

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

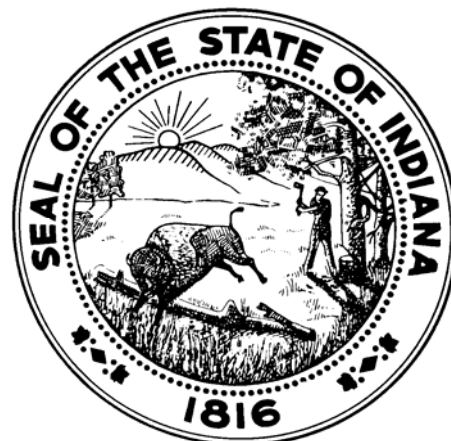
AUDIT REPORT

OF

CLERK OF THE CIRCUIT COURT

HANCOCK COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

08/09/2006

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of Circuit Court	Linda J. Grass	01-01-03 to 12-31-06
President of the County Council	Thomas Roney	01-01-05 to 12-31-06
President of the Board of County Commissioners	Armin B. Apple Brian Kleiman	01-01-05 to 12-31-05 01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HANCOCK COUNTY

We have audited the records of the Clerk of the Circuit Court for the period from January 1, 2005 to December 31, 2005, 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 Hancock County for the year 2005.

STATE BOARD OF ACCOUNTS

July 6, 2006

CLERK OF THE CIRCUIT COURT
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances had not been completed. The Clerk of the Circuit Court's trust and general operating bank reconciliations, which only reconcile the receipt and disbursement activity to the bank's record of receipt and disbursement activity, have not been performed subsequent to September 30, 2004. Checks clearing the bank account had not been updated in the Court's Trust computer system since the July 7, 2005, bank statement.

The Clerk of the Circuit Court also did not reconcile the Indiana Support Enforcement Tracking System (ISETS) bank account during the audit period. Prior to this audit period, an error in reconciling occurred and the County Officials contacted the ISETS help desk at the Indiana Family and Social Services Administration (FSSA) for assistance. Reconciliation information was turned over to FSSA and the account was most recently reconciled through December 2004.

A similar comment appeared in several prior audit reports.

Indiana Code 5-13-6-1(e) states in part: "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."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, some of which have been cited in several prior audit reports, were again present during our audit period:

At December 31, 2005, the Clerk of the Circuit Court's Cash Book Trust balance of \$1,564,875 was not in agreement with the Trust detail (Age Trial Balance by date) balance of \$1,467,085. The Cash Book Trust balance was \$97,790 more than the detail total; however, there was no reasonable way to determine the accuracy of the variance. At least one posting error of \$23,126 to the Age Trial Balance by date had been observed and reported in prior audit reports. In addition, numbers were "plugged" into the records when the new Indiana Support Enforcement Tracking System (ISETS) computer program was installed. Research by officials determined that some of these "plugs" were valid and some were not, however, no corrections have been made. Therefore, sufficient information did not exist to verify the accuracy or correctness of the transactions reported.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

MONTHLY REPORT NOT FILED

The Clerk of the Circuit Court did not prepare or file the Monthly Report - Clerk of the Circuit Court (Form 46CR) or other approved form as required.

The Clerk of the Circuit Court is required to prepare in quadruplicate a monthly financial report on Form 46CR. The report is prepared after the books are closed as of the last day of each month and in accordance with the requirements of Indiana Code 33-32-3-6.

CLERK OF THE CIRCUIT COURT
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The report is made from both the Clerk of the Circuit Court's Cash Book and Daily Balance Record, Form 46, and bank statements furnished by the designated depositories showing balances as of the last day of each month. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

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 Clerks of the Circuit Courts of Indiana, Chapter 13).

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

The review of trust items on hand revealed that the Clerk had one trust established in 1996 for a civil action that had a summary judgment in 1997. Case records showed no order from the Judge to release the money held in trust. A second trust for a guardianship established in 1993 has had no final court action. Both trusts have had no disbursements since they were established.

Indiana Code 32-34-1-20 (c)(6) states: "For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds becomes distributable. The property or proceeds must be treated as unclaimed property under 32-34-3."

TIMELY RECORDKEEPING FOR MONTHLY REIMBURSEMENTS

We noted instances of the Monthly Reimbursement Claim for Title IV-D expenditures being prepared several months after the reporting month ended. Reimbursements for January through October 2005 were prepared and filed in October 2005 after completion by an outside vendor contracted to complete the reimbursement paperwork. The outside vendor was also compiling data for the period March 2001 through December 2004 as reimbursements for that time period also were not filed.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

CONDITION OF RECORDS – CHILD SUPPORT CASES

Hancock County, in conjunction with the Indiana Family and Social Services Administration, accounted for child support collections and payments through the Indiana Support Enforcement Tracking System (ISETS) during 2005. The following deficiency was identified:

Balances of child support cases include errors resulting from data conversion, information not recorded during the time period from data conversion to system implementation, computer application processing errors and user errors. Subaccount balances of support cases in the files of the County did not always agree with the ISETS balance as a result of these errors. The errors are currently being corrected on a case-by-case basis as they are identified.

CLERK OF THE CIRCUIT COURT
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

As a result, incorrect or missing subaccount balances could cause money to be held in the system, cause checks to be printed to an incorrect payee (the state vs. the custodial parent), cause absent parents' tax refunds to be erroneously intercepted, or result in failure to enforce collection of child support funds.

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.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

CLERK OF THE CIRCUIT COURT
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2006, with Linda J. Grass, Clerk of the Circuit Court.