

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

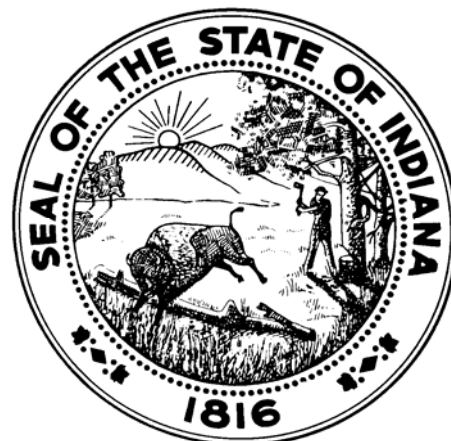
AUDIT REPORT

OF

COUNTY AUDITOR

LAWRENCE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
09/06/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Billie J. Tumey	01-01-05 to 12-31-08
President of the County Council	Joseph Ross Ross Jean	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Janie Craig Chenault William Spreen	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAWRENCE COUNTY

We have audited the records of the County Auditor 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Lawrence County for the year 2006.

STATE BOARD OF ACCOUNTS

August 1, 2007

COUNTY AUDITOR
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS

RECONCILIATION OF SUBSIDIARY LEDGERS

Posting errors were not discovered in a timely manner because reconcilements were not made between the subsidiary ledgers and the control accounts. The following errors were noted during the audit:

1. Tax Sale Redemptions were not being posted properly. Interest paid on property redeemed was posted into the Tax Sale Redemption Fund but was refunded from the Tax Sale Surplus Fund. This caused the Tax Sale Surplus Fund to have a negative fund balance. In addition, the balance in the Tax Sale Redemption and Tax Sale Surplus Fund on December 31 was \$11,134.20 less than the amount in the detailed Tax Sale Record Book.
2. Surplus Tax Funds were not handled properly. Surplus Tax was not moved from the Treasurer's Daily Cash Book to the Auditor's Ledger as required. The Surplus Tax Fund Ledger, Form 65 STS, was not reconciled to the amount in the Surplus Tax Fund in the Auditor's Ledger. The balance in the Surplus Tax Fund in the Treasurer's Daily Cash Book and the Auditor's Ledger was \$11,486.56 less than the amount in the Surplus Tax Ledger, Form 65 STS.
3. Reconcilements were not made between the Treasurer's Monthly Financial Statement, Form 61, and the Auditor's Monthly Financial Statement, Form 61. On December 31, 2005, the Treasurer's Cash Book has a balance of \$1,433.26 more than the Auditor's ledger.
4. The County did not withhold the \$16,532.38 of State Welfare Excise Tax Allocation in 2005 and over distributed the tax to the local taxing districts. Also, the County had not paid the state the \$36,008.06 of State Welfare Excise Tax Allocation collected from 2003.
5. The sum of the payroll withholding subaccount balances do materially agree with the control total as of December 31, 2006, but the individual withholding balances are not able to be reconciled to zero as of December 31, 2006.

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	2006
County Highway	\$ 446,913
Cumulative Capital Development	243,164
Jail Lease Rental	1,050
Courthouse Plaza Lease Rental	2,985
Total	\$ 694,112

COUNTY AUDITOR
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN FUND BALANCES

The following funds were overdrawn in 2006:

<u>Fund</u>	<u>2006</u>
Supplemental Adult Probation Services	\$ 6,346
Pretrial Diversion	586
Victim Assistance Grant	15,567
Adapt User Fee	18,506
Health Immunization Grant	5,655
Criminal Justice	5,247
Probation Administration Fee	336
Juvenile Alcohol and Drug Intervention and Prevention	5
Juvenile Detention Alternative	8,652
State Homeland Security 2004	199
Surplus Dog	157
Medical Assistance to Wards	539
Children With Special Health Care Needs	2,624
Hospital Care For the Indigent	<u>24,165</u>
 Total	 <u>\$ 88,584</u>

The 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)

COUNTY AUDITOR
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2007, with Billie J. Tumey, Auditor. The official response has been made a part of this report and may be found on pages 7 and 8.

The contents of this report were also discussed on August 1, 2007, with Ross Jean, President of the County Council; and David Flinn, County Commissioner.

LAWRENCE COUNTY AUDITOR
BILLIE TUMEY
916 15th Street, Room 28
BEDFORD, IN 47421

August 7, 2007

Official Response to the 2006 Auditor Audit Results and Comments

RECONCILIATION OF SUBSIDIARY LEDGERS

The Auditors Office tried many times to reconcile with the Treasurers Office without success due to accounting errors within the Treasurers Office.

Due to several different tax sale fund accounts the bookkeeper posted tax sale items in the wrong tax sale fund accounts but all funds are accounted for and are in a tax sale fund account. Corrective transfers are being reviewed.

Surplus Tax Funds can only be receipted into the Auditors ledger when the Treasurer reports it and disburses funds to the Auditor.

The State Welfare Excise Tax Allocation was over looked in error and corrected when the error was discovered. The County worked with the State on the missed distribution of State Welfare Excise Tax to the State by the former Auditor and distributed the fund to the State.

There are issues with the accounting software with the payroll withholding subaccounts; we are working with our vendor to resolve the problems.

The Auditors Office is not responsible for reconciliation of the bank statements, therefore was unable to balance with the Treasurer on the ledgers. We are confident our records are correct.

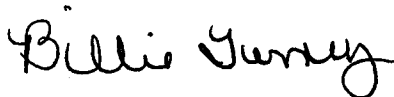
APPROPRIATIONS

The Disbursements in Excess of Appropriation was due to a description in the code in which the Auditors Office misinterpreted. The code reads "For all funds that received property taxes, except the Cumulative Bridge Fund, and for the County Highway Fund and the Local Road and Street Fund, the County Auditor shall file a Certified Copy of Additional Appropriations and any other relevant information with the State Board of Tax Commissioners." When an additional is request we advertise, present it to the Commissioners and Council for their approval. After their approval we send the request

to the DLGF for State Approval. The County has had this same procedure for many years of not sending the Highway and Cumulative Funds to the State for approval and has never been advised there was an issue in past years audits. In the future we will report ALL additional appropriations to the DLGF for their approval. No funds were spent without Commissioner and Council approval.

OVERDRAWN FUND BALANCES

Many of the funds that were overdrawn in 2006 were grants in which the funds were awarded but not received by 12-31-06, others are User Fees Funds that we are required to disburse payroll from and had approved budgets but lacked in fees collected. All User Fees Funds will be monitored closer in the future, we can not control when grant funds are received by the County.



Billie Tumey
Lawrence County Auditor