

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

AUDIT REPORT

OF

COUNTY PROSECUTING ATTORNEY

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>
Prosecuting Attorney	Larry Gossett	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

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF HANCOCK COUNTY

We have audited the records of the County Prosecuting Attorney 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

COUNTY PROSECUTING ATTORNEY
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Four Child Support Division caseworkers each received a \$935 salary adjustment/bonus for 2005 which was not processed through the County's payroll system. Instead, a vendor claim was submitted and a check for the entire bonus was remitted. No taxes or other deductions were withheld.

Additionally, three non-Child Support Division employees received compensation totaling \$1,808.92 for work performed on child support projects which were not processed through the County's payroll system. As with the payments reported in the previous paragraph, these payments also were made by way of vendor check with no taxes or other deductions withheld.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, 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 Counties of Indiana, Chapter 5)

TITLE IV-D INCENTIVE BONUSES

Four Child Support Division caseworkers each received a \$935 salary adjustment/bonus as reported above. The source of the funds used for the bonuses was Title IV-D Incentive monies. These one time annual payments were in addition to and not considered as an increase of the employees' base salary. The County Prosecuting Attorney indicated in a letter to the County Auditor he had been advised by the State Child Support that Title IV-D monies were allowed to be used for bonuses.

Indiana Code 12-17-2-26 states that Title IV-D Incentive payments shall be distributed in equal shares to:

- (1) the county general fund;
- (2) the operating budget of the prosecuting attorney; and
- (3) the operating budget of the county clerk.

In the case of *Plummer v. Hegel* App. 2 Dist. 1989, 535 N.E.2d 568, the court held that the prosecuting attorney was entitled to receive incentive payments to encourage enforcement and collections of child support, as additional salary without the county council's approval.

Subsequent to the court's decision in the case of *Plummer v. Hegel*, Indiana Code 12-17-2-26 was amended to state that the amounts received as incentive payments may not, without the approval of the county fiscal body, be used to increase or supplement the salary of an elected official.

Indiana Code 36-2-7-2 states that the compensation fixed for county officers and employees is in full for all governmental services and in lieu of all fees, per diems, penalties, costs, interest, forfeitures, percentages, commissions, allowances, mileage, and other remuneration.

COUNTY PROSECUTING ATTORNEY
HANCOCK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Based on the two above cited code sections and the case of Plummer v. Hegel, it is the audit position of this department that deputies and employees in the offices of the prosecuting attorney and the clerk of the circuit court could be paid additional salary from Title IV-D Incentive Funds without prior approval of the county council. However, this additional compensation must be paid as an increase in salary. We know of no authority for either the prosecuting attorney or the clerk of the circuit court to pay bonuses to deputies and employees from Title IV-D Incentive Funds or any other funds. (The County Bulletin and Uniform Compliance Guidelines, Volume 340, April 2003)

CONDITION OF RECORDS

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.

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)

COUNTY PROSECUTING ATTORNEY
HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2006, with Larry Gossett, Prosecuting Attorney; and Patricia Cole, Child Support Administrator.