B32647

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

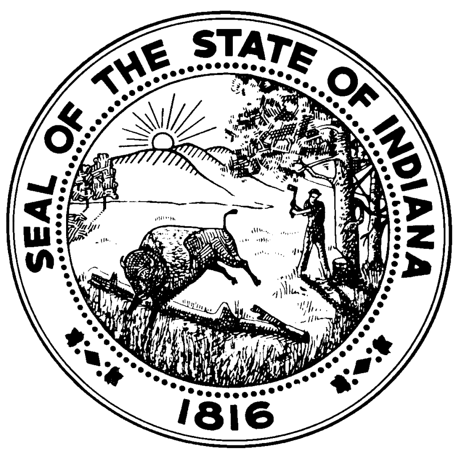
AUDIT REPORT

OF

COUNTY AUDITOR

PORTER COUNTY, INDIANA

January 1, 2007 to December 31, 2007



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09/11/2008

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COUNTY OFFICIALS

Office	Official	Term
Auditor	James K. Kopp	01-01-07 to 12-31-10
President of the County Council	Daniel Whitten	01-01-07 to 12-31-07
	Robert Poparad	01-01-08 to 12-31-08
President of the Board of County Commissioners	Robert Harper	01-01-07 to 12-31-08

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER COUNTY

We have audited the records of the County Auditor for the period from January 1, 2007 to December 31, 2007, 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 Porter County for the year 2007.

STATE BOARD OF ACCOUNTS

July 14, 2008

FINANCIAL STATEMENT OPINION MODIFICATION - SALE OF COUNTY OWNED HOSPITAL

As stated in the prior report, on May 1, 2007, the County sold Porter Hospital, a County owned hospital. At the closing, in addition to the sales price, several accounts held by Porter Hospital and the balances of those accounts were transferred to the County. The accounts included the operating, payroll, self-insurance and customer refund account, investment accounts, and other accounts in which funds were held in trust for the payment of existing hospital long-term debt.

A portion of the proceeds was transferred from the operating, payroll, self-insurance and customer refund accounts into a new County bank account. This account is used to provide funds for checks written by the Hospital prior to the date of sale, but which have not yet cleared the bank and to issue checks for goods and services incurred by the hospital prior to the date of the sale, but for which invoices had not yet been presented for payment. Furthermore, the money held in various trust accounts for the payment of long-term debt incurred by the Hospital will remain in those accounts until such time as the debt has been extinguished. Finally, the balance of funds held in the investment accounts and the remaining proceeds can be used by the County at the discretion of the county fiscal body after a five year period.

All of the Hospital funds were transferred to the County based upon closing documents on May 1, 2007; however, none of the money was receipted into County funds during 2007. In addition, the County paid invoices for goods and services provided prior to the closing date and for expenses incurred as a result of the sale of the Hospital; however, none of these transactions were recorded in the official records of the County. Furthermore, none of the disbursements were processed in accordance with claims procedures established by state statutes.

Based on a review of the bank activity from May 1, 2007 until December 31, 2007, of the County's hospital bank accounts, deposits totaled $180,669,785, withdrawals totaled $37,799,876 and the ending cash and investment balance as of December 31, 2007, was $142,869,809 was not recorded in the County's financial records for 2007. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

In December 2007, the County Commissioners approved three ordinances establishing funds for the proceeds from the sale of the hospital which were not effective until January 1, 2008. The proceeds from the sale of the hospital were posted to the county's fund ledger in February 2008.

Indiana Code 16-22-3-17(j) states: "The proceeds of the sale or lease of all of the hospital buildings must first be applied to outstanding indebtedness attributable to the hospital buildings. The commissioners shall deposit the balance of the proceeds from the sale or lease and any property in the hospital fund in:

(1) a nonexpendable interest bearing trust fund from which claims are paid for county hospital claims for the indigent or any other fund that the county executive and county fiscal body designate; or

(2) the county general fund."

Indiana Code 36-2-10-16(a) states in part: "Before the sixteenth day of each month, the treasurer shall prepare a report showing, as of the close of business on the last day of the preceding month, the following items . . .

(3) The totals of money received from all other sources and not receipted into the ledger fund accounts of the county at the end of the month.

(4) The total of the balances in all ledger fund accounts.

(5) The total amount of cash in each depository at the close of business on the last day of the month."

Indiana Code 36-2-6-2 states: "A person who has a claim against a county shall file an invoice or a bill with the county auditor. The auditor shall present the invoice or bill to the executive, which shall examine the merits of the claim. The executive may allow any part of the claim that it finds to be valid."

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY ECONOMIC DEVELOPMENT INCOME TAX SUPPLEMENTAL DISTRIBUTION

Before October 2 of any year, the State of Indiana determines if the County is eligible for a supplemental distribution of county economic development income tax (CEDIT). Once the State of Indiana has determined a supplemental distribution may be made, the supplemental distribution must be made in January of the ensuing calendar year.

In January 2007 and 2008, the County received $4,722,300.87 and $3,747,783.95 of supplemental distributions of CEDIT from the State of Indiana. Of the totals received, the County receipted and distributed $2,749,652 and $2,182,220.78, respectively, to the County's 11 civil units of government as instructed by the State. The remaining balances of $1,972,648.87 and $1,565,563.17, respectively, were receipted to the County's CEDIT Unallocated Fund (308). However, based on the instructions received from the State and Indiana Code 6-3.5-7-17.3, the supplemental distributions are to be deposited to the Rainy Day Fund. As of June 2, 2008, the County has not established a Rainy Day Fund in which to account for any CEDIT supplemental distributions received.

Indiana Code 6-3.5-7-17.3(b) states: "A supplemental distribution described in subsection (a) must be: (1) made in January of the ensuing calendar year; and (2) allocated in the same manner as certified distributions for deposit in a civil unit's rainy day fund established under IC 36-1-8-5.1."

DISBURSEMENTS EXCEEDED APPROPRIATIONS

The records presented for audit indicated the following fund's disbursements in excess of appropriations:

Fund	Amount
Highway	$ 45,581
County Surveyor's Corner Perpetuation	47,531
County Drug Free Community	573
Prosecutor IV-D	7,231
Sales Disclosure Fund	79,006
Supplemental Public Defender Service	3,171
County Building Bonds	33,319
Juvenile Service Center Lease Rental	3,980
Jail Lease Rental	7,095

For the Sales Disclosure and Supplemental Public Defender Service Fund, a budget was not presented as being established.

It is the duty of the county auditor to see that no disbursements are made in excess of or in the absence of an appropriation, where an appropriation is required for payment of the obligation. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

Each warrant must show the fund on which it is drawn and, if applicable, the appropriation account or accounts to be charged. It is unlawful to overdraw any fund or to issue a warrant in excess of the appropriation available, where an appropriation is required. Penalties are provided in IC 36-2-6-12 where an auditor is convicted of violating these requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

Indiana Code 6-1.1-5.5-4.5(b) concerning the Sales Disclosure Fund states: "The county fiscal body shall appropriate the money in the sales disclosure fund for the purposes stated in subsection (a) based on requests by assessing officials in the county."

Indiana Code 33-40-3-2 concerning the Supplemental Public Defender Services Fund states: "The fiscal body of the county shall appropriate money from the fund to supplement and provide court appointed legal services to qualified defendants."

APPROPRIATIONS POSTING

The original appropriation posted to the General Fund was $10,363 greater than the departmental County Council approved appropriations provided for audit. In addition, the General Fund original posted appropriations were not adjusted to agree with the County's final certified appropriation from the Indiana Department of Local Government Finance (DLGF). The final certified appropriation for the General Fund was $2,169,738 less than the County Council approved appropriations. Even though the General Fund's actual disbursements did not exceed the DLGF final certified appropriation, proper internal controls were not in place to ensure the final certified appropriations were not over spent.

The Highway (2), Reassessment 2000 (8), and Auditor Map (33) Funds original appropriations were not posted properly. The posted appropriations were determined to exceed the County Council approved appropriations by $335,600, $6,072, and $589, respectively. The Highway Fund's double posting of a budget line item for salary resulted in the County over spending the budget by $45,581. In addition, the County Council approved an additional appropriation on December 3, 2007, for the Juvenile Housing Debt Fund (294) for $134,684 which was not posted to the auditor's ledgers.

It is the duty of the county auditor to see that no disbursements are made in excess of or in the absence of an appropriation, where an appropriation is required for payment of the obligation. Instances in which disbursements may be made without appropriation are set out in Chapter VIII. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 5)

Indiana Code 6-1.1-17-16(b) states: "Subject to the limitations and requirements prescribed in this section, the department of local government finance may review, revise, reduce, or increase the budget by fund, tax rate, or tax levy of any of the political subdivisions whose tax rates compose the aggregate tax rate within a political subdivision whose budget, tax rate, or tax levy is the subject of an appeal initiated under this chapter."

TAX SETTLEMENT

As stated in the prior report, when property taxes are "settled," a form is compiled by the Auditor which reconciles the billings and collections to the cash available for settlement based upon the Treasurer's record of cash collected from property taxes. The Auditor's numbers are based upon computerized reports. The Treasurer's numbers are based upon a manual ledger of cash balances and the reconciled bank balance. The form compiled by the Auditor must be approved by the State of Indiana Auditor's Office prior to settlement being made.

The tax bills for the 2006 pay 2007 taxes were not due until January 11, 2008. On February 11, 2008, the Treasurer certified the amount of taxes collected on the County Treasurer's Certificate of Tax Collections, County Form 49TC. However, the settlement submitted by the Auditor's office to the State of Indiana was not approved until June 2, 2008. Multiple discrepancies existed that resulted in an $817,814.65 adjustment to balance the County Auditor's tax records with the County Treasurer's cash collections of this time period. Some of these discrepancies between what was reported on the settlement and what was reported on the computer system were as follows:

1. The amount reported on the computer system as "billed" was not in agreement with the amount reported on the settlement as "charges" (billed) by $5,512,173.

2. The amount reported on the computer system as "certificate of error - minus" was not in agreement with the amount reported on the settlement as "certificate of error issued during year - credit" by $4,951,226.

The County maintains Tax Duplicate Book Journals (tax duplicates) for real estate, mobile homes, personal property, railroads, and utilities. The journals are computerized records of all property owners in Porter County. The journals document the amount of tax billed and the amount paid by each property owner separated by taxing unit. In addition to the computer reports, the settlement numbers should also agree with the tax duplicate books. Discrepancies were also noted between these two records as follows:

1. The amounts recorded as collections of property taxes in the Treasurer's Cash Book and on the County's Settlement and Distribution Report were not the same amounts as recorded in the tax duplicates. In addition, amounts recorded in the tax duplicates as being billed did not agree to the amounts included on the County's approved abstract as the amounts billed for property taxes. Officials in the Treasurer, Auditor, and Information Technologies Services (ITS) offices were unable to explain the differences. The County reported a $2,683,673 deduction adjustment on the settlement report for adjustments for abstract errors.

2. The certificate of errors reported on the settlement reports did not agree with the year end tax duplicate certificate of error totals. The real estate certificates of errors from the penalties were not included in the tax duplicate totals. In addition, the certificate of errors for mobile homes, personal property, railroads, and utilities are not reflected on their respective tax duplicate reports.

Furthermore, the tax duplicates are computer generated forms that replace the forms prescribed by the State Board of Accounts. These forms have not been approved and are not exact replicas of the prescribed forms. Several columns of the prescribed form are not included on the County's form and all delinquent taxes and penalties are combined into one amount without distinguishing between taxing periods. Also, payment dates do not include the year and only the last date of payment is available when partial payments occur.

By the provisions of Indiana Code 6-1.1-27-1 and 6-1.1-27.2, the county auditor and the county treasurer, on or before June 20th and December 20th of each year, shall meet to make settlement of taxes and special assessments collected during the preceding six months periods ending May 10 and November 10, respectively, and at that time the treasurer shall also make settlement of any other collections required by law to be paid to the county treasurer. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

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.

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 County Auditors of Indiana, 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 of Indiana, Chapter 14)

AUDITOR TAX REFUNDS

As stated in the prior report, after a taxpayer has paid property taxes, errors may be discovered resulting in a refund to the taxpayer. When this occurs, a claim for the refund is filed and recorded on a "Claim for Refund of Taxes" report (County Form 17T), and the amount refunded is posted to the Refunds

Fund (62). It is not until the settlement of taxes is performed that any money is receipted into the Refunds Fund; thus, this fund will accumulate a deficit or negative cash balance until such time as the settlement is performed.

According to the Auditor's office, all disbursements posted to the Refunds Fund (62) from January 2007 until February 2008 should have been included in the final settlement distributed in May 2008. The cash balance of the Refunds Fund at February 28, 2008, was a negative $1,908,652 (overdrawn cash balance). The amount distributed to the Refunds Fund at settlement only totaled $1,321,447, which results in a deficit balance after settlement of ($587,205). Theoretically, the ending balance of the Refunds Fund should be zero after the tax settlement distribution to reimburse the fund has been received; however, the Auditor's office does not reconcile the Claim for Refund of Taxes report (County Form 17T) to the Refunds Fund cash balance. This account has not been reconciled since 2004 and the difference continues to change due to the receipting of returned warrants and old outstanding checks back to the fund and not ensuring that the amount disbursed from the fund agreed to the amount receipted from settlement.

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.

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 County Auditors of Indiana, Chapter 14)

TAX MANAGEMENT ASSOCIATES FUND

As stated in the prior report, the County entered into a contract with Tax Management Associates (TMA) to perform a comprehensive review of business taxpayer returns. If the reviews result in additional property taxes collections by the County, it is receipted to the TMA Collections Fund (225) and a form is sent to TMA in order for them to invoice the County for their fee. Per the ordinance established for the TMA Collections Fund, after disbursements have been remitted to TMA, the fund balance is to be distributed to the affected taxing units as required by state law. The County Auditor has not distributed any of the remaining fund balance to the taxing units. As of December 31, 2007, the TMA Collections Fund had a balance of $422,192.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

EXCESS TAXES FUND

As stated in the prior report, when overpayments on property taxes are received by the County Treasurer, the balances of the overpayments are receipted into the Excess Taxes Fund (43). Furthermore, the Auditor is required to maintain a listing by property owner and the amount paid in excess of the taxes due. The total of this detail should agree to the cash balance of the Excess Taxes Fund.

The detail of the Auditor's excess tax fund reports entitled "Treasurer's Schedule of Excess Tax Payments Received" is not in agreement to the cash balance in the Excess Taxes Fund (43). At December 31, 2007, the Excess Taxes Fund had a balance of $322,841.60; however, the total of the remaining excess taxes reported on the Treasurer's Schedules of Excess Tax Payments Received for 2005, 2006, and 2007 is only $81,267.44. The difference of $241,574.16 is the total of unclaimed payments that are over three years old which have not been transferred to the General Fund as required.

Excess (surplus) tax shall be reported by the treasurer on the County Treasurer's Certificate of Tax Collections, County Form 49TC. The County Treasurer is also required to file Ledger Form 65-STF, Surplus Tax Fund Ledger, listing in detail by taxing district each item of surplus tax collected, the total of which shall be receipted into the "Surplus Tax Fund." The detail ledger sheets shall be placed in the County Auditor's ledger so that surplus tax may be disbursed in the appropriate manner.

If an excess payment is not claimed within the three (3) year period after November 10 of the year in which the payment was made and the county treasurer has given the written notice, the county auditor shall transfer the excess from the surplus tax fund to the general fund of the county. If the county treasurer has given written notice concerning the excess, the excess may not be refunded after the expiration of that three (3) year time period. [IC 6-1.1-26-6(c)] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

EMPLOYEE'S SERVICE RECORDS

The County maintains an "Employee Attendance Record" which serves as the employee's time card and absence summary. The absence summary portion, when completed, only documents the amount of the sick, vacation, personal, and compensatory time used. The "Employee Attendance Records" and the updating of the leave balances are entered into the payroll system by the department heads. The "Employee Leave Plan Report" is used in lieu of the Employee's Service Record (Form 99A) to track sick, vacation, personal and compensatory time earned and used. The "Employee Leave Plan Report" only reflects balances of each leave category. The leave balances used or compensatory time earned are written on the "Employee Leave Plan Report" and after manually entered onto the system, an updated "Employee Leave Plan Report" is printed which would reflect the change and be ready for the next payroll updates. The "Employee Leave Plan Report" is not an approved Employee's Service Record.

The Auditor's computer system has a report available titled "Employee Service Record" which reflects the beginning balances, accrued, used and ending balances of the leave time. For 11 of the 25 employee's service records tested, the year end leave balances did not agree to the year end balances on the "Employee Leave Plan Report." In addition, 8 employee's service records year end balances had a negative balance and 5 employees with 6 to 12 years of service had no time accrued. It was determined that the Court employees, who have a different leave policy and accrue paid time off, were not tracked by the Auditor's office and the department only tracks the time on the "Employee's Attendance Record". The time cards for the Sheriff and Highway Departments report the beginning balances, accrued, used and ending balances of the leave times. Differences were noted in the year end leave balances per the department's time cards and the Auditor's "Employee Leave Plan Report" for the sheriff employee and the highway employee tested.

The Employee Service Record also showed when the leave time was accrued. Per the County's policy, employees' annual leave time is accrued on the employee's anniversary date which is the employee's hire date. For 7 of the 25 employees tested, the accrued time posted to the employee service record was anywhere from 3 to 38 days after the employee's anniversary date. For 1 employee the accrued time was posted 8 days prior to the employee's anniversary date.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. 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 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 County Auditors of Indiana, Chapter 1)

TAX SALE SURPLUS LEDGER

As stated in the prior report, when property is sold on tax sale, any money paid over and above the delinquent taxes, penalties, and interest owing on the property is placed in the Tax Sale Surplus Fund (64). Additionally, a detail ledger is required to be maintained documenting the amount paid in surplus, and by whom the funds were paid.

The following deficiencies concerning the tax sale surplus taxes were noted:

1. The Tax Sale Surplus Fund and the detail tax sale surplus ledgers were not reconciled at December 31, 2007.

2. Four claims disbursed out of the Tax Sale Surplus Fund in previous years still have not been posted as paid to the manually prepared detail tax sale surplus fund ledger.

3. A disbursement was posted to the Tax Sale Surplus Fund in the amount of $11,233.11 in 2005. Based upon the detail ledger, $12,147.37 was collected as surplus, and still remains in surplus as the $11,233.11 was not posted as a disbursement to the detail tax sale surplus ledger.

4. Items over three years old have not been receipted back into the General Fund as required under Indiana Code 6-1.1-24-7(d).

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 County Auditors, Chapter 14)

TAX SALE REDEMPTION FUND

After a property is sold on tax sale, the owner may "redeem" or purchase the property back within one year. When a property is redeemed, the money collected is placed in the Tax Sale Redemption Fund (65) for subsequent distribution to the "purchaser" of the property from the tax sale. The transaction is also posted to a detail record equivalent of the "Tax Sale Report." This detail record should be reconciled to the Tax Sale Redemption Fund to ensure all activity has been properly posted.

All collections in the Tax Sale Redemption Fund should be disbursed out of the Fund in a timely manner. Since the Tax Sale Redemption Fund is not reconciled to the detail record, the County is not able to determine discrepancies when they occur. At December 31, 2007, the Tax Sale Redemption Fund had a balance of $8,337.48. The following details the identified and unidentified balances of the Tax Sale Redemption Fund yearend balance:

1. $2,990.05 of 2007 redeemed property collections were not disbursed to the purchaser until 2008.

2. $2,480.90 of 2004 redeemed property was not disbursed to the purchaser until 2008.

3. An unidentified receipt for $681.90 dated January 30, 2006, was posted to the Tax Sale Redemption Fund that could not be traced to a Tax Sale Redemption Certificate.

4. A property was redeemed for $148.53 greater than the amount listed on the tax sale redemption certificate. The proper amount was remitted to the purchaser; however, a balance remained in the Tax Sale Redemption Fund for the excess redemption amount.

5. In 2007, $99.48 of old outstanding checks was receipted back to the Tax Sale Redemption Fund. No documentation indicated the original payee of the check in order to transmit old items to the Attorney General as Unclaimed Property in accordance with Indiana Code 32-34-1-20.

6. The remaining balance of $1,936.62 cannot be identified.

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 County Auditors, Chapter 14)

REMITTANCES OF CLERK COLLECTIONS

At December 31, 2007, the Seat Belt Violations Fund (322) had a balance of $44,245. A remittance to the Treasurer of State had not occurred as of July 14, 2008. The money collected for Class D infractions should be remitted to the state general fund.

For each seatbelt violation under IC 9-19-10-2, IC 9-19-11-2, IC 9-19-11-3, a person commits a Class D infraction. IC 34-28-5-4 allows a court to enter a judgment of up to twenty-five dollars ($25) for each Class D infraction. All seatbelt violation cases would be considered moving traffic violations under IC 9-30-3-14 and would be required to be heard in a circuit, superior, county, city or town court or traffic violations bureau designated by these courts. Furthermore, IC 34-28-5-5 (c) states that all funds collected as judgments for violations of statutes defining infractions shall be deposited in the state general fund. (The County Bulletin and Uniform Compliance Guidelines, October 2002)

The Clerk of the Circuit Court collects the court costs and determines the percentage share for the State, County, and Cities and Towns. The County and Cities and Towns share are then remitted to the County Auditor for receipting to the General Fund and to the City Town Court Fund 126, respectively. Semiannually, the County Auditor is to distribute to each city and town their share of the court costs as computed per Indiana Code 33-37-7-6(b). However, during 2007, only one distribution to Cities and Towns were made for all the 2006 court costs collected by the Clerk of the Circuit Court. In addition, on February 14, 2008, only the January to May 2007 collections were remitted to the cities and towns.

Indiana Code 33-37-7-6(c) states: "The county auditor shall distribute semiannually to each city and town described in subsection (a) the amount computed for that city or town under STEP FOUR of subsection (b)."

DORMANT FUNDS

The County transferred the balances of several funds to the general fund in order to close the funds. Of the funds transferred, the tax settlement funds transferred $117,597, the County Family and Children tax settlement funds transferred $740, and grant funds transferred $11,052. The tax settlements funds could have been balances owed to taxing units, the County Family and Children tax settlement funds should have been transferred to the County Family and Children Fund (133), and the grant funds not used might have been owed back to the grantor agency. In addition, authority from the County Council declaring the funds dormant was not obtained before the transfers were made.

Most counties have funds that have been inactive or dormant for a number of years. A sufficient fund balance should be retained to pay any outstanding obligations, such as bonds and interest coupons not surrendered for payment. However, to the extent of any balance not needed to cover outstanding obligations, every effort should be made by county auditors to eliminate such funds from the records. The following statutory authorities will be found governing the closing out of the above listed funds.

Indiana Code 36-1-8-5 is a general law which provides that unused and unencumbered balances in county funds which have been raised by levy on all of the taxable property of the county be transferred to the county general fund or rainy day fund, upon authority given by the county council. (The County Bulletin and Uniform Compliance Guidelines, October 2005)

ACCOUNTS PAYABLE VOUCHER REGISTERS

Accounts payable voucher (APV) registers are prepared for the commissioners' certification before warrants are issued. However, the APV registers are not dated as to which public meeting the APV registers were approved. In a review of the commissioners' minutes, the minutes do note the dates of the claims which are approved at a particular meeting. A comparison of the warrant dates from the APV registers to the claim dates noted in the commissioners minutes indicated that not all APV registers are approved at a public meeting. The APV registers dated 4/23, 8/14, 8/22, 9/6, 10/4, 10/19, 10/26, and 12/19 were not noted as approved at a public meeting.

In addition, the County has approved ordinance 01-17 allowing claims payment in advance of board allowance. A review of the accounts payable vouchers paid in advance of commissioners approval indicated that not all accounts payable vouchers paid in advance were within the allowable categories set forth in ordinance 01-17.

Furthermore, the August 22 and October 19, 2007, accounts payable voucher registers were not presented for audit. In addition, the July 31, 2007, accounts payable voucher register totaling $1,064,337 was presented, however, neither the County Auditor nor the commissioners certified the accounts payable vouchers for payment.

Indiana Code 36-2-6-4(b) states in part:

"Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or court orders him to do so."

Indiana Code 36-2-6-4.5 states:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes under this section.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance for the following kinds of expenses if the county executive has adopted an ordinance under subsection (a):

(1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.

(2) License or permit fees.

(3) Insurance premiums.

(4) Utility payments or utility connection charges.

(5) General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.

(6) Grants of state funds authorized by statute.

(7) Maintenance or service agreements.

(8) Leases or rental agreements.

(9) Bond or coupon payments.

(10) Payroll.

(11) State or federal taxes.

(12) Expenses that must be paid because of emergency circumstances.

(13) Expenses described in an ordinance.

(14) Expenses incurred under a procurement contract under IC 31-25-2-17.

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the county auditor. (d) The county executive or the county board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

CAPITAL ASSETS

As stated in the prior report, County officials did not provide a complete detail listing of land, buildings, equipment, and infrastructure as of December 31, 2007; nor did they provide a listing of the 2007 additions and deletions.

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 form. 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 of Indiana, Chapter 14)

CONGRESSIONAL SCHOOL FUND INTEREST

The interest on the Congressional School Interest Fund (61) was not disbursed to the treasurer of each school corporation in January or July of 2006 or 2007 as required by statue. The annual distribution to the school corporations is 4% interest rate per annum of the amount held in trust. The amount held in trust is $25,000, thus, the annual distribution is $1,000. In October 2007, the auditor's office distributed $11,596.46 to the treasurers of each school corporation; however, only $1,927.16 should have been distributed for 2006 and 2007.

The congressional school fund was derived from the sale of the sixteenth section of land in each congressional township, or land equivalent thereto, granted or reserved to the inhabitants of each township by an Act of Congress, passed on April 19, 1816. The principal of the fund of each congressional township must be perpetually held in trust.

Semiannually, on the second Monday of July and the last Monday in January, the auditor of each county shall make distribution of the interest on the congressional fund to the treasurer of each school corporation. The interest is computed at the rate of 4% per annum on the amount held in trust for each congressional township and apportioned and distributed on the basis of the enumeration of children, pursuant to IC 21-1-1-54 (prior to repeal). The last enumeration of children was made in the year 1932 and the amounts held in trust by the respective townships have not changed since that time. Therefore, the basic apportionment and distribution formula has been affected in recent years only by the reorganization of school corporations. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 11)

PLAT MAP FUND

For 2007, a portion of the salaries ($11,275) of four Auditor's office employees were paid from the Plat Map fund. Three of the employees are deputy accountant positions and the other is a real estate chief deputy. Porter County's Plat Map Ordinance Number 06-17 states: "The money deposited in the Porter County Plat Map Fund shall be utilized for maintaining the Auditor's digital plat map that is the base map for the County's GIS and for use in maintaining plat books and maps housed in the Auditor's Office."

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)

ANNUAL REPORT

The County's Annual Report was not completed until June 2008. The report should have been completed by January 30, 2008.

In addition, the County's annual receipts and expenditures for the preceding calendar year were not published until after inquiry was made in July 2008.

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."

Indiana Code 36-2-2-19 concerning annual statement of county's receipts and expenditures, states: "At its second regular meeting each year, the executive shall make an accurate statement of the county's receipts and expenditures during the preceding calendar year. The statement must include the name of and total compensation paid to each county officer, deputy, and employee. The executive shall post this statement at the courthouse door and two (2) other places in the county and shall publish it in the manner prescribed by IC 5-3-1."

COUNTY AUDITOR
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2008, with James K. Kopp, Auditor; and Robert Harper, President of the Board of County Commissioners. The official response has been made a part of this report and may be found on pages 18 through 21.

COUNTY of PORTER

JAMES K. KOPP
AUDITOR

PORTER COUNTY AUDITOR
ADMINISTRATION CENTER
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VALPARAISO, INDIANA 46383

(219) 465-3445
JKOPP@PORTERCO.ORG

July 17, 2008

State Board of Accounts
155 Indiana Ave.
Valparaiso, IN 46383

Attn: Christy Griffin

Subj: CAR Report, December 31, 2007

Dear Christy:

The following is my response to various items brought up as deficient in your audit for Porter County, 2007:

Sale of County Hospital

Porter County was aware of the requirements to post the monies but needed clarification, signoff from the various entities and enabling legislation to properly set-up these accounts. This was accomplished in 2008. All items were properly tracked and receipted manually, outside of the computer system.

Our County Commissioners and Attorney also have a response.

CEDIT Taxes

The county's position is that CEDIT is also an acceptable depository for CEDIT Funds. A letter from the County Attorney and Commissioners will be forthcoming.

Disbursements Exceed Appropriations

All funds are now being appropriated. This was discussed last year and has been implemented.

Some funds may have been overspent and we are in the process of correcting the problem.

Appropriations Postings

Steps have been instituted to make sure that postings are current and budget numbers are accurately portrayed.

Tax Settlement

Many problems exist in the way our computer system was set-up almost 40 years ago. We are in the process of converting to a 21st Century System which will allow us to accurately track data and print accurate reports.

Reconciliation with the Treasurer will be inherent in the new system software as will bank balancing.

The new computer system will generate data that is timely and accurate in any selected time frame and will conform to State Board of Accounts requirements.

Auditor Tax Refunds

Our new Tax System will generate the data and send it to the Accounting System for payment. The data base will be interactive and be able to give a "snap shot " in time of any transaction or group of transactions and corresponding totals.

Tax Management Associates

Tax Distributions to the Taxing Districts will be made when manpower is available to do the research and issue checks.

Excess Taxes Fund

The balance will be transferred to General Fund with proper documentation.

Employee Service Records

We had a software problem in our payroll computer system that was resolved in 2007. All data is now correct. We also instituted an "approved" time card in January, 2008 in accordance with last year's report.

Tax Sale Surplus Ledger

This item will be corrected and receipted back to the General Fund.

Tax Redemption Fund

We will look into the problems and correct.

Remittance of Clerk Collections

This account will be brought current as soon as possible.

Dormant Funds

When the current Auditor took office, he became aware of several problems and inaccurate account balances in the first few months. An outside consultant was brought in to help correct the problem. Neither the Council nor Commissioners would authorize the correcting transfers and correcting entries. After several months the Auditor made the corrections.

Accounts Payable Voucher Registers

The APV's were approved in a public meeting but the dates are off by a few days because reports were not always run on Tuesdays as initially planned. One set of Commissioner Minutes was not posted on the web but are in fact in place. As we implemented are new A/P system we encountered some bumps in the road but at this time we believe all items are being properly documented.

Capital Assets

Capital Asset Accounting has been assigned to Kristy Littel and we expect to have accurate information in place by the end of 2008.

Congressional School Fund

No disbursements had been made for several years so the principal was reduced via disbursements to get back to the $25,000.00 amount required by Statute.

Plat Map Fund

The Auditor attempted to remove the Accounting Employees from the 2008 budget and was denied by the Council. We will attempt to cause these changes to effected again for 2009 calendar year budgets.

Annual Report

Since Tax Bills were not due until January, 2008, and Settlement was not accomplished for several months after that, a January 31, 2008 date for the CAR was not realistic.

If you have any comments or need further clarification, please contact the writer.

Sincerely,

James K. Kopp
Porter County Auditor