

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

SUPPLEMENTAL REPORT

OF

BOARD OF COUNTY COMMISSIONERS

FRANKLIN COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

01/03/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Board of County Commissioners	Eric Roberts	01-01-09 to 12-31-10
President of the County Council	Hollie Maxie	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FRANKLIN COUNTY, INDIANA

We have audited the records of the Board of County Commissioners for the period from January 1, 2009 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 Report of Franklin County for the year 2009.

STATE BOARD OF ACCOUNTS

September 29, 2010

BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS

NONCOMPLIANCE WITH VARIOUS STATUTES - HEALTH INSURANCE MONIES

In 1998, a money-market account was established by a county commissioner at a local bank to serve as the primary account for the collection and distribution of the County's self-insured health insurance fund. The County Commissioners approved claims that effectively transferred cash from the various county fund appropriations paying the self-insurance premiums into this money market account. Insurance refunds were also deposited in this account. There was no corresponding fund established in the County Auditor's or Treasurer's records.

Disbursements from the money market account were made by electronic funds transfers to three other checking accounts that were used for the payment of medical claims, flexible spending, and health reimbursements, and only required the signature of the commissioners' secretary. There was no ordinance or resolution presented for audit that authorizes the electronic funds transfer as required by IC 5-13-5-5.

Expenditures from the three checking accounts referred to above were all made directly by the Plan Administrator who was given authority to write checks on these accounts. The actual claims to vendors were never certified by the County Auditor or approved by the County Commissioners as required by statute (only the original transfers of cash were approved). During the year 2009, the total of the claims paid without being approved is \$570,837.

The Commissioner and the Commissioner's Secretary also purchased two certificates of deposits from money market account totaling \$800,000. These certificates of deposit were not purchased by the county treasurer as required by law. They were not listed in the treasurer's cashbook or posted to the county auditor's fund ledger. In addition, the interest earned on the certificates of deposits and the other four bank accounts have never been receipted to the County records.

As a result of the processes adopted by the County for the self-insured health insurance fund, the cash and investment balance of the county reported in financial statements ending at December 31, 2008 and the financial statements prepared by the fiscal officer for the year 2009 required material audit adjustments. Appropriate audit adjustments were recommended, approved and incorporated into the current financial statements.

As of the date of this report all the above mentioned bank accounts have been closed, A Health Insurance Fund has been established in the accounting records, and all transactions related to the Health Insurance Fund are being recorded in that fund, and approved by the county executive.

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, Chapter 14)

BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The fiscal body may by ordinance or resolution authorize the transaction of business with a financial Institution through the use of electronic funds transfer. The ordinance or resolution must:

1. Specify the types of transactions that may be conducted by electronic funds transfer; and
2. Require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law. [IC 5-13-5-5]

The treasurer is the custodian of all money belonging to the county. The treasurer shall receive all money coming to the county, and disburse the same on the proper orders issued and attested by the county auditor. (IC 36-2-10-9)

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 16)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law.

CONTRACT - HEALTH INSURANCE PREMIUMS

According to the health insurance contract entered into with Med-Ben, the third party administrator for the County's self-funded health plan, the County should have paid premiums based on the aggregate cost of the annualized claim costs divided by the number of enrolled members. The amount of premium is determined each year when a new contract is signed. The employees pay a portion of the premium which is determined by the County.

During the period September 1, 2008 and February 1, 2009, the County did not make premium payments to the health insurance fund as required by that contract. The County's portion during this time period was \$311,027. The employees continued to have their portion of the premium deducted from their payroll checks. The County used the monies (appropriated by the County Council to pay health insurance premiums) to settle a lawsuit with the federal government. There is nothing in the minutes of the County Council or the County Commissioners that addresses this issue. Through inquiry with the Commissioners, it was the intention that the County's liability insurance carrier would reimburse them for the money paid to the federal government and the proceeds received from the insurance company would be used to pay the missed premiums. However, when the reimbursement was received from the insurance company, the funds were receipted to the general fund and the premiums were never paid.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

The County Commissioners are in the process of making arrangements to repay the missed premiums of \$311,027 to the health Insurance Fund.

BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

PERSONAL EXPENSES, DONATIONS AND OVERPAYMENTS

During our review of expenditures we noted several payments to both the American BAR Association and the Indiana BAR Association. The total expenditures made to these organizations were \$1,749 during the period January 1, 2009 through July 1, 2010. The amounts paid and the individuals for whom they were paid are listed below:

<u>Dues paid on behalf of:</u>	<u>Amount Paid</u>
Melissa Anne Wilhelm	\$ 115
Melvin F. Wilhelm	280
Clay Mathew Kellerman	844
J. Steven Cox	<u>510</u>
Total	<u>\$ 1,749</u>

The amounts listed above include dues, voluntary contributions to the Indiana BAR Foundation a 501(c)(3) organization, and payments to BARPAC a political action committee.

On September 29, 2010, each officer listed repaid the County Auditor for all related amounts

Further review of the claims paid on behalf of Clay Mathew Kellerman showed that dues were paid twice to both the American BAR Association and the Indiana BAR Association for the periods ending August 31, 2010 and July 1, 2010, respectively. The total overpayment was \$564 of which \$230 was refunded to the County Auditor on October 18, 2010 by the Indiana BAR Association.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 14)

BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

E-911 EXPENDITURES

Indiana Codes 36-8-16 and 36-8-16.5 establish guidelines for the expenditure of E-911 fees. During our audit of these fees we found expenditures to be in noncompliance as follows:

<u>Expense Classification</u>	<u>Amount</u>
Indiana Office of Technology	\$ 1,016
Office equipment & supplies	792
Training	21,176
Travel	<u>4,916</u>
Total	<u>\$ 27,900</u>

IC 36-8-16-14(a) states:

"The emergency telephone system fees shall be used only to pay for:

- (1) the lease, purchase, or maintenance of enhanced emergency telephone equipment, including necessary computer hardware, software, and data base provisioning;
- (2) the rates associated with the service suppliers' enhanced emergency telephone system network services;
- (3) the personnel expenses of the emergency telephone system;
- (4) the lease, purchase, construction, or maintenance of voice and data communications equipment, communications infrastructure, or other information technology necessary to provide emergency response services under authority of the unit imposing the fee; and
- (5) an emergency telephone notification system under IC 36-8-21.

The legislative body of the unit may appropriate money in the fund only for such expenditure."

BOARD OF COUNTY COMMISSIONERS
FRANKLIN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2010, with Donald M. Vonder Meulen, County Commissioner; and Susan A. Jones, Auditor. The officials concurred with our audit findings.