

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

AUDIT REPORT
OF
COUNTY AUDITOR
PORTER COUNTY, INDIANA
January 1, 2011 to December 31, 2011



FILED
09/19/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Robert Wichlinski	01-01-11 to 12-31-14
President of the County Council	Daniel Whitten	01-01-11 to 12-31-11
President of the Board of County Commissioners	John Evans	01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER 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 Porter County for the year 2011.

STATE BOARD OF ACCOUNTS

August 9, 2012

COUNTY AUDITOR
PORTER COUNTY
AUDIT RESULTS AND COMMENTS

QUESTIONABLE EXPENDITURES E-911

As stated in the prior audit report, there were E-911 disbursements found that are considered to be questionable expenditures based on the state guidelines for the following items in 2011:

1. Office Supplies
2. Furniture (lockers for dispatchers)

Indiana Code 36-8-16-14 (a) states:

"The emergency telephone system fees shall be used only to pay for:

- (1) the lease, purchase, or maintenance of enhanced emergency telephone equipment, including necessary computer hardware, software, and data base provisioning;
- (2) the rates associated with the service suppliers' enhanced emergency telephone system network services;
- (3) the personnel expenses of the emergency telephone system;
- (4) the lease, purchase, construction, or maintenance of voice and data communications equipment, communications infrastructure, or other information technology necessary to provide emergency response services under authority of the unit imposing the fee; and
- (5) an emergency telephone notification system under IC 36-8-21.

The legislative body of the unit may appropriate money in the fund only for such an expenditure."

Indiana Code 36-8-16.5-41(a) states:

"A PSAP shall use its distribution made under section 39 of this chapter for the lease, purchase, or maintenance of wireless enhanced emergency telephone equipment, including:

- (1) necessary computer hardware, software, and data base equipment;
- (2) personnel expense and training;
- (3) the provision of wireless enhanced emergency service; or
- (4) educating consumers about the operations, limitations, role, and responsible use of enhanced 911 service."

SUPPLEMENTAL CAR-1 REPORT NOT FILED OR REPORTED INCORRECTLY

The officials prepared an electronic annual report, as required. However various outside offices failed to prepare and remit the Supplemental County Annual Report (CAR-1) Report to the Auditor. The Supplemental County Annual Report (CAR -1) is required to be prepared by the various county outside offices to allow the reporting of the beginning balance, receipts, disbursements, and ending fund balance for the reporting period. This information was not included in the electronic Annual Report for Adult Probation

COUNTY AUDITOR
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Department, Juvenile Probation Department, Health Department, Park Department, and the Treasurer. The officials submitted corrections to the electronic Annual Report for 2011 and then resubmitted. The financial statement presented includes financial activities for these outside offices.

There were several outside offices that completed the Supplemental County Annual Report (CAR-1), but errors were noted. Those offices were Clerk of the Circuit Court, Convention and Tourism Bureau, Sheriff Commissary, County Recorder, Fairgrounds and Exposition Center, Memorial Opera House, and the Sheriff Civil, Inmate Trust and Awards Banquet. Corrections were made to the 2011 CAR and resubmitted. The financial statement presented includes the corrected (audited) amounts for these outside offices.

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 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. 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 Auditors of Indiana, Chapter 14)

COUNTY EMPLOYEE ALSO PAID AS A CONTRACTOR AT THE MEMORIAL OPERA HOUSE

An individual receives a salary for their full-time employment as manager of the Expo Center and is paid as a contractual employee for their management services to the Memorial Opera House. The County was cited by the Internal Revenue Service (IRS) during a recent audit of the 2007, 2008, and 2009 records for paying certain individuals for contractual services. The IRS determined these individual contractors to be employees and subject to payroll taxes and withholding. The individual was paid for contractual services in 2011 of \$22,506, in addition to their full-time salary. Although the County paid taxes and penalties to the IRS in a settlement on January 28, 2011, for the items cited in the review, the County did not make the correction in 2011 to increase the individual's salary for management of the Memorial Opera House and eliminate the contractual payments.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 18)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

EMPLOYEE SERVICE RECORDS

The County maintains Employee Service Records (General Payroll Form 99A) which serve as the employee's time card and absence summary. The leave portion of the Employee Service Records, which track the employees sick, vacation, personal time earned, used and the available balances is currently not

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being completed. By not maintaining or monitoring the leave balances on the Service Record, employees may use more leave time than they actually earned. We noted 2 out of the 12 employee service records tested appeared to use more time than earned and thus were paid improperly.

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)

COMMISSIONER'S APPROVAL OF THE EMPLOYEE BENEFIT FUND DISBURSEMENTS

As stated in the prior audit report, disbursements out of the "Employee Benefit Fund" (Fund 45, a self-insurance fund) are reviewed and approved by the plan administrator, the County Auditor, and a payroll clerk in the Auditor's office. However, the disbursements from the "Employee Benefit Fund" are not formerly approved by the County Commissioners.

The board of county commissioners shall examine the merits of all claims or vouchers so presented and may, in its discretion, allow such claim or voucher, in whole or in part, as they may find to be valid. [IC 36-2-6-2] It is unlawful for any board of commissioners of any county or for any member thereof to make any allowance or to allow any claim or voucher against the county, or order the issuance of any county warrant for the payment of any sum of money, except at a regular or special session of the board. [IC 36-2-6-4] Each claim or voucher must show the date and amount allowed. If a claim or voucher is disallowed in whole or in part, this should be clearly shown on the claim or voucher and on the docket or register. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

CREDIT CARDS

The County adopted a policy for the use of credit cards for County business in 1997 (Resolution 97-19) and updated the policy in 2007 (Resolution 07-03), based on the State Board of Accounts recommendations concerning credit cards. However the County does not appear to be following this policy. Based on the county credit card policy the Auditor is to maintain custody of the County credit cards. The Auditor will maintain an accounting system or log for each card which will include the names of the individuals requesting usage of the card, their position, estimated amounts to be charged and the date the card is issued and returned. The card will be used for county business and the person using the county credit card will provide the county with supporting documents such as invoices and receipts for their charges within seven days of the receipt of the monthly credit card statement.

When reviewing credit card claims, we noted that two County credit cards were cancelled on May 17, 2012, for nonpayment in excess of 120 days. The credit cards were not paid timely due to the fact individuals did not submit supporting documentation for the charges to the County Auditor in a timely manner, in accordance with the County adopted credit card policy. As of August 8, 2012, there is an outstanding balance of \$4,157.96 from a former employee of the County.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

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(Continued)

2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

COUNTY AUDITOR
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2012, with Robert J. Wichlinski, Auditor; John Evans, President of the Board of County Commissioners; and Alizabeth Bailey, Chief of Staff. The officials indicated that they would be responding to the report but no Official Response was received.