

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

SUPPLEMENTAL REPORT

OF

COUNTY AUDITOR

FRANKLIN COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

01/03/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Noncompliance with Various Statutes – Health Insurance Fund	4-5
Personal Expenses, Donations, and Overpayments	5-6
Errors on Payroll and Vendor Claims	7
Exit Conference.....	8

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Susan A. Jones	01-01-08 to 12-31-10
President of the County Council	Hollie Maxie	01-01-09 to 12-31-10
President of the Board of County Commissioners	Eric Roberts	01-01-09 to 12-31-10



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 FRANKLIN COUNTY, INDIANA

We have audited the records of the County Auditor for the period from January 1, 2009 to December 31, 2009, 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 Franklin County for the year 2009.

STATE BOARD OF ACCOUNTS

September 29, 2010

COUNTY AUDITOR
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS

NONCOMPLIANCE WITH VARIOUS STATUTES - HEALTH INSURANCE MONIES

In 1998, a money-market account was established by a county commissioner at a local bank to serve as the primary account for the collection and distribution of the county's self-insured health insurance fund. The County Commissioners approved claims that effectively transferred cash from the various County fund appropriations paying the self-insurance premiums into this money market account. Insurance refunds were also deposited in this account. There was no corresponding fund established in the County Auditor's or Treasurer's records.

Disbursements from the money market account were made by electronic funds transfers to three other checking accounts that were used for the payment of medical claims, flexible spending, and health reimbursements, and only required the signature of the commissioners' secretary. There was no ordinance or resolution presented for audit that authorizes the electronic funds transfer as required by IC 5-13-5-5.

Expenditures from the three checking accounts referred to above were all made directly by the Plan Administrator who was given authority to write checks on these accounts. The actual claims to vendors were never certified by the County Auditor or approved by the County Commissioners as required by statute (only the original transfers of cash were approved). During the year 2009, the total of the claims paid without being approved is \$570,837.

The Commissioner and the Commissioner's Secretary also purchased two certificates of deposits from money market account totaling \$800,000. These certificates of deposit were not purchased by the County Treasurer as required by law. They were not listed in the treasurer's cashbook or posted to the County Auditor's fund ledger. In addition, the interest earned on the certificates of deposits and the other four bank accounts have never been receipted to the county records.

As a result of the processes adopted by the county for the self-insured health insurance fund, the cash and investment balance of the County reported in financial statements ending at December 31, 2008, and the financial statements prepared by the fiscal officer for the year 2009 required material audit adjustments. Appropriate audit adjustments were recommended, approved and incorporated into the current financial statements.

As of the date of this report all the above mentioned bank accounts have been closed, A Health Insurance Fund has been established in the accounting records, and all transactions related to the Health Insurance Fund are being recorded in that fund, and approved by the county executive.

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 Counties, Chapter 14)

COUNTY AUDITOR
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The fiscal body may by ordinance or resolution authorize the transaction of business with a financial Institution through the use of electronic funds transfer. The ordinance or resolution must:

1. Specify the types of transactions that may be conducted by electronic funds transfer; and
2. Require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law. [IC 5-13-5-5]

The treasurer is the custodian of all money belonging to the county. The treasurer shall receive all money coming to the county, and disburse the same on the proper orders issued and attested by the county auditor. (IC 36-2-10-9)

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 16)

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.

PERSONAL EXPENSES, DONATIONS AND OVERPAYMENTS

During our review of expenditures we noted several payments to both the American BAR Association and the Indiana BAR Association. The total expenditures made to these organizations were \$1,749 during the period January 1, 2009 through July 1, 2010. The amounts paid and the individuals for whom they were paid are listed below:

<u>Dues paid on behalf of:</u>	<u>Amount Paid</u>
Melissa Anne Wilhelm	\$ 115
Melvin F. Wilhelm	280
Clay Mathew Kellerman	844
J. Steven Cox	<u>510</u>
Total	<u>\$ 1,749</u>

The amounts listed above include dues, voluntary contributions to the Indiana BAR Foundation a 501(c)(3) organization, and payments to BARPAC a political action committee.

On September 29, 2010, each officer listed repaid the County Auditor for all related amounts

COUNTY AUDITOR
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Further review of the claims paid on behalf of Clay Mathew Kellerman showed that dues were paid twice to both the American BAR Association and the Indiana BAR Association for the periods ending August 31, 2010 and July 1, 2010, respectively. The total overpayment was \$564 of which \$230 was refunded to the County Auditor on October 18, 2010, by the Indiana BAR Association.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

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, Chapter 14)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

We know of no statutory authority for the payment of dues or related expenses from public funds for individual's memberships in professional organizations.

County Councils may appropriate necessary funds to provide membership of counties, and the elected and appointed officials and members of their respective boards and councils, in local, regional, state and national associations of a civic, educational or governmental nature which has as their purpose the improvement of government operations.

The County Council should designate the associations to which dues could be paid and appropriate necessary funds to defray the expenses of the County representative.

If the County wishes to grant itself authority to continue these memberships, it is required that an authorizing ordinance be enacted by the Board of County Commissioners.

It should be further noted that dues in professional associations, such as the Indiana State Bar Association and the American Bar Association are not payable from County funds. Disciplinary fees for fulltime prosecuting attorneys and deputy prosecutors may be paid from a proper appropriation of the County General Fund to the Supreme Court Disciplinary Commission.

Some prosecuting attorneys have relied upon IC 33-39-6-2 along with a line item appropriation to pay dues. This practice should stop. Counties which do not have a Home Rule ordinance should adopt one immediately. (The County Bulletin and Uniform Compliance Guidelines, Volume 354, Page 10)

COUNTY AUDITOR
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON PAYROLL AND VENDOR CLAIMS

None of the claims reviewed for payroll or vendors were certified by the auditor as true and correct as required by statute.

IC 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COUNTY AUDITOR
FRANKLIN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2010, with Susan A. Jones, Auditor.
The official concurred with our audit findings.