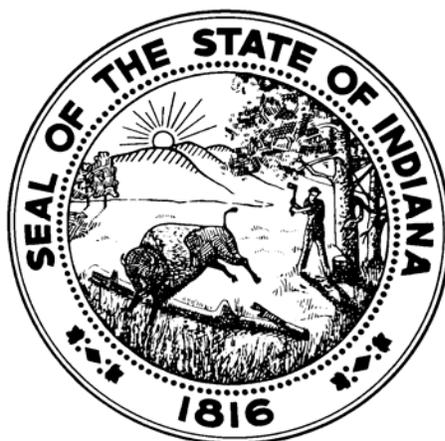


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
PARKS AND RECREATION DEPARTMENT
LAKE COUNTY, INDIANA
January 1, 2006 to July 31, 2007



FILED
12/14/2007

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Park Comptroller	Karen Dowler	01-01-06 to 12-31-07
Chief Executive Officer	Robert J. Nickovich	01-01-06 to 12-31-07
President of the Park Board	Christopher Morrow Carl Vonasch	01-01-06 to 12-31-06 01-01-07 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
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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the Parks and Recreation Department for the period from January 1, 2006 to July 31, 2007, 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 9, 2007

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

PARK FEES NOT DEPOSITED

The Lake County Park at Lake Etta collects fees for many items including fishing, parking, and sale of bait. The park has a computerized ticket system that issues tickets for every fee assessed by the park. The tickets are two-part; one part is given to the customer and one part is kept by the gatekeeper and remitted with the money collected and end of shift information. The computer system keeps track of the day's work by shift number. A shift number is assigned each time the register is "Z'd" out. When this is done, the register tape gives a total number of tickets sold and amount of money collected. The collections, daily reports, and ticket stubs are deposited by the gatekeepers into a locked safe throughout the day and at the end of each shift. The locked safe is only accessible by the Park Manager. The Park Manager is responsible for depositing collections to the bank, completing weekly reports, and remitting the daily reports, weekly reports, ticket stubs, and computer shift checkout reports to the park department to be posted to the ledger. During 2006 and 2007, there were collections which did not have a corresponding bank deposit.

For the period of May 11, 2007 to July 18, 2007, the Park Department was able to retrieve the transaction detail from the computer system. A total of 36 shift collections were not deposited or remitted to the Park Department. Analysis of the detail determined:

Collections per Transaction Detail	\$ 42,542.60
Actual Collections Deposited	<u>(37,182.10)</u>
Amount Not Deposited	<u>\$ 5,360.50</u>

Prior to May 11, 2007, the transaction detail could not be retrieved. The computer memory was full and was overridden with the newest information. At the end of each shift, there is a summary report printed with the beginning and ending transaction numbers. A review of May through September, 2006 shift information showed two shifts that were not deposited did have the corresponding ticket stubs retained at the Park Department which totaled \$370.

We requested the former Park Manager, Brian Smith, reimburse the Lake County Parks and Recreation Department \$5,730.50 for the collections not deposited. (See Summary, page 11)

The Lake County Parks and Recreation Department has an ongoing investigation with the Lake County Sheriff's Department as of August 7, 2007.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

QUESTIONED DISPOSITION OF CONCESSION COLLECTIONS

The Lake County Parks and Recreation Department was suspicious of potential missing money from Lake Etta concessions. When reviewing the 2006 cash register "Z" out tapes it became apparent that some reports were missing.

The concession stand at Lake Etta uses a cash register for all sales. The procedures followed for concessions at Lake Etta were the same for 2006 as in 2007. There is only one shift per day, and at the end of a shift the employee is to print out the "Z" out tape from the register. The "Z" out tape is consecutively numbered, and summarizes all the transactions that occurred from the last "Z" out to the current "Z" out. A complete "Z" out tape would also include a cumulative grand total at the bottom of the tape. The "Z" out tape

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

is placed in a sealed envelope with the days' collections, and the hand written daily report sheet. The sealed envelope is taken to the gatehouse and put into the locked safe. There is no reason for additional "Z" out tapes to be generated throughout the day.

Complete "Z" out tapes were not always turned in to the Park Department Office, and there were gaps in the "Z" tape numbers. Also, the cumulative grand total did not match the amounts turned in. In 2007 the park department office began requesting the full end of shift report to better track any missing collections. The full reports from 2007 confirm that the grand totals were accumulating correctly. By comparing reported collections to the cumulative grand totals, there is a questioned disposition reported of \$8,127.73.

The Lake County Parks and Recreation Department has started an investigation of possible theft. The identity of the person who failed to remit the collections from the concessions at Lake Etta has not been determined. (See Summary, page 11)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ADDITIONAL AUDIT COSTS

Additional audit costs were incurred during the current audit due to cash collections not being deposited. The additional time spent to review cash disbursements in more detail totaled 115 additional hours. Additional audits costs totaled \$7,523.80.

CRIME POLICY

The Lake County Parks and Recreation Department has a crime insurance policy (MFS 0942084) with Citizens Insurance Company of America. The policy has an annual bonding period from July 7 to July 7 with an annual limit of \$5,000 for each employee that covers employee fraud and dishonesty.

ACCOUNTABLE ITEMS MISSING

During the review of shift summary reports and ticket stubs from Lake Etta from May through September 2006, 38 shifts and the corresponding ticket stubs were not available for audit. This transaction detail could not be retrieved from the computer system. The average dollar amount of a missing transaction from the prior comment above totaled \$9.80 per ticket (\$5,360.50 divided by 547 transactions). There were 582 missing tickets during this review; therefore, the potential loss to the Park Department is \$5,703.60 (582 tickets at \$9.80 per ticket).

A total of 160 ticket stubs were not available for audit in the shifts that the Park Department deposited during May through September, 2006. If the Park Department applies the average dollar amount for a missing ticket, the potential loss to the park department is \$1,568.00 (160 tickets at \$9.80 per ticket). Tickets, goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

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

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

INTERNAL CONTROL

The Lake County Parks and Recreation Department has procedures at many of their parks that allow employee access to management functions. Procedures, such as register functions, daily sales, and access to park collections, lack the proper controls needed to ensure accurate and proper accounting of park receipts.

We have made a detailed analysis of the weakness in internal control and the safeguarding of cash collections at each park site. These weaknesses have been communicated to the park's management to determine changes in procedures and policies to adequately safeguard the park's assets.

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)

UNTIMELY DEPOSITS

The collections at Lake Etta were not always deposited on a daily basis.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

BANQUET CONTRACTS

Contracts are not written for all events at the Banquets on the Green. The instances in which contracts were not issued were for golf outings, funeral luncheons, and any event when the deposit is made over the phone or by mail. Banquets on the Green also did not use contracts for rentals that were made on short notice. A rental date is not reserved until a deposit is made for the facility. At the time the deposit is made, a contract should be prepared and the deposit receipt number should be written on the contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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

CONDITION OF RECORDS

The balance in the Parks and Recreation Department control account at December 31, 2006, was not adequately documented. This balance should include only items posted to the ledger but not yet remitted to the County Auditor and should be easily verified. However, since officials back-date receipts for items previously deposited, the receipts included in the ending balance could not be identified.

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, Chapter 1)

COMPUTER SOFTWARE

The Lake County Parks and Recreation Department is using Microsoft Office Money, 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 remit the receipts to the main park office on the same date. Park Officials post the receipt they issue for these collections on the deposit date rather than the date they received the information. Park Officials indicate that they back-date the receipt so that it agrees to the deposit date.

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 Counties, 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, Chapter 1)

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2007, with Karen Dowler, Comptroller; Carl Vonasch, President of the Parks and Recreation Board; Robert J. Nickovich, Chief Executive Officer; and Lawrence J. Klein, Chief Operating Officer. The official response has been made a part of this report and may be found on page 9.



8411 E. Lincoln Hwy. • Crown Point, IN 46307

219.945.0543 • Fax: 219.945.0452

Buckley Homestead
219-696-0769

Deep River
219-947-1958

Deep River Waterpark
219-947-7850

Erie Lackawanna Trail
219-945-0543

Gibson Woods
219-844-3188

Grand Kankakee Marsh
219-552-0033

Lake Etta
219-944-9601

Lemon Lake
219-663-7627

Oak Ridge Prairie
219-884-7238

Stoney Run
219-996-6500

Three Rivers
219-962-7810

Turkey Creek G.C.
219-980-8101

Pro Shop - 219-980-5170
Banquets - 219-887-3550

Whihala Beach
219-659-4015

Programs - 219-769-PARK
Reservations - 219-945-0543

October 16, 2007

Indiana State Board of Accounts
2293 North Main St.
Crown Point, IN 46307

RE: Exit Conference for 2006

Dear Auditors:

In response to written comments shared during our exit conference I would like to make the following comments.

In early June of this year we noted some discrepancies in receipts from Lake Etta and launched an internal investigation.

Several meetings were held with staff and it was determined that based on the information we would be contacting the Lake County Sheriff and Prosecutor's Offices.

The State Auditor's came in early July and during their audit of 2006 found the discrepancies. We shared all of our information with them and let them know that we fully intended to prosecute.

We have talked with detectives from the Lake County Sheriff's office in conjunction with the state auditors and they started a criminal investigation.

Charges have been filed with the Prosecutor's office.

Sincerely,

Robert J. Nickovich
Chief Executive Officer
And Secretary to the Board

-9-
Established: June 1, 1968

"A Natural Place For Fun"

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Summary of Charges:			
Brian Smith, former Lake Etta Park Manager:			
Park Fees Not Deposited, page 4	<u>\$ 5,730.50</u>	<u>\$ -</u>	<u>\$ 5,730.50</u>
Summary of Questioned Disposition:			
Concession Collections, pages 4 and 5	<u>\$ 8,127.73</u>		

AFFIDAVIT

STATE OF INDIANA)
Lake COUNTY)

We, Carla Wenger, Kelly Krischano and Susan Lardino, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Parks and Recreation Department, Lake County, Indiana, for the period from January 1, 2006, to July 31, 2007, is true and correct to the best of our knowledge and belief.

Carla E Wenger

Kelly Krischano

Susan M Lardino
Field Examiners

Subscribed and sworn to before me this 10th day of December, 2007.

Karen C. Luckman
Notary Public

My Commission Expires: 11-08-08

County of Residence: Lake

