

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

AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

08/25/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Peter H. Mullen	01-01-08 to 12-31-11
President of the County Council	Rafael Morton	01-01-10 to 12-31-11
President of the Board of County Commissioners	Robert Kovach	01-01-10 to 12-31-11



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ST. JOSEPH COUNTY

We have audited the records of the County Auditor 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 Results and Comments. The financial transactions of this office are reflected in the Annual Report of St. Joseph County for the year 2010.

STATE BOARD OF ACCOUNTS

July 20, 2011

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

SALARY ORDINANCES

Payroll for seven employees tested was not paid according to the salary ordinances. The salary ordinance for two employees' was increased beginning July 13, 2010, but their pay was increased retroactive to January 1, 2010. The other five employees tested were paid less than the amount stated in the salary ordinances.

The salary ordinance for Community Corrections was not available for audit. It could not be determined if Community Corrections employees were paid according to the salary ordinance.

Incentive pay for the Police Department was not included in the salary ordinance. No agreement between the County and the Police Department providing for such pay was available for audit.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 18)

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

"(c) At its annual meeting under IC 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 subject to this chapter; and
- (2) the number of deputies and other employees for each office, department, commission, or agency, except part-time and hourly rated employees, whose employment shall be limited only by the amount of funds appropriated to pay their compensation."

PUBLIC RECORDS ACCESS FOR AUDIT

Except for the October 6 and December 15 meetings, the Board of County Commissioners meeting minutes for the months of October, November, and December 2010 were not presented for audit within a reasonable time. Review of governing Board minutes is necessary for audit planning. However, complete minutes were not provided until June 20, 2011, one month prior to the end of audit field work.

Indiana Code 5-11-1-10 states:

"A public officer who:

- (1) fails to make, verify, and file with the state examiner any report required by this chapter;
- (2) fails to follow the directions of the state examiner in keeping the accounts of the officer's office;

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(3) refuses the state examiner, deputy examiner, field examiner, or private examiner access to the books, accounts, papers, documents, cash drawer, or cash of the officer's office; or

(4) interferes with an examiner in the discharge of the examiner's official duties;

commits a Class B infraction and forfeits office."

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General fund, superior court	2010	\$ 38,194
Park nonreverting fund	2010	70,348

Indiana Code 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."

TAX SALE SURPLUS FUNDS

As shown in the tax sale record, the County was holding \$179,402 from the 2006 tax sale and \$441,811 from the 2007 tax sale in Tax Sale Surplus, at December 31, 2010, which was held for more than three years. No transfer was made to the County General Fund in 2009 or 2010. A similar comment was included in the prior report, file number B37538.

Indiana Code 6-1.1-24-7(d) states:

"An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is not claimed within the three (3) year period after the date of its receipt."

SURPLUS TAX SALE RECONCILEMENT

The Auditor does not reconcile the surplus tax sale total in the tax sale record to the surplus tax sale fund cash balance. A similar comment has been included in several prior reports, the most recent being file number B37538.

We attempted to reconcile these two records. The Auditor's staff provided us with reports showing the balances of surplus tax sale in the tax sale record as of May 26, 2011, \$4,163,877. The May 27, 2011 surplus tax sale fund cash balance was \$2,652,403 or \$1,511,474 less. The prior audit showed that this difference was \$127,760 as of February 24, 2010.

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

TAX SALE REDEMPTION RECONCILEMENT

The Auditor does not reconcile the Tax Sale Redemption balance shown in the tax sale record with the Tax Sale Redemption Fund cash balance. The December 31, 2010 fund cash balance was \$184,438 but the County does not keep track of the tax sale record total for the Redemption Fund to reconcile to. A similar comment has been included in several prior reports, the most recent being file number B35738.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

DRAINAGE SUBSIDIARY LEDGERS

Several prior reports, the most recent being file number B37538, included a comment that the Auditor's subsidiary ledgers did not agree with the respective fund cash balances. Subsidiary ledgers provided for our audit show that the December 31, 2010 subsidiary ledger Drainage Maintenance Fund balance of \$1,309,406, is \$29,823 less than the Drainage Maintenance Fund cash balance. The General Drain Improvement Fund subsidiary ledger balance in the amount of \$71,694, is \$25,614 more than the General Drain Improvement Fund cash balance.

The County Surveyor explained to us that the Auditor does not provide him or the Drainage Board with individual drain account balances. These balances would be shown in the subsidiary ledgers.

Pursuant to Indiana Code 36-9-27-44 (b): "The county auditor shall: (1) set up a separate ledger account for each regulated drain or combination of drains whenever the board fixes an annual assessment for the periodic maintenance of the drain or combination; . . . "

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)

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. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT

The County Annual Report's Part 12 - Financial Assistance to Nongovernmental Entities is blank and incomplete. A similar comment was included in the prior report, file number B37538.

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 4)

EXCISE TAX COLLECTIONS

The Auditor has not reconciled the record of excise tax collections with the County Treasurer's record balance of excise tax. Our December 31, 2010 reconciliation shows that the Auditor's vehicle excise tax on hand, \$2,583,592, was \$381,238 more than the County Treasurer's balance of \$2,202,354. This difference may result in an inaccurate settlement and distribution of excise tax. A similar comment has been included in recent reports, the most recent being file number B37538.

The Auditor and County Treasurer have created a new excise tax reconciliation form. This form shows the spring 2011 excise tax settlement will result in \$135,656 more distributed than available.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OVERDRAWN CASH BALANCES

The December 31, 2010 cash balance of the Bond and Interest Fund was a negative \$507,458.

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 County Auditors of Indiana, Chapter 14)

SURPLUS TAX FUND RECONCILEMENT

The Auditor's December 31, 2010 reconciliation of the surplus tax ledger balance, \$3,857,664, with the surplus tax fund cash balance of \$5,771,872, shows a difference of \$1,914,209. The reconciliation difference for February 28, 2011, is \$1,496,044, or \$418,165 less than December's difference. Monthly reconciliations from September 30, 2010 to April 30, 2011, show changes in differences compared to the prior month ranging from \$11 to \$5,212. The Auditor was unable to identify these differences.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2011, with Peter H. Mullen, Auditor; Robert Kovach, President of the Board of County Commissioners; and Rafael Morton, President of the County Council. The official response has been made a part of this report and may be found on pages 9 and 10.

ST. JOSEPH COUNTY AUDITOR

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Peter H. Mullen
Auditor

Teresa Shuter
Chief Deputy

July 29, 2011

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

To: State Board of Accounts

Action to be taken regarding the Audit results and Comments pertaining to the 2010 State Board of Account Audit on July 20, 2011.

Salary Ordinances

Corrective action for those employees not paid according to the 2011 Salary Ordinance.
Community Corrections will have a salary ordinance and budget for 2012.
Police Department salary ordinance is pending with the County Council.
Each governmental unit will be held responsible for complying with the ordinances, resolutions, and policies that have been adopted.

Public Records Retention

All minutes of the County Commissioners meetings will be kept on tape as well as having comprehensive notations. They will be destroyed in compliance with the Destruction of Public Records Commission.
All payments to vendors will have supporting documentation or will be returned to the responsible party and not paid.

Appropriations

All expenditures will be appropriated if in excess of budget appropriations.

Tax Sale Surplus Funds

Transfers of Surplus Funds will be made the General Fund if Held more than 3 years.

Surplus Tax Sale Reconciliation

This is presently being reconciled with our vendor (SRI) and this office.

Tax Sale Redemption Reconciliation

Balance will be reconciled with all legers and our vendor (SRI).

Drainage Subsidiary Ledgers

Coordination between the Surveyor and this office to bring this in balance. Error posting between the Maintenance Fund and Improvement Fund will be corrected. Leger accounts will be established and the Surveyor and Drainage Board will be provided with account balances.

Annual Report

The report will be in compliance for 2012.

Excise Tax Collections

A new process has been established to reconcile the Excise Tax receipts and distribution.

Overdrawn Cash Balances

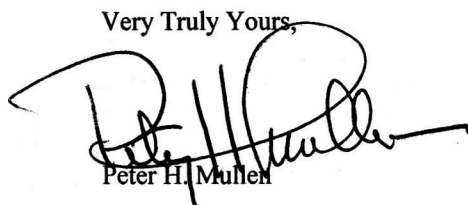
This is a timing issue of payment with Bonds.

Surplus Tax Fund Reconciliation

Attempts to reconcile will continue until resolved and monies will be transferred to the General Fund.

Please call with questions.

Very Truly Yours,



Peter H. Mullen