

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

AUDIT REPORT
OF
COUNTY COMMISSIONERS
LAKE COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED

01/07/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Board of County Commissioners	Roosevelt Allen, Jr. Frances DuPey	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the County Council	Larry Blanchard Thomas O'Donnell	01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Commissioners for the period from January 1, 2009 to December 31, 2009, 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 2009.

STATE BOARD OF ACCOUNTS

September 15, 2010

COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

PUBLIC PURCHASES LAW

On February 18, 2010, Lake County purchased radios for the Department of Homeland Security and Emergency Management Agency. The original cost was \$168,546; however, evidence of bids was not presented for audit. The Lake County Board of Commissioners did not award the purchase of these radios at a public meeting in 2009 or 2010. The invoice for the purchase of these radios is dated July 2, 2009 and the purchase order is dated February 17, 2010. Therefore, the regular County purchasing procedures were not followed since these procedures include the issuance of a purchase order, the receiving of bids, the awarding of a bid at a Commissioners' meeting, receipt of the radios, and finally, payment would be made to the vendor.

The Chemical Sector Buffer Zone Protection Program (BZPP) grant was awarded to the County to purchase, among other things, the installation of radios. The radios were installed and an invoice was received from the vendor with the date of September 10, 2009, for \$167,946. A purchase order was not issued in 2009. A written contract for the installation was not approved by the Lake County Board of Commissioners in 2009. A purchase order was issued on February 17, 2010, to pay the invoice dated September 10, 2009. A check for \$167,946 was issued on February 18, 2010. The County regular purchasing procedures include issuing a purchase order before the goods or services are ordered. The purchasing procedures also include the Lake County Board of Commissioners approval of all written contracts for services before the performance of the service.

IC 5-22-7-1 states: "A purchasing agent shall follow competitive bidding procedures in awarding a contract for supplies, unless another purchasing method is required or authorized by Indiana Code 5-22."

IC 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

The county auditor shall also cause notices to bidders to be published prior to the receiving of bids by the commissioners. The provisions of Indiana Code 5-22-7-5 and Indiana Code 5-3-1-2 require that a notice to bidders for materials, equipment and supplies be published twice at least one (1) week apart, in two (2) newspapers. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 3)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 20)

APPROVAL AND CERTIFICATION OF CLAIMS

For claims that are deemed necessary to pay immediately, a check is manually issued for payment. The county's policy is that these claims require the signatures of two County Commissioners before a check can be issued. Of several claims we reviewed, one of the two signatures were signed or stamped by the Commissioner's Executive Secretary or assistant rather than the Commissioner. These claims are not submitted to or approved by the Board of Commissioners at a public meeting as required by statute.

Petit Jury payrolls are ordered by the court to be paid through the claim process. These payrolls are not approved by the County Auditor, or filed on the applicable prescribed form.

COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-2-6-4 states in part:

"(b) Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or a court orders him to do so. However, this subsection does not apply to the issuance of warrants related to management of the common or congressional school fund. (c) The county executive may allow a claim if the claim: (1) complies with IC 5-11-10-1.6; and (2) is placed on the claim docket by the auditor at least five (5) days before the meeting at which the executive is to consider the claim. (d) A county auditor or member of a county executive who violates this section commits a Class C infraction."

The judge of each circuit, superior, probate, juvenile, criminal and county court is empowered to allow claims or vouchers of the court, including offices, departments and institutions under jurisdiction of the court, such as court administrator, probation department and juvenile detention center.

Claims or vouchers should be filed on the applicable prescribed claim or voucher forms listed on page 7-1 and should be itemized and verified in the same manner as other claims or vouchers against the county. The court's allowance should appear on the face of each claim or voucher in the space normally used by the board of county commissioners in allowing claims or vouchers. In some counties a form of court order or court allowance is used, listing claim or vouchers allowed by the court accompanied with supporting claims or vouchers and invoices, in lieu of each claim or voucher being individually allowed, and this procedure is acceptable. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

IC 5-11-10-2(a) states in part:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

UNALLOWABLE EXPENDITURES - E911

Our review of E-911 disbursements found questionable expenditures for the following items in 2009:

1. A county government center information telephone line.
2. Office equipment such as a laptop and copier for 911 operations.
3. Progress billing for mapping of Lake County Parks Department.
4. Membership to National Emergency Number Association.

COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

5. Letters from Non-Public Safety Answering Point (PSAP) requesting their annual allotment of E-911 funds with no actual invoices attached.
6. Consultant to the Commissioners paid from 911 funds; however, invoices do not document any 911 work performed.

The questionable expenses totaled \$157,122.41, approximately 4% of the total \$3,781,459 Emergency 911 expenditures for Lake County.

IC 36-8-16-14 (a) states:

"(a) The emergency telephone system fees shall be used only to pay for:

- (1) the lease, purchase, or maintenance of enhanced emergency telephone equipment, including necessary computer hardware, software, and data base provisioning;
- (2) the rates associated with the service suppliers' enhanced emergency telephone system network services;
- (3) the personnel expenses of the emergency telephone system;
- (4) the lease, purchase, construction, or maintenance of voice and data communications equipment, communications infrastructure, or other information technology necessary to provide emergency response services under authority of the unit imposing the fee; and
- (5) an emergency telephone notification system under IC 36-8-21.

The legislative body of the unit may appropriate money in the fund only for such an expenditure."

IC 36-8-16.5-41(a) states: "A PSAP shall use its distribution made under section 39 of this chapter for the lease, purchase, or maintenance of wireless enhanced emergency telephone equipment, including:

- (1) necessary computer hardware, software, and data base equipment;
- (2) personnel expense and training;
- (3) the provision of wireless enhanced emergency service; or
- (4) educating consumers about the operations, limitations, role, and responsible use of enhanced 911 service."

FEDERAL GRANT SCHEDULE

The County's Annual Financial Report, "Part 6 – Federal Grants" (Federal Grant Schedule) was incomplete for the year ended December 31, 2009. Each county department is responsible for overseeing and reporting their grants. County departments are responsible for applying for grants, presenting them to the council and commissioners, and accounting for the grants they receive. The Auditor's office

COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

is responsible for preparing the grant schedule annually based on the grant information provided by each department. The Federal Grant Schedule presented for audit was missing one major federal grant, several minor grants, and was not available for audit until July 15, 2010. The Federal Grant Schedule prepared by the officials was \$1,079,213 (12%) less than what was determined to be the federal expenditures reported for 2009. The County does not have adequate controls to insure that County departments adequately report grant information to the County Auditor's office in a timely and accurate manner.

The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (OMB Circular A-133, Subpart C--Auditees § __.300)

(b) Schedule of Expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. (OMB Circular A-133, Subpart C--Auditees § __.310)

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)

IC 36-2-3.5-5 states in part:

"(a) All powers and duties of the county that are legislative in nature shall be exercised or performed by its legislative body.

(b) The legislative body may:

- (1) establish the committees that are necessary to carry out its functions;
- (2) employ legal and administrative personnel necessary to carry out its functions;
- (3) pass all ordinances, orders, resolutions, and motions for the government of the county, in the manner prescribed by IC 36-2-4;
- (4) receive gifts, bequests, and grants from public or private sources;
- (5) conduct investigations into the conduct of county business for the purpose of correcting deficiencies and insuring adherence to law and county policies and regulations; . . ."

COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

Lake County has an annual official bond for all Lake County Employees. This bond and its annual renewal were not filed in the Office of the Lake County Recorder.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision who is required under section 18 of this chapter to file an official bond for the faithful performance of duty, except the county recorder and deputies, and employees of the recorder, shall file the bond in the office of the county recorder. . . ."

COUNTY COMMISSIONERS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2010, with Frances DuPey, President of the Board of County Commissioners, and John Dull, County Attorney. The official response has been made a part of this report and may be found on pages 10 through 15.



**OFFICE OF THE ATTORNEY
TO THE BOARD OF COMMISSIONERS**

John S. Dull

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EMAIL: jsdull@yahoo.com



September 22, 2010

Bruce Hartman
State Examiner
State Board of Accounts
302 W. Washington, 4th Floor-Rm. 418
Indianapolis, IN 46402

RE – Response to Audit Results and Comments, 2009, Board of County Commissioners

Dear Mr. Hartman:

On behalf of the Board of Commissioners I am submitting this response concerning the 2009 audit and the comments. To facilitate your review, I will respond in the same order that the topics were presented in the audit. The responses are as follows:

1. Public Purchases Law
 - a. The Board of Commissioners will forward the Federal Audit Findings to the Council which oversees the activities of the Department of Homeland Security and Emergency Management;
 - b. The Board of Commissioners has instructed the Purchasing Department to make no further purchases for Homeland Security unless they bear the original signatures of two (2) Commissioners.
 - c. The Board of Commissioners recognizes that this is a serious finding;
 - d. In addition, to paragraph 1a above, The Board of Commissioners will forward the Lake County Audit Findings to the Council which oversees the activities of the Department of Homeland Security and Emergency Management;

- e. The County has contracted with Curtis Whittaker of Whittaker & Associates, a CPA firm to monitor the agency's activity in 2010 and subsequent year.

2. Approval and Certification of Claims

- a. This finding refers to what are commonly called "hand cut checks". There are times when the situation demands that a hand cut check be issued. In many instances this results in the payment of a vendor or claim where the county might otherwise incur statutory or contract interest.
- b. To ensure that there is formal approval after the issuance of a hand cut check, the following procedure will be implemented:
 - i. There must be two original County Commissioner signatures on any request for a hand cut check.
 - ii. All hand cut checks must be placed on the County Commissioners' claim docket at the first meeting after the hand cut check is issued.
 - iii. A copy of this letter is being forwarded to the Lake County Auditor and the County Commissioners' staff person who is in charge of formulating the Commissioners' agenda. This will ensure that the hand cut checks appear on a Commissioners' agenda for approval at a public meeting.

3. Unallowable Expenditures-E911

- a. The County Commissioners recognize that this is a serious audit finding.
- b. The consolidation of the E911 dispatch centers in Lake County is currently under way but completion will not occur within the foreseeable future. An advisory council has been established by the County Council and Commissioners to assist in the consolidation process.
- c. The consultant to the Commissioners who is paid from 911 funds has been instructed in writing that he must document what he does for 911 or the bills will not be paid in the future.
- d. The County Commissioners are aware that in the past some recipients of 911 funds have only come to the Board after the equipment or expense has

been incurred. This obviously is not in accordance with state purchasing regulations since the Board of Commissioners is the purchasing agency and not the 911 fund recipient who gets the equipment or service. To ensure that this process is changed immediately, a letter is going to be sent by the Board of Commissioners to every agency that could conceivably receive 911 money. The message is going to be clear: all bids and proposals must be let by the Commissioners, all contracts must be signed by the Commissioners at a public meeting and anything done in violation of this procedure will not be paid for by the County.

- e. Regarding the questionable expenses, the Commissioners are requesting that the 911 consultant and Manager review the audit finding for the purpose of acquiring information that can be used in the future to prevent the occurrence of such findings. Regarding the six findings, the Commissioners have already instructed the consultant in writing that there must be a more specific time sheet for payment. The Board of Commissioners objects to finding number 4 because the Membership to National Emergency Number Association was not paid for with 911 funds but the personal funds of the 911 Manager.
- f. Regarding the inventory of equipment, the Board of Commissioners is asking the 911 Manager to prepare an inventory of all equipment that was purchased with 911 funds. To assist the 911 Manager, the Lake County Auditor has isolated the purchase orders in one location in the Auditor's office in Crown Point. A copy of this response is being given to the 911 Manager with the directive to prepare the inventory list.

4. Federal Grant Schedule

- a. This is a finding that has occurred in prior audits. After the 2008 audit, the Board of Commissioners wrote the Lake County Council and requested that action be taken by the Council as the proper authority to consolidate audit information in one data base. The reason why the Council has this responsibility is that at under IC 36-2-3.5-5(b) the Lake County Council is the appropriate body to receive grants from public or private sources. The approval for grants should then come from the Lake County Council.
- b. The Board of Commissioners is aware that there are two types of grants: Advance and Reimbursement. An Advance grant requires an appropriation while a Reimbursement grant does not. However, the Board of Commissioners is requesting that the Lake County Council enact a local home rule ordinance requiring appropriation prior to expenditure of any grant.

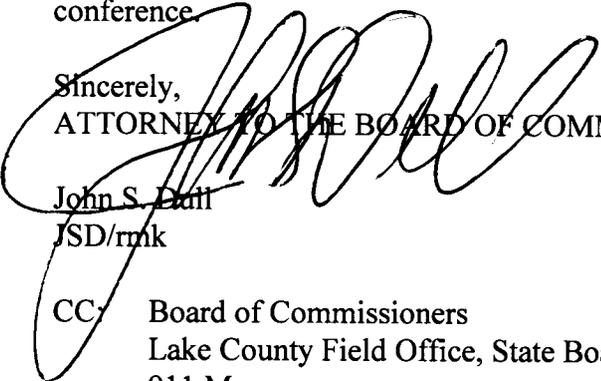
- c. In addition , the Board of Commissioners requests that the Lake County Council establish a grants committee to review all grants prior to their being submitted to the grantor agency. This would ensure that the County Council would “sign off” on all grants in accordance with IC 36-2-3.5-5(b)(4).

5. Official Bond

- a. The failure to file the annual official bond for all Lake County Employees with the Lake County Auditor cannot be explained. The bond was approved at a public meeting and should have been recorded.
- b. A letter is being sent to the company that handles the county’s bonds with a request that a replacement official employees bond be forwarded to the Board. This bond will then be recorded.

This letter is the response of the Board of Commissioners to the audit of Lake County for the period January 1, 2009 to December 31, 2009 that was discussed at the September 22, 2010 exit conference.

Sincerely,
ATTORNEY TO THE BOARD OF COMMISSIONERS



John S. Dull
JSD/rmk

CC: Board of Commissioners
Lake County Field Office, State Board of Accounts
911 Manager
911 Consultant
President of the Lake County Council
Lake County Auditor



**OFFICE OF THE ATTORNEY
TO THE BOARD OF COMMISSIONERS**

John S. Dull

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October 6, 2010

Bruce Hartman
State Examiner
State Board of Accounts
302 W. Washington, 4th Floor-Rm. 418
Indianapolis, IN 46402

RE – Supplemental Response to Audit Results and Comments, 2009, Board of County
Commissioners

Dear Mr. Hartman:

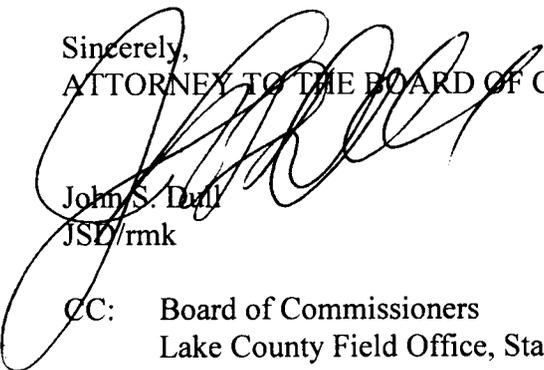
This letter is a supplemental response of the Board of Commissioners to the audit of Lake County for the period January 1, 2009 to December 31, 2009 that was discussed at the September 22, 2010 exit conference.

After filing the original October 6, 2010 response which was submitted to you, the findings and response were distributed to Emergency Management Board Members for review and corrective action. A board member contacted my office in regards to the findings involving the public purchases law. I was given the following information:

1. Regarding the findings on the public purchases law, the purchase of the radios was made through a QPA Program 10019 of the State of Indiana. The State went out for bids and the County in accordance with IC 5-22-10-15 opted to take advantage of the State price. The Board of Commissioners, however, did not approve the purchase order in a public meeting.

2. Regarding Finding 2009-7, the purchase of the sirens was made through a QPA Program 9167 of the State of Indiana. The State went out for bids and the County in accordance with IC 5-22-10-15 opted to take advantage of the State price. The Board of Commissioners, however, did not approve the purchase order in a public meeting.

Sincerely,
ATTORNEY TO THE BOARD OF COMMISSIONERS



John S. Dull
JSD/rmk

CC: Board of Commissioners
Lake County Field Office, State Board of Accounts
911 Manager
911 Consultant
President of the Lake County Council
Lake County Auditor