

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

AUDIT REPORT
OF
SUPERIOR COURT JUVENILE DIVISION
MARION COUNTY, INDIANA
January 1, 2004 to June 30, 2005



FILED
08/15/2006

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COUNTY OFFICIALS

Office

Official

Term

Presiding Judge

Hon. James W. Payne
Hon. Cale Bradford

01-01-02 to 01-10-05
01-11-05 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MARION COUNTY

We have audited the records of the Superior Court Juvenile Division for the period from January 1, 2004 to June 30, 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.

STATE BOARD OF ACCOUNTS

June 13, 2006

SUPERIOR COURT JUVENILE DIVISION
MARION COUNTY
AUDIT RESULTS AND COMMENTS

BLANK CHECK DISBURSEMENTS

In several instances blank signed checks were given to individuals to pay for purchases. Vendor receipts, invoices, claims, and other supporting information, were not always available to verify the validity of the disbursements.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OVERDRAWN CASH BALANCE

At June 30, 2005, the Petty Cash Fund was overdrawn by \$3,571.80.

The Petty Cash Fund is included with other funds maintained by the unit in a checking account. The money available to other funds within the checking account was negatively affected by the overdrawn balance in the Petty Cash Fund.

The balance in all accounts should not be allowed to be overdrawn.

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)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the National City Bank account. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Records for 2004 were not presented for audit.

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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

SUPERIOR COURT JUVENILE DIVISION
MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states, in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconciliements as of June 30, 2005, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void . . ."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

QUESTIONED EXPENSES

Payments totaling \$2,317.60 from the Petty Cash Fund did not appear to be in accordance with the purposes allowed in the City-County ordinance establishing the Petty Cash Fund. The proper County Officials should review these funds and implement procedures to ensure disbursements are proper for the fund from which they are paid. Additional policies and procedures may be needed to prevent improper disbursements from County Funds.

SUPERIOR COURT JUVENILE DIVISION
MARION COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Each governmental unit is responsible for complying with the ordinances, resolutions and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

PERSONAL PROPERTY USE

Court officials use public vehicles during normal work hours and have access to the public vehicles outside of normal work hours. Logs that show the business use of vehicles were not presented for audit.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INTERNAL CONTROLS

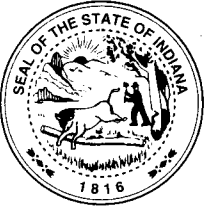
Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. There was a lack of segregation of duties over receipts. Blank checks were given to individuals to pay for purchases (see Blank Check Disbursements, Page 4). Financial records were incomplete and not reflective of activity in bank account (see Condition of Records, Page 4).

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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

SUPERIOR COURT JUVENILE DIVISION
MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2006, with Sue Patterson, Director of Finance; and Ronnie L. Miller, Court Administrator. The contents of this report were also discussed on June 26, 2006, with Hon. James W. Payne, former Presiding Judge; and Peggy M. Farrar, former Business Manager. The official responses have been made a part of this report and may be found on pages 8 through 13.



Office of the Court Administrator

Marion Superior Court

T-1221 CITY-COUNTY BUILDING
200 EAST WASHINGTON STREET
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(317) 327-4747

June 23, 2006

Ms. Tamika Rhinehart
State Board of Accounts
302 West Washington Street, E-418
Indianapolis, IN 46204-2738

Dear Ms. Rhinehart:

Please find below the **Official Response of the Marion Superior Court** concerning the audit conducted by the State Board of Accounts on the Marion Superior Court Juvenile Division.

We look forward to the public release of your report. Please feel free to contact either myself or Sue Patterson should you need any further information.

Sincerely,

Ronnie L. Miller
Court Administrator
Marion Superior Court

Official Response

Blank Check Disbursement

The court understands that checks should be prepared in a timely fashion and never signed in advance of the transaction. Any practices to the contrary would have occurred prior to the Office of the Court Administrator accepting responsibility for this account, and have not occurred since that time.

Overdrawn Cash Balance

The court understands that funds should never be overdrawn. Incidences of overdrawing this fund occurred prior to the Office of the Court Administrator accepting the responsibility for this account. Policies are now in place to prevent any reoccurrence of overdrawing this account.

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6/23/2006

On August 29, 2005, on the recommendation of the court, the City County Council passed General Ordinance #91 establishing a Marion Superior Court Petty Cash Fund in the amount of \$4000. This fund currently has a positive balance. All reimbursements to this account are generally funded by the Donations Fund described below. These reimbursement vouchers are filed with the Marion County Auditor and are subject to the scrutiny of that office, in addition to the scrutiny of the Office of the Court Administrator, prior to payment being made.

Condition of Records

The court understands the need to maintain records sufficient for auditing and oversight of public funds. The State Board of Accounts was provided all of the records which could be located for the National City Bank Account.

On August 29, 2005, on the recommendation of the court, the City County Council passed General Ordinance #90 establishing a Marion Superior Court Donations Fund. All of the proceeds of the National City Bank Account (with the exception of the detainee trust funds which were subsequently sent to the State Attorney General) were placed in this account with the Marion County Treasurer. The records for this fund are now kept on the accounting system maintained by the Marion County Auditor.

Old Outstanding Checks

The court understands the necessity of reconciling bank accounts on a consistent basis and appropriately handling stale items. All of the outstanding checks noted in the audit were related to the detainee trust accounts which were kept in the National City Bank Account. These stale items were written back into this account and reconciled following State Board of Accounts audit.

Personal Expenses

The court understands and does not allow public funds to be expended for personal expenses. The incident noted in the audit occurred prior to the Office of the Court Administrator assuming responsibility for the National City Bank Account, and the uniform implementation of this policy.

Personal Property Use

The court understands the need to maintain vehicle logs for all automobiles in use by court employees and that such use must be in furtherance of the employee's official duties. The court maintains monthly automobile logs which are reviewed by the Assistant Facilities Coordinator, and this policy has been extended to and is currently in place for all vehicles maintained at the juvenile facility.

Internal Controls

The court understands the need for appropriate internal controls which provides 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. The court's administration of the funds subject to this audit have been substantially strengthened by the establishment of the

Marion Superior Court Petty Cash Fund and the Marion Superior Court Donations Fund. As part of the internal controls over these funds, all receipts to the Donations Fund are deposited with the County Treasurer and subject to the review of that office. Any disbursements from these two funds are made by the County Auditor and are subject to the review of that office.

August 2, 2006

Mr. Melvin Jarrett
State Board of Accounts
Room W418
402 West Washington Street
Indianapolis, IN 46204

Dear Mr. Jarrett:

Please consider this letter as an official response to the results and comments in Schedule of Findings for the Preliminary Audit Results and Comments of the Marion Superior Court, Juvenile Division. As you explained, this audit was for the period of June 2004 – June 2005, and as noted, my term as the Judge of the Marion Superior Court, Juvenile Division ended 1/7/05.

As was the practice during my term at the Court, any past audit comments from the State Board of Accounts and KPMG Peat Marwick became written policies and procedures and were enacted at the Marion Superior Court, Juvenile Division to put the financial records in compliance with the above recommendations. I have asked for copies of the past audits and the work papers of the Field Examiner, intending to show that all financial records, polices and procedures were in compliance with the regulations that we were aware of from the State Board of Accounts. I have not received all of those records from your office and would like to note that at the end of my term, January 7, 2005, all financial records were present, balanced, and accounted for and turned over to the present administration of the Marion Superior Court, Juvenile Division.

In general, I present the following comments to each of the Audit Results and Comments:

Blank Check Disbursements

On occasion, blank checks were given to employees to pay for purchases for detainees with special medical or dietary needs. Such a check was only used for emergency purchases required outside of regular business hours (before 7:00 a.m. or after 7:00 p.m., Monday through Friday). This type of situation rarely occurred. In those situations, the following procedures were in place:

- 1) A check was issued with date and name of business/payee and was signed by an authorized official.

- 2) The check was given to the supervisor to distribute to the employee who was making the purchase.
- 3) The employee would fill in the amount at the time of the purchase and obtain an original receipt for the purchase.
- 4) The original receipt was returned to the Business Division and the amount was entered in the check register.

All records including receipts, canceled checks, tickets, invoices, bills, contracts, and others were kept in the ordinary course of business and eventually stored according to budget year and held in a storage facility in the basement of the Juvenile Court building. At the close of business on January 7, 2005, the last day of my service in the Court, the records were all present and accounted for.

Overdrawn Cash Balance

As of January 7, 2005, the last day of my term in the Court, I was informed and believe that the Petty Cash Fund was in balance. I dispute that the account was "overdrawn" as I generally understand that term. If subsequent payments or postings to the Fund caused it to be overdrawn, it occurred after we left the Court. If the expenses for the going away party contributed to this, those expenses were posted to this account in error.

Conditions of Records

It was the policy and practice during my service in the Court to store all required records in the storage room in the basement of the Juvenile Center. All records for 2004 were placed in that room. We cannot account for what occurred after January 7, 2005. It was the policy and practice of the Court to maintain all records electronically on Quicken files as well. Bank statements were reconciled monthly and submitted to the Marion County Auditor for the annual Marion County fiscal audit. I note that you indicate that records for 2004 were not presented for audit. Those records were accounted for and at the Juvenile Court when I left and their absence or the failure to present them is not reflective of their existence on January 7, 2005. The records were there.

Old Outstanding Checks

A list of outstanding checks was maintained and updated regularly. Per Indiana Code, the Court handled these checks appropriately and submitted the list according to the directions given to us. State Board of Accounts audits indicated these rules were followed.

Personal Expense

The expenses for the going away "party" were to be paid for with donated funds: the "Run for Youth" fund, in particular. This account was part of the consolidated checking account, which incorporated ten to twelve different funds. The "Run for

Youth" fund contained unrestricted donations from various sources and could be used for any purpose.

At the recommendation of the State Board of Accounts, all funds were consolidated into one checking account. Policies were written regarding the operation of this account and approved by the State Board and KPMG Peat Marwick and those written policies included funds available for retirement open house recognitions.

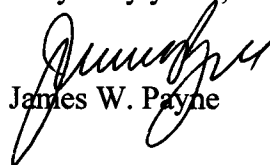
Personal Property Use

Court officials followed the policies regarding county vehicles. From time to time, I was advised by the Indianapolis Police to use county vehicles during and outside of normal work hours due to death threats against me and/or my family. These times were considered to be business use because of the use directed by law enforcement.

Internal Controls

Because of the records not made available to you, the presence of internal controls may not be able to be determined. However, strict controls existed. The responsibilities for receipts were segregated among two people. All disbursements were approved by the Business Manager. All recommendations of the State Board of Accounts auditors were implemented and followed. Those written policies and procedures were available on January 7, 2005.

Very truly yours,



James W. Payne