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

AUDIT REPORT

OF

COUNTY TREASURER

PORTER COUNTY, INDIANA

January 1, 2008 to December 31, 2008

FILED

11/30/2009

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COUNTY OFFICIALS

Office	Official	Term
Treasurer	James R. Murphy	01-01-06 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

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF PORTER COUNTY

We have audited the records of the County Treasurer 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

September 22, 2009

DEPOSITS

Tax collections received by the Treasurer's office after the due date are not posted or deposited until after all of the timely payments are posted. These taxpayers are issued temporary receipts and the collections are held in the office. Traditionally, this has been 4 to 6 weeks. However, due to the extensive delay between the due date for 2007 pay 2008 taxes and the settlement and distribution of those taxes, collections were held for more than 4 months. The delinquent payments, as well as payments made according to an approved payment plan, are not posted until after the settlement is certified to the County Auditor. A similar comment appeared in the prior report.

IC 5-13-6-1(c) states in part:

> ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

ADVANCE COLLECTIONS

When tax collections are received in advance of the Treasurer's office being able to post the collections to the computer system, the Treasurer's office collects the tax payment and completes a "temporary receipt." The collections are deposited separately from other collections and are marked as pre-pays on the deposit slip and posted to the Treasurer's Daily Cash Book as "advance tax collections."

The "temporary receipt" is a full sheet of paper in which the duplicate number, taxing unit, which type of tax was collected (real estate, personal, or mobile home), year of tax, received of, address of, the amount of tax, the date collected and the Treasurer's name already stamped are all noted. The temporary receipt is completed with the original given to the taxpayer and a copy maintained at the Treasurer's office. A spreadsheet of the advance collections is maintained with the Treasurer's copy of the "temporary receipt". Once the tax bills have been sent and the computer system is able to accept current year collections, the Treasurer's office posts the advance collections from the spreadsheet and moves the collections from the "advance tax collections" to "tax collections" on the Treasurer's Daily Cash Book.

The temporary receipts used to document the advance tax collections are not prenumbered, are not an approved form, and are signed in advance of the transaction.

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. Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

DEPOSIT COMPOSITION

The Treasurer's receipts do not always specify if the payment was made by cash, check, or credit card. The Daily Tax Postings Report only identifies payments made by cash or check. Credit card payments are often listed as cash payments due to the fact the report only identifies cash or check. Thus, the composition of the receipts to the deposit could not be verified. A similar comment appeared in the prior report.

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

MAJOR MOVES INTEREST NOT RECORDED

The County invested $14,369,910 of major moves proceeds from the State of Indiana in an investment account which purchased investments from U.S. agencies. The County receives monthly statements from the bank; however, the interest earned on the investments was not posted to the County's records. For the year ended December 31, 2008, the net interest and increase in investment value not recorded was $464,985.63. County officials approved the audit adjustment to the financial statements presented in the Annual Report of Porter County for the year 2008.

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 Treasurers of Indiana, Chapter 10)

TAX SETTLEMENT

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 No. 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 Auditor's tax records with the 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.

A similar comment appeared in the prior report.

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 Treasurers of Indiana, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2009, with James R. Murphy, Treasurer.