

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

AUDIT REPORT

OF

COUNTY SHERIFF

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:	
Condition of Records and Internal Controls	4-5
Cash Book - Civil Division	5
Bank Reconcilements - Civil Division	6
Auctions - Civil Division	6-7
Interest on Account - Civil Division	7
Commissary Fund Reporting	8
Administrative Fee	8
Unclaimed Property - Civil Division	8-9
Medical Expenses	9
Internal Controls Over Sheriff's Service of Processing Fee - Civil Division	9-10
Petty Cash Fund - Animal Control	10
Unclaimed Property - Inmate Trust	10-11
Internal Controls Over Gas Pumps	11
Unallowable Expenditures - Sheriff Commissary	12
Approval of Forms	13
Exit Conference	14
Official Response	15-18

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Rogelio "Roy" Dominguez	01-01-07 to 12-31-10
President of the County Council	Christine Cid	01-01-08 to 12-31-08
	Larry Blanchard	01-01-09 to 12-31-09
President of the Board of County Commissioners	Gerry J. Scheub	01-01-08 to 12-31-08
	Roosevelt Allen, Jr.	01-01-09 to 12-31-09



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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Sheriff 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

September 9, 2009

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS AND INTERNAL CONTROLS

Material deficiencies were noted in the condition of records presented for audit and the internal controls over financial reporting in the Sheriff's Department. The following records for the Sheriff's Department were not presented for audit:

1. Bank reconciliations, bank statements, and cancelled checks for the Commissary Fund (including phone commissions) the Inmate Medical Fees Fund, and the Social Security Fund were not available for audit. As a result, fund balances at December 31, 2008, and the validity of the activity in these funds could not be verified. These funds were not presented in the reported financial statements.
2. Bank reconciliations and cancelled checks for the Sheriff's Inmate Trust Fund were not presented for audit. A comprehensive ledger of receipts, disbursements, and balances for the Sheriff's Inmate Trust Fund was also not available. Bank statements were available for the Sheriff's Inmate Trust Fund and the reported activity for this fund was obtained from the bank statements. However, with the absence of an outstanding check list and other reconciling items, the validity of the reported balance at December 31, 2008, could not be determined.
3. Itemized claims and invoices for the Sheriff Commissary Fund disbursements were not presented for audit. As a result, the disbursements could not be verified.
4. A detail of 2008 inmate trust activity was requested for some inmates and was not presented for audit. Inmate Trust reports provided were run for various time spans instead of the calendar year 2008. Postings to inmate trust could not always be verified.
5. Cash return forms for inmates that bond out were not presented for audit. These forms document the return of inmate money upon their release. When an inmate is released within 24 hours, the return of their money is not processed through the system.

Internal controls at the Sheriff's Department were insufficient. We were advised that bank reconciliations were prepared by an outside accounting firm for the Sheriff's Inmate Trust, Commissary Fund, Inmate Medical Fees, and Social Security Funds. However, we were unable to determine if any oversight of these accounts was being performed by the Sheriff's Department, as the bank reconciliations prepared by the outside accounting firm were not presented for audit.

No individual in the Sheriff's Department appears to have the responsibility of monitoring the fiscal activity or recordkeeping for the Sheriff's Department. Several individuals were involved in the records request process but each individual had no knowledge of the records beyond the scope of their duties. As a result, records were difficult to obtain or were not presented for audit.

The lack of records and internal controls at the Sheriff's Department created a scope limitation, which resulted in a qualification of the Independent Auditor's Report on the financial statements. The Commissary Fund (including phone commissions), the Inmate Medical Fees Fund, and the Social Security Fund could not be presented in the financial statements. The activity reported for the Inmate Trust Fund is based upon the bank statements and not the records.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances 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 Counties of Indiana, Chapter 1)

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)

CASH BOOK - CIVIL DIVISION

A computerized Cash Book is used to record receipts and disbursements activity, and cash balances. The computerized Cash Book for the Civil Division was started in March of 2007. At that time, a beginning cash balance was not posted. In 2008, the Sheriff engaged an accounting consultant that had determined monthly balances and bank reconciliations for the years 2006-2007. However, the consultant's information and adjustments were not provided to the Sheriff's staff to adjust the computerized Cash Book's beginning balance. As a result, the cash balance on the Cash Book is inaccurate and has not been reconciled to the bank to verify that all activity is recorded and in the correct amounts.

The Civil Division has a deficit balance reported in the financial statements because the adjustments have not been posted. In addition, the Cash Book does not include interest earnings, bank adjustments, or errors determined by the unit. In January 2008, there was \$85,280 in disbursements that were not posted to the Cash Book.

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 Counties of Indiana, 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 an incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK RECONCILEMENTS - CIVIL DIVISION

As noted in the above comment, the Civil Division does not have an accurate balance in the Cash Book. Due to the inaccurate cash book balance, the bookkeeper prepares a spreadsheet that lists all daily activity which is reconciled to the bank statement on a monthly basis.

The following discrepancies were noted regarding these reconcilements:

1. The outstanding check list prepared by the civil division does not include the outstanding checks listed at December 31, 2007 (as determined by the sheriff's accounting consultant) that had not cleared the bank as of December 31, 2008.
2. The bank balance is compared to a spreadsheet that details daily activity instead of the Cash Book.
3. At December 31, 2008, the adjusted bank balance was determined to be (\$62,093) while the adjusted Cash Book balance was (\$184,108), for a reconciled difference of (\$122,015).
4. The Bookkeeper, who began in 2008, was not aware of the prior outstanding checks, or the subsequent accounting firms corrections to the outstanding checks.

In the prior report, \$155,480 was reported as the cash necessary to balance for the Civil Division. At December 31, 2008, the cash necessary to balance increased by \$28,628, to \$184,108. Due to the condition of records, we could only determine the balance by starting with the prior balance from the last audit. We then abstracted receipts and disbursements posted to the cash book and compared these to the bank statements. Audit adjustments were made to determine the reported receipts and disbursements activity and the reported ending balance.

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 Counties of Indiana, 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 of Indiana, Chapter 1)

AUCTIONS - CIVIL DIVISION

The Sheriff's Department conducted auctions in 2007 and 2008, to dispose of surplus of personal property. Auction items included vehicles, tools, equipment, computers, and confiscated items. The following discrepancies were noted:

1. For the 2008 auction, the auctioneer received payment of \$7,448 in cash from the auction proceeds instead of by check, which bypassed the claim process.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The auctioneer was not issued a Form 1099 for compensation for services performed in 2008 as required by the Internal Revenue Service.
3. A portion of the cash proceeds from the 2008 auction was used to purchase a money order. The money order was used for a refund of an overpayment by the purchaser.
4. There were two instances where a receipt was not written for auction proceeds but the proceeds were included in the deposit for the 2008 auction.
5. Proceeds from the auction held in October 2007 were deposited into the County Sheriff Civil bank account but were not remitted to the County Auditor until January 2008.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 5)

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 of Indiana, Chapter 1)

INTEREST ON ACCOUNT - CIVIL DIVISION

The bank account used by the Sheriff's Department Civil Division is an interest bearing account. The interest is being accumulated in this account and has not been remitted to the County Auditor for deposit into the General Fund.

IC 5-13-9-6 (a) states:

"All interest derived from an investment by a political subdivision or by any other local public officer under the authority granted by section 3 of this chapter shall be deposited, except as otherwise provided by law, in the general fund of the investment authority or in any other fund its governing body designates specifically or by rule, subject to the modifications and limitations in this section."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COMMISSARY FUND REPORTING

The Sheriff's Department does not provide copies of the receipts, disbursements, and balances of the Commissary Fund to the County Council semiannually as required by law.

IC 36-8-10-21(e) states:

"The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semi-annual reports are due on July 1 and December 31 of each year."

ADMINISTRATIVE FEE

County Ordinances 1280A and 1280B authorizes the collection of a \$200 administrative fee for the sale of foreclosed properties and created a fund to account for the activity related to the fee charged. On August 12, 2008, the ordinance was repealed that created the Non-Reverting Fund and money that was currently in the fund was transferred to the General Fund. The \$200 administrative fee is still being collected but is commingled with other revenues in the General Fund. As a result of commingling of revenue we were unable to determine if disbursements from the fees collected were related to the sale. Indiana Code permits such a fee, but for the actual costs attributable to each sale. Compliance with statutory requirements for this fee could not be determined since records were not maintained to determine the actual costs of each sale.

IC 32-29-7-3 (h) states in part: "The sheriff may charge an administrative fee of not more than two hundred dollars (\$200) with respect to a proceeding referred to in subsection (b) for actual costs directly attributable to the administration of the sale under subsection (c)."

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana Chapter1)

UNCLAIMED PROPERTY – CIVIL DIVISION

The Sheriff's Department Civil Division has \$11,600.95 in stale dated checks held in trust that are distributable but remain unclaimed. The Sheriff's Department has not remitted this amount to the Attorney General as required by statute. This comment appeared in the prior report.

IC 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . . (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable . . ."

IC 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 32-34-1-27(a) states: "Except as provided in subsections (b) (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

MEDICAL EXPENSES

Medical expenses charged to an inmate's trust account are posted to the inmates account when a cash balance is available. If there is no available balance in the account, the amount is included only as an outstanding debt. There was no itemization presented for audit as to what made up the balance of the outstanding debt. It was unclear if after thirty days the outstanding amount is removed.

IC 11-10-3-5 (c) states in part:

"A person committed to the department is not required to make the copayment under subsection (b) if

- (1) the person does not have funds in the person's commissary account or trust account at the time the service is provided;
- (2) the person does not have funds in the person's commissary account or trust account within thirty (30) days after the service is provided;
- (3) the service is provided in an emergency;
- (4) the service is provided as a result of an injury received in the correctional facility; or
- (5) the service is provided at the request of the administrator of the correctional facility."

INTERNAL CONTROLS OVER SHERIFF'S SERVICE OF PROCESSING FEE - CIVIL DIVISION

The County 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.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

PETTY CASH FUND – ANIMAL CONTROL

Animal Control, for which the Sheriff's Department has oversight responsibilities, has a SNAP (Spay Neuter Animal Program) Fund. When a pet is adopted, the owner can purchase a certificate to have their pet spayed or neutered. The collections for the certificates go into the SNAP Fund. After the owner redeems the certificate, the veterinarian sends the certificate to Animal Control for reimbursement. Animal Control reimburses the veterinarians from a bank account held by the Sheriff's Department, which is later replenished from the SNAP Fund. This bank account is used as Petty Cash Fund. This bank account has not been approved by the County Council. In addition, an approved petty cash balance has not been established.

IC 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter.

(b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund.

(c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursement must be approved and made in the same manner as is required for other expenditures of the political subdivision."

UNCLAIMED PROPERTY - INMATE TRUST

We were unable to determine if the following unclaimed funds were remitted to the Attorney General during 2008 due to the lack of records. Therefore, we could not determine if the unclaimed property comment from the prior audit had been resolved. As a result the comment from the prior report has been repeated as follows:

The Sheriff's Inmate Trust Fund account has \$20,517.48 in unclaimed former inmates' funds. The Sheriff has not remitted these unclaimed funds to the Attorney General. Upon inquiry, it was determined that the Attorney General's office will not accept the current format generated by the records of the Sheriff's Department; therefore, the Sheriff has ceased transferring unclaimed funds into the unclaimed property account. A similar comment appeared in prior reports.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 32-34-1-20(c) states in part: "Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . . (8) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable . . ."

IC 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property."

IC 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

INTERNAL CONTROLS OVER GAS PUMPS

Records for the gas pumps were not provided for the 2008 audit. We were unable to determine if the internal controls for the gas pumps have improved, as a result the comment from the prior report has been repeated as follows:

The Lake County Sheriff's Department has two gas pumps to provide gas for vehicles in the Sheriff's Department and various other Lake County Departments.

Each County Department that uses the gas pumps receives a gas key for each vehicle. The gas keys are assigned a key number or code. When a person uses the gas pumps, a gas key is used and the key number must be entered before pumping the gas. A computerized report of the gas usage is generated by department and key number.

The controls over the usage of the gas pumps are deficient as follows:

1. Although a camera records the activity at the gas pumps, there is no actual monitoring of the vehicles filled at the gas pumps. Personal vehicles could be, and were, filled at the gas pumps.
2. No reconciliation is made between the actual gas usage per the pump readings and the total per the usage reports generated by the computer.
3. There is no periodic physical inventory taken of the gas on hand to compare actual consumption to usage reports.

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)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

UNALLOWABLE EXPENDITURES - SHERIFF COMMISSARY

The itemized invoices and claims were not presented for the 2008 audit. Therefore, we could not determine if unallowable expenditures comment from the prior audit had been resolved. As a result, the comment from the 2007 audit report has been repeated as follows:

Of thirty-two disbursements tested, four disbursements for items such as festival sponsorship and Chamber of Commerce membership fees were not allowable from the Sheriff Commissary Fund.

The Sheriff, or his designee, at his discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (a) merchandise for resale to inmates through the commissary;
- (b) expenses for operating the commissary, including, but not limited to, facilities and personnel;
- (c) special training in law enforcement for employees of the sheriff's department;
- (d) equipment installed in the county jail;
- (e) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (f) an activity provided to maintain order and discipline among the inmates of the county jail;
- (g) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - 1. Substance Abuse.
 - 2. Child Abuse.
 - 3. Domestic Violence.
 - 4. Drinking and Driving.
 - 5. Juvenile Delinquency; or
- (h) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff. (County Bulletin and Uniform Compliance Guidelines April 2001)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROVAL OF FORMS

The Lake County Sheriff's Department adopted a new computer system for the commissary and inmate trust records in October 2007. As stated in the prior report, the output of this system has not been approved for use by the State Board of Accounts.

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 of Indiana, Chapter 4)

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2009, with Joe Kumstar, Deputy Chief Sheriff; Michael Reilly, Commander; and Laura M. Cave, Bookkeeper . The official response has been made a part of this report and may be found on pages 15 through 18.

John M. Kopack

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September 22, 2009

Bruce Hartman, CPA
State Examiner
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

(Via: Fedex Overnight and Email)

Re: RESPONSE BY LAKE COUNTY SHERIFF TO:
Lake County 2008 Audit Report - Schedule of Findings and Questioned
Costs. Finding 2008-01 - Condition of Records and Internal Controls
Sheriff's Department

Dear Mr. Hartman,

Pursuant to a meeting with the Sheriff's staff on September 15, 2009, Cynthia David of the SBA requested that the Sheriff forward any response to Finding 2008-01 in the above referenced audit report by September 22, 2009. Accordingly, the formal response from the Sheriff, is below:

FINDING 2008-1: Condition of Records and Internal Controls - Sheriff's Department

- (A) "Material deficiencies were noted in the condition of records presented for audit and the internal controls over financial reporting in the Sheriffs Department. The following records for the Sheriffs Department were not presented for audit:"
1. Bank reconciliations, bank statements, and cancelled checks for the Commissary Fund (including phone commissions) the Inmate Medical Fees and the Social Security Fund were not available for audit. . .
 2. Bank reconciliations and cancelled checks for the Sheriffs Inmate Trust fund were not presented for audit. A comprehensive ledger of receipts, disbursements, and balances for the Sheriffs Inmate Trust fund was also not available. . .
 3. Itemized claims and invoices for the Sheriff Commissary Fund disbursements were not presented for audit. . .
 4. A detail of 2008 inmate trust activity was requested for some inmates and was not presented for audit. . .

5. Cash return forms for inmates that bond out were not presented for audit. . .

(B) SHERIFF'S RESPONSE:

The records for each of the above funds, noted in the audit report as being "*not presented for audit*," actually do exist. However, it appears communication and/or scheduling issues between the SBA auditor, Karen Tetrault, and the relevant staff at the Sheriff's Department resulted in records not being presented to the SBA auditors prior to preparation of the audit report.

In a meeting conducted September 21, 2009, with Commander Michael Reilly of Staff Services, his Administrative Assistant, Laura Cave, and Deputy Chief Joseph Kumstar, the following salient facts relevant to the production and review of said records were noted and reviewed:

1. In November of 2008, the Sheriff's staff noted the outside accounting firm responsible for maintaining and reconciling financial records for the Commissary and Inmate Trust Funds was not providing timely reports and monthly reconciliations for each of the funds and accounts.
2. In May of 2009, the responsibility for accounting services for these funds was transferred from the former accountant to Terry Bronowski, CPA in Merrillville, Indiana.
3. In June of 2009, Mr. Bronowski began a review of accounting practices and records for the 2008 Commissary funds and began acquiring information from the Correctional Officer (Sgt. Mummery) who is responsible for the day-to-day operation of these accounts.
4. In July of 2009, the SBA staff contacted the LCSD and began requesting various records for the 2008 audit. The SBA was advised that Sgt. Mummery was on a 2 week vacation and, upon his return, the requested records would be finalized and presented for review.
5. Upon his return from vacation, Sgt. Mummery collected what he believed to be all the records required by the SBA staff and presented said records to the SBA staff for review. Shortly thereafter, Sgt. Mummery began another 2 week vacation.
6. In mid August, the SBA staff contacted Laura Cave, Administrative Assistant to Commander Mike Reilly in Staff Services, and advised that further Commissary records were required to complete the SBA audit, including the monthly bank reconcilements that were being reviewed and prepared by Terry Bronowski, the new Commissary accountant.
7. On August 17, 2009, an email was sent by Laura Cave to staff detailing the records needed by the SBA to complete the 2008 audit. Terry Bronowski's office advised they were compiling the final monthly bank reconcilements but were awaiting relevant records from the local banks to complete the reconcilment of each account.
8. Due to a death in his immediate family, Commander Reilly was off work from August 17 through August 25 and was not available to assist staff in compiling the remainder of the Commissary and Inmate Trust records.

9. On August 26, Commander Reilly and Dep Chief Kumstar visited the SBA office in the Lake County Complex concerning the outstanding records and SBA staff identified each of the financial records they would need to complete the 2008 audit. At this meeting, no deadline was provided or mentioned by the SBA to produce the records. Commander Reilly and DC Kumstar informed the SBA staff at this meeting that they would make sure the SBA received the outstanding records and reports as soon as possible.
10. On September 7, Commander Reilly contacted the SBA staff to advise he had acquired all the outstanding records and reports requested by the SBA on August 26th and same were ready for review. Commander Reilly was then advised by the SBA staff that it was "too late" as the SBA staff had already completed its preliminary audit report.
11. On September 15, Commander Reilly, Laura Cave and DC Kumstar met in an exit interview with the SBA staff and the issues identified in the audit report were discussed and amicable solutions discussed that would alleviate the issues presented in the report.

It is readily apparent that the characterization in the audit report, that pertinent records were "not presented for audit," does not accurately describe the facts and sequence of events that actually transpired during the relevant time period. Therefore, the Sheriff has initiated the following remedial actions to avoid any recurrence of the same issue in future audits:

(C) REMEDIAL ACTIONS:

1. Responsible Person:

- The Sheriff has designated Commander Mike Reilly of Staff Services as the person in the LCSD who shall have full responsibility for monitoring all fiscal activity and recordkeeping in the Sheriff's Department.
- As part of these responsibilities, Commander Reilly will initiate monthly staff meetings with the staff members and accounting personnel responsible for handling each account. These meeting are to ensure each account is reconciled monthly and all records are maintained per SBA recommendations.

2. Internal Controls:

- In 2008, the accounting firm of Swartz-Retson conducted a complete operational audit of the accounting practices and procedures utilized in the Sheriff's Civil Division and assisted in the implementation of modern accounting procedures in the civil division.
- The Sheriff has authorized staff to follow through with the operational audit of the Civil Division and expand this to include a full operational review of the financial accounts, records and computer software utilized by the Sheriff's Department to monitor recordkeeping and reports. Upon receiving the recommendations of Swartz-Retson, the bookkeeping, accounting and other internal controls will be standardized and implemented throughout the Sheriff's Department.

3. Centralized Monitoring:

- The Sheriff has initiated a process to implement centralized monitoring and other controls to ensure that bank reconciliations are performed monthly and that required records are accurately maintained.
- Procedures have also been established to provide oversight on all work performed by outside accounting firms and this will be included in the monthly and centralized monitoring of all financial activity.

On behalf of the Lake County Sheriff, I would like to thank you for the opportunity to respond to each of the above-listed items in your audit. Please feel free to contact me at your convenience if you have any questions.

Sincerely,



John M. Kopack
Attorney at Law

cc: Sheriff Roy Dominguez
Chief Marco Kuyachich
Cmdr. Mike Reilly, Staff Services