

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, 2007 to December 31, 2007



FILED
09/26/2008

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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 12-31-11
President of the County Council	Elsie Franklin Christine Cid	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	Roosevelt Allen, Jr. Gerry J. Scheub	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007 to December 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 2007.

STATE BOARD OF ACCOUNTS

July 22, 2008

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - CIVIL DIVISION

Controls for receipts generated by the Clerk of the Circuit Court's office were deficient. Manual receipts were issued when the computer generated receipts could not be produced due to occasional Court View computer system failure. Subsequently, after the computer was again able to produce receipts, an automated receipt was generated for each manual receipt. When the computer receipts were generated, the related manual receipts, in some instances, were not attached to or referenced on the related computer generated receipts. There was no correlation between computer generated and manually issued receipts. The Clerk of the Circuit Court's office did not verify that all manual receipts were entered into the computer or deposited to the bank.

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)

PUBLIC RECORDS RETENTION - TRAFFIC DIVISION

Manual receipts issued by the Clerk of the Circuit Court's Traffic Division (Main Office) prior to September 2007 were not presented for audit. The Clerk of the Circuit Court's office was not able to locate these receipts.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

BANK RECONCILEMENTS - TRAFFIC DIVISION

As in the prior report, the Traffic Division does not reconcile the bank balance to the Account Balance Listing (ABL). The ABL is a computerized summary by account which shows the various receipts collected, disbursed and the related ending balances. The bank balance is reconciled to an Excel spreadsheet (commercially purchased software program) checkbook prepared by the Traffic Division bookkeeper from daily receipts and disbursements generated by the computer system and from the related bank activity (deposits, credits and withdrawals).

Also, investments are not included in the bank reconciliation.

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."

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

TRANSACTION RECORDING - SMALL CLAIMS GARNISHMENTS

As in prior audit reports, accounts receivable balances for the small claims garnishments reviewed could not be verified. Amounts owed by the garnishees recorded in the computer system were less than or in excess of the court ordered garnishment and court costs net of payments received from the garnishees. The differences were attributed to simple interest charged by Clerk's staff to the garnishee as ordered by the court. However, the amount of the differences could not be identified separately, or verified to a supporting entry in the computerized docket as 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 calculating and charging 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)

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 the 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)

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)

COMPUTERIZED AND MANUAL TRUST LEDGERS – GARY DIVISION

As in prior reports, the Gary Division began using Court View, a computer software system in 1999. The software program has the capability to issue receipts and prepare checks for disbursements from trust funds. There are discrepancies between computer generated reports and the manual records for trust balances and the various court fee ending 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. For instance, the ending balance of all the fee items in the cash book is \$0. However, the ABL lists the ending balance as negative \$12,831.00. This problem goes back to the installation of the Court View system at the Gary Division.

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

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)

COURT ORDERED INVESTMENTS - GARY DIVISION

As in the prior report, 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. Controls were deficient in that court ordered investments activity for some accounts was not posted up to eight months after the bank statements were received.

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)

BANK ACCOUNT RECONCILEMENTS - GARY DIVISION

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. The employee responsible for depository reconcilements was on extended leave and during that time, no bank reconcilements were prepared. Bank reconcilements were not completed for the months October 2007 through June 2008.

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."

FINANCIAL RECORDS - HAMMOND DIVISION

As noted in the prior report, the bank reconcilements contained adjustments, one of which dated back to 2002, which have not been posted to the records. The bank reconcilements also contained unidentified items, with no documentation, which resulted in various cash longs and shorts.

In addition, online traffic credit card payments received from individuals did not reconcile to the bank deposits. The Clerk of the Circuit Court's staff did not verify that online traffic credit card payment receipts agreed 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 of Indiana, 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 of Indiana, Chapter 8)

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

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)

REPORTS OF COLLECTION REMITTED TO COUNTY SHERIFF NOT FILED - CLERK

The Clerk of the Circuit Court collects a \$13 Sheriff's Service of Process Fee in the form of a check if the party requesting the Sheriff's service makes payment at the time the case is filed. The checks collected for this fee were not receipted and recorded to the Clerk of the Circuit Court's record or deposited to the bank by the Clerk of the Circuit Court. The checks were placed in an envelope and hand delivered to the Sheriff's Civil Division. The Clerk of the Circuit Court did not file a report of collections for the checks delivered to the Sheriff's Civil Division. If the party requesting the Sheriff's service did not pay the \$13 fee at the Clerk of the Circuit Court's office, there was no communication to the Sheriff that the fee was still owed and should be collected by the Sheriff.

Indiana Code 33-37-5-15 provides for the Sheriff to collect this fee. It was suggested that the Clerk of the Circuit Court collect this fee upon case filing and deposit the fees as other court fees. At the end of each month these fees would be submitted to the County Auditor. This collection method would provide better customer service and accountability for the funds.

The clerk is required by law to report to the county auditor and pay into the county treasury as of the last day of each month all fees due the county, fines, forfeitures, and any other money required by law or ordered by the court to be reported and paid into the county treasury. Report of Collection (Form No. 362) has been prescribed for reporting costs and fees collected to the county auditor. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

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
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2008, 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 9 through 11.



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July 22, 2008

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, 2007 to December 31, 2007
CORRECTIVE ACTION PLAN

Dear Mr. Hartmann:

We are in receipt of the annual Audit Results and Comments covering the office of the Clerk of the Circuit Court of Lake County, Indiana for the period January 1, 2007 through and including December 31, 2007, and are 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 insufficiencies.

1. **INTERNAL CONTROLS – CIVIL* DIVISION** – Any receipts that are generated manually for any reason will be input electronically at the earliest possible time when the data system returns to full operation. At that time, deputies will be instructed to attach the manual receipt to the computer-generated receipt as a point of reference.
2. **PUBLIC RECORDS RETENTION – TRAFFIC* DIVISION** – Our Records Resource Manager has given explicit instructions to all divisions regarding the disposition of original records/material. No materials/records have been destroyed without the consent of the Local Commission on Public Records. We believe the manual receipts that were not produced for the audit were simply not located. This issue of locating records/materials is the responsibility of the Traffic/Criminal Division and we will emphasize their responsibility to know where all records are located.
3. **BANK RECONCILEMENTS – TRAFFIC* DIVISION** – The Chief Deputy and Financial Officer in Traffic/Criminal have been instructed to reconcile the bank balance to the Account Balance Listing monthly and to include investments in the bank reconciliation.

4. **TRANSACTION RECORDING – SMALL CLAIMS GARNISHMENTS –** As discussed in our exit conference, the Small Claims division calculates interest. 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. We will contact the Data Processing office to determine if it is possible to enhance the software to calculate interest.
5. **PRESCRIBED FORMS – GARY DIVISION –** We have instructed our Chief Deputy in the Gary office that Form 27A must be maintained. We will do whatever is necessary to bring the From 27A up to date and see that it is maintained for the future.
6. **COMPUTERIZED AND MANUAL TRUST LEDGERS – 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 more training at the Gary Division regarding the creation of reports from the system. We have already established a weekly-visit policy with Data that has been helpful, but due to prolonged absences related to health problems, the financial responsibilities have fallen behind. We are addressing cross-training and additional help as one way to improve this area; and 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 correct it.
7. **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. Again, the prolonged absences related to health problems caused a setback at the Gary Division that we expected to be corrected by the time of the audit. We are addressing cross-training and additional help as one way to improve this area.
8. **BANK ACCOUNT RECONCILEMENTS – GARY DIVISION –** This is completely a cross-training/personnel issue. We will cross-train and add personnel to avoid such problems in the future.
9. **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.
10. Regarding the \$13 Sheriff’s Service of Process Fee, the Clerk has been unaware that any handling of this fee constitutes “collection” of the fee. The

law states that the Sheriff shall collect the fee. As a courtesy to the public, the Clerk has been accepting (handling) the checks made out to the Sheriff so that "multiple stops" for persons filing cases are not necessary (the Clerk's office and the Sheriff's office). The Clerk would then mark each check with the corresponding case number as a courtesy to the Sheriff (so that Sheriff's employees do not have to research the electronic case system to determine to which case the check should be applied). The audit comments state that any handling of the check in the Clerk's office is classified as a "collection," and therefore the Clerk would be negligent if the Clerk did not report to the auditor and pay into the treasury these fees. Consequently, as of September 1, 2008 the Clerk will discontinue handling the Service of Process Fee checks and advise the public they will be required to present their check and case number to the Sheriff's office directly as required by law. The Clerk has been advised by counsel that involvement of the Clerk at this point in time is legally impermissible from a risk management standpoint.

*In order to clarify each division, we have re-named a few of our divisions to more accurately reflect the functions of those offices:

CIVIL DIVISION	is now	CIVIL/CIRCUIT DIVISION
TRAFFIC DIVISION		TRAFFIC/CRIMINAL DIVISION
CRIMINAL DIVISION		FELONY DIVISION

All other division names remain unchanged. This is for your information and reference.

Sincerely,
LAKE COUNTY CLERK



Thomas R. Philpot
08-01

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