

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

AUDIT REPORT

OF

COUNTY AUDITOR

PORTER COUNTY, INDIANA

January 1, 2009 to December 31, 2009



**FILED**

01/06/2011



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	James K. Kopp	01-01-07 to 12-31-10
President of the County Council	Robert Poparad Daniel Whitten	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the Board of County Commissioners	Robert Harper	01-01-09 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER 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 Porter County for the year 2009.

STATE BOARD OF ACCOUNTS

September 24, 2010

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS

DELINQUENT ACCOUNTS AND PENALTIES

Officials paid a claim totaling \$5,435.96 on July 23, 2010, for electric service at the Expo Center. A review of the vendor claims dated from January 2008 to July 2010, indicated that \$4,375.01 of the amount paid was for late fees. We did not review the claims prior to January 2008. 77% of the claims were paid untimely ranging from 4 to 53 days past the due date of the invoices. Late charges were assessed each month even when the current bill was paid in a timely manner because officials did not remit the arrears (late charges from the previous statements).

An outstanding amount is owed to a utility vendor for gas service at the Expo Center totaling \$11,164.96. The amounts consists of two unpaid months for December 2007 and 2008, totaling \$8,823.82 and a utility tax that the Expo Center was exempt from totaling \$2,341.14 for the various months starting December 2005 through December 2008. The vendor has stated that a credit cannot be issued for the utility tax amount because of the lapse of time of the charges.

Vendor payments for water/sewage service at the Expo Center were reviewed from January 2009 through July 2010. 67% of those claims were paid untimely ranging from 1 to 177 days after the due date.

Penalties and interest totaling \$28.04 were paid out of animal donation fund on the credit card on March 4, 2009, and March 18, 2009, for the period of October through December 2008, and January through March 2009.

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)

ANNUAL REPORT

The 2009 County Annual Report (CAR), due on or before January 30, 2010, was not completed until April 20, 2010. In addition, the County's annual receipts and disbursements for 2009 were not published until April 26, 2010.

The CAR presented for audit contained errors and omissions which required audit adjustments. Two funds were not properly classified as to fund-type.

The CAR presented for audit omitted one agency fund totaling \$85,372. Agency funds account for assets held by the County as an agent for federal, state, and local government, as well as other public and private entities. County officials approved the audit adjustment to the financial statements presented in 2009 Annual Financial Report.

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS  
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IC 5-11-1-4(a) concerning annual reports, states in part:

". . . these reports shall be prepared, verified, and filed with the state examiner no later than thirty (30) days after the close of each fiscal year."

IC 36-2-2-19 concerning annual statement of county's receipts and expenditures, states:

"At its second regular meeting each year, the executive shall make an accurate statement of the county's receipts and expenditures during the preceding calendar year. The statement must include the name of and total compensation paid to each county officer, deputy, and employee. The executive shall post this statement at the courthouse door and two (2) other places in the county and shall publish it in the manner prescribed by IC 5-3-1."

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)

CONTRACTS

The IV-D director received compensation totaling \$45,000 for 2009. The contract provided for audit stated compensation at \$40,000. A revised contract was not presented for audit.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (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 2009 budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Major Moves	\$ 302,030
Jail House Lease	2,000

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."

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(Continued)

EMPLOYEE SERVICE RECORDS

The County maintains Employee Service Records (General Payroll Form 99A) which serve as the employee's time card and absence summary. The absence summary portion, when completed, only documents the amount of the sick, vacation, and personal time used; it does not reflect sick, vacation, and personal time earned or the balances of the leave time.

The Auditor's computer system has a report available entitled "Employee Local Leave Plan Report," which has not been approved. This report reflects the leave used and ending leave balances. A comparison of the two reports revealed several differences:

1. For 6 of 11 employees tested, vacation leave used per the Employee Service Record was from .5 to 9.5 days more than what was reported on the computerized report.
2. For 6 of 11 employees tested, sick leave used per the Employee Service Record was from .5 to 2.5 days more than what was reported on the computerized report.
3. For 5 of 11 employees tested, personal leave used per the Employee Service Record was from .5 to 2 days more than what was reported on the computerized report.
4. For 3 of 11 employees tested, vacation leave used per the Employee Service Record was from .5 to 3 days less than what was reported on the computerized report.
5. For 3 of 11 employees tested, sick leave used per the Employee Service Record was from 1 to 1.5 days less than what was reported on the computerized report.
6. For 1 of 11 employees tested, personal leave used per the Employee Service Record was 1 days less than what was reported on the computerized report.

The Auditor's office is not verifying that the time records are in agreement to the computerized reports.

While reviewing current year time records in one department, the only items posted to the time record was leave time. The time "worked" was not posted to the time record as required.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. 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)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

General Form 99 A, Employees' Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 18)

TAX SALE REDEMPTION FUND

As stated in prior reports, after a property is sold on tax sale, the owner may "redeem" or purchase the property back within one year. When a property is redeemed, the money collected is placed in the Tax Sale Redemption Fund (65) for subsequent distribution to the "purchaser" of the property from the tax sale. The transaction is also posted to a detail record equivalent of the "Tax Sale Report." This detail record should be reconciled to the Tax Sale Redemption Fund to ensure all activity has been properly posted.

Since the Tax Sale Redemption Fund is not reconciled to the detail record, the County is not able to determine discrepancies when they occur. At December 31, 2009, the Tax Sale Redemption Fund had a balance of \$2,866.53; of that amount \$929.91 could be identified, which then left \$1,936.62 which could not be identified.

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 Auditors, Chapter 14)

AUDITOR TAX REFUNDS

After a taxpayer has paid property taxes, errors may be discovered resulting in a refund due the taxpayer. When this occurs, a claim for the refund is filed and recorded on a "Claim for Refund of Taxes" (County Form 17TC), and the amount refund is posted to the Refunds Fund (62). At settlement, tax collections that have been refunded from Fund 62 are reimbursed to the fund. Therefore, this fund will accumulate a deficit or negative cash balance until such time as the settlement is performed.

During 2009, two settlements occurred in Refunds Fund 62. The following discrepancies were discovered:

<u>Settlement</u>	<u>17TC Report</u>	<u>Refunds Fund 62 Ledger Disbursements</u>	<u>Difference</u>
#1	\$ 2,932,095.56	\$ 2,427,113.57	\$ 504,981.99
#2	959,609.93	903,806.51	55,803.42

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For settlement #1, the difference was due to items being listed on the 17TC Report for the settlement but the disbursement was posted in prior years to Fund 62. These disbursements were not included in prior 17TC Reports.

For settlement #2, the difference was due to the following:

1. Interest paid from Refunds Fund 62 that was not included in the settlement 17TC Report.
2. Three payments totaling \$540,246.31 were listed on the settlement 17TC Report as totaling \$719,675.98.
3. Several ledger disbursements were not included in the settlement 17TC Report.

We determined this fund is not being reconciled timely to the settlement reports. Officials contacted the State Auditor's office to determine how to resolve those differences in subsequent settlements. A significant amount of old outstanding checks have been receipted in this fund that need to be remitted to the Attorney General's office.

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)

#### CAPITAL ASSETS

County officials provided a Fixed Asset Inventory Report which included vehicles, land, buildings, and machinery and equipment. The following items were not included in the Fixed Asset Inventory Report:

1. Additions totaling \$849,457 for various vehicles, equipment, and computer hardware.
2. Deletions totaling \$23,500 relating to equipment trade in.
3. A capital lease totaling \$306,882 for a sewer cleaner.
4. Sidewalks relating to a federal project totaling \$294,000.

In addition, infrastructure is not presented in the Fixed Asset Report. Some of the buildings presented in the report were recorded at the insured value instead of historical or estimated historical cost. Land values were recorded at the assessed value instead of the historical or estimated historical cost.

COUNTY AUDITOR  
PORTER COUNTY  
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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. 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)

COUNTY ECONOMIC DEVELOPMENT INCOME TAX SUPPLEMENTAL DISTRIBUTION

Before October 2 of any year, the State of Indiana determines if the County is eligible for a supplemental distribution of county economic development income tax (CEDIT). Once the State of Indiana has determined a supplemental distribution may be made, the supplemental distribution must be made in January of the ensuing calendar year.

As stated in the prior report, in February 2009 and January 2010, the County received \$5,423,454.99 and \$5,679,604.00, respectively, of supplemental distributions of CEDIT from the State of Indiana. Of the totals received, the County receipted and distributed \$3,157,911.76 and \$3,307,059.86, respectively, to the County's 11 civil units of government as instructed by the State. The remaining balances of \$2,265,543.23 and \$2,372,544.14, respectively, were receipted to the County's CEDIT Unallocated Fund (308). However, based on the instructions received from the State and IC 6-3.5-7-17.3, the supplemental distributions are to be deposited to the Rainy Day Fund. As of September 21, 2010, the County had not established a Rainy Day Fund in which to account for any CEDIT supplemental distributions received.

IC 6-3.5-7-17.3(b) states:

"A supplemental distribution described in subsection (a) must be: (1) made in January of the ensuing calendar year; and (2) allocated in the same manner as certified distributions for deposit in a civil unit's rainy day fund established under IC 36-1-8-5.1."

EXCESS TAXES FUND

When overpayments of property taxes are received by the County Treasurer, the balances of the overpayments are receipted into the Excess Taxes Fund (43). The Treasurer reports a detailed listing on Form 65-STF of the amounts paid in excess of the taxes due by property owner. The Auditor is required to maintain this listing by updating the form when a payment is issued by the Auditor's office. The total of this detail after payments have been deducted should agree to the cash balance of the Excess Taxes Fund.

During our audit period, Form 65-STF was not used but was replaced with worksheets that were not an exact replica of the prescribed form. We were unable to determine if the detailed listings were in agreement with the Excess Taxes Fund (43). Officials are in the process of using an exact replica of this form and balancing the detail listing to the fund.

Excess (surplus) tax shall be reported by the treasurer on the County Treasurer's Certificate of Tax Collections, County Form 49TC. The county treasurer is also required to file Ledger Form 65-STF, Surplus Tax Fund Ledger, listing in detail by taxing district each item of surplus tax collected, the total of which shall be receipted into the "Surplus Tax Fund." The detail ledger sheets shall be placed in the county auditor's ledger and be disbursed in the appropriate manner.

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If an excess payment is not claimed within the three (3) year period after November 10 of the year in which the payment was made and the county treasurer has given the written notice, the county auditor shall transfer the excess from the surplus tax fund to the general fund of the county. If the county treasurer has given written notice concerning the excess, the excess may not be refunded after the expiration of that three (3) year time period. [IC 6-1.1-26-6(c)] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

COUNTY AUDITOR  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2010, with James K. Kopp, Auditor, and Elizabeth Bailey, Deputy. The official response has been made a part of this report and may be found on pages 12 through 14.

# COUNTY - PORTER

**JAMES K. KOPP**  
AUDITOR



**PORTER COUNTY AUDITOR**  
ADMINISTRATION CENTER  
155 INDIANA AVE. • SUITE 204  
VALPARAISO, INDIANA 46383

(219) 465-3445  
JKOPP@PORTERCO.ORG

October 18, 2010

To whom it may concern:

Subj: Porter County Audit for year 2009

The following comments are meant to be included in the Audit results for the Porter County Auditor:

**Delinquent Accounts and Penalties:**

The EXPO Center had accumulated several years of missed payments and penalties on its account with the local REMC prior to the new manager taking over in 2010.

The rural utility had advised that power would be shut-off days before the County Fair was to begin at the EXPO Center.

After negotiating by the Commissioner's and Auditor's Office with the Utility, it was determined the portion of the fees and penalties not dropped needed to be paid immediately to avoid the power being shut off for the County Fair. After approval from the Commissioner's Office, the Auditor Staff made the payment with the consent of the Auditor.

**Annual Report:**

**The Annual report Deadline was changed to March 1, 2010**

While the Audit results and comments from the State Board of Accounts indicated the County Annual report was due on or before January 30, 2010, the actual due date for this report was March 1, 2010.

The State Board of Accounts required that all Counties use the new software program to complete the annual report beginning in 2009 with very minimal training. The directions were less than sufficient to complete this report in a timely manner. Although our field representatives for State Board of Accounts were very helpful for the 2009 report, this still required a learning curve and considerable amounts of verification. Tremendous strides have been made in relation to the accuracy and content of the Annual Report from 2008 to 2009.

We look forward to the new software program that will be used for the 2010 CAR report and hope that it is much more efficient, easier to navigate, and that the training at Fall conference is more comprehensive than training sessions in previous years on this task.

**Contracts:**

The Auditor's Office paid the IV-D Director at the dollars in the appropriation approved by the County Council in the budgeting process.

**Employee Service Records:**

Our payroll system tracks leave time one week in arrears while salaries are paid current. The only way to correct this is to have the payroll lag one week also. This is not a solution the Auditor can implement.

To ensure the leave time is reported accurately, we have begun requesting each employee turn in the Form 99C quarterly along with the service record. A random comparison will then be made to ensure that leave time is accurate.

**Tax sale Redemption Fund:**

A staff person has been assigned the duty of reconciling the Tax Sale Redemption Fund.

**Auditor Tax Refunds:**

The difference of \$504,981.99 from the settlement #1(07 pay 08 final settlement) was due to Refunds that were not included on previous 17TC reports at settlement time. There was an extensive amount of research conducted to pinpoint those refunds not withheld in previous settlements. In order to balance the fund, we had to withhold those dollars from the units the refunds were out of. If the refunds were never accounted for or taken from the units' distributions, this fund would not ever be in balance.

The difference of \$55,803.42 from the Settlement#2 (08 pay 09 Final Settlement) was due to the interest not being added to the 17TC Report. The Administrative Assistant spoke to the Auditor of State's Office and has developed a solution that will fix the interest issue in the December 09 pay 10 Settlement.

The staff is completing research to remit all of the refunds 2 years and older to the Attorney General and will continue to send them in the future.

**Capital Assets:**

We have been working for 2 years to develop a working Capital Assets procedure. We have put additional restrictions in place to try to catch asset purchases and sales. Additionally, we are requesting monies from the County Council to engage an outside consultant to properly value land and buildings. We estimate this will be completed in 2011 if funding is available.

**County Economic Development Income Tax Supplemental Distribution:**

The Commissioner's position is the Un-appropriated CEDIT Fund is their version of the Rainy Day Fund and meets the intent of the law.

**Excess Taxes Fund:**

We reported all of these surplus tax payments on a report produced out of our tax software system. However, this report was not in compliance with the required Form 65-STF. Once we were notified that our accounting records of the surplus tax were not in the required format, we put it the correct format but this was not completed before the end of the audit. We will be in complete compliance for future years.

A handwritten signature in black ink, appearing to be "J. H. King", is written over a faint circular stamp or watermark.