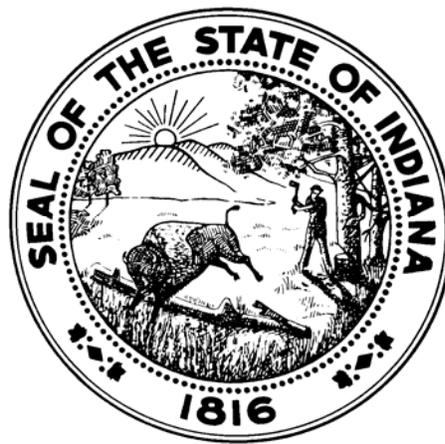


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
CLERK OF THE CIRCUIT COURT
LAKE COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
11/29/2006

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of the Circuit Court	Thomas R. Philpot	01-01-04 to 12-31-07
President of the County Council	Will A. Smith, Jr.	01-01-05 to 12-31-06
President of the Board of County Commissioners	Gerry J. Scheub Rudolph Clay Frances DuPey Gerry J. Scheub	01-01-05 to 12-31-05 01-01-06 to 04-07-06 04-08-06 to 05-16-06 05-17-06 to 12-31-06



STATE OF INDIANA
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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the Clerk of the Circuit Court 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Lake County for the year 2005.

STATE BOARD OF ACCOUNTS

September 20, 2006

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

COURT COSTS – HAMMOND DIVISION

The computer system utilized by the Clerk's office automatically separates the 70% state share, 27% county share, and 3% city and town share of the court costs collected when receipts are issued. We observed on 3 of 17 receipts tested for the Hammond Traffic Division, that no amounts were receipted for court costs. These receipts should have had collections for court costs. These amounts were receipted instead as infraction judgments, which are fines. As a result, the county general fund, the state of Indiana and the city or town prosecuting the violation did not receive their share of court costs as ordered by the courts for these receipts.

Indiana Code 33-37-7-2 states in part: "The clerk of a circuit court shall semiannually distribute to the auditor of state as the state share for deposit in the state general fund seventy percent (70%) of the amount of fees collected. . . ."

Indiana Code 33-37-7-4 states in part: "The clerk of a circuit court shall forward the county share of fees collected to the county auditor in accordance with IC 33-37-7-12(a). The auditor shall retain as the county share twenty-seven percent (27%) of the amount of fees collected. . . ."

Indiana Code 33-37-7-6 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 its ordinance violations in a circuit, superior, or county court located in the county is three percent (3%) of the amount of fees collected. . . ."

TRANSACTION RECORDING - SMALL CLAIMS GARNISHMENTS

Accounts receivable balances for the small claims garnishments reviewed could not be verified. Amounts recorded in the computer system as owed were in excess of the court ordered garnishment and court costs net of payments received. The excess was attributed by Clerk's staff as due to simple interest charged to the garnishee as ordered. However, the amount of the excess could not be identified separately, or verified to a supporting entry in the computerized docket as being interest. Additionally, the computer system in use does not calculate or verify the interest. This must be computed manually by the Clerk's staff, which increases the potential for an error to occur without being detected in the calculation and charging of interest on small claims garnishments.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Clerks of Circuit Courts of Indiana, Chapter 13)

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 Clerks of Circuit Courts of Indiana, Chapter 13)

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COMPUTERIZED RECORDS - TRAFFIC DIVISION

In 1999, the Traffic Division switched to the Court View computer system. Since the conversion there have been discrepancies between computer generated reports and the manual records. The Account Balance Listing (ABL) has inaccurate beginning balances causing this report to have different ending balances than the manual trust ledger. The Bank Balance Listing (BBL) requires daily adjustments to reconcile to the actual bank balance. An unidentifiable adjustment amount of \$323,727.35 has been consistent since the conversion. At December 31, 2005, a net adjustment of \$908,398.82 was used to balance to the bank balance. This amount is for open items and paper checks, which are receipts and disbursements not booked during the conversion. This amount keeps changing as errors from conversion are corrected. The traffic division staff has estimated that by the end of 2006, the 1999 trust accounts will be cleared from Court View. At that time the BBL and the actual bank balance should agree. A similar comment appeared in the prior report.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

COMPUTERIZED RECORDS - GARY DIVISION

In 1999, the Gary Division began using Court View, a computer software system for issuing receipts and disbursements. There are discrepancies between computer generated reports and the manual records for trust balances and fee balances. The Account Balance Listing (ABL) has inaccurate beginning balances for both fee and trust items, causing this report to have different ending balances than the manual trust ledger and cash book. Additionally, the Open Items Case listing has a different ending trust balance from both the computer generated ABL and the manual records at year end. Due to reliance upon the manual trust book and cash book for balances, staff was not aware of balance differences in the computer generated reports.

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 Clerks of Circuit Courts of Indiana, Chapter 13)

PRESCRIBED FORMS – GARY DIVISION

The prescribed Clerk's Cash Book of Receipts and Disbursements (Form 27A), used to account for all receipt, disbursement and balance activity, was not maintained after May 2005 by the Gary Division. Instead, The Clerk's Cash Book and Daily Balance Record (Form 46) was maintained with daily totals, not cumulative totals. Due to discontinued use of the Form 27A, cumulative totals of all funds received and disbursed, along with a control record of receipts and checks issued was not maintained.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Prescribed Form 27A, Clerk's Cash Book of Receipts and Disbursements, has to be used to record receipts and checks issued. The receipts and disbursements should be totaled daily and recorded in the Clerk's Cash Book and Daily Balance Record, Form 46. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

The Clerk's Cash Book and Daily Balance Record, Form 46, is a summary of the cash book of receipts and disbursements. It should be kept daily and is posted from the cash book of receipts and disbursements. It is a record that should reveal a cumulative total of all funds received and disbursed, the depository balance at the end of each day, and the amount of cash in the office at the close of each day. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

OLD OUTSTANDING CHECKS – CIVIL, TRAFFIC AND HAMMOND DIVISIONS

Our review of the bank reconcilements as of December 31, 2005, revealed checks outstanding in excess of two years. This was observed in the Civil, Traffic and Hammond Small Claims divisions' reconcilements. A similar comment appeared in the prior report.

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 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. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) 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.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2006, with Thomas R. Philpot, Clerk of the Circuit Court; and Sandi Radoja, Chief Deputy. The official response has been made a part of this report and may be found on pages 8 and 9.



THOMAS R. PHILPOT
CLERK OF THE CIRCUIT COURT
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

PHONE: (219) 755-3533

FAX: (219) 755-3337



September 22, 2006

Indiana State Board of Accounts
Bruce Hartmann
State Examiner
302 W. Washington St. - Room E-418
Indianapolis, IN 46204-2765

Re: Audit Report of Clerk of the Circuit Court
Lake County, Indiana
January 1, 2005 to December 31, 2005
CORRECTIVE ACTION PLAN

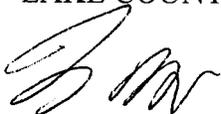
Dear Mr. Hartmann:

We are in receipt of the annual draft Audit Results and Comments covering the office of the Clerk of the Circuit Court of Lake County, Indiana for the period January 1, 2005 through and including December 31, 2005. I am responding to the audit results and comments to indicate to the State Board of Accounts how we propose to correct the situations and deal with any insufficient methods.

1. COURT COSTS – HAMMOND DIVISION – Based on preliminary discussions, our office has already contacted the Data Department to research this issue. We will request in writing any enhancements necessary to meet the requirement that all money received for court costs is appropriately divided by the percentages dictated by law and that court costs are properly assessed and accounted.
2. TRANSACTION RECORDING – SMALL CLAIMS GARNISHMENT – As discussed in our exit conference, the Small Claims division calculates interest, whereas the Hammond division does not. We will research the Clerk's duties as required by law with regard to any interest calculations, and proceed accordingly. To eliminate the calculation of interest by the Clerk in this division would eliminate the increased potential for error and could eliminate the problem of unverifiable amounts.

3. COMPUTERIZED RECORDS – TRAFFIC DIVISION – As noted in past years, the “inherited” discrepancy is expected to correct itself by the end of 2006 at which time the 1999 trust accounts will be cleared from Court View©. We have seen a decrease in the adjustment amount as the problem is working its way out over time.
4. COMPUTERIZED RECORDS – GARY DIVISION – We will address the issue of computer generated reports being underused in the Gary office. We believe this approach has been maintained due to a lack of formal training on the Court View © system. We will contact Data to ask for two things: (1) Training at the Gary location, particularly with regard to creating reports from the system; and (2) more frequent visits, perhaps regular weekly visits, on site in Gary to maintain the system and deal with issues on a regular basis.
5. PRESCRIBED FORMS – GARY DIVISION – We have instructed our Chief Deputy in the Gary office that Form 27A must be maintained.
6. OLD OUTSTANDING CHECKS – CIVIL, TRAFFIC AND HAMMOND DIVISIONS - All checks outstanding in excess of two years will be voided and old outstanding amounts will be receipted into the trust register. This purging method has been a standard practice in the Clerk’s office that was apparently neglected in 2005 due to work priorities. However, we will be more mindful in the future to meet this requirement.

Sincerely,
LAKE COUNTY CLERK



Thomas R. Philpot
06-08

CC: Sandi Radoja, Executive Chief Deputy
Betty Druckten, Financial Officer
Irene Lukowski, Chief Deputy
Cynthia Matasovsky, Chief Deputy
Christine Cid, Chief Deputy
Arlene Allen, Chief Deputy
Charlene Rollensen, Chief Deputy
Sylvia Brown, Chief Deputy