

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

AUDIT REPORT  
OF  
COUNTY AUDITOR  
VIGO COUNTY, INDIANA  
January 1, 2011 to December 31, 2011



**FILED**  
09/13/2012



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Timothy M. Seprodi	01-01-09 to 12-31-12
President of the County Council	Mark D. Bird Kathy Miller	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of County Commissioners	Michael Ciolli	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VIGO COUNTY

We have audited the records of the County Auditor for the period from January 1, 2011 to December 31, 2011, 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 Vigo County for the year 2011.

STATE BOARD OF ACCOUNTS

July 16, 2012

COUNTY AUDITOR  
VIGO COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the County related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Financial activity for several departments of the County including the Recorder, Alcohol and Drug, Community Corrections Project Income, Adult and Juvenile Probation, Park and Recreation, and the Treasurer's Trust were not reported in the County's annual financial report. The omitted information understated the County's receipts by \$104,248,584, disbursements by \$104,228,287, and the ending cash balance by \$88,033. The County's annual financial report was resubmitted with corrections approved by the officials in order to avoid being materially misstated and receiving a qualified opinion on the Independent Auditor's Report.

The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the County's departments for inclusion in the County's annual financial report.

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)

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)

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 Auditors of Indiana, Chapter 14)

***FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS***

The County reimbursed the Department of Child Services \$25,193.03 on July 6, 2011, for reimbursements improperly claimed by the Title IV-D Court for the months of October, November, and December of 2010. The expenses were paid from incentive funds and as of October 2010, certain expenses were no longer allowable.

The County did not comply with directives of the Department of Child Services by failing to create the Title IV-D Incentive Fund to account for incentive payments to the County. The Prosecutor and Title IV-D portions of the County's incentive reimbursements were receipted into the County General Incentive Title IV-D Court Fund, a non-official incentive account. Incentive receipts were properly used to pay the expenses of the Title IV-D Court.

COUNTY AUDITOR  
VIGO COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

County officials were advised by the Department of Child Services in a letter dated March 23, 2012, that although the establishment of the County General Incentive Title IV-D Court Fund was discussed and initially approved, after further review, the Child Support Bureau determined placing funds in a non-official incentive account creates complications in reporting of incentive funds as well as the potential for co-mingling of incentive and non-incentive funds. Three options were given to modify the management of the County's incentive funds:

1. Pay for all Title IV-D Court costs from the Prosecutor's Incentive Fund. All or a portion of incentive funds could then be transferred from the Clerk Incentive Fund and Title IV-D Incentive Fund to the Prosecutor's Incentive Fund from which all Title IV-D Court costs could be paid.
2. Pay for all Title IV-D Court costs from the Title IV-D Incentive Fund. All or a portion of incentive funds could then be transferred from the Clerk Incentive Fund and Prosecutor's Incentive Fund to the Title IV-D Incentive Fund from which all Title IV-D Court costs could be paid.
3. Pay for Title IV-D Court costs from either the Prosecutor's Incentive Fund or the Title IV-D Incentive Fund, without transferring between incentive funds.

The County was further advised to transfer the current balance of incentive funds held in the County General Incentive IV-D Court Fund to the fund(s) which will be used to pay for the Title IV-D Court expense going forward.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Indiana Code 31-25-4-23 states:

"(a) Subject to subsection (d), the Title IV-D agency shall provide incentive payments to counties for enforcing and collecting the support rights that have been assigned to the state. The incentive payments shall be made by the Title IV-D agency directly to the county and deposited in the county treasury for distribution on a quarterly basis and in the following manner:

- (1) Twenty-two and two-tenths percent (22.2%) of the incentive payments shall be distributed to the Title IV-D incentive fund established in accordance with section 23.5 of this chapter by each county that receives payments under this subdivision.
- (2) Thirty-three and four-tenths percent (33.4%) of the incentive payments shall be distributed to the operating budget of the prosecuting attorney.
- (3) Twenty-two and two-tenths percent (22.2%) of the incentive payments shall be distributed to the operating budget of the circuit court clerk.

COUNTY AUDITOR  
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AUDIT RESULTS AND COMMENTS  
(Continued)

(b) Notwithstanding IC 36-2-5-2(b), distribution from the county treasury under subsection (a) shall be made without the necessity of first obtaining an appropriation from the county fiscal body.

(c) The amount that a county receives and the terms under which the incentive payment is paid must be in accordance with relevant federal statutes and the federal regulations promulgated under the statutes. However, amounts received as incentive payments may not, without the approval of the county fiscal body, be used to increase or supplement the salary of an elected official. The amounts received as incentive payments must be used to supplement, rather than take the place of, other funds used for Title IV-D program activities.

(d) The Title IV-D agency shall retain twenty-two and two-tenths percent (22.2%) of the incentive payments described in subsection (a)."

Indiana Code 31-25-4-23.5 states:

"(a) Each county that receives payments under section 23(a)(1) of this chapter shall establish a Title IV-D incentive fund.

(b) The incentive payments under section 23(a)(1) of this chapter shall be paid into the fund.

(c) Money in the fund may be used only for child support enforcement purposes.

(d) Money in the fund does not revert to any other fund."

***TAX SALE REDEMPTION - RECONCILIATION OF SUBSIDIARY LEDGER***

The Auditor's office did not have procedures in place to properly account for tax sale redemption. The disbursements reported by the Auditor in the Tax Sale Redemption Fund were greater by \$8,410.12 than the disbursements reported by the Tax Sale Clerk in the individual records that comprise the redemption subsidiary ledgers. Reconcilements between the Auditor's fund ledger and the redemption accounts should be made regularly and posting errors should be corrected in a timely manner.

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 County Auditors of Indiana, Chapter 14)

***BOARD MINUTES***

Minutes of meetings of the governing body after May 17, 2011 through December 31, 2011, were not transcribed and available for audit until June of 2012.

Indiana Code 36-2-2-11(a) states:

"The county auditor shall attend all meetings of, and record in writing the official proceedings of, the executive."

COUNTY AUDITOR  
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AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-14-1.5-4(b) and (c) state in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5 or Indiana Code 20-12-63-7.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes . . . are to be open for public inspection and copying."

***ERRORS ON CLAIMS***

The following deficiencies were noted on claims during the audit period:

1. Six of fifty-two claim dockets were not signed by the County's fiscal officer.
2. Two of fifty-two claim dockets did not have the Board of County Commissioner's approval.
3. Claim dockets did not contain the required certification by the County's fiscal officer that the attached invoices or bills are true and correct and were audited in accordance with Indiana Code 5-11-10-2.

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COUNTY AUDITOR  
VIGO COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2012, with Kylissa Miller, Chief Deputy Auditor; Michael Ciolli, President of the Board of County Commissioners; Paul Mason, County Commissioner; and Judith Anderson, County Commissioner. The officials concurred with our audit findings.