

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

AUDIT REPORT  
OF

CITY CLERK  
CITY OF GARY  
LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
09/25/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
City Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Fees Not Remitted Timely or Intact .....	4-5
Checks Outstanding Over Two Years .....	5-6
Condition of Records .....	6-7
Exit Conference .....	8
Official Response .....	9-11

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Suzette Raggs	01-01-04 to 12-31-07
Controller	Husain G. Mahmoud M. Celita Green	01-01-06 to 11-26-06 11-27-06 to 12-31-07
Mayor	Scott L. King Dozier T. Allen Rudolph Clay, Sr.	01-01-06 to 03-24-06 03-25-06 to 04-07-06 04-08-06 to 12-31-07
President of the County Council	Roy Pratt Jerome Prince	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CITY OF GARY

We have audited the records of the City Clerk for the period from January 1, 2006 to December 31, 2006, 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 the City of Gary for the year 2006.

STATE BOARD OF ACCOUNTS

July 9, 2007

CITY CLERK  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

FEES NOT REMITTED TIMELY OR INTACT

The Clerk Civil Division is required to remit court costs and other fees to the state semiannually. A comparison of receipts collected to amounts remitted indicated that fees are not being remitted timely or intact. A schedule follows:

<u>Time Period Covered</u>	<u>Receipts</u>	<u>Date Remitted to the State</u>	<u>Amount Remitted</u>
December 2005 to May 2006	\$ 46,630.25	June 26, 2006	\$ 26,691.25
		September 9, 2006	13,802.00
June 2006 to November 2006	<u>47,215.50</u>	December 15, 2006	<u>53,352.50</u>
Totals	<u>\$ 93,845.75</u>		<u>\$ 93,845.75</u>

Overall, all fees collected were remitted, but not timely or based upon collections for the time periods indicated.

Indiana Code 33-37-7-8 (a) states: "The clerk of a city or town court shall distribute semiannually to the auditor of state as the state share for deposit in the state general fund fifty-five percent (55%) of the amount of fees collected under the following:

- (1) IC 33-37-4-1(a) (criminal costs fees).
- (2) IC 33-37-4-2(a) (infraction or ordinance violation costs fees).
- (3) IC 33-37-4-4(a) (civil costs fees).
- (4) IC 33-37-4-6(a)(1)(A) (small claims costs fees).
- (5) IC 33-37-5-17 (deferred prosecution fees)."

Indiana Code 33-37-7-8(d) states: "The clerk of a city or town court shall distribute semiannually to the auditor of state for deposit in the state user fee fund established in IC 33-37-9 the following:

- (1) Twenty-five percent (25%) of the drug abuse, prosecution, interdiction, and corrections fees collected under IC 33-37-4-1(b)(5).
- (2) Twenty-five percent (25%) of the alcohol and drug countermeasures fees collected under IC 33-37-4-1(b)(6), IC 33-37-4-2(b)(4), and IC 33-37-4-3(b)(5).
- (3) One hundred percent (100%) of the highway work zone fees collected under IC 33-37-4-1(b)(9) and IC 33-37-4-2(b)(5).
- (4) One hundred percent (100%) of the safe schools fee collected under IC 33-37-5-18.
- (5) One hundred percent (100%) of the automated record keeping fee (IC 33-37-5-21)."

CITY CLERK  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 33-37-7-8 (g) states: "The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the state general fund one hundred percent (100%) of the following:

- (1) The public defense administration fee collected under IC 33-37-5-21.2.
- (2) The DNA sample processing fees collected under IC 33-37-5-26.2.
- (3) The court administration fees collected under IC 33-37-5-27."

Indiana Code 33-37-7-8 states:

"(h) The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the judicial branch insurance adjustment account established by IC 33-38-5-8.2 one hundred percent (100%) of the judicial insurance adjustment fee collected under IC 33-37-5-25.

(i) The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the state general fund seventy-five percent (75%) of the judicial salaries fee collected under IC 33-37-5-26. The city or town fiscal officer shall retain twenty-five percent (25%) of the judicial salaries fee collected under IC 33-37-5-26 as the city or town share."

CHECKS OUTSTANDING OVER TWO YEARS

In the prior audit, checks were noted as being on the outstanding check list in excess of two years. Those checks have since been receipted back; however, there are now additional checks included on the list which are outstanding in excess of two years totaling \$477.55 and comprised of one check dated in 2002, and two additional checks dated in 2004.

In order to eliminate old outstanding checks from the records, the court should perform the following:

1. Issue a formal stop payment order to the bank upon which each check is drawn.
2. Enter the amount of each check as a receipt in the cash book. Post the respective amounts to the trust column of the cash book and enter each amount in the name of the payee in the register of trust funds.
3. Since the checks have never cleared the bank, the amount is still on deposit. Therefore, when all such checks are charged to the records and reinstated in the trust register, the original check number will be eliminated as outstanding in the next reconciliation with the bank.
4. If, at the time such checks are restored to the records, the original dates indicate the checks have been outstanding for five or more years, they should be paid over to the Attorney General immediately. The original date should be shown in the register of trust funds. If the checks are not five years old they should be held until the five year period has elapsed.

CITY CLERK  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The entry in the cash book should be: "Old Outstanding Check No. \_\_\_\_\_, issued \_\_\_\_\_, Date \_\_\_\_\_, to (Name) \_\_\_\_\_," and extend the amounts to the total and trust fund columns.

Since outstanding checks of the court are not included within the meaning of IC 5-11-10.5, city and town courts are to follow the preceding steps in handling old outstanding checks. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

CONDITION OF RECORDS

The City Clerk uses computer software to record the transactions. The computerized records include, for each division (criminal and civil), a "cash book," a "trust in" report (trust receipts), a "bond in" report (bond receipts), a "trust out" report (trust disbursements), and a "bond out" report (bond disbursements). None of these reports have been submitted for approval for use by the State Board of Accounts.

Neither cash book reports the cash balance at any given time. For the Civil Division, the equivalent of the prescribed form 219CT City/Town Court Daily/Monthly Balance Record is maintained, which documents the cash balance at the end of each month, but such a record is not maintained by the Criminal Division. Each cash book reports receipts in total, and by receipt classification (i.e., state court costs, county court costs, city court costs, infraction judgments, etc.). These receipt classification are then totaled by date, by month and year to date. For the Criminal Division, independent computation of the receipt classifications of the month to date totals compared to the receipts in total for a month showed discrepancies. We observed amounts posted to the total column, without being applied to a receipt classification. We also observed some amounts being written in. For the amounts written in, the bookkeeper explained that when an error is discovered, it may be entered into the system, but a new report may not be printed.

Applies to Criminal Division

A comparison was made of the total of the "bond in" report receipts to the total receipts posted to the "cash book" bond classification for 2006 and discrepancies were noted. This was also true for the "bond out" report of disbursements, and the "trust in" reports. From a review of the cash book, we noted that a check was issued in April 2006, for the release of a bond. In November, the check was receipted back to the bond receipt classification as void. The "bond out" report showed the check was issued. The "bond in" report did not show a receipt for this voided check. This may be one of the reasons the reports do not balance or reconcile to each other. Officials are not reviewing and balancing these reports to locate such errors.

Certain fees collected by the Clerk are remitted either monthly or semiannually to the City, County, or State, while amounts held in trust and bonds may be held until a court order is given for the release of the funds. This is why the receipts must be properly classified in the cash book. Receipts collected were not always remitted to the City monthly. Some were not remitted at all. For example, bond maintenance fees for January and February were not remitted until March, and the fees for March through October were not remitted until December. Additionally, the fees for certified copies and "other" fees were not remitted. Receipts to be remitted to the State could not be verified as remitted intact to the State. In fact, based upon amounts posted to the cash book, for the months of December 2005 through May 2006, \$201,483.20 in fees were collected for the State, but \$204,218.20 in fees were remitted. For the months of June 2006 through November 2006, collections totaled \$162,968.90, but a total of \$164,391.15 was remitted. This results in the State receiving excess funds in the amount of \$4,157.25. It was also noted that amounts collected for City and County fees did not agree to amounts disbursed to these two entities. Instances were observed which was indicated that amounts were being disbursed to the City for prior years. The Clerk indicated, and provided

CITY CLERK  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

documentation, that \$11,230 of the prior years amounts remitted to the City were for public defender and bond maintenance fees collected that were held in trust; however, for the other amounts remitted, documentation was not provided as to how these amounts were determined.

A request was made for a bond register or a trust register. A register would show a listing of all bonds and trust amounts being held as of the end of the year. This record should be reconciled to the cash book cash balance for these two accounts (if such a balance were maintained in the cash book). The Clerk could not provide such a report, indicating that staff has been working on compiling such a report. A report of bonds was generated from the computer system, but many of the amounts on hand were negative, which would indicate that cash bonds were released in excess of the balance on hand. For example, one entry indicated that a bond was received in the amount of \$75.00, but a total of \$571 was paid out from this bond to cover court costs and other fees. Upon further investigation, an "old" trust register was produced. This trust register was handwritten and included items from 1995 to 2005. Within this register was a bond for this individual in the amount of \$750. From this amount, the \$571 amount was deducted to show a true remaining balance on hand. Upon inquiry, officials indicated that they believed that all trust and bond balances were to have been entered into the computerized record, but obviously they were not.

As in prior audit periods, trust and bond balances were computed based upon the prior year ending balance, and current period receipts and disbursements based upon the cash book entries. To determine the ending cash balance for the clerk overall, we included the December fees collected that were not remitted. Thus, the trust, bonds, and fees not remitted should comprise the ending cash balance for the Clerk Criminal Division. This balance was determined to be \$1,217,057.44; the reconciled bank balance was \$1,213,541.89. The result is a cash shortage in the amount of \$3,515.55. This shortage must be resolved prior to the end of the term of the Clerk or she may be held personally responsible.

The form City/Town Court Daily/Monthly Balance Record (Form 219CT) is a summary of the court cash book. It can be kept daily or monthly and is posted from the court cash book. 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 or month and the amount of cash in the office at the close of each day or month. It is a very valuable aid in bookkeeping procedures. Courts that do not properly use this record usually experience difficulty in making a cash reconciliation and balancing the records at the end of the month. (Uniform and Compliance Guidelines Manual for City and Town Courts, Chapter 1)

This record Register of Trust Funds (General Form 102) is commonly referred to as the "trust fund register." It is a register wherein money received for the benefit of all persons or parties is entered in detail. The posting to this record is made from the duplicate receipts and checks and from the trust column of the court cash book. Items entered in other columns of the cash book must not be posted in the trust fund register. The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Uniform and Compliance Guidelines Manual for City and Town Courts, Chapter 1)

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. (Uniform and Compliance Guidelines Manual for City and Town Courts, Chapter 4)

CITY CLERK  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2007, with Suzette Raggs, Clerk; Barbara J. Cox, Chief Deputy Clerk; Zelda L. Edwards, Staff Accountant; and Karen Tinsley, Deputy City Controller . The official response has been made a part of this report and may be found on pages 9 through 11.



Criminal Division

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Gary, Indiana 46402  
(219) 881-1263  
Fax (219) 881-1182

**Gary City Clerk  
Suzette Raggs**

Civil Division

555 Polk Street  
Gary, Indiana 46402  
(219) 881-1354  
Fax (219) 881-1439

July 20, 2007

Mr. Bruce Hartman  
State Examiner  
State Board of Accounts  
302 W. Washington Street, Room B418  
Indianapolis, Indiana 46204-2765

Re: Official Response to 2006 Audit Results & Comments

Dear Mr. Hartman:

This correspondence is in response to the receipt of the 2006 results and comments from the State Board of Accounts regarding its audit of the Criminal and Civil Divisions of the Gary City Clerk's office for the period of January 1, 2006 to December 31, 2007.

Since the beginning of my tenure in 2003, the goal of the Gary City Clerk's office has been to implement a more efficient and professional work environment through organization, proficient use of technology and good customer service. The ongoing positive progress made in the operations and internal controls of our office is a source of continual pride.

The State Board of Accounts' auditing team could probably attest to the overall improvements within the office even though we still have been challenged with impending deficiencies. The audit results have generally been beneficial toward our progress and we continue to look forward to reflecting in our future audits an even greater staff understanding for efficiency in policies and procedures.

On Monday, July 9, 2007, State Board of Accounts' representatives met with me, the chief deputy clerk, staff accountant, and interim deputy controller to discuss the contents of their report and the following responses are hereby submitted.

FEES NOT REMITTED TIMELY OR INTACT

(Response)

State Board of Accounts noted that all fees for Civil Division were remitted, but not timely or based upon collections for the time periods indicated. The transmittal dated September 9th, 2006 was a revision to include fees not originally submitted. All other fees had been submitted timely.

CHECKS OUTSTANDING OVER TWO YEARS

(Response)

State Board of Accounts noted that three (3) checks totaling \$477.55 were outstanding over two years and had not been receipted back. These checks will be processed in accordance with the procedure to eliminate old outstanding checks from the records.

CONDITION OF RECORDS

(Response)

State Board of Accounts noted that the Criminal Division is not maintaining an equivalent prescribed form 219CT City/Town Court Daily/Monthly Balance Record as it does in the Civil Division. This was a serious oversight by our fiscal manager at the time, and it will be implemented accordingly.

State Board of Accounts noted that for the Criminal Division, independent computation of the receipt classifications of the month to date totals compared to the receipts in total for a month showed discrepancies. The fiscal manager had posted changed amounts to the total column for which she failed to reprint the reports. Reports effected have since been reprinted and the discrepancies eliminated.

Applies to Criminal Division

(Response)

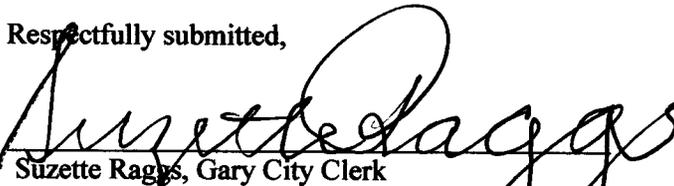
State Board of Accounts noted discrepancies in their comparison of the total of the "bond in" report receipts to the total receipts posted to the "cash book" bond classification as well for the "bond out" report of disbursements, and the "trust in" reports. However, it was determined that a check issued in April, 2006 for the release of a bond was receipted back in November to the bond receipt classification as void and the "bond in" report did not show a receipt for the voided check. This is being corrected.

State Board of Accounts noted that bond maintenance fees for January and February were not remitted until March, the fees for March through October were not remitted until December, and \$27.00 for certified copies was not remitted. It became apparent that the fiscal manager had a poor understanding regarding the submittal of some fees and it is probable that we may have overpaid the County and/or State. Our records are being evaluated to determine, if this is true, by how much and the process for requesting reimbursement.

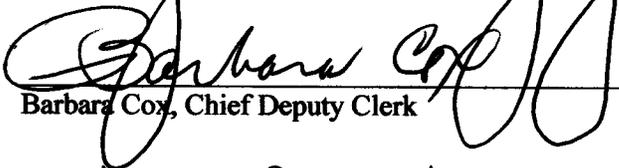
State Board of Accounts noted amounts that were being disbursed for prior years. The amount of \$11,230 was for public defender fees collected but held in trust from 1997 to 2005. From a previous audit, State Board indicated that our office needed to remit those funds to the city controller immediately, for which they could thereafter be made available for use by the court.

State Board of Accounts noted that our office did not present a bond register or a trust register to show a listing of all bonds and trust amounts being held "as of the end of the year". Due to the poor recordkeeping of the previous administration, one of our biggest remaining challenges is the status determination of the outstanding cash bonds as far back as 1990. It has been an arduous task for my staff to identify, review, assess, and disburse, where appropriate, said cash bonds. However, in response to this enormous challenge, we have developed a "Bond Analysis Report" which allows us to track all relevant cash bond activity at-a-glance in an effort to successfully identify these individual bonds within the trust. We have completed our analysis from years 2001 through 2006, and are in the process of compiling and completing 1990 to 2000. While this project is indeed daunting, we anticipate its completion before the 2007 State Board of Accounts' scheduled audit.

Respectfully submitted,



Suzette Raggs, Gary City Clerk



Barbara Cox, Chief Deputy Clerk



Zella Edwards, Staff Accountant