

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

AUDIT REPORT
OF
CLERK OF THE CIRCUIT COURT
LAKE COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED

11/30/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Financial Records – Hammond Division	4
Court Ordered Investments – Gary Division	4
Computerized Records and Bank Reconcilements – Traffic Division.....	4-5
Computerized and Manual Trust Ledgers – Gary Division	5
Prescribed Forms – Gary Division	5-6
Old Outstanding Checks – Civil and Traffic Divisions.....	6
Exit Conference	7
Official Response	8-9

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. Elsie Franklin	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Rudolph Clay Frances DuPey Gerry Scheub Roosevelt Allen, Jr.	01-01-06 to 04-07-06 04-08-06 to 05-16-06 05-17-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the Clerk of the Circuit Court 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 Lake County for the year 2006.

STATE BOARD OF ACCOUNTS

August 28, 2007

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

FINANCIAL RECORDS - HAMMOND DIVISION

The bank reconcilements contained adjustments, one of which dates back to 2002, which have not been posted to the records. The bank reconcilements also contained unidentified items, with no documentation, resulting in various cash longs and shorts.

In addition, online traffic credit card payments received from individuals do not reconcile to the bank deposits. The Clerk's staff does not verify that online traffic credit card payment receipts agree with the related amounts deposited to the bank.

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, Chapter 13)

All local investment officers shall reconcile at least monthly the balances of public funds, as disclosed by the records of the local officers with the balance statements provided by the respective depositories. [IC 5-13-6-1(1)(c)] (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts, Chapter 8)

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, Chapter 13)

COURT ORDERED INVESTMENTS - GARY DIVISION

Court ordered investments were not posted in a timely manner. Some of the bank statements for the court ordered investments were not available for audit. The entire year's transactions for 4 of the 34 court ordered investments were not posted.

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, Chapter 13)

COMPUTERIZED RECORDS AND BANK RECONCILEMENTS - 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, 2006, a net adjustment of \$858,030.89 was used to balance to the bank balance. This amount is for open items and paper checks, which are receipts and disbursements not recorded during the conversion. This amount changes as errors from the conversion are corrected. A similar comment appeared in the prior audit report.

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

In addition, the Traffic Division does not reconcile the bank balance to the ABL. The bank balance is reconciled to a spreadsheet prepared from daily receipts and disbursements generated by the computer system and from bank activity.

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)

Indiana Code 5-13-6-1(e) states in part: "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."

COMPUTERIZED AND MANUAL TRUST LEDGERS - 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.

At December 31, 2006, the computed detail of the Returned to Trust portion of the trust book differed from the total carried by the Clerk's Office by \$2,919.34. The Clerk's Office was unaware of the difference and is in the process of determining the correct amount.

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)

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 were not maintained. A similar comment appeared in the prior audit 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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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

Prescribed Form No. 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 No. 46. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

OLD OUTSTANDING CHECKS – CIVIL AND TRAFFIC DIVISIONS

The bank reconcilements as of December 31, 2006, included checks outstanding in excess of two years. This was observed in the Civil and Traffic divisions' reconcilements. A similar comment appeared in the prior audit 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 5-11-10.5-5 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 August 28, 2007, with Thomas R. Philpot, Clerk of the Circuit Court; and Sandi Radoja, Executive 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 12, 2007

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, 2006 to December 31, 2006
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, 2006 through and including December 31, 2006. 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. **FINANCIAL RECORDS – HAMMOND DIVISION** – Our Chief Financial Officer is reviewing the bank reconciliation policy and procedure in Hammond to ensure consistency and correct any adjustments permanently. In addition, online traffic credit card payments and related issues will be treated in the same manner as any outstanding transactions when necessary to ensure balancing.
2. **COURT ORDERED INVESTMENTS – GARY DIVISION** – We have instructed the Chief Deputy and deputy clerk responsible for the court ordered investments and other financial transactions to ensure all statements are available for audit in the future, and all items posted timely.
3. **COMPUTERIZED RECORDS – TRAFFIC DIVISION** – As noted in past years, the “inherited” discrepancy is expected to correct itself at which time the 1999 trust accounts will be cleared from Court View©. The Chief

Financial Officer will review with the Traffic financial officer the accepted practice for reconciling the bank balance to the Account Balance Listing.

4. COMPUTERIZED RECORDS – GARY DIVISION – We are addressing the discrepancies between computer generated reports and manual records for trust balances and fee balances by working “backwards” to determine the root of the problem and see that it is corrected.
5. PRESCRIBED FORMS – GARY DIVISION – We have instructed our Chief Deputy in the Gary office that Form 27A must be used and maintained.
6. OLD OUTSTANDING CHECKS – CIVIL AND TRAFFIC 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. A period does exist in which there is a “gap” causing the two year period to run longer, however, we will be more mindful in the future to meet this requirement in a timelier manner.

Sincerely,
LAKE COUNTY CLERK



Thomas R. Philpot
07-04

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