

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

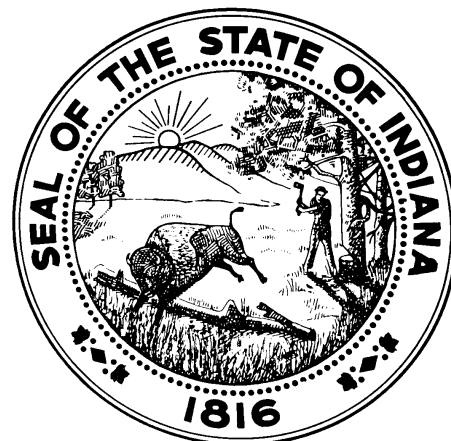
AUDIT REPORT

OF

COUNTY AUDITOR

KNOX COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

01/13/2010

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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	Timothy Ellerman	01-01-08 to 12-31-09
President of the Board of County Commissioners	Fred Thompson James Parish	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
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TO: THE OFFICIALS OF KNOX 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 Knox County for the year 2008.

STATE BOARD OF ACCOUNTS

October 19, 2009

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES - BENEFIT TRUST ACCOUNT

Penalties and interest totaling \$4,360.07 were paid to Regions Bank for overdrawn cash balances and nonsufficient fund fees in the Benefit Trust checking account for the period 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)

CONDITION OF RECORDS - BENEFIT TRUST ACCOUNT

The following deficiencies relating to the recordkeeping, which were cited in prior reports, were again present during our period of audit:

Financial records presented for audit were incomplete and not reflective of the activity of the Knox County Benefit Trust Fund. The records presented did not provide sufficient information to audit 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.

The reconciliations of the fund balances to the bank account balance for the Benefit Trust Account (internal service fund) were incorrect or incomplete. Record balances were not reconciled to depository balances during the audit period.

- (1) IC 5-13-6-1(e) states: "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."
- (2) At all time, 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 of Indiana, Chapter 14)
- (3) 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 of Indiana, Chapter 14)

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The County's annual report (CAR-1) contained numerous errors and the reliability of some of the funds receipts, disbursements and balances presented for audit could not be validated.

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)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2008:

Sewage Tax	\$ 1,219.33
Drug Seizure	50,776.56
Tax Sale Redemption	25.00
Knox County Benefit Trust	43,598.00

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)

A similar comment appears in prior reports.

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of audit:

Receipts were misclassified on the County's annual report. Distributions received from the Auditor of State, MVH distributions, federal receipts, transfers, and investment transactions were classified as miscellaneous receipts. Some funds were not included in the annual report. The beginning balances for some funds did not agree to the prior year's ending balances.

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 of Indiana, Chapter 14)

COUNTY AUDITOR
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Information presented for audit did not indicate a complete inventory or record of capital assets using Form 146. Individual offices submitted their year-end asset inventories, but their beginning balances for the current audit period did not agree to the prior year's ending balances. The County is not maintaining infrastructure records as required.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the Capital Assets Ledger Form 146. 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 Auditors of Indiana, Chapter 14)

A similar comment appeared in prior reports.

PENALTIES, INTEREST, AND OTHER CHARGES

On June 9, 2008, the County received a statement from Internal Revenue Service stating the County owed penalties and interest for the late filing of 1099's for the period ending December 31, 2004. Penalty and interest totaling \$4,679.13 was due on June 9, 2009. The Field Examiner contacted the Internal Revenue Service on August 31, 2009, and inquired if the penalty and interest had been paid, and if not, what was the current status of the statement. The Internal Revenue Service stated that the penalty and interest charge was still outstanding and that the Internal Revenue Service was still charging interest on this penalty. As of August 31, 2009, the outstanding balance including interest was \$4,867.74.

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2009, with Sharon Duke, Auditor. The official response has been made a part of this report and may be found on pages 8 and 9.

James Parish, President of the County Commissioners, and Timothy Ellerman, President of the County Council, were invited to attend the exit conference, but failed to appear.



KNOX COUNTY Auditor

SHARON K. DUKE

COURTHOUSE

111 N. SEVENTH STREET

VINCENNES, IN 47591

(812) 885-2502

November 5, 2009

CORRECTIVE PLAN FINDING 2008-1 CONDITION OF RECORDS

Finding 2008-1, Benefit Trust Account

The county is self-funding regarding employee insurance. The insurance company was constantly taking insurance claims out of the bank account before notifying the auditor's office of the amount of the claims that were going to be withdrawn. The bank would call us and we immediately took money over to put in the account. The corrective plan of action is we now have a different insurance provider and are being notified of the amount of claims that will be withdrawn from the account; therefore, we are sure to have the money to cover the claims in the account making it possible to balance with the bank's daily balance report and our insurance report.

Finding 2008-1, Internal Control, Condition of Records, Capital Asset Records,

I have replaced the previous bookkeeper with my accounts payable clerk. She has been working since May, 2009 on getting the accounts like they should be. We have been working hand in hand on getting things receipted into the correct line item and have reduced the errors tremendously because of her knowledge of how the system works. She is very conscious of her work and is a true asset to my office.

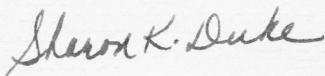
Finding 2008-1, Overdrawn Cash Balances

The drug seizure fund is due to money being receipted into the general fund and never being transferred to the drug seizure fund by the previous auditor. I have repeatedly requested permission, from the council president, to transfer the money that was found in the county general fund that should be in the drug seizure fund, but due to pending litigation, the council has denied the request. The transfer would not completely correct the matter but would reduce the amount tremendously. The other funds will be corrected this year.

Finding 2008-1, Penalties, interest and other charges

I have been in contact with the IRS to get the situation with the IRS resolved. This is a result of the prior administration that I felt had been rectified. It appears this is a different charge against the previous administration. I feel things have improved since I was elected and will be diligent in my efforts to continue to clean up situations from the previous administration along with situations during my term.

Sincerely,



Sharon K. Duke
Knox County Auditor