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

AUDIT REPORT
OF
COUNTY COUNCIL
CLARK COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
06/18/2010

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the County Council	David Abbott Jack A. Coffman	01-01-08 to 12-31-09 01-01-10 to 12-31-10
President of the Board of County Commissioners	M. Edward Meyer	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the County Council 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 Clark County for the year 2008.

STATE BOARD OF ACCOUNTS

May 19, 2010

COUNTY COUNCIL
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

DONATIONS APPROPRIATED AND PAID FROM ALCOHOL AND DRUG FUND

The Superior Court III operates an Alcohol and Drug Program to provide intervention services for individuals under the court's jurisdiction. Program fees collected are accounted for in the Alcohol and Drug Program Fund and are appropriated by the County Council as required by IC 36-2-5-2(b).

A review of the appropriation requests submitted during the year 2008 showed specific donation requests made by Superior Court III were approved by the County Council totaling \$898,454 in the form of monetary contributions or for the purchase of equipment given to various governmental entities and outside organizations as shown in the following schedule:

<u>Purpose</u>	<u>Payee</u>	<u>Amount</u>
<u>Examples of Specific Donations</u>		
Monetary Donation for Cars & Other Equipment	Clark County Sheriff	\$ 145,000
2 Cars for Superior Court III	Carriage Ford	36,045
Car for Circuit Court	Carriage Ford	14,543
Car for Superior Court I	Carriage Ford	18,522
Car for Superior Court II	Carriage Ford	19,372
4 Cars for Clark Co. Health Department	Carriage Ford	56,729
New Carpet for Judicial Offices	Winchell's Custom Carpet	37,600
Drug Enforcement Vehicle, Program and Officer	Utica Police Department	50,000
Blacktopping Materials	4-H Corporation	50,000
Benches for hallways in Judicial wing.	Clark County Building Authority	12,000
Collection and distribution of food donations	SE Indiana Baptist Association	10,000
Contributions to nine (9) high school libraries	Library of America	6,000
Monetary Contribution	Faith Evangel Church	2,500
Monetary Contribution	Jeffersonville Police Dept.	35,000
<u>Summary of Other Donations</u>		
Other State and Local Governmental Entities	Various	147,433
Donations to Other Outside Organizations	PTO; Band Boosters; Soccer Associations; Boys Scouts	127,270
Transfers to Other County Funds	Various County Funds	<u>130,440</u>
Total		<u><u>\$ 898,454</u></u>

IC 12-23-14-6(a) states:

"A program may provide for eligible individuals a range of necessary intervention services, including the following:

- (1) Screening for eligibility and other appropriate services.
- (2) Clinical assessment.

COUNTY COUNCIL
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) Education.
- (4) Referral.
- (5) Service coordination and case management."

IC 12-23-14-12 states:

"Program employees or contractors shall perform duties the court assigns, including the following:

- (1) Providing places for the program and the program's services.
- (2) Providing intervention, treatment, and rehabilitation services for eligible individuals.
- (3) Compiling information and statistics on the program's activities.
- (4) Reporting periodically to the court on program activities."

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SALARIES APPROPRIATED AND PAID FROM ALCOHOL AND DRUG FUND

Salaries or a portion of employees' salaries totaling \$58,550 were appropriated and paid for the following positions that did not provide services to the Alcohol and Drug Program:

<u>Position</u>	<u>Amount Paid</u>
Three (3) Traffic Bureau Clerks	\$ 28,406
Three (3) Superior III Court Clerks	<u>30,144</u>
Total	<u>\$ 58,550</u>

Payment for the above salaries is the responsibility of the County General Fund.

IC 12-23-14-6(a) states:

"A program may provide for eligible individuals a range of necessary intervention services, including the following:

- (1) Screening for eligibility and other appropriate services.
- (2) Clinical assessment.

COUNTY COUNCIL
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) Education.
- (4) Referral.
- (5) Service coordination and case management."

IC 12-23-14-12 states:

"Program employees or contractors shall perform duties the court assigns, including the following:

- (1) Providing places for the program and the program's services.
- (2) Providing intervention, treatment, and rehabilitation services for eligible individuals.
- (3) Compiling information and statistics on the program's activities.
- (4) Reporting periodically to the court on program activities."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

FUNDS EXPENDED WITHOUT COUNTY COUNCIL APPROVAL

The expenditures were paid from the following funds during the year 2008 without the County Council approving an appropriation:

<u>Fund</u>	<u>Without Appropriation</u>
Clark County Adult and Juvenile Facilities Usage	\$ 274,955
Landfill Improvements	2,353,276
Landowners Liability and Contingency	259,401
Cumulative Capital Development	228,834
Sheriff's Public Relations	104,894
Drainage Non-Reverting Fees	132,209

IC 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

FINANCIAL CONDITION – GENERAL FUND

As part of our audit of the County for the year 2008, we also reviewed the County General Fund's financial condition at December 31, 2009. The following is information regarding the financial condition of the County's General Fund as of December 31, 2009:

COUNTY COUNCIL
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Council Approved Budget in Excess of State Budget Order

On September 19, 2008, the County Council approved the 2009 General Fund budget in the amount of \$22,082,101. The County operated under the County Council approved budget until the final budget order was received from the Indiana Department of Local Government Finance (DLGF) on August 19, 2009 in the amount of \$14,715,025. Final budget approval by the DLGF was delayed due to delays by the County in certifying assessed valuations to DLGF.

On August 19, 2009, the County Council met and approved reductions to the original budget approved by the County Council. The total budget approved by the County Council was \$6,457,076 in excess of the DLGF budget order. The following schedule is a comparison of the final budgeted appropriations approved by the County Council and the budget order approved by the DLGF on August 19, 2009:

	<u>Appropriations</u>
County Council's Original Budget Approval for 2009	\$ 22,082,101
Budget Reductions Approved on 08/19/09	910,000
County Council Final Budget for 2009	21,172,101
DLGF Budget Order	14,715,025
Variance	\$ 6,457,076

The County Auditor used the final budget approved by the County Council in the amount of \$21,172,101 to monitor General Fund disbursements. As a result, County disbursements exceeded the DLGF budget order by \$2,642,666 as shown in the following schedule:

Disbursements

Disbursements per ledger for 2009	\$ 24,617,882
Adjustments:	
Less unappropriated State called meetings (a)	25,748
Less tax refunds (b)	4,568,238
Less voided checks (c)	1,629,312
Total adjusted disbursements	18,394,584

Appropriations

State budget order for 2009	14,715,024
Encumbrances carried forward from 2008	1,036,894
Total budget and encumbrances	15,751,918
Total disbursements in excess of appropriations	\$ 2,642,666

COUNTY COUNCIL
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Notes to Schedule:

(a) As provided by statute, State called meeting are paid without appropriation and would not be included in the total disbursements used for comparison with budgeted expenditures.

(b) Tax refunds are not included in the final adjusted disbursement amount since these disbursements are reimbursed to the general fund at the time of the December tax settlement.

(c) These are checks issued in error and subsequently receipted back to the record balance of cash.

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."

IC 6-1.1-18-10(a) states: "If the proper officers of a political subdivision make an appropriation for an item which exceeds the amount which they are permitted to appropriate under this chapter, they are guilty of malfeasance in office and are liable to the political subdivision in an amount equal to the sum of one hundred and twenty-five percent (125%) of the excess so appropriated and court cost."

No Appeal for Increase in Tax Rate

The final General Fund budgeted appropriations approved by the County Council for the year 2009 was in the amount \$21,172,101. This represented a 37% increase in appropriations approved for Clark County in the 2008 budget order approved by the Indiana Department of Local Government Finance (DLGF). The following schedule is a comparison between the 2009 final budget approved by the County Council and 2008 budget order approved by DLGF:

	<u>Appropriations</u>
Final Budget Approved by County Council for 2009	\$ 21,172,101
DLGF 2008 Budget Order	15,444,478
Increased Budgeted Appropriations	\$ 5,727,623

An \$11,000,000 tax levy for the General Fund would have been required in order to adequately fund the 2009 General Fund budget approved by the County Council. The \$11,000,000 tax levy required to fund the 2009 budget was 91% more than the maximum property tax levy determined by DLGF in the amount of \$5,771,670.

No information was presented for audit to show that County officials had taken any action to appeal for an increase in the County's tax rate or tax levy.

COUNTY COUNCIL
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AUDIT RESULTS AND COMMENTS
(Continued)

IC 6-1.1-17-15 states in part:

"A political subdivision may appeal to the department of local government finance for an increase in its tax rate or tax levy as modified by the county board of tax adjustment or the county auditor. To initiate the appeal, the political subdivision must file a statement with the department of local government finance not later than ten (10) days after publication of the notice required by section 12 of this chapter. The legislative body of the political subdivision must authorize the filing of the statement by adopting a resolution. The resolution must be attached to the statement of objections, and the statement must be signed by the following officers:

- (1) In the case of counties, by the board of county commissioners and by the president of the county council . . ."

Deficit Cash Balance

As of December 31, 2009, the County's General fund had a deficit cash balance of \$3,088,053. The primary cause of the deficit cash balance was the disbursement of funds in excess of the Indiana Department of Local Government Finance's budget order as described in the section titled "Council Approved Budget in Excess of State Budget Order."

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 Counties of Indiana, Chapter 1)

COUNTY COUNCIL
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2010, with Jack A. Coffman, President of the County Council. The official response has been made a part of this report and may be found on page 11.

The Audit Result and Comment titled "Donations Appropriated and Paid from Alcohol and Drug Fund" was discussed on May 19, 2010, with Steven M. Fleece, former Judge of Superior Court 3.

The contents of this report were discussed on May 19, 2010, with M. Edward Meyer, President of the Board of County Commissioners.

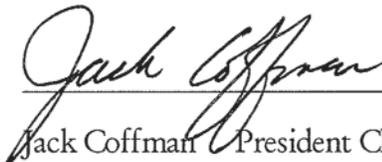
State Board of Accounts
302 West Washington St Rm E 418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE to Exit Conference held on May 19, 2010 in the Clark County Courthouse

Problems pointed out in this State Board of Accounts report broken down into four (4) areas.

1. Address the inappropriate procedures in expenditures
 2. Final submission of budget sent to Department of Local Government and Finance (DLGF) to be reviewed by Clark County Council
 3. Financial Management Systems
 4. Unappropriated expenditures by Department
1. A procedure for reporting all expenditures to the President of the Clark County Council should be put in place so as to bring attention to Departmental overspending. The Council being notified of overspending at the end of budget year is unacceptable.
 2. The Final Budget number that the Auditor submits the DLGF should be viewed by the Clark County Council to assure that the Final Budget is the same as what the Clark County Council approved at the conclusion of the budget session.
 3. Recommend Auditor prepares monthly report to and submit to Board of Commissioners and Clark County Council noting any discrepancies in the financial management system. The Auditor should also make note of any checking account reconciliations and errors.
 4. Auditor to notify Board of Commissioners and Clark County Council of any department expenditures that may be putting any expense account in danger of being overdrawn.

Problems pointed out by the State Board of Accounts exit conference shall be noted to ALL Clark County Council Members



Jack Coffman President Clark County Council

6-11-10
Date