

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

AUDIT REPORT

OF

COUNTY RECORDER

LAKE COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

11/19/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Bank Reconciliation.....	5
Fee and Cash Book.....	5
Timely Remittance.....	6
Accounting Records	6
Charge Policy	6
Exit Conference.....	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Recorder	Michael A. Brown	01-01-05 to 12-31-12
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

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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Recorder 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

July 28, 2009

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

We noted the following regarding internal controls over receipts:

1. Receipts are written to customers but once the receipt is written the receipt book is not reconciled to the money collected.
 - a. Entry into the computerized fee and cash book is recorded by the obtaining the information from the recorded document and not from the receipt.
 - b. Amounts collected do not always agree to the amount posted to the fee and cash book because officials record the billed fee (account receivable amount) rather than the amount received.
2. Collections are adjusted to agree to the fee and cash book totals by retaining or adding money instead of depositing amount on hand.
3. Receipts are not written for all collections from customers, these include customers who are paying on their account receivable balances.
4. The collections and the related deposits tested were not deposited intact (i.e., the composition of cash and checks received was not the same composition as deposited).
5. The Fee and Cash Book is posted with a "charge" amount when an accounts receivable for recording documents is established. This "charge" amount is included in the monthly remittance made to the County Auditor although this amount has not been collected. Current month's collections are used to cover uncollected accounts receivable from the prior month when the monthly remittance is made to the County Auditor.

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 County Recorders of Indiana, Chapter 9)

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 County Recorders of Indiana, Chapter 9)

The recorder may demand his fees before entering and recording an instrument (IC 36-2-11-6). When the recorder has received an instrument for record, he may return it to the person who presented it only after the fee for recording the instrument has been paid (IC 36-2-11-7). (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 8)

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK RECONCILEMENT

The Recorder does not reconcile the Fee and Cash Book to the bank balance. At December 31, 2008, the bank balance was overdrawn by \$14,145.79. Anticipated account receivable collections would cover the deficit. The Fee and Cash Book does not list cash balances enabling a reconciliation to be performed. The Recorder's office attempts to determine a cash balance based on the bank balance adjusted for outstanding checks and outstanding accounts receivable.

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 County Recorders of Indiana, Chapter 9)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

FEE AND CASH BOOK

The Recorder's office has a computerized Fee and Cash Book that has the capability to post all receipts by type. The Fee and Cash Book does not include disbursements for the month or cash balances. In addition, the form currently being used was not approved and includes a daily running total which includes charges but does not include disbursements or cumulative cash balances as required.

The Fee and Cash Book should be totaled and footed at the close of each day and the receipts verified with the cash drawer. The amount of such receipts should also agree with the deposit to be made on the following business day. At the close of each calendar month the receipts should be accumulated and monthly totals entered at the foot of each column. The monthly totals should agree with the depository balance at the close of the month, considering the deposit of any fees received on the last day of the month, and will represent the amount to be paid into the county treasury. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 7)

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 County Recorders of Indiana, Chapter 9)

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TIMELY REMITTANCE

The Recorder's office does not remit monthly collections to the County Auditor on a timely basis. Remittances were made 11 to 26 days after the end of the month.

IC 36-2-7-10 (a) states in part: "The county recorder shall tax and collect the fees prescribed by this section for recording, filing, copying, and other services the recorder renders, and shall pay them into the county treasury at the end of each calendar month."

IC 36-2-8-3 states: "A county officer and his deputies and other employees are entitled to payment only after the officer has reported all fees collected by his office and paid them into the county treasury."

ACCOUNTING RECORDS

The following errors were noted in the Recorder's charge sheets (customer account receivable detail):

1. Incorrect balances were carried forward from one month to the following month.
2. Daily cash sheets showed payments that were not recorded on the charge ledgers.
3. Deposits did not always agree to the payment amounts on the charge ledgers.

At all times, the manual and 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 County Recorders of Indiana, Chapter 9)

CHARGE POLICY

The Recorder allows banks, title companies, cities, and towns to charge amounts for recording of documents. The recorder then invoices for these charges twice a month. There is no official policy in place to describe these procedures or accounting for the charges.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2009, with Michael A. Brown, Recorder; Carolyn Pollard, Chief Deputy; Patricia Sims, Bookkeeper; Wanda Epps, Administrative Assistant; and Sherry Serences, Floor Supervisor. The officials concurred with our audit findings.