

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

EXAMINATION REPORT

OF

COUNTY AUDITOR

KNOX COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/16/2008

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Sharon Duke	01-01-07 to 12-31-10
President of the County Council	Robert Lechner Timothy Ellerman	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	James Parish Fred Thompson	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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TO: THE OFFICIALS OF KNOX COUNTY

We have examined 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 Examination Results and Comments. The financial transactions of this office are reflected in the Annual Report of Knox County for the year 2007.

STATE BOARD OF ACCOUNTS

November 5, 2008

COUNTY AUDITOR
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for examination did not include an approved budget for the examination period. The following expenditures exceeded approved additional appropriations for the following funds:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Highway	2007	\$ 84,105
Family and Children	2007	80,046
Reassessment	2007	8,020

A similar comment appeared in prior reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

APPROVAL OF FORMS

Knox County was using forms which had not been approved for use in lieu of the prescribed form:

County Form 146, Capital Asset Ledger

The County's records did not classify assets by type for proper financial reporting.

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)

A similar comment appeared in prior reports.

BANK ACCOUNT RECONCILIATIONS - BENEFIT TRUST ACCOUNT

As stated in prior reports, no reconciliation of the fund balance to the bank account balance for the Benefit Trust Account (internal service fund) was performed during the examination period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY AUDITOR
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CASH OVERDRAFT

At December 31, 2007, the following funds had a cash overdraft balance:

Prosecutor "CARE" Grant	\$ 406
Juvenile Accountability	6,059
County Solid Waste Planning	4,929
Governor's Task Force	2,701
Drug Seizure	50,776
Victim Assistance	16,758
Landfill Closure	156
Tax Sale Redemption	2,594
Sewer Tax	1,219
County Sheriff	1,917

A similar comment appeared in prior reports.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Knox County Benefit Trust Fund. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Subsidiary accounts did not agree to the control for this fund.

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 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)

A similar comment appeared in prior reports.

COUNTY AUDITOR
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL

Our testing of the payroll system revealed the following deficiencies:

1. Employee service records (General Form 99A) did not contain all the necessary information and some did not accrue leave time in accordance to the employee policy.
2. Vacation and sick leave taken per the employee service records was not recorded as such on the payroll time sheets.

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 6)

A similar comment appeared in prior reports.

FINANCIAL REPORT OPINION MODIFICATION

The beginning balances presented for the current examination period were incomplete due to 2006 financial information being unaudited. This results in the beginning balances presented in this examination period as being unaudited. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditor's, Chapter 14)

A similar comment appeared in a prior report.

CAPITAL ASSET RECORDS

Information presented for examination did not indicate a complete inventory or record of capital assets using Form 146.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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 County Auditor's, Chapter 14)

COUNTY AUDITOR
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2008, with Fred Thompson, President of the Board of County Commissioners.

The contents of this report were discussed on November 5, 2008, with Tim Ellerman, President of the County Council; and Sharon Duke, Auditor. The official response has been made a part of this report and may be found on pages 8 and 9.

KNOX COUNTY Auditor

SHARON K. DUKE

COURTHOUSE

111 N. SEVENTH STREET

VINCENNES, IN 47591

(812) 885-2502



November 14, 2008

Mr. Bruce Hartman, State Examiner
State Board of Accounts
302 West Washington St
RM E 418
Indianapolis, IN 46204-2765

Dear Mr. Hartman:

This is in response to your audit report of the Knox County Auditor for the year 2007 as follows:

APPROVAL OF FORMS:

I have instructed my bookkeeper to start using Form 146 in lieu of just typing a list of assets the county owns.

BANK ACCOUNT RECONCILIATION – BENEFIT TRUST ACCOUNT:

I have called the insurance company and requested a list of checks instead of just the daily total amount of checks written, so that we will have check numbers and amounts to match with the amounts that were written for insurance claims. Hopefully, we will be able to reconcile the insurance statement with the bank statement.

CASH OVERDRAFT:

The following funds were overdrafts due to the fact that they are reimbursable grants: Prosecutor "Care" Grant, Governor's Task Force, and Victim Assistance. The following funds were worked on during the first of 2008 and corrected: Juvenile Accountability and County Solid Waste Planning. The drug seizure fund, sewer tax fund, tax sale redemption and county sheriff overdrafts are still being looked into; not making excuses, but these are overdrafts that I inherited when I took office in 2007.

CONDITION OF RECORDS:

I became auditor in 2007 and have been working diligently to teach my bookkeeper, that I inherited from the previous auditor, to properly keep the financial records according to the Accounting and Uniform Compliance Guidelines Manual for County Auditors. I feel that we have made great progress and that the audit in 2008 will be even better than this year.

Sincerely,



Sharon K. Duke
Knox County Auditor