

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

AUDIT REPORT

OF

COUNTY AUDITOR

ST. JOSEPH COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
08/21/2013

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Peter H. Mullen	01-01-08 to 12-31-15
President of the County Council	Rafael Morton	01-01-12 to 12-31-13
President of the Board of County Commissioners	Andrew Kostielney	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF ST. JOSEPH COUNTY

We have audited the records of the County Auditor for the period from January 1, 2012 to December 31, 2012, 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 St. Joseph County for the year 2012.

STATE BOARD OF ACCOUNTS

July 31, 2013

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Two part-time employees from different departments, County Auditor and Adult Probation, were not included on the salary ordinance with a rate of pay. One of these part-time employees was paid at a rate of \$9.00 per hour and was paid \$3,803 during 2012. The other was paid at a rate of \$10.30 per hour and was paid \$10,956 during 2013.

The County Auditor's payroll administrator explained that she uses rates of pay submitted by departments and not the salary ordinance.

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 County Auditors of Indiana, Chapter 14)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Park and Recreation	\$ 51,462
County Building	75,036

The COIT Fund was overdrawn \$1,999,479 because state distributions received in September 2012 and December 2012 were posted to the CEDIT Fund in error. These errors, which totaled \$9,135,767, were corrected in March 2013. The County Auditor agreed that the County's 2012 financial statements should include an audit adjustment to properly report this error as if it was corrected in 2012. The County Building Fund was overdrawn because disbursements were posted to this Fund that should have been posted to the CEDIT Fund. That error has not been corrected as of May 13, 2013. The Park and Recreation Fund was overdrawn due to insufficient property tax revenues.

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)

INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

During the audit of the SEFA, we noted the following errors: the SEFA included State Grants totaling \$881,815, the SEFA did not include expenditures for one major grant (CFDA # 20.205) totaling \$529,587, the expenditures reported for the other major grant (CFDA # 93.563) were understated by \$590,222, and 13 program grants were not properly named. Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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 County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The County has not established controls to ensure accurate and complete financial statements. The 2012 financial statements submitted by the County Auditor using the Gateway reporting system, included the following errors: (1) the COIT Fund reported receipts and December 31 balance were understated \$9,135,767 due to receipt posting errors corrected in March 2013; (2) the Clerk's accounts January 1 balance, receipts, disbursements, and December 31 balance were understated \$787,217, \$2,602,154, \$3,136,573, and \$252,798, respectively, largely due to omitting one account; (3) the financial statements included the Clerk's monies on deposit fund with a January 1 and December 31 balance of \$1,545,000, but this amount is already included in the Clerk's accounts; (4) the Community Based Corrections Fund and Community Transition Program Fund included the July 1 balance reported as the January 1 balance, and reported calendar year receipts and disbursements were actually receipts and disbursements from July 1 to December 31; (5) the County Sheriff's Jail Inmate Trust and Unclaimed Fund and Jail Commissary Funds were reported based on the bank transactions and not based on financial record transactions.

Audit adjustments were proposed for items (1) thru (5), accepted by the County, and made to the financial statement presented in this report. These adjustments resulted in a presentation of the financial statement that is materially correct.

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 County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2013, with Peter H. Mullen, Auditor; Rafael Morton, President of the County Council; and Andrew Kostielney, President of the Board of County Commissioners. The officials concurred with our audit findings.