

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

AUDIT REPORT  
OF  
PARK AND RECREATION DEPARTMENT  
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>
Comptroller	Karen Dowler	01-01-07 to 12-31-08
Chief Executive Officer	Robert J. Nickovich	01-01-07 to 12-31-08
President of the Park and Recreation Board	Carl Vonasch	01-01-07 to 12-31-08
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 Park and Recreation Department 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

June 23, 2008

PARK AND RECREATION DEPARTMENT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

FEES (Lake Etta Banquet Hall)

The Park and Recreation Board has not approved a fee/rate schedule for catering services at the Lake Etta banquet hall. Per person rates are based on menu prices and management discretion at the time of application.

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 Counties, Chapter 1)

TIMELY RECORDKEEPING

Transaction receipts were being held up to 16 days at Whihala Beach and Turkey Creek Banquets on the Green, and 10 days at Lake Etta, before being remitted to the Park and Recreation Department office for entry in the ledger.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

DEPOSITS (Whihala Beach)

Collections were held up to ten days before being deposited in the bank.

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 CONTROLS (Turkey Creek and Deep River Waterpark)

The Park and Recreation Department has a petty cash checking account for the Turkey Creek Banquet Center and the Deep River Waterpark automated teller machine. Invoices for small purchases made from this checking account are then submitted to the County for reimbursement. The petty cash checking account does not balance by \$1,625.02. This difference is comprised of two invoices held and not remitted to the County for reimbursement in the amount of \$1,416, and a reconciling difference of \$209.02. The reconciling difference is due to the Park and Recreation Department submitting purchase orders for reimbursement instead of invoices. There are some controls in place at this time to determine if all expenditures made from this account have been submitted and reimbursed from the County. These controls were not adequate during 2007 to account for all of the reimbursements.

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)

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

COMPUTER SOFTWARE

The Park and Recreation Department is using Microsoft Office Money, a commercially purchased software accounting package, for their check register (control ledger). With this software, internal controls are not sufficient. Officials have the ability to back-date, delete, and adjust entries with no audit trail. 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)

Software should provide extensive editing of data and change capability upon input and before a transaction is posted to an account, but no ability to change data after it is posted. If an error is discovered after the transaction is posted, a separate correcting transaction must be made. A detail transaction history should be maintained supporting each account. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 2)

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)

CHANGE ORDERS

The Park and Recreation Department entered into a contract for a park service facility. The total amount of the contract was \$890,000. Not included as part of the contract was the construction of a parking lot. The park department obtained quotes for the parking lot portion of the project but the quotes were considered excessive. Subsequently, a change order was submitted for \$158,539 to construct the parking lot. The change order resulted in total change orders to be in excess of 20% of the original contract.

If, in the course of construction, reconstruction or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. All change orders must be directly related to the original public work project.

**Addendum.** The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

**Architect or Engineer.** If a licensed architect or engineer is assigned to the public work project the change order must be prepared by that person.

**Increase in Scope of Project.** The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

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

**Cost of Materials.** If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract. A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency. [IC 36-1-12-18] Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 8)

PARK AND RECREATION DEPARTMENT  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2008, with Karen Dowler, Comptroller; Robert J. Nickovich, Chief Executive Officer; and Lawrence J. Klein, Chief Operating Officer.