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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, 2009 to December 31, 2009

FILED
01/06/2011

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COUNTY OFFICIALS

Office	Official	Term
Manager	John E. Thorstad	01-01-09 to 01-16-09
	Brian Schafer	01-17-09 to 12-31-10
President of the County Council	Robert Poparad	01-01-09 to 12-31-09
	Daniel Whitten	01-01-10 to 12-31-10
President of the Board of County Commissioners	Robert Harper	01-01-09 to 12-31-10

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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, 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 Porter County for the year 2009.

STATE BOARD OF ACCOUNTS

September 21, 2010

CONDITION OF RECORDS

Deficiencies relating to record keeping at the County Fairgrounds and Exposition Center (Expo Center) 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 generated from the use of the facilities and the grocery account is used to pay vendors that require payment at the time of delivery. The Assistant Manager is responsible for the recordkeeping of the accounts.

The deficiencies relating to the Main Account include:

1. The Expo Center implemented a computerized accounting system, Keystone, in May 2008. The system has the capability to generate a general ledger and various other financial reports. The ledgers provided for audit did not include all disbursement transactions. The staff failed to enter disbursements into the system; therefore, the ledgers were unreliable.

2. Although the Keystone software system was in place, the assistant manager continued to use a simple checkbook register to record the receipts and disbursements ignoring the direction of management. Also, the checkbook register was not presented for audit for the months of March through August 2009. This made it impossible to verify the disbursements to the bank withdrawals. In addition, a portion of the checkbook register was altered with white-out.

3. In one instance, a grocery reimbursement of $956.06 was noted as posted to the main account rather than the grocery account.

The deficiencies relating to the Grocery Account include:

1. A Ledger of Receipts, Disbursements and Balances (General Form 358) was not maintained; for the grocery account. As with the main account, only a simple checkbook register is maintained.

2. The Assistant Manager haphazardly maintained a check book register. We noted instances that the financial clerk failed to record pertinent information such as dates of transactions and insufficient descriptions.

3. This account is used for vendor disbursements that require payment at the time of delivery. The account should balance to $4,000. On August 5, 2010, the account was balanced to $3,803.90 resulting in a discrepancy of $196.10.

4. In one instance, a batch of collections totaling $2,803 was deposited into the grocery account rather than the main account.

A similar comment appeared in prior reports.

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)

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 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)

DELINQUENT ACCOUNTS AND PENALTIES

The Expo Center has been severely delinquent on their utility vendor payments as follows:

1. Officials paid a claim totaling $5,435.96 on July 23, 2010, for electric service at the Expo Center. A review of the vendor claims dated from January 2008 to July 2010, indicated that $4,375.01 of the amount paid was for late fees. We did not review the claims prior to January 2008. 77% of the claims were paid untimely ranging from 4 to 53 days past the due date of the invoices. Late charges were assessed each month even when the current bill was paid in a timely manner because officials did not remit the arrears (late charges from the previous statements).

2. An outstanding amount is owed to a utility vendor for gas service at the Expo Center totaling $11,164.96. The amounts consists of two unpaid months for December 2007 and 2008, totaling $8,823.82 and a utility tax that the Expo Center was exempt from totaling $2,341.14 for the various months starting December 2005 through December 2008. The vendor has stated that a credit cannot be issued for the utility tax amount because of the lapse of time of the charges.

3. Vendor payments for water/sewage service were reviewed from January 2009 through July 2010. 67% of those claims were paid untimely ranging from 1 to 177 days after the due date.

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, Chapter 1)

COMPENSATION PAID TO SECURITY GUARDS

In our prior audit we found that the security guards at the Expo Center also are employees of the Sheriff's Department working security in their off time from the Sherriff'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.

In the current audit security guards were compensated directly from the Expo Center bank account rather than the County's payroll system. The Expo Center has changed its policy and now payments to the security guards are the responsibility of the lessee.

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)

INVENTORY CONTROLS

We reviewed and performed test counts of the most current inventory of liquor on hand. We found that the quantities recorded as being on hand were grossly inflated. In addition, the assistant manager fails to include beer, pop, mixers, and any free bottles of liquor they receive as incentives from the vendors.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconcilement of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconcilement should provide an accurate accounting. Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CASH CHANGE CONTROLS

As noted in the prior report, in 2008, the Cash Change Fund was stolen from the safe. In 2009, the assistant manger started a new change fund by using cash collections. The County Council did not determine the amount to be held as a Cash Change Fund, nor were proper procedures followed to establish the fund.

IC 36-1-8-2(a) and (b) states:

"(a) The fiscal body of a political subdivision may permit any of its officers or employees having a duty to collect cash revenues to establish a cash change fund. Such a fund must be established by a warrant drawn on the appropriate fund of the political subdivision in favor of the officer or employee, in an amount determined by the fiscal body, without need for appropriation to be made for it.

(b) The officer or employee who establishes a cash change fund shall convert the warrant to cash, shall use it to make change when collecting cash revenues, and shall account for it in the same manner as is required for other funds of the political subdivision."

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

"Public funds deposited . . . shall be deposited in the same form in which they were received."

CONTRACTS

The following discrepancies exits with contractual agreements entered into at the County Fairgrounds and Exposition Center (Expo Center):

1. Contracts are not prenumbered. A blank general contract is saved as a file template and then numbered prior to being printed out.
2. The required insurance documentation was not retained for all events.
3. Fees were reduced without the proper authorization.
4. Payments were not made in accordance with the signed contracts. All final payments were made after the date of the event.
5. Invoices do not properly track all payments made towards an event. One event was overpaid for by $400.
6. Caterer's event sheets are not reviewed by personnel at the Expo Center. One caterer overpaid by $82.62.

Governmental units should collect any overpayments made.

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)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 September 30, 2010, with Robert Harper, President of the Board of County Commissioners; Gwenn R. Rinkenberger, County Attorney; and Brian Schafer, Manager. The official response has been made a part of this report and may be found on page 10.

Porter County
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Thursday, October 14, 2010

State Board of Accounts
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Porter County Exposition Center & Fairgrounds
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Re: OFFICIAL RESPONSE: Porter County Expo Center & Fairgrounds 2009 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 have been implemented to assist management on daily operations.

Many instances noted in the audit are directly related to the job responsibilities of the Assistant Manager's position. Disciplinary action was taken on the grounds that seven consecutive years of State audits prove that many deficiencies have escalated over that time period including her failure and refusal to comply.

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