

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

AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
12/16/2008



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Annual Report.....	4
Funds Ledger.....	4-5
Payroll Withholdings Funds .....	5
Credit Card Purchases .....	5
Cash Overdraft .....	6
Drainage Funds .....	6
Excise Tax .....	6-7
Tax Sale Surplus Fund .....	7
Tax Sale Redemption Fund.....	7-8
Surplus Tax Fund .....	8
Exit Conference.....	9

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Michael C. Eby Peter H. Mullen	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the County Council	Rafael Morton	01-01-07 to 12-31-08
President of the Board of County Commissioners	Steven Ross Mark A. Dobson	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF ST. JOSEPH 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 St. Joseph County for the year 2007.

STATE BOARD OF ACCOUNTS

October 29, 2008

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The annual report presented for audit contained misclassified funds, inaccurate cash balances, transfers in/out not balancing, and some funds omitted from the report. Corrections for these items were discussed with and accepted by County officials and employees. These corrections then resulted in a more materially accurate financial statement.

A materially accurate financial statement would be a requirement of the cash and investment basis of accounting and the budget laws of the State of Indiana. To completely adhere to those requirements a few corrections are needed to the CAR.

Supplemental CAR-1 forms to be completed by departments are to be returned to the County Auditor by January 20 of the subsequent year of audit. The Auditor then needs to include this information in the CAR.

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."

FUNDS LEDGER

Cash balances of five funds are incorrectly stated on the Funds Ledger. Some funds do not carry forward cash balances from year to year.

The Community Corrections - Home Detention Fund has a cash balance on the Funds Ledger of \$1,384,047. The actual cash balance is \$1,408,555, a difference of \$24,508. The Community Transition Program Fund has a cash balance on the Funds Ledger of \$1,377,012. The actual cash balance is \$679,768, a difference of \$697,245. The County Sales Disclosure Fee Fund on the Funds Ledger does not have a cash balance at any time. It has never been set up on the accounting software to show a cash balance. The Plat Book Fund and the State Sales Disclosure Fee Fund have minor differences between the Funds Ledger and the actual cash balances. Corrections were made during 2008 to correct these differences.

The County Auditor and Treasurer both have separate accounting software programs, outside the Funds Ledger, that maintain cash balances by fund. These programs are reconciled to each other but are not reconciled to the Funds Ledger.

Numerous quietuses (receipts) are posted to receipt accounts that are not representative or descriptive of the type of money being received. On the Funds Ledger, receipt accounts titled Refunds, Reimbursements, Transfers, and Non-Identified Revenue are used excessively. Extensive use of these receipt accounts for receipts that should be posted to other more appropriately titled accounts prohibits effective preparation of internal and external reports on historical receipt activity.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

PAYROLL WITHHOLDINGS FUNDS

Several of the County's payroll withholdings funds had cash balances at December 31, 2007, these funds are as follows:

U.S. Savings Bonds (Fund 43) \$911  
Federal Withholding Fund (Fund 45) (\$23)  
Indiana Gross Withholding Fund (Fund 46) (\$40,655)  
Michigan State Withholding Fund (Fund 47) (\$22)  
FICA (Fund 48) \$168  
Public Employees' Retirement Fund (PERF) (Fund 49) \$30,429  
Employees Miscellaneous Insurance Fund (Fund 52) \$2,614

These funds accumulate withholdings from employee's payroll and subsequently distribute the withholdings to various agencies. These funds should routinely have a zero balance after adjusting for any fund waiting for disbursement.

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 County Auditors of Indiana, Chapter 14)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

CREDIT CARD PURCHASES

The County's credit card policy, in the Human Resources Policies and Benefits Manual, states in part: ". . . that all County credit card purchases for approved travel only including such expenses as hotel, meals, gasoline, airline tickets, cab fares, and registration fees directly related to approved travel . . ." We reviewed 11 credit card claims, and of those 11, 6 claims had purchases other than travel. For example, purchases were made for instruction supplies, food for board meetings, gift cards, internet services, and postage.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

CASH OVERDRAFT

As noted in the prior Reports B28219 and B31267, the Group Insurance Fund has had a negative cash balance dating back to 2002. At September 30, 2008, the cash balance is a negative \$6,049,616. The following schedule shows this Fund's cash balance at periodic moments in time.

<u>Year Ending</u>	<u>Cash Balance</u>
12-31-02	\$ (2,091,125)
12-31-03	(4,183,554)
12-31-04	(5,524,952)
12-31-05	(9,149,596)
12-31-06	(12,052,238)
12-31-07	(8,939,250)

The negative cash balances have occurred because County officials have not sufficiently funded costs. These large negative cash balances are, in effect, reducing the available cash balance in other County funds. As of December 31, 2007, the General Fund cash balance was \$2,221,320 and not sufficient to cover the Insurance Funds' overdrawn cash balances.

In addition to the Group Insurance Fund, the Judgement Bond Fund, Redevelopment Bond 2001 Fund, and the General Drain Improvement Fund had negative cash balances of \$72,993, \$24,192, \$73,455, respectively, at December 31, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

DRAINAGE FUNDS

A comparison of the cash balances as noted in the drainage subsidiary ledgers to the cash balances as reconciled on the funds ledger for drainage funds notes a difference that has changed from year to year over the past three years. At times the subsidiary records have more cash than the funds ledger and at other times the funds ledger has more cash than the subsidiary records. At December 31, 2007 the combined cash balances of the Drainage Maintenance Fund and the General Drain Improvement Fund exceed the subsidiary ledger balances by \$181,205.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary of control ledgers, then the responsible official or employee may be held responsible for the amount needed to balance the fund. (Accounting and Uniform compliance Manual for County Auditors, Chapter 1-5)

EXCISE TAX

The December 31, 2007, balance in the County Auditor's excise tax ledger, \$102,430,846, did not agree with the balance on the County Treasurer's Daily Balance of Cash and Depositories, \$1,480,076. Excise Settlements from 2004 through 2007 have not been posted to the Auditor's excise tax ledger. A similar comment appeared in the prior Report B31267.

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

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 County Auditors, Chapter 14)

TAX SALE SURPLUS FUND

The Tax Sale Surplus Fund ledger was not reconciled with the County's Tax Sale Surplus Fund. Reports presented for audit were for activity in 2007 and in 2008. We reviewed records to August 31, 2008. The balance per the County's Tax Sale Surplus Fund as of that date was \$2,271,546. The balance per the tax sale surplus records was \$2,855,077, a difference of \$583,531.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balances 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 County Auditors, Chapter 14)

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 County Auditors, Chapter 14)

TAX SALE REDEMPTION FUND

The tax sale redemption records were not reconciled with the County's Tax Sale Redemption Fund. The balance at December 31, 2007, in the County's Tax Sale Redemption Fund was \$179,286. The balance per the tax sale redemption records was \$163,174. This results in an overage in the fund of \$16,111. In reviewing the County's Tax Sale Redemption Fund on the funds ledger for 2008, it was discovered that there are disbursements made from this fund to the County Treasurer for property taxes. The amount needed to satisfy the taxes has already been paid to the Treasurer by the person who purchased the property at tax sale. With these disbursements being made this has caused a negative balance in 2008 in the County's Tax Sale Redemption Fund of \$262,761. The Tax Sale Redemption Fund should never have a balance below zero.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balances 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 County Auditors, Chapter 14)

When real property is redeemed, a quietus shall be issued by the county auditor in favor of the person paying the money to the treasurer and the amount received into the "tax sale redemption" fund shall be held in trust for the purchaser. The county auditor shall issue a warrant to the purchaser or purchaser's assignee upon the surrendering of the certificate of sale, in an amount equal to the amount received by the treasurer for redemption. The county auditor shall endorse the certificate and preserve it

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

as a public record. If a certificate of sale is lost and the county auditor is satisfied the certificate did exist, the county auditor may make payment to the purchaser or purchaser's assignee in the manner provided in IC 6-1.1-25-3. The name of the person who redeems the property, the date of redemption and the amount for which the property is redeemed shall also be entered in the Tax Sale Record (Form 137). (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 9)

SURPLUS TAX FUND

The surplus tax fund ledger was not reconciled with the County's Surplus Tax Fund. Records presented for audit indicate that at December 31, 2007, the County's Surplus Tax Fund had a balance of \$3,774,214. Lists of payments received in prior years have not been accurately maintained, thus a total amount of the outstanding surplus tax payments on hand could not be determined. The Auditor should determine current outstanding amounts and adjust the fund balance accordingly. A similar comment appeared in the prior two Reports, B28219 and B31267.

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 County Auditors, Chapter 14)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Manual for County Auditors, Chapter 14)

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2008, with Peter H. Mullen, Auditor;  
and Cynthia Bodle, Deputy Auditor.