

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

AUDIT REPORT  
OF  
COUNTY PARKS AND RECREATION DEPARTMENT  
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>
Park Comptroller	Karen Dowler	01-01-05 to 12-31-06
Chief Executive Officer	Robert J. Nickovich	01-01-05 to 12-31-06
President of the Park Board	Christopher Dilts Christopher Morrow	01-01-05 to 12-31-05 01-01-06 to 12-31-06
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**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Parks and Recreation Department 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 6, 2006

COUNTY PARKS AND RECREATION DEPARTMENT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

TRANSACTION RECORDING

The Parks and Recreation Department received a Bond Anticipation Note (BAN) in the amount of \$11,500,000 on May 27, 2005, and paid off \$11,000,000 in an outstanding BAN on May 31, 2005. Only \$287,151 in receipts of the new BAN was recorded. An additional \$11,212,849 in BAN proceeds should have been recorded. The disbursements of \$11,000,000 to repay the old BAN and interest of \$212,849 were not recorded.

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 Counties of Indiana, Chapter 1)

INTERNAL CONTROLS OF PETTY CASH FUND

In 2005, with board approval, the park set up a \$30,000 petty cash fund in a separate bank account to pay for the purchase of alcohol at a park banquet facility. Many payments from this bank account were for items other than alcohol. Payments were made to the Treasurer for \$4,350, the Auditor for \$208,686, the Indiana Department of Revenue for \$3,649, and payroll disbursements totaling \$5,607. There was a miscellaneous transfer to another bank account of \$35,500.

Many receipts deposited to this bank account were for other than reimbursements of the alcohol purchases. These other receipts totaling \$326,115 were for greens fees from Cedar Creek Golf Course and fees from Banquets on the Green. Month end balances in this bank account ranged from \$30,289 to \$165,438.

Indiana Code 36-1-8-3 states: "... (a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices..."

A claim for expenditures must be prepared and filed for reimbursement to the petty cash fund. Such reimbursement shall be approved, allowed and paid in the same manner as other claims. The petty cash fund may be maintained and accounted for through a separate bank account. (County Bulletin and Uniform Compliance Guidelines, July 2002, Volume 338, Page 9)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONDITION OF RECORDS

The balance in the control account at December 31, 2005, was \$63,510.34 which includes the cash change fund from Deep River Water Park of \$15,800 and deposits to First Midwest Bank of \$26,500 for the automatic teller machine (ATM) reimbursements for ATM withdrawals. The net difference of \$21,210.34 could not be identified. This amount should be items posted to the control ledger but not remitted to the Auditor. This should just be a timing issue; however, since officials "back date" receipts for items previously deposited, the amounts could not be identified.

COUNTY PARKS AND RECREATION DEPARTMENT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

INTERNAL CONTROLS OF THE AUTOMATIC TELLER MACHINE (ATM)

The Parks and Recreation Department owns and operates an automatic teller machine (ATM). It is located at the Deep River Water Park. Patrons can use the machine just as they would a bank ATM to receive cash or make a deposit to their own individual bank account.

In order to maintain the machine, the Department is responsible for filling the machine with money, removing items left for deposit, and taking such deposit items to the bank.

The following deficiencies were noted in the controls over the Department's ATM:

1. A separate bank account has not been established to account for the transactions of the ATM.
2. The Department is making daily deposits of waterpark collections through the ATM instead of making the deposit at the bank.
3. Money from the petty cash fund established to purchase alcohol for the banquet facility is also being deposited into the ATM.
4. A password is not required by personnel to access the money in the machine.
5. One individual is the key holder and is allowed to access the machine alone.
6. A log of entries into the ATM is not being maintained, either electronically by the machine, or manually by the Department. The log should list daily deposits and disbursements. Although such a log is required to be maintained, no log was presented for audit for the period December 22 to 31, 2005.
7. A reconciliation for the ATM was not presented for audit.

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 Counties of Indiana, Chapter 1)

COUNTY PARKS AND RECREATION DEPARTMENT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

NO PAYROLL DEDUCTIONS

Eleven (11) payments totaling \$5,607 made in June and July 2005 to eleven (11) employees of Banquets on the Green at Turkey Creek Park were made without payroll deductions for taxes. A W-2 Wage and Tax Statement or a 1099-MISC Miscellaneous Income was not issued for these amounts to any of the employees for 2005. After these payments in June and July, the employees were included in the regular payroll process of the County and were issued W-2 forms for their earnings for the remainder of the year.

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 Counties of Indiana, Chapter 1)

COMPUTER SOFTWARE

The Lake County Parks and Recreation Department is using a commercially purchased software accounting package, for their check register (control ledger).

With this software, officials have the ability to "back date" some of their revenue postings to the control account. A majority of the back dating occurs when the individual parks make direct deposits and do not get the receipts to the main park office on the same date. Park officials then post the receipt they issue for these collections on the deposit date rather than the date they received the information. Park officials indicate they back date the receipt so that it agrees to the deposit date.

A similar comment appeared in the prior 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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

COUNTY PARKS AND RECREATION DEPARTMENT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

DISCOUNTS ON FEES

Discounts were given to patrons of the waterpark and golf course. The superintendent of business development has the authority to negotiate fees for the waterpark and golf outings. An accounting of the discounts authorized, as well as a listing of patrons to whom such discounts were offered, is not presented to the board. A similar comment appeared in the prior report.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (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, Chapter 14)

COUNTY PARKS AND RECREATION DEPARTMENT  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2006, with Robert J. Nickovich, Chief Executive Officer; Lawrence Klein, Chief Operating Officer; Karen Dowler, Comptroller; and Christopher M. Morrow, President of the Park Board.