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

AUDIT REPORT

OF

COUNTY AUDITOR

CLARK COUNTY, INDIANA

January 1, 2010 to December 31, 2010

FILED
03/15/2012

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COUNTY OFFICIALS

Office	Official	Term
Auditor	Keith Groth	01-01-08 to 12-31-10
	R. Monty Snelling	01-01-11 to 12-31-14
President of the County Council	Jack Coffman	01-01-10 to 12-31-10
	Kevin Vissing	01-01-11 to 12-31-11
	Barbara Hollis	01-01-12 to 12-31-12
President of the Board of County Commissioners	M. Edward Meyer	01-01-10 to 12-31-11
	Les Young	01-01-12 to 12-31-12

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 CLARK COUNTY

We have audited the records of the County Auditor for the period from January 1, 2010 to December 31, 2010, 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 Clark County for the year 2010.

STATE BOARD OF ACCOUNTS

December 6, 2011

COUNTY AUDITOR
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The County Annual Report (CAR) is a required financial report to summarize the financial activity of the County for the year. A review of the County Annual Report (CAR) identified the following problems with the reporting of financial activity.

1. The County Annual Report (CAR) contained errors in the classification of financial activity. Receipts, disbursements and funds were not always properly classified in the report.

2. Revenue was not classified correctly. Instances were noted in which intergovernmental revenue related to federal grant receipts was incorrectly identified as charges for services. The failure to classify the revenue appropriately in the County Annual Report (CAR) is the result of deficiencies in classification of financial activity in the County's financial ledgers.

3. Disbursements were classified incorrectly in the County Annual Report (CAR). Instances were noted in which expenditures related to capital outlay were misclassified as other services and charges. The failure to classify the disbursements appropriately in the County Annual Report (CAR) is the result of deficiencies in the classification of the financial activity in the County's financial ledgers.

4. Financial activity for unrelated funds was combined on the County Annual Report (CAR). Financial activity associated with agency funds, assets being held by the County as an agent for other agencies which serve as a control account for certain cash transactions during the time they are a liability to the County, was combined with financial activity associated with special revenue funds, assets set aside by the County to fund specific operations of the County. As a result of combining unrelated financial activity, it cannot readily be determined which funds are available to fund operations of the County.

5. Financial activity for County departments that directly receive and disburse funds is required to be reported on a Supplemental County Annual Report (CAR-1) and incorporated into the Annual Report (CAR). Departmental financial activity was not properly reported to the County Auditor for inclusion in the County Annual Report by County Departments. The following problems were identified with departmental financial activity as reported by the County Departments:

    a. Financial information associated the State Revolving Fund loans for the Henryville sanitation grant was not properly reported by the County Commissioners to the County Auditor. Receipt activity of $1,958,188 and disbursement activity in the same amount were omitted from the County Annual Report (CAR).

    b. The Health Department provided incorrect financial information regarding funds handled directly by the department. The Health Department included financial activity for all funds overseen by the Health Department not just those funds that are handled directly by the department. As a result of incorrect financial reporting, the beginning cash balance, receipts, disbursements, and ending cash balance were overstated in the amounts of $813,316; $1,025,240; $1,383,541; and $455,015, respectively.

c. The Clerk of Circuit Court financial activity was incorrectly reported. Receipts were overstated in the amount of $4,010,551. The disbursement amount reported was overstated in the amount of $3,518,405 and the ending cash balance was overstated by $492,547.

d. The County Recorder financial activity was not properly reported on the Supplemental CAR-1 provided to the Auditor's office. The beginning balance and disbursements were overstated in the amounts of $45,663 and $53,842, respectively. This resulted in the ending cash balance being understated in the amount of $8,179.

e. The financial activity reported by the Sheriff's office for the Sheriff Pension Trust was inaccurate. The financial activity as shown on the report did not total properly and the beginning balance was not in agreement with that reported in the previous year. As a result of the information being materially incorrect, the financial activity was omitted from the County Annual Report (CAR) when completed by the County Auditor.

Audit adjustments were made to the financial report to correctly report overall total receipts, disbursements, and beginning and ending cash balances. However, adjustments were not made to properly classify the types of receipts and expenditure transactions.

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 Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

FINANCIAL ACCOUNTING SYSTEM CONTROL DEFICIENCIES

A review of the County's financial activity identified deficiencies in the County's controls over reporting of financial activity. The following are deficiencies identified with the recording of financial transactions in the County's financial ledgers:

1. The amounts recorded in the financial ledgers as "Transfers In" should be offset with corresponding entries of "Transfers Out"; however, the amount reported as "Transfers In" per the County's financial ledger differed from the amount recorded as "Transfers Out." The County's financial ledgers showed "Transfers In" of $8,917,137 and "Transfers Out" of $6,791,256 for a difference of $2,125,881.

2. Receipts were not classified consistently and properly in the financial records. The majority of the monies received from the State were classified as "State Reimbursement" instead of being identified as state grant, federal grant, state shared revenue, or as state reimbursement for services. Instances were noted in which the same revenue source within the same fund would be classified differently. Monies related to federal grant awards were not always identified separately from monies received from state grants.

3. The County utilizes a clearing account, "Hold for Information", to temporarily receipt monies received until the source of revenue can be determined. Once the source of the funding is identified, the monies are to be removed from the clearing account and classified to the appropriate revenue source and fund account. During 2010, $38,763 remained in the fund that was not identified as to the source of the funds for proper classification in the financial records.

4. Financial activity related to the sale and purchase of investments was not properly recorded in the financial records.

5. Disbursement activity was not always properly classified in the financial records. Expenditures for funds that were created locally were not always recorded to budget expenditure categories (personal services; supplies, etc.) to properly identify how the funds were used. The expenditures were recorded as one category titled "Unappropriated."

6. A system was not in place whereby supplemental financial information maintained by County departments was reconciled with the main financial activity shown on the County Auditor's financial records to ensure accuracy in financial reporting. For example, monies collected by the department and reported by the department on a "Report of Collections" are not periodically reconciled with the total shown in the County Auditor's financial records to ensure that the receipt activity is properly classified in the financial records and in agreement with amounts reported by the department. Errors had been noted in which monies were posted to the wrong fund and/or classified incorrectly.

7. The financial accounting application system utilized by the County does not properly reflect the accurate information regarding the beginning cash balance, receipts, and disbursements. The following deficiencies were noted:

   a. The beginning fund balances brought forward from the prior year are shown as receipt transactions instead of beginning balances. The beginning balances are included in the total amount of the receipts in the funds ledger thus misrepresenting the total receipts for the year. As a result of having the beginning balances included in the total receipts, the financial accounting system does not generate a report showing the beginning fund balance in order to ensure that balances are correctly brought forward from one accounting period to the next and readily identifying the actual receipts for the period for comparison with the final amounts reported in the Annual Report.

   b. There were instances in which the beginning balances brought forward from the prior year were shown as investment transactions resulting in the inaccurate reporting of investing activity for the year.

   c. The financial ledger reports generated from the accounting application system for the same time period reported different amounts. The following is a summary of the differences shown between the two financial ledger reports "Summary of Receipts and Expenditures" and "Combined Ledger by Location (All Detail):

	Amount Per Summary of Receipts and Expenditures Report	Amount Per Combined Ledger by Location Report	Difference
Receipts	$ 289,607,534	$ 288,237,656	$ 1,369,878
Expenditures	266,965,339	265,995,950	969,389
Ending Balance	21,980,698	21,580,209	400,489

County officials were unaware a difference existed between the two reports and were unable to explain the difference. A further review of the financial activity during the audit identified the differences between the ending balances as the result of the beginning balances for three funds not being reported correctly on the report "Combined Ledger by Location (All Detail) which carried over to the ending balance being shown incorrectly. The differences in the receipts and expenditures transactions were identified as being associated with six funds on the "Summary of Receipts and Expenditures" report which included activity related to years prior to the year 2010 even though the report was generated requesting only activity related to the year 2010.

Failure to adequately classify financial activity makes it difficult to assess the accuracy of the financial activity reported, to identify potential risks in financial reporting, and to adequately evaluate and monitor financial activity currently and for future planning purposes.

Additional training should be provided to personnel and controls procedures should be implemented to ensure accuracy in financial reporting. Problems identified with the accounting application system should be reviewed with the software vendor to identify the source of the problem.

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 County Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, and Local Governments, and Non-Profit Organizations" for entities receiving federal funds in excess of $500,000 in order to summarize the use of federal monies received. The following deficiencies were identified with controls over financial activity for federal funds:

1. The County did not have procedures in place whereby grants applied for by the various County Departments and approved by the Board of County Commissioners were summarized and the information coordinated with the County Auditor's office in order for financial activity associated with grant funds awarded to be adequately identified in the financial records.

Problems with controls over financial reporting for grant programs are illustrated as follows using Highway Planning and Construction grants as an example.

Grant monies received for various road projects associated with the Highway Planning and Construction grants were combined into one receipt category in the financial ledgers titled "project reimbursements" instead of having a separate receipt category for each grant project in order to properly report the activity for each grant project and readily identify the source of funding as federal.

Disbursement activity associated with the grant projects was posted to one expenditure category titled 'projects' instead of breaking out the disbursements separately for each project for ease in identification and reporting as a federal grant project.

The financial activity was not adequately categorized to clearly indicate the monies were associated with federal awards to ensure the financial activity was properly identified for reporting on the Schedule of Expenditures of Federal Awards. The State Board of Accounts had to bring it to the County's attention that these were federal grant monies based upon information obtained from the Indiana Auditor of State regarding monies pass through to the County. In order to properly identify grant activity for each project, information had to be abstracted from the various claims for reimbursements filed by the County with the State.

2. Procedures were not in place for those departments that kept supplemental grant records whereby the department's supplemental grant records were reconciled with the financial activity recorded in the County Auditor's financial records.

3. Procedures were not in place for the proper identification and reporting of federal monies received related to the various Child Support Enforcement projects (clerk expenditures; prosecuting attorney expenditures, etc.). Information was also not available to properly identify monies received by the County related to the Child Support enforcement program as described below:

   a. The State of Indiana reimburses the County for various Child Support Enforcement projects. Remittance notices were sent to the County by the State of Indiana that identified the various types of Child Support Enforcement revenue sources. The County receipted these monies to its records into one revenue category that did not break down the source of the revenue as to project and as to source of funding (federal or state). In addition, the County did not retain the information provided by the State of Indiana showing the breakdown of the monies received.

   b. The County departments responsible for filing reports for reimbursements of expenditures did not have procedures in place whereby monies received were reconciled with expenditures made and filed for reimbursement. As a result, the County departments could not identify which expenditures had or had not been reimbursed. Information had to be obtained by the State Board of Accounts from the Indiana Department of Child Services in order to identify and report the activity in the Schedule of Expenditures of Federal Awards.

4. Federal grant monies related to federal stimulus funds (ARRA) were not identified separately from other federal grant monies as required under the federal grant programs.

As a result of not having procedures in place to ensure the proper classification and recording of financial activity in the County Auditor's financial records, the County runs the risk of improper reporting of federal funds on the Schedule of Expenditures of Federal Awards and weakens its ability to effectively monitor grant compliance requirements.

We recommended the County implement a system in which one individual is responsible for coordinating grant activity for the County. Information related to grants, such as grant agreements and financial reports, should be retained in one central location to facilitate consolidated reporting of federal grant financial activity.

Additional training should be provided to personnel and controls procedures should be implemented to ensure accuracy in financial reporting.

Circular A133 Subpart C section .300(a) states the auditee shall: "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Circular A133 Subpart C section .300(b) states the auditee shall: "Maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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 County Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

DISBURSEMENT PROCEDURES

A review of the County's financial system identified the following problems with internal control procedures over disbursements:

1. Proper procedures were not in place to determine that correct amounts were paid on invoices. If a single invoice contained expenditures that would be charged to more than one budget appropriation expenditure account or to more than one fund, a separate accounts payable voucher was completed for the amount associated with each invoiced item to be charged to a different appropriation/fund number and a separate check issued. Procedures were not in place whereby the individual accounts payable vouchers submitted were totaled and compared to the invoice total in order to verify the proper amount owed was paid. Furthermore, if the invoice represented charges to various departments within the county, each department would be required to submit a separate accounts payable voucher for its share of the invoice. There were no procedures in place to ensure that all of the departments submitted the accounts payable voucher to the County Auditor for payment at the same time to ensure that the final amount paid was proper.

Failure to compare actual amounts paid to amounts invoiced could result in the improper amount being paid.

2. There was no procedure in place whereby if an invoice was not paid in full, information was documented as to why the full amount was not paid and an evaluation of the reasonableness of the explanation.

   Failure to the properly document differences between the amounts being paid and the amounts owed could result in untimely payment of amounts owed, late fees being incurred, and the expenditures being reported in the incorrect accounting period. In addition, it could be an indicator of personal items being charged on the County's account.

3. Vendor statements were not submitted with the invoices and accounts payable voucher to the County Auditor for payment.

   Failure to compare the vendor statements with the invoices increases the risk of potential liability for unpaid invoices, expenditures not being recognized in the proper accounting period, fraudulent expenditures, and late fees assessed for untimely payment. Missing invoices, unfamiliar invoices, or past due amounts could indicate personal items are being purchased using the County's account.

   A comparison of the vendor statement with invoices should be made to ensure timely and proper payment of amounts owed and to reduce potential fraud risks.

4. The County did not have procedures in place whereby if a check was voided that the voided payment was adjusted in the vendor's history of total payments for proper federal tax reporting on the vendor's 1099.

5. Checks issued from one County fund to another for payment or reimbursement of services or transfer of funds are distributed by the County Auditor to the receiving department which then turns around and resubmits the collections to the County Auditor via a report of collections. As a result of not having proper procedures in place to account for financial activity among different County funds, there were delays in some instances of up to 12 days between when a check was issued and the monies were receipted to the records.

   Checks issued by the County Auditor to the County should be immediately receipted to the records and remitted to the County Treasurer for deposit. Access to funds collected should be limited to as few people as possible. Anytime funds exchange hands there is an increase in the risk of loss of collections and the possibility of substitution.

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 County Auditors of Indiana of Indiana, Chapter 14)

A similar comment was reported in prior the Reports B37132 and B38283.

TAX SALE SURPLUS - RECONCILIATION OF SUBSIDIARY LEDGER

The Auditor's office did not have procedures in place to properly account for tax sale surplus. Procedures were not in place whereby the tax sale surplus fund ledger control balance was reconciled with the detail subsidiary record. Information was not presented for audit detailing the individual property associated with the tax sale surplus funds on hand at December 31, 2010, in the amount of $2,397,320.

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 County Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

SURPLUS TAX FUND - RECONCILIATION OF SUBSIDIARY LEDGER

The Auditor's office did not have procedures in place to properly account for surplus tax funds. Procedures were not in place whereby the surplus tax fund ledger control balance was reconciled with the detail subsidiary record. Information was not presented for audit detailing the individual property associated with the surplus tax funds on hand at December 31, 2010, in the amount of $1,056,122.

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 County Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

TAX SALE REDEMPTION - RECONCILIATION OF SUBSIDIARY LEDGER

The Auditor's office did not have procedures in place to properly account for tax sale redemption. Procedures were not in place whereby the tax sale redemption fund ledger control balance was reconciled with the detail subsidiary record. Information was not presented for examination detailing the individual property associated with the tax sale redemption funds on hand at December 31, 2010, in the amount of $11,022.

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 County Auditors of Indiana, Chapter 14)

A similar comment was reported in prior Report B38283.

ACCOUNTING FOR CAPITAL ASSETS

Based upon our review and testing of accounting controls and our discussion with County personnel, the following deficiencies were noted regarding the County's controls over capital assets:

1. Formal procedures are not in place whereby the County departments notify the County Auditor's office of assets purchased and provide the necessary information to properly identify the asset for inclusion on the County's capital asset record. As a result, not all assets are being included on the County's capital asset records. Failure to properly identify assets owned by the County could result in assets not being properly insured in event of a loss.

2. Procedures do not exist whereby County departments notify the County Auditor's office of asset disposals. Failure to identify assets disposals results in the overstatement of assets per the County's capital asset records and the potential for additional cost of insurance for assets the County no longer owns.

3. No information was presented for audit to indicate that an inventory of assets was performed and compared to the asset record in recent years. Failure to perform an inventory of capital assets and compare it with its records weakens the County's ability to identify problems with assets losses due to theft and to ensure proper insurance coverage of its assets.

4. Asset tags are not used to identify property owned by the county and for identification in its asset records. Asset tags are used to readily identify property that is owned by the County and to provide an identification system for assets that do not have another unique identification number, such as, a serial number. Failure to utilize a tagging system jeopardizes the County's ability to properly identify assets on hand with the assets reported on its records and increases the risk of theft due to properly identifying the assets as belonging to the County.

5. Projects ledgers are not properly maintained for construction projects in order to allow for the cost of the project assets to be incorporated in the County's capital asset records at the completion of the project.

6. The County does not have a system in place whereby assets that are highly susceptible to theft due to their size and nature and are not of a significant value to be included in its formal capital asset record are properly identified. Failure to have properly controls over assets could result in the loss of the items and the additional expenses to the County for replacement.

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 managements' 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 County Auditors of Indiana, Chapter 14)

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded in the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Similar problems regarding controls over capital assets were noted in the prior Reports B37132 and B38283.

OVERDRAWN CASH BALANCES

The cash balance of the County Adult Facility Usage Fund and the TIF Henryville I-65 Corridor Fund were overdrawn in 2010 in the amounts of $189,934 and $671, respectively. Other funds were identified on the County's records as having overdrawn cash balances; however, the financial activity associated with these funds represents financial activity associated with grants for which the county will subsequently be reimbursed.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

We will not take exception to reimbursement grant funds in the red, if timely reimbursements are requested. (The County Bulletin and Uniform Compliance Guidelines, October 2005)

OVERPAYMENT OF FEES TO AUDITOR OF STATE

In October 2009, the County overpaid the Auditor of State $74,683.50 for infraction judgments. The State refunded the overpayment to the County in December 2009 and the monies were receipted into County fund number 312, Infraction Judgment. In May 2010, the Auditor of State incorrectly refunded the $74,683.50 to the County a second time. When the County received this money in May 2010, the money was receipted to the Infraction Judgment Fund, County fund number 312. The Auditor of State requested the County refund the State for the amount incorrectly received in May 2010. On May 11, 2010, the County issued check number 153926 to the Auditor of State from the County General fund to the repay the monies erroneously received from the State in May 2010. The check for the repayment to the State should have been issued from the Infraction Judgment Fund, County fund number 312, instead of the County General Fund as the monies were originally receipted into the Infraction Judgment Fund.

In June 2010 when the County was making its semiannual payments to the State for infraction judgment fees, the amount paid to the State was incorrectly calculated by the County. The amount calculated for payment to the State included the monies erroneously received from the State in May 2010. As a result, the County incorrectly paid $74,683.50 to the State a second time when the payment was made from the Infraction Judgment Fund.

We recommended the County contact the Auditor of State and request a refund. The monies refunded by the State should be receipted into the County General Fund as this is the fund from which the monies were incorrectly disbursed.

A refund was received from the Auditor of State and receipted into the County's General Fund on July 25, 2011.

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

DISTRIBUTION OF INFRACTION JUDGMENT FEES

The County Auditor's office issued receipt number 25460 on April 6, 2010 in the amount of $6,075 for infraction judgment fees remitted by the Clerk of the Circuit Court. The Auditor's office incorrectly receipted these fees to the County General Fund instead of the Infraction Judgment Fund, County fund number 312. As a result, these fees were not remitted to the State with the collections due on the June 2010 semi-annual payment.

Indiana Code 34-28-5-5(c) states in part: ". . . the funds collected as judgments for violations of statutes defining infractions shall be deposited in the state general fund."

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

CONTRACTS

The County withheld 10 percent of the Local Option Income Tax Distributions (LOIT) from each Municipality without a contract or written agreement. The amounts withheld were receipted into a separate fund (Fund 419) and used to support expenditures for the County wide 911 emergency dispatch system.

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 County Auditors of Indiana, Chapter 14)

FAILURE TO APPROPRIATE COUNTY JAIL FUNDS

The Board of County Commissioners (Board), by statute, is responsible for the construction, management and oversight of the County's jail facilities. Costs for the operation of this facility are paid from the County's General Fund which includes, but is not limited to, the cost of staffing, utilities and housing of prisoners. Services are also provided through the jail facilities to outside Federal, state and local entities for the housing of prisoners and housing related expenses. The County bills these Federal, state and local entities for these services, and historically, had receipted these monies into the fund from which the costs were paid, the General Fund.

On January 25, 2007, the Board adopted Ordinance 3-2007 creating the Clark County Adult and Juvenile Facilities Usage Fund. The fund, as established, had no financial activity until the year 2008. Based on the Ordinance, funding will be all monies received from external government agencies (Federal, state, local or other) for rental of space (housing of prisoners) in the adult jail or juvenile detention center and other reimbursements received by the County Sheriff. The ordinance further states that the fund may be expended, only upon approval by the Board in writing, without the necessity of further appropriation for County facility repairs, maintenance, oversight, equipment and any other public expenditure deemed necessary to the public interest by the Board.

Reimbursements received during the year 2010 and receipted into the Clark County Adult and Juvenile Facilities Usage Fund from Federal, state, and local entities for the housing of prisoners and prisoner related costs and a transfer from other county funds totaled $1,547,584. Disbursements made without appropriation from this Fund were as follows:

Sheriff's Dept./Jail Facility Operational Costs and Equipment	$2,096,925

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

Indiana Code 36-1-2-6 defines fiscal body as the county council.

Indiana Code 36-1-3-6(a) (Home Rule Statute) states: "If there is a constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must do so in that manner."

The County Bulletin and Uniform Compliance Guidelines, October 2001 states the following:

"A unit may exercise its Home Rule powers whenever it is "necessary or desirable" to exercise any power, perform any function, provide any service - - and create the structural elements or procedures to do so - - and;

(1) the laws and constitutions of the state and federal governments do not expressly or implicitly prohibit or preempt it from doing so; and

(2) state law does not already provide for exercising the power, providing the service, or performing the function or state law does provide for the foregoing but does not mandate any procedures to follow in implementing it."

There may be other laws under which funds may be disbursed without appropriation; however, appropriations are required before disbursements may be made from any fund subject to the Budget Laws unless specific authority to disburse without appropriation is provided by law. (The County Bulletin and Uniform Compliance Guidelines, April 2000)

CUMULATIVE CAPITAL DEVELOPMENT EXPENDITURES PAID WITHOUT APPROPRIATION

The County paid $24,355 from the Cumulative Capital Development Fund for the purchase of ballot card voting systems without obtaining an appropriation from the County Council. Indiana Code 36-9-14.5-2 allows purchases authorized by Indiana Code 3-11-6-9 (Voting System Purchase Fund) which includes the purchase of ballot card voting systems or electronic voting systems.

Indiana Code 6-1.1-18-5(a) states:

> "If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b)."

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

APPROPRIATIONS

A budget was prepared by the Board of County Commissioners and presented for approval to the County Council for the County Highway Fund and the Local Road and Street Fund. The County Council approved the budget as presented and the amounts were entered in the appropriation ledger by the County Auditor. The Department of Local Governmental Finance (DLGF) reviewed the budget and order a reduction to the amounts approved by the County; however, the County failed to reduce the budget of the funds to the amounts approved by DLGF. As a result expenditures were made in excess of budgeted appropriations as follows:

Fund	Excess Amount Expended
County Highway	$ 388,526
Local Road and Street	357,047

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

In addition, the following local funds established through Home Rule Statute had expenditures made which were not appropriated or expenditures exceeded the appropriated amount:

Fund	Excess Amount Expended
Landowner's Liability Fund	$ 136,123
Closure-Post Closure	102,599
Landfill Improvements	719,129
Sheriff's Public Relations Non-Reverting	75,379
Drainage Board Non-Reverting Fees	18,265

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

Indiana Code 36-1-2-6 defines fiscal body as the county council.

TAX SETTLEMENT

The County Auditor's Office in preparation of the June 2010 Settlement did not distribute tax increment financing (TIF) taxes to the various TIF district funds. The taxes due the various TIF district funds were erroneously distributed as general property taxes to the various governmental units and mental health agencies in Clark County. When the County Auditor discovered the error, a letter was sent to all governmental units in the County requesting a refund. The County Auditor failed to request a refund for the overpayment from the mental health agencies causing the County's Mental Health Fund and the New Hope Fund to each incur a negative fund balance of $30,827.

Documentation presented for audit identifying the corrections made for the settlement error was not organized in an appropriate manner and with sufficient information to determine if the June settlement corrections were proper.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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

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 County Auditors of Indiana, Chapter 14)

LOCAL OPTION INCOME TAX DISTRIBUTIONS

The County receives local option tax distributions from the Auditor of State approximately once a month. However, the County Auditor distributed these taxes to the County Funds and to the municipalities only in July and December.

Indiana Code 6-3.5-6-31(f) states in part: ". . . The county auditor shall make the distributions required by this subsection not more than thirty (30) days after receiving the portion of the certified distribution that is attributable to a tax rate under this section. . . ."

CITY AND TOWN COURT COST FUND

No information was presented for audit that the County Auditor notified cities and towns in Clark County to submit documentation showing they qualified for their pro-rata share of monies held in the City and Town Court Cost Fund. The County Auditor has not distributed monies held in the City and Town Court Cost Fund for the years 2008, 2009, and 2010. The cash balance of the City and Town Court Costs Fund was $211,706 at December 31, 2010.

Indiana Code 33-37-7-6(a) states in part: "The qualified municipality share to be distributed to each city and town maintaining a law enforcement agency that prosecutes at least fifty percent (50%) of the city's or town's ordinance violations in a circuit, superior, or county court located in the county is three percent (3%) of the amount of fees collected. . . ."

Indiana Code 33-37-7-6(c) states in part: "The county auditor shall distribute semiannually to each city and town described in subsection (a) the amount computed for the city or town . . . "

LAW ENFORCEMENT CONTINUING EDUCATION PROGRAM USER FEES

Monies in the User Fee Fund for law enforcement continuing education program fees fund that were unclaimed by law enforcement agencies were not remitted to the State for deposit in the State's law enforcement training fund. At January 1, 2010, the County's Law Enforcement Continuing Education User Fee Fund had a balance of $327,266, and at December 31, 2010, the balance in the Fund had increased to $376,175.

A review of funds financial activity for the year indicated that not all the local enforcement agencies were claiming the fees as required.

Indiana Code 5-2-8-1(f) states: "To make a claim under IC 33-37-8-6, a law enforcement agency shall submit to the fiscal body a verified statement of cause numbers for fees collected that are attributable to the law enforcement efforts of that agency."

Indiana Code 5-2-8-1(e) states: "Money in excess of one hundred dollars ($100) that is unencumbered and remains in a county law enforcement continuing education fund for at least (1) entire calendar year from the date of its deposit shall, at the end of a county's fiscal year, be deposited by the county auditor in the law enforcement training fund established under IC 5-2-1-13(b)."

GENERAL FUND – YEAR 2011 FINANCIAL CONDITION

The General Fund incurred deficit cash and investment balances in amounts of $708,933 at June 30, 2011, and $1,190,969 at August 3, 2011.

The County Council approved a budget for the General Fund in the amount of $18,709,054 for the year 2011. The Indiana Department of Local Government Finance (IDLGF) issued a Budget Order dated February 14, 2011, that reduced the General Fund budget to $11,819,364. The County Council's board minutes, dated March 14, 2011, showed reductions to the General Fund appropriations being approved to comply with the IDLGF Budget Order.

The County Council also approved additional appropriations in the amount of $327,000 and $212,934 that were approved by IDLGF on May 9, 2011 and June 13, 2011, respectively, resulting in a total final approved appropriation for the General Fund for the year 2011 in the amount of $12,360,479. General Fund disbursements subject to appropriation totaled $8,140,612 for the period January 1, 2011 to June 30, 2011, or 66 percent of appropriations approved for the year by the IDLGF, leaving an appropriation balance in the amount of $4,219,867 for General Fund expenditures from July 1, 2011 to December 31, 2011.

In August 2011, the County Council officials stated they would begin the process to issue general obligation bonds in the amount of approximately $1,300,000. The general obligation bonds are to be used to restore previous reductions made to the General Fund budgets of the various Clark County courts and additional funding requested by the court as required by a court ordered judgment.

County office holders and department heads were instructed to submit a plan to the County Council by August 12, 2011, on how each office or department would comply with the reduced budget for each office or department.

Deficit cash balances can occur only because several County funds share a common depository account. When a deficit cash balance occurs, the County Auditor is in effect borrowing funds from other County Funds without obtaining formal approval from the County Council.

Indiana Code 36-1-8-4 (a) states:

> "The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:
>
> (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
>
> (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
>
> (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
>
> (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
>
> (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2011, with R. Monty Snelling, Auditor. The official concurred with our audit findings.

The contents of this report were discussed on December 7, 2011, with Keith Groth, former Auditor.

The contents of this report were discussed on December 13, 2011, with Barbara Hollis, President of the County Council.

The contents of this report were discussed on December 19, 2011, with M. Edward Meyer, former President of the Board of County Commissioners.