

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

EXAMINATION REPORT  
OF  
COUNTY HIGHWAY DEPARTMENT  
NEWTON COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
06/08/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials .....	2
Transmittal Letter .....	3
Examination Results and Comments:	
Disposition of Assets .....	4
Personal Property Use.....	4
Undeposited Receipts.....	4
Donations.....	4-5
Internal Controls .....	5
Exit Conference.....	6
Summary .....	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Highway Superintendent	Larry Bingham Russell Schanlaub	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the County Council	Richard Miller Scott Madison	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Russell Collins, Jr.	01-01-06 to 12-31-07



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TO: THE OFFICIALS OF NEWTON COUNTY

We have examined the records of the County Highway Department for the period from January 1, 2006 to December 31, 2006, 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 Examination Report of Newton County for the year 2006.

STATE BOARD OF ACCOUNTS

May 3, 2007

COUNTY HIGHWAY DEPARTMENT  
NEWTON COUNTY  
EXAMINATION RESULTS AND COMMENTS

DISPOSITION OF ASSETS

In April 2006, the Newton County Highway Superintendent gave a 1987 Mack Semi Tractor to a Newton County Highway employee in exchange for the installation of hydraulic equipment on a newly purchased 2000 Mack Semi. The value of the transaction was estimated to be \$1,500 and the employee was issued a 1099 miscellaneous income form.

Indiana Code 5-22-22-4(a) states in part: "If the property to be sold is: (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agent may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction." Indiana Code 5-22-22-5 states in part: "(a) If an auctioneer is not engaged . . . the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale. (b) Advertisement of the sale shall be made in accordance with IC 5-3-1. (c) All sales shall be made to the highest responsible bidder."

PERSONAL PROPERTY USE

Larry Bingham, former highway superintendent, instituted a policy that county highway equipment was available for the personal use of county highway personnel. Mr. Bingham admitted to using a county backhoe while building a garage.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

UNDEPOSITED RECEIPTS

A culvert was sold to a contractor for \$200. The contractor's check number 142145 dated July 27, 2006, for \$200 was cashed and retained by the highway superintendent.

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

We asked Larry Bingham to reimburse the Newton County Highway Fund \$200 for this transaction. Mr. Bingham reimbursed the County for this transaction on May 3, 2007, Quietus 40076. (See Summary, page 7)

DONATIONS

Donations from vendors were routinely solicited and used for a Newton County Highway Department Christmas Party. The Newton County Board minutes did not indicate approval of the event nor the acceptance of these donations. During 2006, checks totaling \$1,325 were cashed by the Superintendent and placed in an envelope and given to the secretary to keep for the Christmas Party. The secretary has maintained a record

COUNTY HIGHWAY DEPARTMENT  
NEWTON COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

of the 2006 disbursements. Approximately \$200 was spent on the Christmas Party, another \$100 for food for the workers, and \$400 was taken by Larry Bingham to purchase tools. A claim for reimbursement was subsequently submitted to and paid by the County for the tool purchases. To date the \$ 400 reimbursement has not been returned to the donation funds.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

We advised officials to deposit the cash on hand as a result of this practice to the County Highway fund.

We asked that Larry Bingham reimburse the County Highway Department \$400 for these missing reimbursements. Mr. Bingham reimbursed the County for this transaction on May 3, 2007, Quietus 40076 (See Summary, page 7)

#### INTERNAL CONTROLS

The County Highway department frequently sold scrap metal recovered during their normal operations to Rensselaer Iron and Metal Inc. Controls over the sales of scrap metal were weak. Load tickets were not always picked up by the drivers nor turned into the business office at the end of the day. Payments were frequently paid in cash and always collected by the Highway Superintendent who was responsible for turning the funds into the County Auditor to record the deposit on the records and deposit the funds to the county bank accounts.

Information provided by Rensselaer Iron and Metal Inc., revealed two sales tickets that had not been receipted to the County's records. One ticket dated January 19, 2006, for \$701.60 was based on 17,540 lbs. of iron at \$80 per ton. The other ticket dated November 22, 2006, for \$817.80 was based on 4440 lbs of iron at \$80 per ton and 23280 lbs of culverts at \$55 per ton. Both tickets were paid in cash by Rensselaer Iron and Metal Inc.

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, Chapter 1)

We asked Mr. Bingham to reimburse the County \$1,519.40 for these undeposited sales. Mr. Bingham reimbursed the County for this transaction on May 3, 2007, Quietus 40076. (See Summary, page 7)

COUNTY HIGHWAY DEPARTMENT  
NEWTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2007, with Larry Bingham, former Highway Superintendent; James Pistello, County Commissioner; Scott Madison, President of the County Council; and Daniel Blaney, Attorney for the County Council. The officials concurred with our examination findings.

COUNTY HIGHWAY DEPARTMENT  
 NEWTON COUNTY  
 SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Larry Bingham, former Highway Superintendent			
Undeposited Receipts, page 4	\$ 200.00	\$ -	\$ 200.00
Donations, pages 4 and 5	400.00	-	400.00
Internal Controls page 5	1,519.40	-	1,519.40
Paid by Larry Bingham, May 3, 2007, Check 2397; Quietus 40076	<u>-</u>	<u>2,119.40</u>	<u>(2,119.40)</u>
Totals	<u>\$ 2,119.40</u>	<u>\$ 2,119.40</u>	<u>\$ -</u>