

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

EXAMINATION REPORT  
OF  
COUNTY AUDITOR  
FRANKLIN COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**  
11/30/2006



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Carol L. Monroe	01-01-04 to 12-31-07
President of the County Council	Donald (Butch) Williams	01-01-05 to 12-31-06
President of the Board of County Commissioners	Louis E. Linkel	01-01-05 to 12-31-06



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF FRANKLIN COUNTY

We have examined 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 Examination Results and Comments. The financial transactions of this office are reflected in the Annual Report of Franklin County for the year 2005.

STATE BOARD OF ACCOUNTS

November 8, 2006

COUNTY AUDITOR  
FRANKLIN COUNTY  
EXAMINATION RESULTS AND COMMENTS

TAX SALE SURPLUS FUNDS

The County was holding \$2,797.26 in Tax Sale Surplus, at December 31, 2005, which was held for more than three years.

Indiana Code 6-1.1-24-7(c) states: "An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is not claimed within the three (3) year period after the date of its receipt."

CONDITION OF RECORDS

The Surplus Tax Fund Ledger (Form 65 STF) did not balance with the Surplus Tax Fund in the County Auditor's Fund Ledger.

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)

PENALTIES AND INTEREST

On August 18, 2005, the Auditor's office telephoned the biweekly payroll tax payment information to the Internal Revenue Service as was the customary process at that time. A deposit of \$31,475.89 into the payroll account was made on August 19, 2005. For reasons unknown, the IRS did not withdraw the amount from the bank as was anticipated and the Auditor's office failed to get a confirmation number from the IRS that the information had been received.

On the bank reconciliements prepared by the County Treasurer and supplied monthly to the Auditor, a "reconciling item" listed as a "negative deposit-in-transit" was included on that bank account reconciliation in the amount of \$31,475.89 for the month of August. For the month of September, this amount was listed as an outstanding check. On the October reconciliation, this amount was listed as an outstanding check but does not identify it as an "EFT." In November, it is listed as an outstanding check with no identification. On December 12, 2005, the Treasurer verbally informed the Auditor that the August 18, 2005, payroll tax deposit was still in the bank as evidenced by this reconciling item. At that notification, the Auditor's office contacted the IRS who subsequently withdrew the \$31,475.89 on December 13, 2005.

COUNTY AUDITOR  
FRANKLIN COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The four subsequent tax deposits were applied by the IRS to the previous balances creating late payment penalties to be assessed on five separate payroll tax liabilities. On December 19, 2005, the IRS notified the County that they were assessing failure to deposit penalties in the amount of \$7,868.97, late paying penalties in the amount of \$314.76 for a total penalty of \$8,183.73. The interest charged by the IRS was \$297.15. On April 26, 2006, the IRS executed a levy on the county's bank account in the amount of \$8,641.22 in payment of the above penalties and interest.

The processing of biweekly payroll tax payment by telephone has since been discontinued. The current process relies on internet notification to IRS with immediate validation to the Auditor of actual IRS withdrawals. We recommended that the Auditor, whose duties include the calculation and notification to the IRS of the current liability, and the County Treasurer, who has custody of and immediate access to the County's bank accounts, jointly monitor the processing of each biweekly payroll tax payment so that this situation will not be repeated.

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)

COUNTY AUDITOR  
FRANKLIN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2006, with Carol L. Monroe, Auditor; Donald (Butch) Williams, President of the County Council; and Thomas Wilson, County Commissioner.