. However, no refund can be made on a credit issued because of the sale of a boat. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 9)

EXCISE TAX DISTRIBUTION

The balance on the excise tax ledger kept by the Auditor's office did not agree with the balance on the Treasurer's Cashbook at December 31, 2007. The difference was \$115,041.86 more on the Treasurer's Cashbook.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for Auditor's, Chapter 9)

OVERPAYMENT COLLECTIONS

Overpayments of \$66,444.91 were made to Lake Lemon Conservancy District for conservancy tax. Refunds have not been received as of June 19, 2008.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Auditors, Chapter 14)

REASONABLENESS OF EXCISE TAX DISTRIBUTION

License excise tax distributions to the taxing units for 2007 were not reasonable. In reviewing the amounts distributed, Richland Bean-Blossom School received \$275,845.91 more than in 2006, Monroe County School Corporation received \$502,182.63 less than in 2006, and the City of Bloomington received \$341,247.55 less than in 2006. The percentage of variance in the distributions ranged from a (34%) to 283%.

The Auditor was informed that license excise distributions need to be recalculated.

The following steps should be taken by the Auditor to record, balance, and distribute excise tax:

1. Compare reported totals from REGFUTOT to deposits in the county treasurer's excise tax account. For counties without wheel tax/surtax, this will be the county tax column. For counties with wheel tax/surtax, this will be the total of the county tax column, and the surtax column.
2. Review the REGFUDET report, which is the detail of the registrations by taxing unit. Look for registrations that have been reported on the wrong taxing unit. We would suggest just showing your adjustments at the bottom of the unit's page, subtracting from the totals the registration(s) that does not belong in that unit and adding to the totals the registration(s) that belong in that unit.

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
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3. Post County Tax total, as adjusted in Step 2, from the REGFUDET report to County Form 24F, County Auditor's Record of Annual License Excise Tax. This should be posted in the Received From Branches column. There should be one page per taxing unit.
4. Post Lottery Amount Due total, as adjusted in Step 2, from the REGFUDET report to an accumulation worksheet. This can be on any developed application that you need to use for your county. The example used in this discussion was put on the spreadsheet in Lotus 123. It could also be done manually using columnar pads. This form is not a prescribed form nor does it need to be approved. This is just a tool to help accumulate the totals to apportion the lottery distribution.
5. Post County Tax total from the REGFUTOT report to County Form 24F, Control page. This form will show the county as a whole. At all times the total of all the taxing units County Form 24F should agree with the total on the County Form 24F, Control. Other terms for this would be that the Form 24F's are the subsidiary ledgers and the Form 24F, Control is the control ledger. The subsidiary ledgers should always equal the control ledger.
6. The cumulative worksheet, the individual taxing units 24Fs and the 24Fs, Control, should be posted by report date from the Bureau of Motor Vehicles printout. This is not necessarily by the week or the month as was done in the past. Since two reports are supposed to be issued each week, these forms should be posted twice a week.
7. You will be receiving a lottery credit check from the Auditor of State each month. This will more than likely not be for the full amount of the lottery credit that is reported by the BMV. This is just a situation that we must deal with due to the way the laws are written and the computation the Auditor of State must make. Therefore, we need to keep another worksheet apportioning the lottery credit check to the proper taxing units. Again, this example 9-27 was done on a Lotus 123 spreadsheet but may be done by you in a way that fits your county situation. This form also is not prescribed nor does it need to be approved. Post the cumulative total from your accumulating worksheet to an apportionment worksheet using the report dates of the tax cut check. Multiply the gross lottery by the factor which will be given to you by the Auditor of State. This will compute the portion of the tax cut check that will go to that taxing unit. Subtract the tax cut distribution from the gross lottery which gives you the amount of undistributed lottery credit not included in the tax cut check. It will be important to keep track of this amount for later use. The total of the lottery distribution for all taxing units should equal the amount of the check. You will probably have to round the amount up or down to equal the check, so we recommend applying that to the largest taxing unit.
8. Post the apportioned lottery distribution by taxing units to the appropriate County Form 24F in the column Received From Lottery Proceeds.
9. Add and foot across the collections on the Form 24F which will be the amount of excise tax that you have available for distribution either through an advance draw or the semi-annual distributions.
10. Post the total tax cut check to the County Form 24F, Control and again when all the postings are made to this form and Form 24F, the total of the individual taxing units Form24Fs equal the balance on the Form 24F, Control. Prior to such determination, the

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

county assessor of each county shall, from copies of registration forms, cause information pertaining to legal residence of persons owning taxable vehicles to be verified from his/her records, to the extent such verification can be so made. He/she shall further identify and verify from his/her records the several taxing districts within which such persons reside. [IC 6-6-5-10] County Form No. 24F, County Auditor's Record of Annual License Excise Tax, has been designed to account for the amounts received, the amounts distributed at each semiannual tax settlement and the balance of license excise tax on hand.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Compliance Guidelines Manual for County Auditors, Chapter 9)

GENERAL PROPERTY TAX DISTRIBUTION

The MVP software was used for the first time in 2007 to aid in the calculation of general property tax distributions. A reasonableness test of tax distributions to taxing units reflected variances from (18%) to 54%. The variance in taxes collected for 2007 compared to 2006 was an overall increase of 4%. The Auditor was informed of the variances and the possibility of errors within the calculations of tax distributions from the taxing district to the taxing units.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Auditor's, Chapter 9)

PAYMENT FOR EXAMINATION OF RECORDS

A review of certificate of tax distributions found that the City of Bloomington had deductions from their tax distributions, for examination of records, of \$18,393 on three separate occasions. It was withheld June 17, 2005, January 9, 2006, and July 14, 2006. A review of amounts paid to the City of Bloomington did not reflect any of the amounts being distributed to the City. In total, the City should be refunded \$36,786.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Auditor's, Chapter 9)

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

FIXED ASSETS

Information presented for audit did not indicate a complete inventory of fixed assets for buildings and improvements.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Auditors, Chapter 14) A similar comment appeared in a prior report.

PRESCRIBED FORMS

The following prescribed or approved forms were not in use: General Fixed Asset Ledger (Form 146) and Record of Annual Excise Tax (Form 24F).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Auditors, Chapter 14) A similar comment appeared in a prior report.

PENALTIES, INTEREST, AND OTHER CHARGES

We noted instances of payments to vendors that were paid up to two months after the due dates. As a result the penalty and interest charges were incurred.

1. Late fees totaling \$315.92 were paid to AT&T.
2. Late fees totaling \$249.40 were paid to Duke Energy.
3. Late fees totaling \$15.66 were paid to Bloomington Utilities.
4. Late fees and finance charges totaling \$72.02 were paid to Visa.

Total penalties, interest, and other charges were \$653 as shown in the Summary of charges, page 13. Sandra M. Newmann, Auditor, was requested to repay these amounts.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

As stated in the prior audit reports which Sandra M. Newmann attended, any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Auditor's, Chapter 14)

COUNTY AUDITOR  
MONROE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

INSURANCE COVERAGE

Sandra M. Newmann, Auditor, was covered by an official bond with Fidelity and Deposit Company for \$50,000 for the period of January 1, 2005, until successor is duly qualified.

ANNUAL REPORT

An annual report for 2007 was presented for audit but did not agree to the county's financial statements. Investment activity and investment balances at December 31, 2007 were not reported on the county's annual report. There was one fund which was not on the annual report as presented. The detail of receipts and disbursements did not agree to the revenue and expenditures detail reports.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

COUNTY AUDITOR  
MONROE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2008, with Joyce B. Poling, County Commissioner; Iris Kiesling, County Commissioner; William Steger, County Attorney; Marty Hawk, County Council; Jeff Cockerill, County Attorney; Michael Flory, County Attorney; Charles Newmann, County Council; and Sandra Newmann, Auditor.

COUNTY AUDITOR  
MONROE COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sandra M. Newmann, Auditor: Penalties, Interest, and Other Charges, page 10	<u>\$ 653</u>	<u>\$ -</u>	<u>\$ 653</u>

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AFFIDAVIT

STATE OF INDIANA        )  
                                  )  
Greene COUNTY)

We, Mary Annette Ladson, Dawn Kasemeier, and Michael Sullivan, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the County Auditor, Monroe County, Indiana, for the period from January 1, 2007 to December 31, 2007, is true and correct to the best of our knowledge and belief.

Mary Annette Ladson

Dawn Kasemeier

Michael Sullivan  
Field Examiners

Subscribed and sworn to before me this 7<sup>th</sup> day of October, 2008

Frances L. Abbatt  
Notary Public

My Commission Expires: 1-24-2015

County of Residence: Greene