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

AUDIT REPORT

OF

CITY COURT

NEW CASTLE, INDIANA

January 1, 2008 to December 31, 2009



FILED
10/07/2010

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice L. Lavarney	01-01-08 to 12-31-11
Mayor	Hon. Jim Small	01-01-08 to 12-31-11
City Court Judge	Hon. Donald Hamilton	01-01-08 to 12-31-11
President of the Common Council	Sandy York	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF NEW CASTLE

We have audited the records of the City Court for the period from January 1, 2008 to December 31, 2009, 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 Reports of the City of New Castle for the years 2008 and 2009.

STATE BOARD OF ACCOUNTS

September 9, 2010

CITY COURT
CITY OF NEW CASTLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit.

Until February 2008, the City Clerk-Treasurer received the court collections from a court clerk and accounted for the court funds as part of the City's records. At that time a decision was made for the Court to establish its own bank account and maintain all of the records independently. Bank reconciliations were not performed because they were unaware that it was necessary.

IC 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."

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 City and Town Courts, Chapter 4)

RECEIPT ISSUANCE

We identified several concerns with receipt issuance at the city court. When payment was received by the city court for a ticket, a handwritten receipt was issued by a court employee. At a later time the court clerk would enter the information from the handwritten receipt into the computer system, thus posting it to the accounting system. Sometimes in this process of posting the receipts, the clerk did not enter the receipts in the same sequence as the originally issued receipts; so, the postings did not coincide with the deposits and handwritten receipts. All receipts were recorded.

Additionally, when the receipt information was entered into the computer, it would assign a new number to the receipt and carry all posting references to the new number, not the original handwritten receipt number. A receipt posting could be traced back to the original receipt primarily by name and payment information rather than number.

With the receipt postings following behind the deposits, there were frequent differences between monthly postings and actual deposits and the presence of two different receipt numbers issued for one transaction made the receipt issuance trail harder to distinguish.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

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 City and Town Courts, Chapter 4)

CITY COURT
CITY OF NEW CASTLE
AUDIT RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CITY COURT
CITY OF NEW CASTLE
EXIT CONFERENCE

The contents of this report were discussed on September 9, 2010, with Hon. Donald Hamilton, City Court Judge; Christi Brock, Court Clerk; Janice L. Lavarney, Clerk-Treasurer; Hon. Jim Small, Mayor; and Sandy York, President of the Common Council. The officials concurred with our findings.