

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

AUDIT REPORT
OF
COUNTY TREASURER
DELAWARE COUNTY, INDIANA
January 1, 2011 to December 31, 2011



FILED
09/10/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John Dorer	01-01-09 to 12-31-12
President of the County Council	James King	01-01-11 to 12-31-12
President of the Board of County Commissioners	Todd Donati	01-01-11 to 12-31-12



STATE OF INDIANA
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TO: THE OFFICIALS OF DELAWARE COUNTY, INDIANA

We have audited the records of the 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 Delaware County for the year 2011.

STATE BOARD OF ACCOUNTS

August 8, 2012

COUNTY TREASURER
DELAWARE COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, which were cited in the prior report, were again present during our period of audit:

1. Record balances were not reconciled to depository balances during 2011.
2. There were a considerable number of posting errors. These errors included deposits not receipted (\$19,839), checks and receipts not recorded in the proper amounts (\$220,217), interest not posted (\$51,244), bank fees not posted (\$24,446), items posted to the wrong bank account (\$1,010,695) and nonsufficient funds checks incorrectly posted (\$39,375).

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."

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 Treasurers of Indiana, Chapter 10)

FINANCIAL REPORT OPINION MODIFICATIONS

The Delaware County Treasurer's Office did not reconcile the Treasurer's Cash Book to the bank balances for 2011. The review of the cash book found numerous posting errors and unidentified differences. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

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 Treasurers of Indiana, Chapter 10)

INTERNAL CONTROLS - TREASURER'S CASH BOOK

The bank statements were not reconciled to the Treasurers cash book in 2011. Therefore, there were no controls in place to allow for the discovery of numerous posting errors in the cash book.

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 Treasurers, Chapter 10)

COUNTY TREASURER
DELAWARE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSACTION RECORDING

Bank fees in the amount of \$24,445.56 were not recorded in the records.

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 Treasurers of Indiana, Chapter 10)

ANNUAL REPORT

The annual report filed was materially misstated due to the Treasurer's Office giving incorrect information to the County Auditor. The annual report receipts were understated by \$8,620,691, the disbursements were understated by \$8,193,113 and cash was understated by \$427,577.

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 Treasurers of Indiana, Chapter 10)

TAX COLLECTION AND SETTLEMENT

The Fall 2010 settlement was not completed until February 28, 2011, due to incomplete and inaccurate postings in the cash book. When the settlement was completed on March 28th, the cash book indicated that \$3,489,527 was overpaid. The beginning balance of advance draws was shown as \$33,335,457 on February 28, 2011. The amount deducted from total taxes collected for settlement for advance draws was only \$29,845,930. This resulted in an error of \$3,489,527. We attempted to determine if taxes had been overpaid, but the numerous posting errors and lack of bank reconciliements made us unable to determine if settlement was fairly stated. We also could not determine if the tax collections certified to the auditor were correct.

The continuing problems with the tax collections caused the Fall 2011 settlement to not be completed until March 28, 2012.

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 Treasurers of Indiana, Chapter 10)

Indiana Code 6-1.1-27-1 states:

"(a) On or before June 20th and December 20th of each year, the county auditor and the county treasurer shall meet in the office of the county auditor. Before each semi-annual meeting, the county auditor shall complete an audit of the county treasurer's monthly reports required under IC 36-2-10-16. In addition, the county auditor shall:

- (1) prepare a certificate of settlement on the form prescribed by the state board of accounts;
and
- (2) deliver the certificate of settlement to the county treasurer at least two (2) days before each semi-annual meeting.

COUNTY TREASURER
DELAWARE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(b) If any county treasurer or auditor refuses, neglects, or fails to distribute tax money due to a tax unit on or before the fifty-first day immediately following each property tax due date under IC 6-1.1-22-9 or IC 6-1.1-37-10, whichever applies, the county treasurer and auditor shall pay to the taxing unit from the county general fund interest on the taxing unit's undistributed tax money if the county treasurer and auditor invest undistributed tax money in an interest bearing investment. The amount of interest to be paid equals the taxing unit's proportionate share of the actual amount of interest which is received from investments of the undistributed tax money from the fifty-second day immediately following the property tax due date under IC 6-1.1-22-9 or IC 6-1.1-37-10, whichever applies, to the date that the tax money is distributed."

COUNTY TREASURER
DELAWARE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2012, with John Dorer, Treasurer, and Ginger Grove, Chief Bookkeeper. The Official Response has been made a part of this report and may be found on page 8.

The contents of this report were discussed on August 14, 2012, with Todd Donati, President of the Board of County Commissioners, and James King, President of the County Council.



JOHN B. DORER
DELAWARE COUNTY TREASURER

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Depository reconciliations of the fund balances to the bank account balances were materially incorrect and not reconciled to the cash book.

Response: In September 2011 a new head bookkeeper was appointed in the Treasurer's Office and charged with the task of maintaining all aspects of the position in a timely and efficient manner. Because discrepancies noted from the previous bookkeeper, this has proven to be time-consuming and arduous. Essentially, her work has entailed reestablishing formulas and recalculating from January 2011 forward. Much progress has been made. The cash book is current. We are now addressing the process for the reconciliation of bank statements. We also are in the process of requesting appropriation of funds to cover bank charges.

The records maintained by the Delaware County Treasurer are not adequate to allow for timely or accurate settlement of taxes collected.

Response: Since the new head bookkeeper assumed her role in September 2011, two accurate settlements have been provided to the Auditor's Office. The first, representing the December 31, 2011 settlement, was completed and filed in February 2012. The June 2012 settlement was completed on time and will be reviewed by the State Board of Accounts in 2012.

The Treasurer's Office was charged 11 months ago with three specific roles: to balance settlements with the Auditor's Office, to balance both sides of the cash book, and to efficiently reconcile the cash book with bank statements. We have accomplished the first two and continue our efforts on the third. We expect that, prior to the end of this calendar year, we will be completely current with all bookkeeping procedures and entirely compliant with the State Board of Accounts.

We will have bank accounts completed in a timely manner for State Board of Accounts auditing purposes.

John B. Dorer
Delaware County Treasurer