

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

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



FILED
09/20/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Craig Hinchman	01-01-09 to 12-31-12
President of the County Council	Richard Mrozinski, Jr. Matthew Bernacchi	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of County Commissioners	Kenneth Layton	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAPORTE 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 LaPorte County for the year 2011.

STATE BOARD OF ACCOUNTS

July 31, 2012

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

GATEWAY ANNUAL REPORT

The Gateway Annual Report completed by the County Auditors Office does not include several departmental transactions. The information necessary to add these departmental transactions to the Gateway Annual Report was either not received by the Auditors Office in a timely manner, was not received at all, or appears to have been inaccurately reported to the Auditor. Some of the year end cash balances of those transactions that have been omitted from the Gateway Annual Report at December 31, 2011, were as follows: Sheriff Commissary, \$80,049; Sheriff Inmate Trust, \$11,403; Sheriff Retirement and Benefit Trusts, \$22,203,685; Sheriff Cash Book, \$54,845, Sheriff Thompson Scholarship, \$80,794; Treasurer Cash Book, \$19,652,155. Inclusion of accurate beginning cash balances for these transactions, their receipt and disbursement totals for the year 2011, and their year ending transaction cash balances would result in a more accurate Gateway Annual Report.

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)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

SELF-INSURANCE CLAIMS

The County paid \$6,350,717 in medical claims for the year 2011. The claims were not audited for accuracy by the auditor and were not recorded on the claim docket for approval by the governing board. No supporting documentation was maintained for the audit. The lack of internal controls in the self-insurance claim review resulted in claims being paid for employees who no longer had an "active" employment status with the County.

It is the duty of the county auditor after auditing each claim or voucher to certify to the correctness of the claim or voucher in the space provided thereon before such claim or voucher is submitted to the board of county commissioners for its consideration or, in the case of other claims or vouchers, before such claims or vouchers are paid. [IC 5-11-10-2] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

All claims or vouchers against the county, unless otherwise expressly provided by law, are required to be filed with the county auditor for consideration by the board of county commissioners. Claims or vouchers must be filed at least five days before the session of the board when such claims or vouchers are to be considered. If a claim or voucher is properly certified and timely filed, the county auditor is without authority to withhold the claim or voucher from the board's consideration, even though the claim or voucher may appear to be improper or incorrect, or for some other reason cannot be paid. [IC 36-2-6-2] [IC 36-2-6-4] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CITY AND TOWN COURT COST

Pursuant to Indiana Code 33-37-7-6, the Auditor is to make semiannual distributions of city and town court costs to those cities and towns eligible to receive those fees. In 2011, the County Auditor did not make the distribution of those fees. The total amount collected for city and town court costs totaled \$41,811.64. The fund balance as of December 31, 2011, was \$87,967.70.

Indiana Code 33-37-7-6(a) states in part:

"The qualified municipality share to be distributed to each city and town maintaining a law enforcement agency that prosecutes at least fifty percent (50%) of the city's or town's ordinance violations in a circuit, superior, or county court located in the county. . . ." subsection (c) states in part: "The county auditor shall distribute semiannually to each city and town described in subsection (a) the amount computed for that city or town . . ."

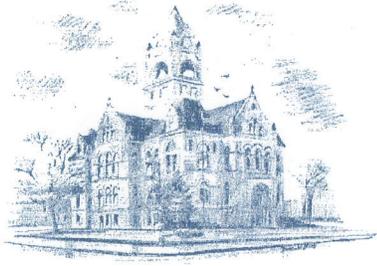
OVERDRAWN CASH BALANCES

The following funds had deficit balances as reflected on the County's Fund Ledger in the amounts shown as of December 31, 2011:

General	\$ 7,932,140
Lp Co Pioneer Cemetery Comm	27,176
Adult Protective Services	32,099
Sup 1 Voc Training Supv	9,888
County Heath Dept	123,358
Regional Planner	49,600
Suppl Juvenile Circuit Court	1,576
Big City Seat Belt Enforce Pro	50
Center Twp Poor Relief	91
Michigan Twp Poor Relief	21,212
Metro Op Jag 10K & Under	6,216
Co Liability Insurance	42,201
Library Settlement	38

For the Annual Report the County combines some funds that are listed individually on their records. This causes some funds that have negative cash balances on the records of the County to be shown with positive cash balances on the Annual Report.

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 Counties of Indiana, Chapter 1)



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State Board of Accounts

302 Washington St. Room E418

Indianapolis, Indiana 46204-2765

July 31, 2012

#1 Gateway Annual Report

We have e-mailed and called the different departments stating we needed the information for the annual report. Some did not respond and some brought the data in the day it was do. As the Auditor I do not have the authority to force a department to comply in making information available to this office so we can get our reports done on a timely fashion. We take time lines/deadlines seriously but most of the county departments don't. We stated budget data collection in February and told everyone we needed it by July 1st. As of July 31st departments are still making changes.

I have a great staff and they work very hard to do their jobs in accurate fashion and to meet all deadlines. When there is a problem it is due to some other department not doing their job.

#2 SELF INSURANCE CLAIMS

The Human Resource department took over the county's health insurance duties from the auditor's payroll department. The county auditor's payroll department no longer has authorization to access Anthem's claim, reports, billing and no authorization to correspond with the county's agent Gordon Snyder from Appex. Since then, the county auditor payroll department duty, has only been the deducting of health insurance premiums from the employees paycheck and to quietus the money into the group health insurance fund.

The Payroll department discovered that several employees who were terminated were still active with Anthem. This was corresponded to the Human Resource department. The HR Department informed us

that these issues were resolved. As previously stated, the County Auditor's Payroll department has no access to verify that the issues were corrected.

#3 Cities and Town Court Cost

We have been busy and somehow this was over looked. Once we were made aware of this we made the proper distribution.

#4 OVERDRAWN CASH BALANCES

Since Grants many times get over drawn until monies is deposited. The La Porte County Council passed an ordinance number 2012-01 authorizing accounts to maintain a negative balance.

Craig Hinchman

July 31, 2012