

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

AUDIT REPORT
OF
COUNTY COUNCIL
JENNINGS COUNTY, INDIANA
January 1, 2010 to December 31, 2010



FILED
08/17/2011

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COUNTY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------|----------------------|
| President of the County Council | Howard Malcomb | 01-01-10 to 12-31-11 |
| President of the Board of County Commissioners | Jeffery Day | 01-01-10 to 12-31-11 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF JENNINGS COUNTY

We have audited the records of the County Council for the period from January 1, 2010 to December 31, 2010, 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 Result(s) and Comment(s). The financial transactions of this office are reflected in the Annual Report of Jennings County for the year 2010.

STATE BOARD OF ACCOUNTS

July 26, 2010

COUNTY COUNCIL
JENNIINGS COUNTY
AUDIT RESULT(S) AND COMMENT(S)

TEMPORARY LOAN

A temporary loan of \$188,724.59 was made on May 28, 2010, from the Rainy Day Fund to the General Fund. The loan was subsequently repaid on June 28, 2010. An ordinance or resolution concerning the purpose of the loan, amount of the loan and the term of the loan was not presented for audit.

The County Council minutes dated June 8, 2010, stated in part: ". . . County General and the Rainy Day Fund were discussed. Approved money borrowed for county general. . . ."

Indiana Code 36-1-8-4 concerning temporary loans states:

(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance.

COUNTY COUNCIL
JENNIINGS COUNTY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

COMPENSATION

We noted the following deficiencies regarding the compensation paid to County employees:

1. No Salary Ordinance for the salaries and wages paid in the year 2010 was presented for audit. It has been the practice of the County to approve the salary and wages of the County employees based on the Statement of Salaries and Wages Proposed to be Paid Officers and Employees (Form 144) which are submitted by each County official or department head. The Form 144s are approved by the County Council. The approved salary and wage amounts from the Form 144 are used in the annual budget determination.

Indiana Code 36-2-5-11(c) states in part:

"At its annual meeting under Indiana Code 36-2-3-7(b)(2), the county fiscal body shall consider the statements and recommendations submitted by the county executive under section 4(b) of this chapter and shall then adopt an ordinance, separate from those adopted under subsection (b), fixing:

- (1) the compensation of all officers, deputies and other employees subjected to this chapter . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

2. Officeholders or department head were not submitting an amended Form 144 when they were requesting a change in employee compensation or changing the number of employees. The officeholder or department head would present their changes to the County Council during a scheduled meeting. The County Council would discuss the change and vote whether or not to approve it. Any decisions would be recorded in the County Council minutes.

Indiana Code 36-2-5-13(a) states in part:

". . . The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on: (1) the application of the county fiscal body or the affected officer, department, commission, or agency; and (2) a majority of the county fiscal body."

To change the salaries of other officers, deputies, assistants and employees or the number of each, an amended Form 144 should be filed by the officer or department head, submitted to the county commissioners for review and recommendations and then submitted to the county council for consideration. (The County Bulletin and Uniform Compliance Guidelines, October 2009)

COUNTY COUNCIL
JENNIINGS COUNTY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

3. In addition to his salary approved by the County Council on Form 144, the County Surveyor received compensation of \$10,000. According to the County Surveyor, this compensation which was approved by the County Council in the Surveyor's annual budget was for work performed on establishment and preserving cornerstones. The payment for the extra compensation was submitted to the County Auditor on three Accounts Payable Vouchers (Form 17) instead of submitting a Payroll Schedule and Voucher (Form 99). The compensation claims were included with the other County claims that were presented to the County Commissioners for their approval. As a result, these compensation payments were not processed through the County's payroll system.

Also, no Statement of Salaries and Wages Proposed to be Paid Officers and Employees (Form 144) or salary ordinance was presented for audit showing the approval of the extra compensation by the County Council. The total amount paid was approved by the County Council as an appropriation item in the County General Surveyor's annual budget or as an appropriation approval by the County Council in the County Surveyor's Cornerstone Perpetuation Fund.

Chad Ebinger, County Surveyor, stated that this method of payment of the additional compensation has been done since he became County Surveyor in 2001.

Indiana Code 36-2-5-3(a) states in part:

"The county fiscal body shall fix the compensation of officers, deputies, and other employees whose is payable from the county general fund . . . or any other fund which the county auditor issues warrants for compensation. This includes the power to: (1) fix the number of officers, deputies, and other employees; . . . (3) adopt schedules of compensation . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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 Auditor of Indiana, Chapter 14)

COUNTY COUNCIL
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2011, with Howard Malcomb, President of the County Council; Jeffery Day, President of the Board of County Commissioners; and Janice L. Ramey, County Auditor. The officials concurred with our audit findings.