

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

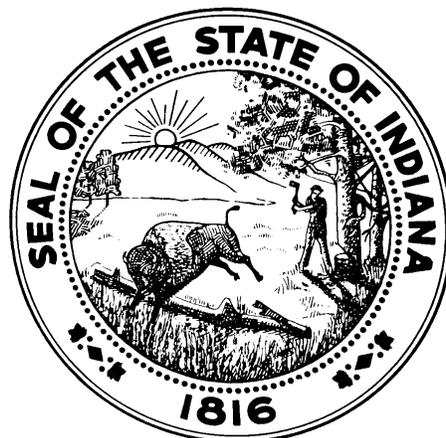
AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

11/03/2009

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Peter H. Mullen	01-01-08 to 12-31-11
President of the County Council	Rafael Morton	01-01-08 to 12-31-09
President of the Board of County Commissioners	Mark A. Dobson Robert Kovach	01-01-08 to 12-31-08 01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ST. JOSEPH COUNTY

We have audited the records of the County Auditor for the period from January 1, 2008 to December 31, 2008, 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 2008.

STATE BOARD OF ACCOUNTS

September 22, 2009

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The County paid \$106 in late charges to AT&T related to monthly payments for the additional E911 service - coterminous to SCH 2434700-001. This late charge was paid with the payment due February 1, 2008.

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.

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 County Auditors of Indiana, Chapter 14)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General - Coroner's Department	2008	<u>\$ 156,764</u>

IC 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."

DRAINAGE FUNDS' SUBSIDIARY LEDGERS

The January 1, 2009, General Drain Improvement Fund's subsidiary ledger presented for our audit showed a balance of (\$706,104). This balance should agree to the Auditor's fund ledger which had a January 1, 2009, cash balance of (\$95,401) for this fund. The subsidiary ledger amount includes only maintenance repayable and does not include amounts advanced from other funds and other past years' adjustments which are a part of the General Drain Improvement Fund. The Auditor was unable to provide us with these other portions of the subsidiary ledger.

The January 1, 2009, Drainage Maintenance Fund's subsidiary ledger presented for our audit showed a balance of \$981,271. This should agree to the Auditor's fund ledger which shows \$979,803 for this fund or \$1,467 less. The December 31, 2007, difference reported in previous Report B33485 was \$132,714. The difference at May 20, 2009, the date of the most recent transactions posted to the subsidiary ledger (as of July 24, 2009) was (\$41,209).

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

The Auditor has been unable to balance these records for several years. A similar audit exception was included in previous Report B33485. Inaccurate subsidiary ledgers make it difficult for the Surveyor and Drainage Board to make decisions regarding each drain.

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 of Indiana, Chapter 14)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

TAX SALE SURPLUS RECONCILIATIONS

The August 3, 2009, balance of tax sale surplus on hand, as shown in the tax sale record, \$2,507,783, does not agree with the balance in the Tax Sale Surplus Fund, on the Auditor's financial system, \$2,286,864. This reconciliation indicates that there should be \$220,918 more tax sale surplus than there is cash balance in the fund.

The prior Report B33485 included a similar audit exception. That report showed that the August 31, 2008, tax sale surplus was \$583,531 more in the tax sale record than cash balance in the fund.

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 of Indiana, Chapter 14)

TAX SALE REDEMPTION

The Auditor does not reconcile the tax sale redemption balance in the tax sale record with the fund cash balance shown in the funds ledger. The cash balance in the funds ledger was a negative \$203,674 at December 31, 2008, and a negative \$276,293 at August 10, 2009. Our review of tax sale redemption receipts in December 2008 shows that \$49,390 was paid in 2009. This indicates that the December 31, 2008, cash balance should be at least \$49,390.

Our review of the Tax Sale Redemption Fund shows many redemption amounts paid out that do not equal amounts received. Some of the larger amounts are three payments for voided tax sales, \$80,000, check 441948; \$89,041, check 424565; and \$180,000, check 437339; and one payment for tax sale surplus, \$90,216, check 446998. None of these amounts were receipted into the Tax Sale Redemption Fund.

County officials explained that the voided tax sale refunds were erroneously paid from the Tax Sale Redemption Fund. The proceeds from the tax sale were placed in the Tax Sale Surplus Fund, if any surplus was received; in the General Fund, for tax sale cost reimbursement; and in the County Treasurer's property tax collections for delinquent property taxes.

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

The prior Report B33485 shows that the reconciliation of the tax sale redemption in the tax sale record was \$16,111 less than the fund's cash balance in the Auditor's funds ledger.

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 of Indiana, Chapter 14)

UNCLAIMED TAX SALE REDEMPTION

Due to the condition of the tax sale redemption accounting records, the Auditor is unable to determine unclaimed property subject to unclaimed property laws.

IC 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable."

IC 32-34-1-26(a) states in part:

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property."

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 include such expenses as hotel, meals, gasoline, airline tickets, cab fares, and registration fees directly related to approved travel . . ." We reviewed seven credit card claims, all of which had purchases other than travel. For example, purchases were made for instructional supplies, food for board meetings, gift cards, internet services, and postage. A similar comment appeared in prior Report B33485.

In addition, four of the seven claims reviewed had missing supporting documentation, such as receipts for postage, department store receipts, instructional supplies, and internet service.

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

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

INCOMPLETE ANNUAL REPORT

The 2008 Annual County Financial Report prepared by the Auditor is incomplete. Part 10, Financial Assistance to Nongovernmental Entities is blank. Our review of 2008 County expenditures shows that at least \$5,207,602 was paid to nongovernmental entities.

IC 5-11-1-4 states in part: "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year."

EXCISE TAX

The Auditor is unable to identify the balance in the excise tax account. His office does not maintain an excise tax ledger. The County Treasurer's records show that \$1,147,209 in excise taxes are on hand as of December 31, 2008.

The Auditor's records should be able to identify the excise taxes on hand that have not been included in tax settlements and distributions to local taxing units. A similar audit exception was included in prior Report B33485.

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

SURPLUS TAX LEDGER

The Auditor was unable to provide us with a reconciliation of the surplus tax ledger compared to the funds ledger. The funds ledger shows that the surplus tax fund had a \$2,145,564 cash balance as of December 31, 2008. A similar exception was included in the several prior reports, the most recent being B33485.

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

PAYROLL WITHHOLDINGS FUNDS

Seven of the County's payroll withholdings funds had cash balances at December 31, 2008. These funds are as follows:

U.S. Savings Bonds (Fund 43) \$911.28
Federal Withholding Fund (Fund 45) (\$114.76)
Indiana Gross Withholding Fund (Fund 46) \$2,460.50
Michigan State Withholding Fund (Fund 47) (\$21.79)
FICA (Fund 48) (\$85.87)
Public Employees' Retirement Fund (PERF) (Fund 49) \$30,475.60
Employees Miscellaneous Insurance Fund (Fund 52) \$2,614.38

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

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. A similar comment appeared in prior Report B33485.

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)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn on December 31, 2008:

<u>Fund</u>	
General	\$ 29,719,648
Parks and Recreation	635,445
Redevelopment Bond	
2001 Payment	1,262,136
Debt Service Other	5,507,866
General Drain Improvement	95,401
Group Insurance	5,961,197
Liability Reserve	539,600
Tax Sale Redemption	203,673
Clearing	121,420

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 of Indiana, Chapter 14)

COUNTY AUDITOR
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2009, with Peter H. Mullen, Auditor; and Cynthia A. Bodle, Chief Deputy Auditor. The officials response has been made a part of this report and may be found on pages 10 and 11.

The contents of this report were discussed on September 22, 2009, with Dave Thomas and Andrew Kostielney, County Commissioners; and Raphael Morton, President of the County Council.

ST. JOSEPH COUNTY AUDITOR

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South Bend, IN 46601
Telephone 574-235-9668
Fax 574-235-5024

Peter H. Mullen
Auditor

Cynthia A. Bodle
Chief Deputy Auditor

September 17, 2009

State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

Gentlemen:

The following is an official response to the results and comments from the Exit Conference of your Field Examiner.

Penalties, Interest and Other Charges

Late fees will be monitored closely by the Accounts Payable Department and they will not be paid. Further, Departments will be notified of their obligation to expedite the vendor's invoices as soon as they arrive in their respective departments.

Appropriations

Appropriations will be made to insure expenditures for a year do not exceed its budget for that year.

Drainage Fund Subsidiary Ledgers

The Surveyor and staff member for our office have been made aware of the need to reconcile these accounts and will make every attempt to do so and then balance on a monthly basis with each other, which will provide constant balances and not vary from month to month. Balances will be reviewed monthly.

Tax Sale Surplus Reconciliations

We will make every attempt to reconcile this account and continue to balance and reconcile on a monthly basis so the amounts do not vary each month. Balances will be reviewed monthly.

Tax Sale Redemption

As this fund is a "paid in" and immediately "paid out" this imbalance should not occur. We will analyze each transaction and compare the differences and determine why. After discussion with the staff payment for a "void" sale came out of this account when it should have been drawn from the tax sale Surplus Fund or the General Fund. This will be monitored and balances will be reviewed monthly.

Credit Card Purchases

Accounts Payable will not pay any invoice on a credit card that is in conflict with the Human Resource Policy and Benefits manual. For those purchases that are necessary to be purchased by credit card, we will ask the Human Resource Department to amend the policy.

Incomplete Annual Report

Will attempt to complete the Annual Report Electronically with assistance from the State Board of Accounts. Will strive for improvement.

Excise Tax

We will reconcile the fund to the Treasurer's record and will disburse funds if necessary.

Surplus Tax Ledger

We will transfer any surplus tax fund into the General Fund in accordance to the guidelines.

Payroll Withholding Funds

We will attempt to resolve the differences. Coming short of reconciliation, we will transfer the necessary amount into the General Fund by resolution to the County Council.

Overdrawn Cash Balances

Although recurring, recent years have occurred because of lagging tax receipts. As tax billing improves, receipts will also improve and thus overdrawn balances will be reduced and expenditures will be monitored closely.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter H. Mullen". The signature is fluid and cursive, with a large loop at the beginning and a long horizontal stroke at the end.

Peter H. Mullen
St. Joseph County Auditor