

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

AUDIT REPORT

OF

COUNTY AUDITOR

LAPORTE COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

11/25/2009

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Teresa M. Shuter Craig Hinchman	01-01-05 to 12-31-08 01-01-09 to 12-31-12
President of the County Council	Mark Yagelski	01-01-08 to 12-31-09
President of the Board of County Commissioners	William Hager Barbara Huston	01-01-08 to 12-31-08 01-01-09 to 12-31-09



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

TO: THE OFFICIALS OF LAPORTE 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 LaPorte County for the year 2008.

STATE BOARD OF ACCOUNTS

October 27, 2009

LAPORTE COUNTY
COUNTY AUDITOR
AUDIT RESULTS AND COMMENTS

TIMELY RECORDKEEPING

Electronic fund transfers (EFT) of the 2008 commercial vehicle excise tax collections totaling \$1,407,280 were not posted to the records in a timely manner. These funds were posted to the Treasurer's cash book and the auditor's records on January 9, 2009. The days between the date of the EFT's and the date until they were posted to the records range from 39 days to 240 days.

Additionally, EFT's of Property Tax Replacement Credits and Homestead Credits totaling \$13,804,110 were not posted in a timely manner. The days between the date of the EFT's and the date until they were posted to the records range from 33 days to 59 days. A similar comment was included in the prior Reports B32778 and B31214.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

IC 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds . . . 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. . . ."

PAYROLL ADVANCE PAYMENTS

County employees are paid on Fridays based on payroll worksheets submitted by departments to the County Auditor on the prior Friday. These paychecks and payroll worksheets are for the pay period ending the same date as the payroll check. In effect, employees are paid for work performed for one week and estimated for the second week. A similar comment was included in the prior Report B32778.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COMMERCIAL VEHICLE EXCISE TAX NOT RECOGNIZED IN 2008

The 2008 receipts for the Commercial Vehicle Excise Tax fund were understated by \$1,407,280. At December 31, 2008, the electronic fund transfer for the commercial vehicle excise tax was carried by the Treasurer's office as a reconciling item and it was ultimately receipted and posted to the Auditor's records in 2009. As a result of this, the County Auditor's Fund balance was understated by \$1,407,280. The annual report was adjusted to include the receipt of the commercial vehicle excise tax in the audited financial statements of the County.

LAPORTE COUNTY
COUNTY AUDITOR
AUDIT RESULTS AND COMMENTS
(Continued)

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

The following funds had overdrawn cash balances:

Governmental Funds:	
Pioneer Cemetery Operating	\$ 4,656
Juvenile Accountability Report	3,039
Emergency Response	2,204
Prosecutor Victim Advocate	22,403
Metro Op JAG 10K & Under	6,216
Adult Protective Services	10,639
Agency Funds:	
Settlement	174,154
Library Settlement	38
Center Township Poor Relief	91
Sheriffs Pension Nonreverting	51,540

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)

LAPORTE COUNTY
COUNTY AUDITOR
AUDIT RESULTS AND COMMENTS
(Continued)

OVERSPENT APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 3,584,019
2006 Reassessment	70,662
County Highway	765,652
County Health	26,130
Children Psychiatric Resident	281,900
Pioneer Cemetery	5,132

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."

COMPENSATION AND BENEFITS

There were instances where employees' compensation was not authorized in a salary ordinance, resolution, or labor contract. No LaPorte County elected officials' salaries are included in a salary ordinance. In our sample test, we found where an employee was paid a \$500 hazmat training stipend, which was not included in the County's salary ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 18)

RECEIPT ISSUANCE

Our tests of several County departments, found evidence that the department had given the County Auditor's office money collected by the department, but the County Auditor's office failed to issue a quietus in a timely manner. We found instances where the County Auditor's office issued the quietus up to a week after receiving the funds from the department. When the new Deputy County Auditor began her position in January 2009, she found large amounts of monies turned in by departments, but no quietus had been issued yet. A similar comment was included in the prior Report B32778.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

LAPORTE COUNTY
COUNTY AUDITOR
AUDIT RESULTS AND COMMENTS
(Continued)

REAL ESTATE DIVISION RECEIPT ISSUANCE

A sample test found that the receipts issued by the County Auditor's Real Estate Division did not agree with the corresponding report of collections. For the period November 24, 2008 to December 5, 2008, the real estate division receipts totaled \$873. The report of collections for the same period totaled \$916 or \$43 more. Also, four of the receipts during this period did not show whether the customer payment was cash or check. A similar comment was included in the prior Report B32778.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INCOMPLETE ANNUAL REPORT

The 2008 Annual County Financial report prepared by the County Auditor's office is incomplete. The County has various outside departments and pension trust funds that were not included in the annual report. In addition Part 10, Financial Assistance to Nongovernmental Entities did not include a number of agencies that received significant funding from the County. Our review of 2008 County expenditures showed that at least \$2,041,231 was paid to nongovernmental entities.

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. (IC 5-11-1-4(a))

COUNTY AUDITOR
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2009, with Teresa Shuter, former Auditor.

The contents of this report were discussed on October 27, 2009, with Craig Hinchman, Auditor; Barbara Huston, President of the Board of County Commissioners; and Rich Mrozinski, Jr., Vice President of the County Council.