

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

SUPPLEMENTAL REPORT

OF

COUNTY AUDITOR

SHELBY COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

01/03/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Amy L. Glackman	01-01-07 to 12-31-10
President of the County Council	Terry Smith	01-01-09 to 12-31-10
President of the Board of County Commissioners	Tony Newton	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SHELBY COUNTY

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 Shelby County for the year 2009.

STATE BOARD OF ACCOUNTS

September 9, 2010

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER PAYROLL WITHHOLDINGS FUND

The detail (subsidiary) of payroll withholdings reconciles to the payroll withholdings fund control balance as of December 31, 2009. However, some of the individual payroll withholding accounts have insufficient fund balances available at that date to make the required remittances due in January 2010 as follows:

Subsidiary Withholding Fund	Insufficient Cash Balance Amount
Due to Federal Withholding	\$ 1,582.37
Due to Deferred Compensation	2,269.29
Due to Insurance	11,087.30
Due to Employees	66.96

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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Cumulative Capital Development	2009	\$ 39,417
Cumulative Reassessment	2009	30,982
Local Road and Street	2009	538,634

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."

CERTIFIED REPORT NOT FILED

The county did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2009.

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

DONATIONS OF RACINO FUNDS

The County receives slot machine wagering fees derived from a Racino. In 2009, the County donated \$176,500 of these Racino funds to two school corporations in Shelby County. The County also loaned \$30,000 of Racino funds to the Town of Fairland in Shelby County.

IC 4-35-8.5-4 (Use of County Slot Machine Wagering Fees) does not contain provisions authorizing a county to enter into agreements with units of local governments to share a county's share of admission taxes.

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 Auditors of Indiana, Chapter 14)

FUND SOURCES AND USES

The County deposited the Racino fees into a fund entitled Racino Fund instead of the General Fund as required by statute.

The County then made a permanent transfer of \$500,000 from the Racino Fund to the Cumulative Capital Development Fund. Permanent transfer of money should not be made between funds unless allowed by statute.

IC 4-35-8.5-4(b) states in part:

"Money paid to a political subdivision under this chapter:

- (1) must be paid to the fiscal officer of the political subdivision and must be deposited in the political subdivision's general fund; . . ."

IC 4-35-8.5-4 does not allow for the permanent transfer of these fees to another fund.

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 Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The County General Fund, Cumulative Capital Development Fund, Cumulative Courthouse Buildings Fund, Youth Substance Abuse Prevention Fund, TSF Drug Free Coalition Fund, H1N1 Vaccination Fund, Victim Assistance Grant Fund, Family Violence Victim Assistance Fund, Juvenile Intensive Supervision Fund, Adult Protective Services 2 Fund, Community Corrections Juvenile Fund, Homeland Security Computer Grant Fund, Tax Sale Redemption Fund, and Settlement - New Fund were overdrawn in 2009.

The 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 Auditors of Indiana, Chapter 14)

TAX DISTRIBUTION FUNDS

The County Auditor's tax distribution funds contained 23 funds with positive balances, and 5 funds with negative balances netting to \$332,896 as of December 31, 2009. Of those 28 funds, only 1 fund (CVET) had a balance of \$135,940 that was distributed and "cleared out" in February of 2010. The remaining 27 funds (with taxing district fund titles) contained cash balances of \$196,956 that could not be specifically identified as 2009 tax distribution funds.

It appears that certain refunds of property tax on form 17T were disbursed directly from these tax distribution funds (resulting in negative fund balances) instead of paying the refund from the County General Fund - Unappropriated. We are reasonably sure that the 2008 pay 2009 after-settlement collections are not a part of this fund. We were unable to determine what amount, if any, of these funds were due to the County General Fund, or other tax-levying County funds as of December 31, 2009.

There should be established in the county auditor's and county treasurer's funds ledgers a "Property Tax Distribution Fund" to which all property tax collections will be receipted and from which all distributions will be made, including distributions to county funds. In addition, there is to be a separate "Property Tax Distribution Fund" established as a trust and agency account in the general ledger of the county auditor to record the receipt and distribution of all tax collections.

When settlement is made, or when an advance is made to a governmental unit, a quietus shall be issued and the amount distributable shall be receipted into the Property Tax Distribution Fund in the general ledger as a debit to "Cash" and a credit to "Distributable to Governmental Units." The warrant issued for the distribution will be posted as a credit to Cash and a debit to Distributable to Governmental Units. Thus, the accounts will merely represent a clearing account through which property taxes settled by the county treasurer, including advances, will be accounted for in the general ledger. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 12)

CAPITAL ASSETS

Information presented for audit did not indicate that the record of capital assets was updated for additions and disposals in 2009.

COUNTY AUDITOR
SHELBY COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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, Chapter 14)

COUNTY AUDITOR
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2010, with Amy L. Glackman, Auditor; Tony Newton, President of the Board of County Commissioners; and Linda Sanders, Vice-President of the County Council.