

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, 2008 to December 31, 2008



FILED
11/19/2009

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COUNTY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------------------------|-----------------------------------------|----------------------------------------------|
| Clerk of the Circuit Court | Thomas R. Philpot | 01-01-08 to 12-31-11 |
| President of the County Council | Christine Cid Larry Blanchard | 01-01-08 to 12-31-08 01-01-09 to 12-31-09 |
| President of the Board of County Commissioners | Gerry J. Scheub Roosevelt Allen, Jr. | 01-01-08 to 12-31-08 01-01-09 to 12-31-09 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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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, 2008 to December 31, 2008, 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 2008.

STATE BOARD OF ACCOUNTS

August 27, 2009

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

TRANSACTION RECORDING - SMALL CLAIMS GARNISHMENTS

The accounts receivable balances for the small claims garnishments that we reviewed could not be verified. Amounts owed per the computer system were less than or in excess of the court ordered garnishment and court costs net of payments received. The differences were attributed by Clerk's staff to simple interest charged to the garnishee as ordered. 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. This comment appeared in the prior report.

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)

BANK ACCOUNT RECONCILIATIONS - TRAFFIC DIVISION

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). This comment appeared in the prior report.

Also, investments are not included in the bank reconciliation.

IC 5-13-6-1(e) states: "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

The bank reconciliations contained adjustments which have not been posted to the records. The bank reconciliations 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 of Indiana, Chapter 13)

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

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)

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)

BANK ACCOUNT RECONCILIATIONS - GARY DIVISION

The records showed that monthly bank reconciliations for the year 2008 were prepared in 2009. For example: the printouts supporting the outstanding checks for September 2008 were dated February 5, 2009; the printouts supporting the outstanding checks for December 2008 were dated May 8, 2009, etc. The outstanding check list at December 31, 2008, was adjusted by unidentified amounts. There were also other miscellaneous unidentified reconciling items at December 31, 2008, that totaled \$11,029.24. Additionally, the December 31, 2008, calculated Cash Book balance was \$1,099,169.10, \$145.41 less than the Cash Book balance used in the reconciliation. This was an unidentified difference that occurred in September 2008 and carried throughout the remainder of the year.

IC 5-13-6-1(e) states: "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."

At all times, the manual and/or 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. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

COURT ORDERED INVESTMENTS - GARY DIVISION

Court ordered investments were not posted in a timely manner. The court ordered investment ledger postings were not completed at the time of the audit. The Gary office staff attempted to update the ledgers by obtaining the ending balance at December 31, 2008, from the bank statements and backing into the activity for 2008. However, the beginning balances were not shown on the ledger. In some instances bank statements were not presented for audit and not all bank statement activity was reflected in the ledger. In many instances the calculated balances at December 31, 2008, did not agree with the ledger or the bank statement. The Gary office staff requested a list of the interest bearing accounts from the bank. The correspondence from the bank indicated that many accounts were dormant or closed. The office staff reviewed the correspondence from the bank and found that some of the dormant accounts were recorded as closed and some closed accounts were still open. This comment appeared in the prior report.

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

Controls were deficient in that court ordered investments activity for some accounts was not posted to the ledger more than 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 of Indiana, Chapter 13)

CHECKS NOT USED IN NUMERICAL ORDER – GARY DIVISION

In 2008, the numerical range of checks was from 23286 to 28802. However, we found checks that were issued in 2007 and 2009 which fell into this range. This indicated that checks were not issued in numerical order. Internal controls over the issuance of checks were deficient.

Prescribed Check, No. 139, shall be prenumbered and issued in duplicate. The duplicate check is to be retained by the clerk and used as a posting media for disbursements to the cash book. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

REPORTS OF COLLECTION REMITTED TO COUNTY NOT FILED - CLERK

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

IC 33-37-5-15 provides for the Sheriff to collect this fee. It was suggested that the Clerk 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.

We were advised that starting April 1, 2009, the Clerk's office collects the Sheriff's Service of Processing Fee and issues a receipt and posts the collections.

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 August 27, 2009, 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 LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

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August 31, 2009

Indiana State Board of Accounts
Bruce Hartmann
State Examiner
302 W. Washington St. - Room E-418
Indianapolis, IN 46204-2765

Re: CORRECTIVE ACTION PLAN

Dear Mr. Hartmann:

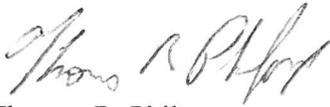
We are in receipt of the Audit Results and Comments for the calendar year 2008 and are submitting to you our corrective action plan, as follows:

1. **TRANSACTION RECORDING – SMALL CLAIMS GARNISHMENT:** We will randomly select some individual accounts so that we can follow the trail of money to determine if, in fact, the additional money is simple interest. We will also investigate the possibility of getting a computer system in use that calculates or verifies interest.
2. **BANK ACCOUNT RECONCILIATIONS – TRAFFIC DIVISION:** We will review the procedures in place and change them to be compliant with the suggestions made in the audit comments.
3. **FINANCIAL RECORDS – HAMMOND DIVISION:** All adjustments will be posted to the records and a thorough review will be done to identify any previously unidentified items. A procedure will be put into place for daily reconciliation of the credit card payments to the bank deposits.
4. **BANK ACCOUNT RECONCILIATIONS – GARY DIVISION:** The backlog of bank reconciliations has been a project over the past year. Since the project has vastly improved the procedures in place, but not completely solved it to date, we were aware

that this would be an exception on this year's review. However, it should be noted that we are within one month's backlog of eliminating the issue.

5. COURT ORDERED INVESTMENTS – GARY DIVISION: A review of court ordered investments, and their being posted timely, will be conducted to establish more efficient controls. We will also do a thorough review of bank accounts with the bank to determine the status of all court ordered investment accounts.
6. CHECKS NOT USED IN NUMERICAL ORDER – GARY DIVISION: All checks will be used in numerical order.
7. REPORTS OF COLLECTION REMITTED TO COUNTY NOT FILED – CLERK: This is a repeat item, leftover from the previous process of the clerk collecting a \$13 service of process fee. The procedure has already been corrected to compliance with standards, which will be revealed in the next audit.

Sincerely,
LAKE COUNTY CLERK



Thomas R. Philpot
08-02

CC: Sandi Radoja, Executive Chief Deputy
Betty Druckten, Chief Financial Officer