

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

AUDIT REPORT

OF

COUNTY AUDITOR

GRANT COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

09/21/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Annual Report	4
Condition of Records – Accounting Records	4
Overdrawn Cash Balances	4-5
Repayments	5
Temporary Loan	5
Improper Settlement of County Economic Development Income Tax (CEDIT)	
Homestead Credit	5-6
Surplus Tax – Reconciliation of Subsidiary Ledgers	6
Capital Assets	6
Penalties, Interest and Other Charges	7
Condition of Records – Drainage Funds	7-8
Exit Conference	9
Official Response	10-12

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Michael H. Burton	01-01-03 to 12-31-06
President of the County Council	Michael E. Row Mike Scott	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of County Commissioners	Jeremy Diller	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GRANT COUNTY

We have audited the records of the County Auditor 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 Grant County for the year 2005.

STATE BOARD OF ACCOUNTS

September 5, 2006

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The annual report for 2005 was not properly completed or filed with the State Examiner. The report was not presented until June of 2006. Parts 4 through 10 of the report were not presented for audit. A similar comment appeared in prior Audit Report B25570.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

CONDITION OF RECORDS - ACCOUNTING RECORDS

The following deficiencies relating to the recordkeeping were present during the period of audit:

- (1) The accounting system in place did not provide a reliable detail of fund activity. Some computerized ledger printouts did not contain all funds or accounts. Information for missing funds or accounts had to be requested separately. Various receipt and disbursement reports were provided for audit, however, the totals of receipts and disbursements from these reports did not agree with each other. A similar comment was reported in prior Audit Report B25570.

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 County Auditors, Chapter 14)

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, Chapter 14)

- (2) There were a number of posting errors. These errors included miscellaneous receipts classified as "unappropriated receipts" which post as negative disbursements.

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, Chapter 14)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at December 31, 2005:

<u>Fund</u>	<u>Amount</u>
Sheriff Work Crew	\$ 1,051
Drug Court	27,357
Tobacco Grant	284
Guardian Ad Litem/CASA	16,000
Operation Pull Over / DART	76
Workforce Investment	11,183
JAP/JUV Account Program	785
Medical Health Insurance	43,349
Center Township Poor Relief Debt	132

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Auditors, Chapter 14)

REPAYMENTS

As reported in prior Audit Report B25570, a payment of \$49,492 was paid on July 22, 2004, from the Drainage Maintenance Fund for a debt payment which was an obligation of the General Drain Improvement Fund. On May 25, 2005, a payment of \$66,000 was made from the Drainage Maintenance Fund for a debt payment which was an obligation of the General Drain Improvement Fund. The Drainage Maintenance Fund has not been reimbursed for either of these payments.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

TEMPORARY LOAN

As reported in prior Audit Report B25570, a temporary loan of \$193,316 was made in 2003 from the Drainage Maintenance Fund to the General Drain Improvement Fund. This temporary loan has not been repaid as of August 21, 2006.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the state board of tax commissioners."

IMPROPER SETTLEMENT OF COUNTY ECONOMIC DEVELOPMENT
INCOME TAX (CEDIT) HOMESTEAD CREDIT

During May 2005, the County made settlement of the Uniform CEDIT Homestead Credit. The amount received from the State to be settled was \$2,478,010. The County distributed \$850,604, leaving a balance of \$1,627,406. A comparison of the Abstract of Property Valuations and Amount and Kind of Taxes Levied (County Form 1-A) column 11 to the amount distributed by the State would have shown the discrepancy.

The remaining balance will be distributed to the other governmental units during the 2006 pay 2007, 2007 pay 2008, and 2008 pay 2009 tax years, per instructions from the Indiana Department of Local Government Finance.

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Each column of the duplicate shall be added to arrive at the total assessments and taxes charged for each taxing district and the accuracy of each column proved. The proof should include multiplying the net value of taxable property times one-half of the tax rate for such taxing district to verify the correctness of the tax computed for each installment. Because of fractions of cents (mills) involved in computing each item of taxes there may be a variation between this computation and the total taxes in column 5; however, such variation should be minimal and if a large difference exists, the computations should be checked. It is well to make these computations as each page of the duplicate is completed and balanced to insure the correctness of the final totals. The same proof should be made of the state property tax replacement credit and home-stead credit (column 6), as applied to the gross tax for each installment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 9)

On or before March 15 of each year, the county auditor shall prepare and deliver to the Auditor of State and the county treasurer a certified copy of an abstract of the property, assessments, taxes, deductions, and exemptions for taxes payable in that year in each taxing district of the county. The county auditor shall prepare the abstract in such a manner that the information concerning property tax deductions reflect the total amount of each type of deduction. The abstract shall also contain a statement of the taxes and penalties unpaid in each taxing district at the time of the last settlement between the county auditor and county treasurer and the status of these delinquencies. The county auditor shall prepare the abstract on the form prescribed by the State Board of Accounts. The Auditor of State, county auditor, and county treasurer shall each keep a copy of the abstract in his or her office as a public record. [IC 6-1.1-22-5] (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 9)

SURPLUS TAX - RECONCILIATION OF SUBSIDIARY LEDGERS

Reconcilements were not made between the Surplus Tax Fund Ledger (subsidiary ledgers) and Surplus Tax Fund (control account) at December 31, 2005. The Surplus Tax Fund Ledger lists in detail by taxing district each item of surplus tax collected, the total of which shall be receipted into the Surplus Tax Fund.

At all times, the manual and 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 County Auditors, Chapter 14)

CAPITAL ASSETS

As reported in prior Audit Report B25570, information presented for audit did not indicate an inventory or record of fixed assets using the Capital Asset Ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Interest and late fees paid on an outstanding balance for postage amounted to \$8,354 in 2005. The interest rate charged on the unpaid balance was 19.98%.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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, Chapter 14)

CONDITION OF RECORDS - DRAINAGE FUNDS

As reported in prior Audit Report B25570, the following deficiencies relating to the recordkeeping of the General Drain Improvement and Drainage Maintenance Funds were present during the audit period:

- (1) The prescribed forms for the General Drain Improvement Fund Ledger (Form 63C) and Drainage Maintenance Fund Ledger (Form 63CM) were not properly completed.

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 Public Drainage Funds, Chapter 9)

- (2) Assessments were not posted properly to the General Drain Improvement Ledger Form (63C) and Drainage Maintenance Fund Ledger (Form 63CM).

For the General Drain Improvement Fund "assessments unpaid as shown in Col. 6 of each Subsidiary Ledger sheet (Form 63C) must be equal to unpaid assessments for construction or reconstruction (Principal only) appearing on the Ditch Duplicate for the particular ditch." (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 6)

For the Drainage Maintenance Fund "assessments unpaid as shown in Col. 6 of each Subsidiary Ledger sheet (Form 63CM) must be equal to unpaid assessments (Principal only) appearing on the Ditch Duplicate for the particular ditch." (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 6)

- (3) The subsidiary ledgers were not reconciled to the Auditor's General Ledger for the year ending December 31, 2005.

At the end of any accounting period: (1) the sum of receipt postings to the Subsidiary Ledger Sheets (Form 63C), Col. 10 must equal the total receipt postings to the Control sheet (Form 63C) and to the General Ledger for the same period, (2) the sum of the disbursement postings to the Subsidiary Ledger sheets (Form 63C), Col. 11, must equal the total disbursements postings to the Control sheet (Form 63C), Col. 11, and to the General Ledger for the same period,

COUNTY AUDITOR
GRANT COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

and (3) the total of balances and overdrafts in Column 12, Subsidiary Ledger (Form 63C) must equal the balance in the Control Sheet (Form 63C) and in the General Ledger. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 6)

At the end of any accounting period: (1) the sum of receipt postings to the Subsidiary Ledger Sheets (Form 63CM), Col. 7 must equal the total receipt postings to the Control sheet (Form 63CM) and to the General Ledger for the same period, (2) the sum of the disbursement postings to the Subsidiary Ledger sheets (Form 63CM), Col. 8, must equal the total disbursements postings to the Control sheet (Form 63CM), and to the total of disbursements postings to the General Ledger for the same period, and (3) the total of balances and overdrafts in Column 9, Subsidiary Ledger (Form 63CM) must equal the balance in the Drainage Maintenance - General Ledger. (Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds, Chapter 6)

COUNTY AUDITOR
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 5, 2006, with Michael H. Burton, Auditor; Tamera N. Miller, Deputy Auditor; and Angela Lewis, Assistant Chief Deputy. The official response has been made a part of this report and may be found on pages 10 through 12.

**GRANT COUNTY AUDITOR
MIKE BURTON
401 SOUTH ADAMS STREET, RM 222
MARION, IN 46953-2097
TELEPHONE 765-668-8871
FAX 765-668-6582**

Monday, September 11, 2006

Mary Jane Bartrom
State Board of Accounts
1021 West 420 North
Huntington, In 46750

Dear Mary Jane:

I am taking this opportunity to respond to the Audit Results and Comments by the State Board of Accounts for 2005 for Grant County.

ANNUAL REPORT

The 2005 Annual Report was filed late due in large to the fact that our number one focus was to get Grant County tax statements current. The statements are now current and this should allow us to file the 2006 Annual Report on time.

CONDITION OF RECORDS-ACCOUNTING RECORDS

(1) It has been determined the reason there is not a reliable detail fund activity is because of the setup of our current software program by Harris Company. The counties that use this software face the same issue. We have talked to Harris concerning this problem and they contend that their software will remain the same with no changes anticipated.

We will continue to do the Annual Report by hand in order to remedy this issue.

(2) The majority of the posting errors occurred during a six week period when the regular claims deputy was on leave for surgery. We were unaware that her replacement was unclear on receipting procedures until these errors were already posted.

OVERDRAWN CASH BALANCES

In most cases the reason there are overdrawn cash balances that appear to be overdrawn is due to the fact that the funds come from grants. The grants are distributed at various times that do not coincide with the invoices that are presented. Most grants run on a calendar year from July to June.

This means that at times the cash balance will be overdrawn and the grant funds will come in at a later date. They will be deposited which will give the respective fund a positive cash balance.

REPAYMENTS

We will remind the Grant County Drainage Board of this issue and the fact that these funds need to be repaid to the proper account. As you know the Drainage Board is responsible for this transaction and the Auditor's office will inform them of needed action for this matter.

TEMPORARY LOAN

The Auditor's office informed the Drainage Board of this needed loan repayment. The Drainage Board has since taken action and the loan for \$193,316 was repaid at the end of August 2006.

IMPROPER SETTLEMENT OF UNIFORM CREDIT HOMESTEAD CREDIT

The CREDIT worksheet that was received from the State Auditor's office was incorrect. Over the next 3 years, 2007, 2008 and 2009, we will distribute the remaining amount of money that was left because of the error.

SURPLUS TAX-RECONCILIATION OF THE SUBSIDERARY LEDGERS.

Because of reassessment and the overwhelming amount of surplus refunds, the Auditor's office was unable to reconcile the ledger in a timely fashion. Since reassessment has been completed we do not expect to encounter this problem in the future.

CAPITAL ASSETS

My understanding is that Capital Assets for Grant County with an inventory record of fixed assets have not been maintained since 1999.

Since reassessment has been completed and tax statements are current we expect to address the Capital Assets issue in the near future.

PENALTIES, INTERST AND OTHER CHARGES

This issue was brought to the attention of the Grant County Commissioners. They took corrective action in early 2006 and this issue has been resolved.

CONDITION OF RECORDS-DRAINAGE FUNDS

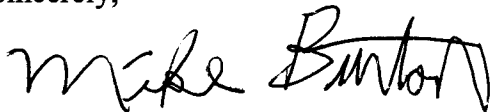
We have made progress on updating the Drainage Fund records and we expect that the funds will be up to date by early 2007.

POSTSCRIPT

Since assuming the office of Auditor in January, 2003 I fully understand the aforementioned Auditor Results and Comments are my responsibility.

I fully intend to follow up with needed correction to the issues mentioned in the Auditor Results and Comments by the State Board of Accounts for 2005.

Sincerely,

A handwritten signature in black ink that reads "Mike Burton". The signature is written in a cursive style with a large, prominent "B" for the last name.

Mike Burton
Grant County Auditor