

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

AUDIT REPORT

OF

COUNTY TREASURER

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
08/28/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sarah A. Melford	01-01-11 to 12-31-12
President of the County Council	James E. McWhirt	01-01-11 to 12-31-12
President of the Board of County Commissioners	Mark E. Bardsley	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GRANT COUNTY

We have audited the records of the County Treasurer 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 Grant County for the year 2011.

STATE BOARD OF ACCOUNTS

July 25, 2012

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

Each office at the County is required to prepare a Supplemental Annual Financial Report at year end to submit to the County Auditor so that the transactions can be reported in the County's Annual Report. It is from the County's Annual Report that the financial statement is generated. The Supplemental Annual Financial Report for the Treasurer was not prepared; therefore, the Treasurer's transactions were not included in the financial statement of the County. As a result, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statement.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

Indiana Code 5-11-1-4 concerning annual reports states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. 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. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

BANK ACCOUNT RECONCILIATIONS

The County Treasurer has the statutory obligation to reconcile the bank accounts for the funds maintained by the County. Bank reconciliations were not performed for any month during 2011. The December 2011 bank reconciliation has not been completed as of May 31, 2012.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or 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 Treasurers of Indiana, Chapter 10)

TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES (Form 47)

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day. The record is designed to be posted daily, with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges) and the right side of the page shows the money on deposit, invested or on hand (credits), as proof of the financial condition.

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

At December 31, 2011, the balance shown on the left side is \$43,850,780. The balance shown on the right side is \$49,578,584. This results in an unidentified variance of \$5,727,804.

Also, in regard to Form 47 we noted the following:

1. At December 31, 2010, the audited balance for Vehicle Excise Tax was \$976,289. The January 1, 2011 beginning balance shown on Form 47 was \$1,047,911. This results in an unidentified variance of \$71,622.
2. Formula errors in the electronic version of Form 47 caused incorrect amounts to be brought forward and column totals to add incorrectly.
3. The County received Vehicle Excise Tax distributions in the amount of \$1,076,515 for October 2011. The amount posted to Form 47 was \$1,260,285. This results in an unidentified variance of \$183,770.

Indiana Code 5-13-5-1(a) states: "Every public officer who receives or distributes public funds shall: (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds and (2) balance the cashbook daily to show funds on hand at the close of each day."

TIMELY RECORDKEEPING

We noted the following Bureau of Motor Vehicle tax distribution postings to the Treasurer's Daily Balance of Cash and Depositories (Form 47).

1. Various distributions received in November 2011 totaling \$277,929 were posted on May 22, 2012.
2. Various distributions received in December 2011 totaling \$34,602 were posted on February 10, 2012.
3. Various distributions received in December 2011 totaling \$155,956 were posted on February 10, 2012 and again on May 22, 2012.

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 Treasurers of Indiana, Chapter 10)

TRANSACTION RECORDING

The following transactions were not posted to the Treasurer's Daily Balance of Cash and Depositories (Form 47) as of May 22, 2012:

1. A Bureau of Motor Vehicle distribution received in July 2011 in the amount of \$17,000.
2. A Watercraft distribution received in November 2011 in the amount of \$4,194.
3. The June 2011 Local Option Income Tax - Qualified Residential Credits in the amount of \$4,150,968.

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

4. The June 2011 Local Option Income Tax - Property Tax Replacement Credits in the amount of \$457,794.
5. The June 2011 tax settlement - State Excise Allocation in the amount of \$1,226,852.
6. The December 2011 tax settlement - State Excise Allocation in the amount \$556,498.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

EXCISE TAX RECONCILIATION AT SETTLEMENT REPORT

The County Treasurer is required to file a "County Treasurer and County Auditor Excise Tax Reconciliation at Settlement" report with the Auditor of State's Settlement Division prior to each tax settlement. The amounts shown on the June 2011 and December 2011 reports were incorrect. As a result, the County Treasurer reported unidentified variances of \$828,666 and \$1,632,879 on the June and December reports, respectively. Excise tax distributions were made based on accurate records maintained in the Auditor's office.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

MONTHLY FINANCIAL REPORT (Form 47TR)

The Treasurer's Monthly Financial Report (Form 47TR) is to be prepared by the 16th day of the following month. During 2011, these reports were not prepared. A contributing factor was the Treasurer's Daily Balance of Cash and Depositories (Form 47) was not completed and bank reconciliations were not performed.

On or before the 16th day of each month the Treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand, and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts. [IC 36-2-9-11 and 36-2-10-16] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

COUNTY TREASURER
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

We noted deficiencies in the internal control system of the Treasurer's office related to financial transactions and reporting. These deficiencies included bank account reconciliations not prepared, Treasurer's Daily Balance of Cash and Depositories not properly maintained, and numerous transactions not recorded or not recorded timely.

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 Treasurers of Indiana, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2012, with Sarah A. Melford, Treasurer; Mark E. Bardsley, President of the Board of County Commissioners; and James E. McWhirt, 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.



July 31, 2012

**Grant County
Treasurer's Office**

Sarah A. Melford
Treasurer

Mr. Gary DeWitt
SBOA Field Supervisor
11768 N Roanoke Rd
Roanoke, IN 46783

RE: Official Response to Audit – 2011

Dear Mr. DeWitt:

Please accept this correspondence as my official response to the Audit Results and Comments included in the audit for the year ended December 31, 2011, which included the following:

- Financial Report Opinion Modification
- Bank Account Reconciliation
- Treasurer's Daily Balance of Cash and Depositories (Form 47)
- Timely Recordkeeping
- Transaction Recording
- Excise Tax Reconciliation at Settlement Report
- Monthly Financial Report (Form 47TR)
- Internal Controls

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First, let me say, as Treasurer, I concur with the Audit Results and Comments included in this report. Prior to the audit I was aware that my office was delinquent with various reconcilements and that there were transaction recording errors. However, I was unaware of the severity and magnitude of the problems found and noted by the field examiners conducting this audit.

I fully accept the responsibilities of my office, and I regret that these problems occurred. This has been a learning experience for me. I assure to you, and to the taxpayers of Grant County, that I have taken steps to remediate these issues. As a new Treasurer, I was unaware of many of the details of the responsibilities required of the office. However, as soon as I was informed of the issues at hand, I took it upon myself to become educated and informed appropriately. I am happy to report that the 2011 books have been completed as of July 30, 2012, and all State Board of Accounts Monthly Treasurer Reports have been filed with the Auditor.



Official Response to Audit – 2011
Page Two

I appreciate the manner in which the field examiners of the Indiana State Board of Accounts brought these issues to my attention and the guidance and support they gave as I began to take corrective action.

I want the public to know that I am committed to fulfill the responsibilities of the office of Grant County Treasurer in the prescribed manner. The deficiencies that have been noted will be corrected, and my office will be prepared for the 2012 audit.

Grant County
Treasurer's Office

Sarah A. Melford
Treasurer

Sincerely,



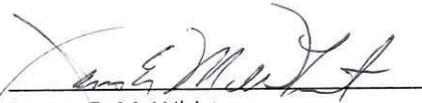
Sarah A. Melford

Signed in support of corrective actions determined and implemented by the County Treasurer:

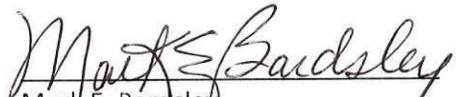
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James E. McWhirt
President, County Council
Commissioners



Mark E. Bardsley
President, Board of County