

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

EXAMINATION REPORT  
OF  
COUNTY TREASURER  
SCOTT COUNTY, INDIANA  
January 1, 2005 to December 31, 2005



**FILED**

02/23/2007



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bonnie Comer	01-01-05 to 12-31-08
President of the County Council	James D. Buchanan Stephan Patrick Bridgewater Kelley Robbins	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Larry Blevins Mark Hays Robert C. Tobias	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF SCOTT COUNTY

We have examined the records of the County Treasurer for the period from January 1, 2005 to December 31, 2005, 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 Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of Scott County for the year 2005.

STATE BOARD OF ACCOUNTS

January 16, 2007

COUNTY TREASURER  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following are descriptions of conditions related to the County Treasurer's financial records and how these conditions resulted in the State Board of Accounts not being able to issue an opinion on the County's financial schedule based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts:

No Bank Reconciliations Performed

The County Treasurer did not perform monthly reconciliations of the depository account balances with the balances shown in the Treasurer's Cash Book during the year 2005. This condition has also continued through the year 2006.

The failure to perform bank reconciliations has also been reported in prior reports.

The County Treasurer did not prepare monthly listings of outstanding checks during 2005. The preparation of accurate outstanding check lists is an integral part of the bank reconciliation process to assist in identifying errors in the posting of financial transactions on a timely basis.

Based on the records presented for our examination (Cash Book, cancelled checks, bank statements, deposit tickets and receipts) and taking into consideration posting errors we identified, a reconciliation of the adjusted Cash Book balances to the adjusted bank account balances at December 31, 2005, showed cash in the depositories in excess of funds reported on hand (cash long) in the amount of \$50,111.

Indiana Code 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 County Treasurers, Chapter 10)

When the bank statements and cancelled (paid) warrants (checks) are received at the close of each month the bank statements should be examined for correctness. The cancelled warrants should then be checked to the check register (duplicate copies of checks), identifying thereon the month in which each warrant was paid and a list of the outstanding (unpaid) checks prepared for each depository. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 4)

No Reconciliation of Funds Ledger Balances With County Auditor

The County Treasurer is responsible for the accounting of County funds reported on the funds ledger which consists primarily of funds held by the County to conduct County business. The funds ledger activity and cash balances are reported on the Treasurer's Cash Book on a daily basis. The amount of County funds shown on the funds ledger is also accounted for on a funds ledger maintained by the County Auditor. The County Treasurer is required to reconcile the funds ledger balances shown in the County Treasurer's records with the funds ledger balances shown by County Auditor on a monthly basis.

COUNTY TREASURER  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Reconcilements were not performed between the Treasurer's Monthly Financial Statements (Form 61) and the Auditor's Monthly Financial Statements (Form 61) or with the Treasurer's Daily Balance of Cash and Depositories (Cash Book) in 2005. This condition was also noted in prior audit reports covering the years 2002, 2003, and 2004.

Our comparison of the Treasurer's Cash Book's funds ledger balance (County Funds) with the amount of County funds reported on the Auditor's Monthly Financial Statement at December 31, 2005, by the County Auditor showed a difference of \$8,095. However, we determined that the difference was significantly more due to posting errors and untimely posting of transactions made in the Treasurer's Cash Book.

The ledger shall at all times agree with the funds ledger kept by the County Auditor, and shall be reconciled with the County Auditor at the end of each month. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 4)

Untimely Posting of Financial Transactions

A review of receipts issued, bank deposits, bank statements, cancelled checks and postings in the Treasurer's Cash Book for selected dates showed that financial activity was not posted timely to the Cash Book and other accounting records. The following are examples of untimely or omitted postings of financial activity that were identified:

- a. Several instances were noted in which monies received from the State of Indiana (State) via electronic funds transfers were not posted timely. Electronic fund transfers from May and June 2005 in the amount of \$9,533 were not posted to the financial records until December 2005. Amounts distributed by the State to the County during the period February through December 2005 in the amount of \$85,765 were not posted to the Cash Book as of December 31, 2005.
- b. Amounts shown as deposited in November and December of 2005 in the amount of \$11,498 were not posted to the financial records as of December 31, 2005. According to the County Treasurer, the amounts were for personal property taxes, previously certified to the Clerk of the Circuit Court. These deposits were not posted to the financial records until the end of April 2006.
- c. Interest and bank charges incurred on depository accounts were not being posted to the records. Interest earned for the last three months of the year on three of the County's depository accounts were not posted to the financial records by year end. Interest earned during the year on two other depository accounts were not recorded in the financial records during the year. The total amount of interest earned on depository accounts during the year that was not posted to the financial records totaled \$16,611.
- d. License excise tax money received from the State Bureau of Motor Vehicles was not being posted timely to the records during the year. At December 31, 2005, license excise tax in the amount of \$4,522 had not been posted to the records.
- e. Money received during the year from the County's ambulance service in the amount of \$71,913 was not posted to the financial records at year end.
- f. A certificate of deposit was redeemed on November 30, 2005, in the amount of \$200,000. The principal amount of the investment was deposited into the bank account on November 30, 2005; however, the corresponding interest earned in the amount of \$1,682 was not deposited and posted to the financial records until December 8, 2005.

COUNTY TREASURER  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

g. Fees paid during the year to a company for services related to ambulance service billings in the amount of \$29,906 were not posted to the records.

h. Bank fees incurred during the year of \$666 were not posted to the records.

Untimely or omitted postings of financial activity will cause misrepresentations of cash balances and could cause cash shortages to go undetected.

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. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 10)

Erroneous Postings of Ambulance Service Financial Activity

Financial activity related to the County's ambulance service was not properly posted to the Treasurer's Cash Book as described below:

a. The County contracted with a company to perform billing and collection services for the County's ambulance service. Amounts collected by the billing service company were deposited into a separate bank account by the billing service company. However, the activity was not posted to the financial records at the time the activity occurred. As a result, we were unable to reconcile the amounts posted to the Cash Book to the amounts shown as deposited per the bank statements.

b. The deposits for ambulance service collections were posted as monies being received from sources to be held in trust instead of being recorded as County funds. The net result of these erroneous postings and the County Treasurer's attempt to correct the postings was an overstatement of the cash balances for funds held in trust in the amount of \$370,768 and an understatement of County funds of \$370,768 reported in the Treasurer's Cash Book.

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 Treasurers, Chapter 10)

Receipts Not Issued

In November and December of 2005 we found deposits for which no receipts were issued. These deposits totaled \$1,202. The source of the monies could not be identified.

Receipts were not issued for license excise tax at the time the money was received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting Uniform Compliance Guidelines Manual for County Treasurers, Chapter 10)

COUNTY TREASURER  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Posting of Treasurer's Cash Book

The County Treasurer is required to maintain the prescribed Form 47, County Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Treasurer's Cash Book is divided into three sections. The first two sections on the left hand side of the Cash Book are used for posting receipts and disbursements. The third section of the Cash Book is used to record depository financial activity and the corresponding depository account balances. The financial activity as posted to the financial records on the left hand side of the Cash Book is to correspond with the transactions recorded to the depository account balances on the right hand side of the Cash Book. A review of the Cash Book indicated that the financial activity posted on the left hand side of the Cash Book did not agree with the activity posted on the depository accounts on the right hand side of the Cash Book.

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 Treasurers of Indiana, Chapter 10)

Financial Report Opinion Modification

The conditions as described above resulted in the State Board of Accounts not being able to express an opinion on the County's financial schedule for the primary reasons listed below:

- a. There was no bank reconciliation procedure in place. The reconciliation of the depository account balance with the record balance is a significant internal control procedure that provides a mechanism for the County to verify that financial transactions were posted to the financial records. Without properly reconciling the bank balances to the record balance, undetected errors in postings of receipts and disbursements may occur and result in the misstatement of amounts reported on the funds ledger (County funds) and/or undistributed tax funds (trust funds) reported in the financial schedule. Failure to perform bank reconciliations could result in the occurrence of fraud going undetected.
- b. We performed a detailed comparison between Cash Book postings and bank accounts postings for selected dates. For these selected dates, we identified untimely postings, erroneous postings, and omitted postings to the Cash Book of \$565,539 (gross errors). Due to the numerous financial transactions that are handled through the County Treasurer's Office, it is not practical to perform a 100% comparison of book and bank transactions during our examination. The numerous and large dollar amount of these errors during our testing of selected dates leads us to conclude that the errors were pervasive during 2005.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 10)

COUNTY TREASURER  
SCOTT COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PAYMENT OF AMBULANCE SERVICE CONTRACT FEE

The County contracts with a company to provide billing services for its ambulance service. Amounts invoiced by the billing service company were paid directly by the County Treasurer without the claim (invoice) being approved by the Board of County Commissioners, audited by the County Auditor, or approved by the officer or person receiving the goods or services. The amount paid for the ambulance service by the County Treasurer in 2005 totaled \$29,906. In addition, the County Treasurer did not post these payments to the Treasurer's Cash Book.

The County Auditor is the fiscal officer of the County and is the only official authorized by statute to issue a warrant or check for payment of County expenses.

Indiana Code 36-1-2-7 states in part: "'Fiscal officer' means: (1) auditor . . ."

Indiana Code 5-11-10-1.6(c) states in part: "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. . . ."

OLD OUTSTANDING WARRANTS

Our review of the outstanding warrants as of December 31, 2005, revealed warrants outstanding in excess of two years. There were 40 warrants dating back as far as the year 2000 totaling \$28,477.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with: (i) the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision . . . The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. . . ."

Indiana Code 5-11-10.5-5(a) states:

"Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

COUNTY TREASURER  
SCOTT COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2007, with Bonnie Comer, Treasurer. The official response has been made a part of this report and may be found on pages 10 and 11.

The contents of this report were also discussed on January 16, 2007, with Robert C. Tobias, President of the Board of County Commissioners.

## Response to Auditor's Comments

I would first of all like to make it perfectly clear that I realize I have made errors in this job but at no time did I intend to misrepresent any of the figures concerning funds in this office.

The year 2005 marked the first year for our new computer software program. It was a year filled with learning and correcting many mistakes made. We had problem after problem and often times beginning year balances would change for no reason. Not understanding the program made several reports we ran incorrect, as was the case with the outstanding check lists. We also discovered none of these reports can be regenerated at any time.

The comment was made over and over on untimely postings from EFT monies. One such instance was a watercraft excise in February. I did go back and review the cash book and found that money was not entered in the cash book but I had written a receipt for it. We never settled on that money. Apparently, the Auditor's office did not have that figure in the spring settlement and it did not find it in the fall settlement. Furthermore with the EFT monies, I would receive a notification through e-mail but the person who receipted in these monies did not receive the e-mails and was only given that information when the Auditor turned it over to her. Several of the items marked unposted state distributions on the summary sheet prepared for this audit were items I did not receive receipts for until a later date. I did not feel it was my place to tell her when to do a job her boss was giving to her. This has been the practice for many years.

The EMS account has been another problem. Since its beginning, I have argued with the Auditor and the service about the way the claims were handled. When questioned about the way the money was handled, I received a copy of a letter stating we would continue to be billed for services based on the collections the service received whether those collections had hit our bank or not. Since speaking with Melissa, I am planning a complete overhaul of the handling of this account. She also recommended we pay the claims only through our regular claims process.

The license excise account was also questioned in this audit. I have been doing the license excise account the same way for years and in the same way the previous Treasurer did it. I had no idea there was even a problem. After talking to Karen, she recommended receipting in money daily by use of on-line banking capabilities. I now have in place the ability to check this account on-line daily as of January 17, 2007.

A question arose on the depositing of monies from the cashing in of a certificate of deposit. Whenever I cash in an investment, I take the principal back to the bank immediately. I turned over the interest check to the Auditor. It sometimes took a few days for the money to get receipted in. I do not consider that my fault. I could not make the Auditor's office receipt in anything at anytime.

I also deposited money in the bank in November and December of 2004 for taxes not yet in the computer. After fall collections there is a time frame in which new tax information is not in the computer for sewer liens and certified tax judgments. I have always deposited those amounts in the bank on the day they were received and receipted them into the computer as soon as they were available in the computer system.

I have also gone back to review and find all bank interest not posted and to find all fees not posted on our regular bank accounts. I am now in the process of verifying the amounts to be able to present them to the Auditor for receipting.

Please feel free to contact me if you should have any questions about these comments.

Thank you.

A handwritten signature in cursive script that reads "Bonnie Comer".

Bonnie Comer