

**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, 2011 to December 31, 2011



**FILED**  
08/27/2012



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Pete H. Mullen	01-01-08 to 12-31-15
President of the County Council	Rafael Morton	01-01-11 to 12-31-12
President of the Board of County Commissioners	Bob Kovach Andrew Kostielney	01-01-11 to 12-31-11 01-01-12 to 12-31-12



**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, 2011 to December 31, 2011, 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 2011.

STATE BOARD OF ACCOUNTS

August 2, 2012

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The cash balance of the Liability Reserve Fund was a negative \$248,311 as of December 31, 2011. As of July 2, 2012, this fund's cash balance was a negative \$531,603.

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)

**TIMELY RECORDKEEPING**

We noted instances of significant delays between the date receiving state distributions until entry on the records. For example, on September 16, 2011, the State deposited \$57,331 into the County's bank account. This amount was not posted as a receipt to the County's general fund until December 13, 2011.

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)

**DRAINAGE SUBSIDIARY LEDGERS**

Several prior audits, the most recent being Report Number B39139, included an audit exception that the County Auditor's subsidiary ledgers did not agree with the respective fund cash balances. Subsidiary ledgers provided for our audit show that the December 31, 2011 Drainage Maintenance Fund balance, \$1,373,665, is \$20,969 less than the drainage maintenance fund cash balance. The prior audit report shows that this difference was \$29,823 or a change of \$8,854. The General Drain Improvement Fund subsidiary ledger December 31, 2011 balance, \$211,076, is \$184,781 more than the General Drain Improvement Fund cash balance. The prior audit report shows that this difference was \$25,614 or a change of \$159,167.

As a result of our audit, we found several errors in the County Auditor's subsidiary ledgers. These included: disbursements posted to the wrong drain account, drains that should be combined yet maintained separately, large maintenance repayable balances that should be zero, maintenance repayable accounts that are construction/reconstruction, and maintenance accounts not established. We also found a drain assessment that was reinstated in March 2010, but not assessed against property owners until March 2012. This drain, Pleasant Valley, was incurring expenditures, which resulted in a large negative cash balance since there were no assessment receipts. The County Surveyor provided us with a letter he sent to the County Auditor's office reinstating the drain assessment in March 2010.

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)

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

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)

***SURPLUS TAX FUND RECONCILEMENT***

When we began our 2011 audit, the County Auditor had not reconciled the December 31, 2011 surplus tax ledger balance with the surplus tax fund cash balance since April 30, 2011. On July 9, 2012, the County Auditor's Office Manager provided us with monthly reconcilements showing the surplus tax ledger balance had \$1,499,401 less than the surplus tax fund cash balance. This variance is the same for the May 31, 2011 through December 31, 2011 reconcilements. A similar exception was included in the prior Report Number B39139.

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 SURPLUS RECONCILEMENT***

The County Auditor's February 3, 2012 reconciliation of the tax sale surplus balance shown in the tax sale record, \$3,087,282, does not agree with the tax sale surplus fund balance, \$2,712,446, a difference of \$374,835. A similar audit exception has been included in several prior audit reports that showed no reconcilements were prepared, the most recent being Report Number, B39139.

The February 3, 2012 reconciliation included a list of errors found that totaled \$246,311 and an unidentified difference of \$128,524. There were no notes indicating that the errors found were corrected.

Lack of accurate regular reconcilements may result in errors not being detected. In our test, we found that old outstanding checks totaling \$25,393 were receipted back into the tax sale surplus fund on May 24, 2011. But the tax sale record was not adjusted to show this tax sale surplus as not being paid out.

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, Chapter 14).

***TAX SALE SURPLUS FUNDS***

The prior Report Number B39139 included an audit exception that no transfer of tax sale surplus funds was made to the general fund during the years 2009 and 2010. No transfers of tax sale surplus funds were made to the general fund in 2011. The County Auditor's Tax Sale Supervisor provided us with tax sale record reports dated June 27, 2012 showing tax sale surplus of \$79,787; \$31,135; and \$17,135 for the years 2006, 2007, and 2008, respectively.

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

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."

***TAX SALE REDEMPTION RECONCILEMENT***

The County Auditor does not reconcile the tax sale redemption balance shown in the tax sale record with the tax sale redemption fund cash balance. An identical exception has been included in several recent audit reports; the most recent is Report Number B39139.

As part of our audit procedures, we analyzed the December 2011 tax sale redemption fund receipts to determine the portion on hand at December 31, 2011. By comparing the receipts to the December 2011, January 2012, and February 2012 disbursements, we determined the portion on hand at December 31, 2011, was \$8,866 compared to the fund December 31, 2011 cash balance of \$2,640, which is a difference of \$6,226. The portion on hand included \$8,586 paid in January and February 2012 and also included \$280 penalties that should have been posted to the general fund. The Tax Sale Supervisor agreed to correct this error. The lack of regular reconcilements can cause errors to not be found and corrected.

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, Chapter 14)

***COUNTY OWNED TAX SALE FUND***

The County Auditor was unable to provide a report or schedule listing what the county owned tax sale fund cash balance represents. The December 31, 2011 fund cash balance was \$1,507,866.

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, Chapter 14)

COUNTY AUDITOR  
ST. JOSEPH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Peter H. Mullen, Auditor. The Official Response has been made a part of this report and may be found on pages 8 and 9.

The contents of this report were discussed on August 2, 2012 with Andrew Kostielney, President of the Board of County Commissioners, and with Rafael Morton, President of the County Council.

# ST. JOSEPH COUNTY AUDITOR

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Peter H. Mullen  
Auditor

Teresa Shuter  
Chief Deputy

August 17, 2012

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 2011 State Board of Accounts Audit of July 2011.

#### **Overdrawn Cash Balance:**

The Liability Reserve Fund is not a Budgeted Fund as future liability cannot be determined. Twice a year (July and December) we transfer to this fund. The December 2011 transfer was made in 2012. Transfer for 2012 will be made in 2012.

#### **Timely Recordkeeping:**

We have developed a new form for EFT that will reduce or eliminate delays.

#### **Drainage Subsidy Legers:**

Coordination between the Surveyor and Auditor will continue to bring this in balance. Error posting will be monitored. The surveyor is now doing the input.

#### **Surplus Tax Fund Reconcilement:**

\$996,933.00 was transferred to the General Fund, July 2012 for 2007 pay 2008. Continued transfers will be made for subsequent years, and should be reconciled soon.

#### **Tax Sale Surplus Reconcilement:**

We will coordinate with our vendor (SRI) to reconcile all legers.

#### **Tax Sale Surplus Funds:**

We will continue to coordinate with our vendor (SRI) to reconcile all ledgers.

**Tax Sale Redemption Reconcilement:**

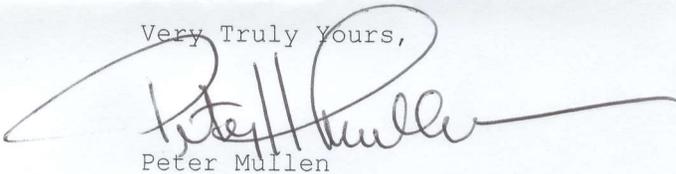
We will continue to coordinate with our vendor (SRI) on reconcilement of all ledgers. We have a newly created spread sheet to balance for 2012.

**County Owned Tax Sale Fund:**

Schedule will be provided.

Please call with questions.

Very Truly Yours,

A handwritten signature in dark ink, appearing to read "Peter Mullen", with a long horizontal flourish extending to the right.

Peter Mullen