

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

AUDIT REPORT
OF
COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
11/30/2009

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	John E. Thorstad Brian Schafer	01-01-08 to 01-16-09 01-17-09 to 12-31-09
President of the County Council	Robert Poparad	01-01-08 to 12-31-09
President of the Board of County Commissioners	Robert Harper	01-01-08 to 12-31-09



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 Fairgrounds and Exposition Center for the period from January 1, 2008 to December 31, 2008, 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 2008.

STATE BOARD OF ACCOUNTS

August 24, 2009

COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

Deficiencies relating to recordkeeping at the County Fairgrounds and Exposition Center (Expo Center) exist and are outlined below. The Expo Center has two bank accounts referred to as the Main Account and the Grocery Account. The Main Account is used to record revenue and the Grocery Account is used to pay vendors that need payment at the time of delivery. The Assistant Manager is responsible for the recordkeeping of accounts.

The deficiencies relating to the Main Account are:

1. A Ledger of Receipts, Disbursements and Balances (General Form 358) was not maintained; only a checkbook register is maintained. A computerized accounting system was implemented in May 2008. The system has the capability to generate a general ledger and various other financial reports; however, ledgers or other reports were not generated for audit.
2. All collections should be remitted to the County Auditor with a monthly report of collections resulting in a zero balance at month end. We compared eight of the twelve reports of collections and found that the total collections reported and remitted to the County Auditor did not agree to the detail report of receipts. This resulted in unidentified balances at month's end.
3. Monthly bank reconcilements were not prepared which allowed numerous errors to go undetected.

The deficiencies relating to the Grocery Account are:

1. A Ledger of Receipts, Disbursements and Balances (General Form 358) was not maintained; only a checkbook register is maintained.
2. The Assistant Manager haphazardly maintained a checkbook register. We noted instances that the Financial Clerk failed to record pertinent information such as dates of transactions, insufficient descriptions, and cumulative cash balances.
3. Monthly bank reconcilements were not prepared which allowed numerous errors to go undetected.
4. General Receipts (General Form 352) were not issued.
5. Duplicate deposit tickets were not retained for audit; therefore, we could not determine if deposits were made intact.

A similar comment appeared in the prior report.

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 Counties of Indiana, Chapter 1)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

BURGLARY

Officials have stated that a burglary occurred on January 17, 2008, and that the Petty Cash/Cash Change Fund was stolen from the safe. A police report was presented for audit stating the safe was left unlocked and a total of \$800 was stolen. Officials stated that a deductible exceeding the amount of loss would be required if an insurance claim was filed; therefore, management decided that no such claim would be filed.

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 of Indiana, Chapter 1)

DEPOSITS

Our audit of the Expo Center revealed that a Cash Change Fund had not been reestablished by the County Council after the burglary noted in the previous comment. The Assistant Manager started a new Change Fund by withholding cash receipts from various events.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

RECEIPTS

The Financial Clerk issued manually written receipts in 2008 for all transactions for the period January through April 2008. The receipts for this time period could not be located for audit.

Both manual and computerized receipts were issued from May 1, 2008 to December 31, 2008. The Assistant Manager stated that a manual receipt was issued when time restraints prohibited the issuance of the computerized receipts. The reasoning for issuing two types of receipts is unclear. Since the manual receipts for this time period were not retained for audit, we were unable to verify the accountability of all collections.

COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

INTERNAL CONTROLS

The amount deposited in the bank for cash bar proceeds could not be verified since a cash register was not used to track sales. Due to the lack of a sufficient audit trail, the accountability of collections could not be verified. Additionally, inventory records for beverage purchases and sales are not maintained.

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 Counties of Indiana, Chapter 1)

CONTRACTS NOT PRENUMBERED

The Assistant Manager enters into contractual agreements for events, storage, and etc. Contracts used by the Expo Center are not prenumbered. A blank general contract is saved as a file template on the computer. The necessary information is added and the revised contract is printed and maintained in separate files. Since the contracts were not prenumbered forms and copies of the contracts were not maintained in numerical order we were unable to verify the contract revenue. A similar comment appeared in the prior report.

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 Counties of Indiana, Chapter 1)

COMPENSATION PAID TO SECURITY GUARDS

The security guards at the Expo Center also are employees of the Sheriff's Department working security in their off time from the Sheriff's Department. We were not provided evidence of whether work performed by the guards at the Expo Center was in the capacity as employees of the Expo Center or as contract. We found that the security guards were compensated directly from the Expo Center bank account rather than the County's payroll system. In addition, the Expo Center did not comply with Internal Revenue Service requirements to issue 1099's for those guards that earned in excess of \$600.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAXES UNDERPAID AND PAID LATE

The Expo Center collects and remits sales taxes to the State of Indiana. Five of the twelve monthly payments to the State were remitted late during 2008. The amount of penalties and interest assessed are yet to be determined by the Department of Revenue. Our calculations for sales taxes to be remitted for June 2008 resulted in an underpayment to the Department of Revenue of \$842.59. Due to the condition of the records, we could not determine if other instances of inaccurate reporting and remitting sales taxes occurred.

On February 28, 2008, the Sheriff issued a tax warrant to the Expo Center for failure to pay Indiana Sales Tax. Sales taxes were underpaid in September 2007 by \$152.05 and penalties and interest were assessed for \$26.47.

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 Counties of Indiana, Chapter 1)

PRESCRIBED FORMS

Currently, personal bank checks are used for disbursements, rather than the form prescribed by the State Board of Accounts. These checks do not include a duplicate which is a requirement of the prescribed form.

The Expo Center's ledger is also not maintained on a prescribed form. Bank deposits and disbursements are recorded in a separate checkbook register. However, receipts are not posted individually; instead, they are posted in deposit total. A consecutive listing of receipts is maintained in the Keystone software program; however, no ledger was presented for audit. These procedures can result in inaccurate financial data or result in increased risk of errors.

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 Counties of Indiana, Chapter 1)

COUNTY FAIRGROUNDS AND EXPOSITION CENTER
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2009, with Brian Schafer, Manager. The official response has been made a part of this report and may be found on page 9.

Tuesday, October 06, 2009

State Board of Accounts
302 West Washington Street
RME418
Indianapolis, Indiana 46204-2769

Porter County Exposition Center & Fairgrounds
215 East Division Road
Valparaiso, IN 46383

Re: OFFICIAL RESPONSE: Porter County Expo Center & Fairgrounds 2008 Audit

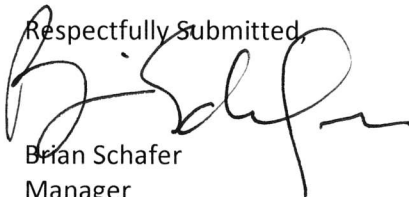
Dear Sirs:

Please allow this document to serve as official response to the most recent State Board of Accounts audit performed on the Porter County Exposition Center & Fairgrounds located in Valparaiso, Indiana. Many deficiencies were noted during that audit and many of those have recently been resolved. Internal Control procedures and best business practices are being created to assist management on daily operations.

I have personally been managing this location since January 2009 and was not aware of the past deficiencies. After a careful internal investigation, it was concluded that the Assistant Manager's position is primarily responsible for the Expo finances. Disciplinary action was taken on the grounds that six consecutive years of State audits prove that many deficiencies have escalated over that time period and each audit was acknowledged and reviewed by the Assistant Manager and the Manager.

In short, the Expo staff and I are working diligently to resolve many of the items discovered during this most recent audit. Should you have any questions, please feel free to contact me at 219.464.0133.

Respectfully Submitted,



Brian Schafer
Manager
Porter County Exposition Center & Fairgrounds

Cc: Porter County Board of Commissioners, Bob Harper-President