

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

AUDIT REPORT

OF

COUNTY AUDITOR

PUTNAM COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

09/08/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Stephanie Campbell	01-01-09 to 12-31-12
President of the County Council	Darrel L. Thomas	01-01-10 to 12-31-11
President of the Board of County Commissioners	Gene Beck	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PUTNAM 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 Putnam County for the year 2010.

STATE BOARD OF ACCOUNTS

June 30, 2011

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the County related to financial transactions and reporting.

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statements and then determining how those identified risks should be managed. The County Auditor has not established proper procedures for a separate review of the financial information reported in the County Annual Report prior to its submission. The County has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation and review of the County Annual Report to prevent or detect material misstatements.

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 objections, 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.

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 Counties of Indiana, Chapter 1).

ANNUAL REPORT

The County Annual Report for 2010 was not completed and filed until April 7, 2011.

Indiana Code 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 sixty (60) days after the close of each fiscal year."

RECEIPT ISSUANCE AND RECORDING

In several instances, receipts were not issued nor were the amounts posted to the records until several months after the deposit of the funds in the County bank accounts. Throughout the year, the Auditor of the State of Indiana electronically deposits money into the County bank accounts for specific purposes to be posted to specific funds. It is the duty of the County Auditor to determine the proper fund to be credited and to post the receipt to the appropriate fund. At year end there were five such deposits, made by the State from September 15, 2009 through December 30, 2010, totaling \$49,041.96, which had not been receipted to the financial records.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
 PUTNAM COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

OVERDRAWN FUND BALANCES

At December 31, 2010, the following funds had overdrawn fund balances:

Fund	Amount
E-911	\$ 109,450
Local Emergency Planning/Lepc	1,456
Welfare Family and Children	88
Hazmat Technical Rescue	1,806
District 7 Fire Training	41,626
H1N1 Grant	8,968
Putnam County Community Correction Grant	14,148
Health Dept. Preparedness Fund	249
Stop Grant	17,189
District 7 NFA/ISO Classes	400
Victims Assistance	14,184
Perf	88
Aflac	1,773

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 County Auditors of Indiana, Chapter 14)

TAX SALE SURPLUS FUND

The Tax Sale Surplus Fund has not been reconciled to the detailed tax sale records for a number of years. Amounts older than three years old have not been identified or transferred to the County General Fund.

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)

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."

COUNTY AUDITOR
PUTNAM COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TAX SALE REDEMPTION FUND

As reported in the prior three audit reports, the Tax Sale Redemption Fund is not currently being reconciled, and had not been reconciled for years, resulting in a December 31, 2008 balance of (\$10,126). The balance was created by posting errors not being discovered in a timely manner because the reconcilements were not made between the subsidiary ledgers and the control account. An overpayment of \$1,699, made in 2003 was identified in a prior audit and the vendor has been contacted to obtain reimbursement. The remaining difference of \$8,427 is unidentified. The December 31, 2010 Tax Sale Redemption Fund balance was \$0 due to activity from the tax sales held in 2009 and 2010. Should all properties sold be redeemed, the balance would revert to (\$10,126).

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)

ACCOUNTING RECORDS

Reconcilements were not made between the Treasurer's Monthly Financial Statement, Form 61, and the Auditor's Monthly Financial Statement, Form 61. On December 31, 2010, the Treasurer's records had a total funds ledger balance \$108,116 greater than the Auditor's Ledger total fund balance.

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)

E-911 FUNDS

The County receipted landline and wireless fees received for emergency 911 services into the same fund. A similar comment was included in the prior two reports.

Indiana Code 36-8-16-13 states:

"A county treasurer or municipal fiscal officer to whom enhanced emergency telephone system fees are remitted under section 12 of this chapter shall deposit the fees in a separate fund. The fund shall be known as the _____ (insert name of county or municipality) emergency telephone system fund. The county treasurer or municipal fiscal officer may invest money in the fund in the same manner that other money of the county or municipality may be invested. The county treasurer or municipal fiscal officer shall deposit any income earned from such an investment in the fund."

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Indiana Code 36-8-16.5-43 states:

"The distribution of wireless emergency enhanced 911 funds by the board for cost recovery by PSAPs under section 39 of this chapter must be deposited by the county treasurer in a separate fund set aside for the purposes allowed by section 41 of this chapter. The fund must be known as the _____ (insert name of county) wireless emergency telephone system fund. The county treasurer may invest money in the fund in the same manner that other money of the county may be invested, but income earned from the investment must be deposited in the fund set aside under this section."

FUND SOURCES AND USES – HAZARDOUS WASTE FUND

As reported in the prior two audit reports, funds were disbursed from the Hazardous Waste Fund to Putnam County Operation Life in the amount of \$80,000 to pay the 2010 annual contract for County ambulance services.

Indiana Code 6-6-6.6-3(b) identifies the following purposes of hazardous waste revenue which states:

"Except as provided in subsection (e), and subject to subsection (f), the revenue paid over to the county under subsection (a) shall be deposited in a separate fund established by the county for the purposes of the following:

- (1) Establishing monitoring wells on land near the site of the disposal facility.
- (2) Analyzing samples from the monitoring wells established under subdivision (1).
- (3) Conducting other types of testing and surveillance for hazardous waste contamination of land near the disposal facility.
- (4) Providing training for county and local public health and public safety officers in the proper procedures for dealing with emergencies involving hazardous substances or hazardous waste.
- (5) Providing special clothing and equipment needed by county and local public health and public safety officers for dealing with emergencies involving hazardous substances or hazardous waste.
- (6) Funding research on alternatives to land disposal as a means of eliminating hazardous waste.
- (7) Paying the cost of hazardous waste, hazardous substance, or solid waste removal and remedial action at a site located within the county.
- (8) Meeting the county's requirements under IC 13-21 for the planning and implementation of a solid waste management district plan.

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(Continued)

- (9) Paying the costs associated with the construction or rehabilitation of a facility used for training described in subdivision (4).
- (10) Paying the costs associated with any other project that has identifiable environmental benefits.
- (11) Paying the costs associated with the construction, structural rehabilitation, and equipment of a facility used for either of the following purposes:
 - (A) A county public safety central dispatch.
 - (B) A county emergency operations center."

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 Counties of Indiana, Chapter 1)

COUNTY AUDITOR
PUTNAM COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2011, with Stephanie Campbell, Auditor; Kristina Warren, member of the Board of County Commissioners; and Darrel L. Thomas, President of the County Council. The officials concurred with our audit findings.