

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

AUDIT REPORT

OF

COUNTY SHERIFF

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

11/01/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Rogelio "Roy" Dominguez John Buncich	01-01-07 to 12-31-10 01-01-11 to 12-31-14
President of the County Council	Thomas O'Donnell Ted Bilski	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Board of County Commissioners	Frances DuPey Roosevelt Allen, Jr.	01-01-10 to 12-31-10 01-01-11 to 12-31-11



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 Sheriff for the period from January 1, 2010 to December 31, 2010, 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 2010.

STATE BOARD OF ACCOUNTS

August 29, 2011

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

REPORTED FINANCIAL TRANSACTIONS

Cash balances, receipts, and disbursements reported in the financial statements of the County for the Jail Commissary, Inmate Medical, and Inmate Trust – Commissary Funds could not be verified to the records maintained by the Sheriff. Accounting software implemented by the former Sheriff provides a balance sheet at year end of various account balances, including cash account balances, but as discussed in comments below, the cash balances have not been reconciled to the bank account balances.

The accounting software used does not produce reports of receipts and disbursements with cumulative totals. In prior audit reports, due to the inability of the software to produce reports with cumulative totals of receipts and disbursements, the bank transactions (deposits and withdrawals) were the source of the amounts reported in the financial statements. For the current audit period, officials were contacted, but did not respond to questions, regarding the source of the activity reported in the current year financial statements. The amounts reported for receipts and disbursements have been determined to be understated based upon amounts reported for receipts and disbursements in the prior audit period, and the fact that the disbursement transactions tested exceeded amounts reported.

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 Auditor's 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)

BANK ACCOUNTS AND RECONCILIATIONS

In 2011, the current Sheriff, personally employed a Certified Public Accountant (CPA) to reconcile the bank accounts of the Jail Commissary, Inmate Medical, and Inmate Trust - Commissary Funds as of December 31, 2010, because bank reconciliations had not been performed for the year 2010. It is unlikely that bank reconciliations were even attempted for several months in 2010 as several unopened bank statements for Commissary, Inmate Trust, and Phone Commission Accounts were presented for audit.

The CPA determined outstanding checks only for the month of December; therefore, the outstanding checks for prior months are unknown. Additionally the reconciled cash balances of the Jail Commissary, Inmate Medical, and Inmate Trust - Commissary Funds exceeded the record cash balances by \$3,255.61, \$953.92, and \$3,245.21, respectively, as of December 31, 2010, which may be due to the unknown outstanding check amounts.

Indiana Code 5-13-6-1(e) states in part: "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 Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONTROLS OVER CASH

Controls had not been established to ensure cash is properly safeguarded.

The current Sheriff indicated that when he took office on January 1, 2011, the blank checks, and computer equipment used to print and encode the checks were maintained in the Commissary operations area. This was an unsecured, unrestricted area because both Sheriff Department personnel and inmates had access.

During the year 2010, forty-two fraudulent checks totaling \$106,447.19 were drawn against the Sheriff Inmate Trust Account. The bank honored some of the checks, but reversed their position as the signatures were not of the authorized signatory, and all of the checks exceed the \$200 threshold requiring a phone confirmation of amounts payable prior to cashing the checks. Most of the checks indicated they were being drawn against the "Inmates Fund, Lake County Jail," but others indicated they were being drawn against a business. Four checks were dated in late June 2010, seven were dated in late November 2010, while the remaining thirty-one checks were dated in early or mid December 2010. The checks were returned with the bank statements; however, the former Sheriff and staff did not open the envelopes containing the bank statements and canceled checks to even review the bank activity. All of the checks were printed or typed, but it appears as though at least three different individuals signed the checks. The current Sheriff upon discovery, contacted the appropriate authorities, and the matter is currently under investigation.

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.

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)

CONDITION OF COMMISSARY FUND RECORDS

As stated in numerous prior reports, several issues exist related to the Sheriff's Department Commissary Fund as follows:

The Sheriff had not provided semiannual reports to the County Council of the Commissary Fund receipts, disbursements, and cash balances, as required by statute.

Reports generated by the accounting software, implemented by the Sheriff in May 2009 to account for the financial activity of the Commissary Fund, have not been approved for use by the Sheriff by the State Board of Accounts. This software produces a report entitled "Bank Register Entries." The "Bank Register Entries" report includes a detail of deposits (not receipts) and disbursements (checks) for the Commissary Fund; however, this report does not include cumulative totals of receipts or disbursements and does not provide cash balances. The "Bank Register Entries" Report replaced General Form 358, Ledger of Receipts, Disbursements, and Balances, which is a prescribed form for use by the Sheriff to account for Commissary Fund financial transactions. Furthermore, none of the other reports generated by the new accounting software have been approved for use by the State Board of Accounts.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

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 1)

COMMISSARY FUND DISBURSEMENTS

In accordance with Indiana Code 36-8-10-21, the County Sheriff maintains a jail Commissary Fund. The Jail Commissary Fund is used to account for sales of merchandise to inmates. The statute establishing the Jail Commissary Fund also specifies allowable uses for the revenue generated by the sales of the merchandise to the inmates.

To provide a systemic accounting of Jail Commissary Fund disbursements, the former Sheriff utilized a "Special Order Form." Each Special Order Form is sequentially numbered and instructs Commissary personnel to issue checks in amounts indicated on the forms and to the payees indicated on the forms. The forms were signed by Chief Marco Kuyachich, and attached to a purchase order that provides a description of the items purchased. If vendor invoices are provided, they are also attached to the Special Order Form as well as the check stub of the check used to pay the vendor.

Below are listings of items purchased from the Jail Commissary Fund for which Council approval was not obtained. The items listed do not appear to comply with the statutory guidelines for disbursement of Jail Commissary Funds, based upon the documentation provided for audit. Included in the listings is information obtained from the Special Order Form and attached documents.

First is a listing of donations and/or sponsorships made to various organizations from Jail Commissary Funds:

<u>Check Date</u>	<u>Payee</u>	<u>Donations or Sponsorship</u>	<u>Explanation per Special Order Form:</u>
09-22-10	American Heart Association	\$ 250.00	Sponsor/donation - Julie Walkowiak
08-31-10	Carmelite Guild	450.00	10 tickets to support the Carmelite Guild Dinner
07-30-10	For the benefit of Hector D. Jimenez Jr.	250.00	Donation
02-11-10	Hispanic Women's Forum of NWI	1,020.00	Sponsorship of nineteenth annual fundraiser event
09-21-10	Holy Rosary Church	450.00	Annual fundraiser - ad book & sponsorship form
08-11-10	IU Latino Alumni Association	300.00	Sponsorship; no invoice/ documentation attached
07-28-10	Jake Laird Memorial Golf Outing	400.00	Entry fee for 4 participants

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Check Date</u>	<u>Payee</u>	<u>Donations or Sponsorship</u>	<u>Explanation per Special Order Form:</u>
03-11-10	Joseph Kumstar	615.88	Reimbursement for MP3 players and donation to HITECH resources for contest/events
05-11-10	Lake Etta Banquet Hall	477.84	Sponsorship for kick-off breakfast/homeless veterans
01-19-10	Meals on Wheels	200.00	Donation
08-03-10	Mya Ludlow	100.00	Mya Ludlow benefit for leukemia
04-22-10	NAACP Gary Branch	600.00	10 tickets for a \$600 sponsorship and ad \$150
04-22-10	Pancreatic Cancer Walk-O-Thon	100.00	Donation
03-31-10	St. Mary's Church	155.00	Donation - pancake breakfast fundraiser
04-22-10	St. Mary's School Celebration of Gifts	1,000.00	Sponsorship/donations
07-30-10	St. Sava Serbian Church Golf Classic	400.00	2 classic hole sponsor, and 8 additional lunch tickets
06-09-10	Town of Dyer Special Events	100.00	Donation for Dyer Centennial Fest Parade
08-30-10	Town of Lowell	500.00	Sponsorship for Lowell Labor Day Parade
04-22-10	Union Benefica Mexicana	300.00	2010 Union Benefica Mexicana Quinceanera; \$30 donation/person - 10 tickets
08-30-10	Union Benefica Mexicana	50.00	Sponsorship for Union Benefica Mexican parade day
08-11-10	USHLI	5,000.00	Sponsorship gold level US Hispanic Leadership Institute
08-25-10	Veteran Life Changing Services	500.00	Sponsorship
04-14-10	Waterfowl, USA	275.00	Executive donor for 23rd annual banquet dinner
Total		<u>\$ 13,493.72</u>	

Next, is a listing of Jail Commissary Funds provided by the former Sheriff to provide scholarships.

<u>Check Date</u>	<u>Payee</u>	<u>Scholarships</u>	<u>Explanation per Special Order Form:</u>
09-13-10	New Zion Temple Church	\$ 100	Scholarship program
06-11-10	Philippine Professionals Association	210	Scholarship fundraising event
05-25-10	Linsey Carrigan	750	Scholarship to attend a congressional youth leadership conference
06-23-10	Northwest Indiana Urban League	1,000	Scholarship for Northwest Indiana Urban League
03-15-10	Puerto Rican Parade and Cultural Organization of NW Indiana	1,000	Scholarships
Total		<u>\$ 3,060</u>	

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The former Sheriff purchased advertising; however, documentation as to what the advertisements contained was lacking; thus, we could not determine if it was a program to reduce or prevent occurrences of criminal activity.

Check Date	Payee	Advertising	Explanation per Special Order Form:
04-22-10	NAACP Gary Branch	\$ 150	10 tickets for a \$600 sponsorship and ad \$150
03-11-10	Vazquez Development, LLC	500	AM radio ad - sports package - hoosier hysteria basketball package
09-27-10	Indian Medical Association of NWI	350	Full page advertisement
Total		<u>\$ 1,000</u>	

Jail Commissary Funds were also used to provide floral arrangements for funerals. Some documentation indicated the deceased persons, while the others lacked that documentation.

Check Date	Payee	Flowers	Explanation per Special Order Form:
01-19-10	Central Florists	\$ 68.00	Funeral flower arrangement
10-15-10	Central Florists	108.50	Funeral arrangement - Maria Saucedo
09-17-10	Central Florists	320.50	Floral arrangements - Rev. Booker Hart and Sam Orlich Sr. funeral
02-16-10	Central Florists	208.00	Funeral flower arrangement
Total		<u>\$ 705.00</u>	

Meals were reimbursed for which information was not provided, to determine if the business nature was allowable under the statutory guidelines.

Check Date	Payee	Meals	Explanation per Special Order Form:
09-15-10	Marco Kuyachich	\$ 344.75	Reimbursement for Staff Lunch at Casa Blanca Restaurant
07-15-10	Oscar Sanchez	359.38	Reimbursement of Meals which did not indicate the business nature
Total		<u>\$ 704.13</u>	

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

The former Sheriff paid for employee wellness training, and employee recognition, which is outside of the statutory guidelines for uses of Jail Commissary Funds.

Check Date	Payee	Employee Wellness	Employee Recognition	Explanation per Special Order Form:
10-27-10	Garry Phillips	\$ 700.00	\$ -	- Training for October 12 thru October 21st
11-19-10	Garry Phillips	700.00	-	- Training for November 8 thru November 18th
04-23-10	Garry Phillips	800.00	-	- Training for April
11-09-10	Garry Phillips	800.00	-	- Training for October 25 thru November 4th
06-23-10	Classic Lines of Recognition	-	167.70	Officer of the Year Picture Plaque
07-21-10	Classic Lines of Recognition	-	158.03	Corrections Division plaque, picture plate
08-05-10	Classic Lines of Recognition	-	171.99	Corrections Division plaque, picture plate
Totals		<u>\$ 3,000.00</u>	<u>\$ 497.72</u>	

Jail Commissary Funds were used to pay for a substantial portion of the funeral services of a Police Department Sergeant. Additionally, funds were used to decorate a conference room, and provide mementos for another fallen law enforcement officer.

Check Date	Payee	Funerals and Memorials	Explanation per Special Order Form:
04-20-10	Mr. Quick Print	\$ 235.00	Funeral programs for Sgt. James Spannon
11-19-10	Oscar Sanchez	975.67	Reimbursement for picture frames, wall plaques, and other law enforcement memorabilia for Chief Gary Martin Conference Room, and mementos for the family to commemorate his life and commitment to law enforcement.
04-20-10	Marco Kuyachich	<u>1,027.68</u>	Supplies and meals for Funeral of Sgt. James Spannon
Totals		<u>\$ 2,238.35</u>	

The former Sheriff paid for the following items in connection with dedication services for the Law Enforcement Resource Center. Additional costs were bore by the County. One of the memorandums attached to special order form indicated that the various memorabilia purchased were to help provide encouragement and self-esteem for women and families suffering domestic violence abuse. Most likely this was an attempt to document that the disbursement are allowable under the statute as a program or activity intended to reduce or prevent occurrences of criminal activity.

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

Check Date	Payee	Women in Law Enforcement Memorial	Explanation per Special Order Form:
08-04-10	Anthony Ramirez	\$ 765.00	Hors d'oeuvres for 200, dessert table, beverages, paper products, table coverings for Dedication Ceremony
08-30-10	Armando Gomez	1,000.00	Video and photography
09-10-10	Central Florists	910.50	Carnations, corsages, funeral spray for Memorial
11-04-10	Central Florists	125.00	Flower arrangements for Dedication Ceremony
08-09-10	Joe Rega	4,450.00	Stage 24x24, platform, lights, PA - press mults and tent - for Dedication Ceremony on 08-11-10
05-25-10	Mitchell Markovitz	3,750.00	Artist for professional services for Lillian Holley poster
07-26-10	Mitchell Markovitz	3,750.00	Remaining balance for Lillian Holley poster per service agreement
08-05-10	Oscar Sanchez	988.79	Reimbursement for supplies and food for meeting
11-19-10	Oscar Sanchez	807.71	Reimbursement for picture frames for the Lillian Holley Resource Center - a memo indicating the Women in Law Enforcement poster and other memorabilia are to help provide encouragement and self-esteem for women and families suffering domestic violence abuse
07-26-10	Quality Impressions	852.26	3,000 pieces of Women in Law Enforcement memorial and 2,500 mail operation
08-09-10	Quality Impressions	316.57	Poster and Gary Crusader (newspaper) insert - Women in Law Enforcement design only
08-09-10	Quality Impressions	1,172.48	Lillian Holley handouts, banner, programs, posters, email invitation
08-20-10	Quality Impressions	401.15	Posters, ribbon magnet design and shipping
07-23-10	Rogan Granitindustries, Inc.	2,600.00	Existing concrete star structure to be clad in Indiana limestone
08-30-10	Rogan Granitindustries, Inc.	358.00	Additional charge to correct inconsistencies in star base and increase size of star
09-08-10	Teresa Davis	159.80	Singer and fees for a CD track of the star spangled banner
07-28-10	US Postmaster	<u>690.24</u>	Postage for invitations for Lillian Holley Law Enforcement Resource Center Dedication
Total		<u>\$ 23,097.50</u>	

Finally, the former Sheriff paid for parade entrance fees, candy, rental fees, etc., in an effort to promote the Sheriff's Department. Documentation provided for audit did not indicate as to how such promotional purchases comply with the statutory guidelines over Jail Commissary Funds.

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

Date	Payee	County Fair	Explanation per Special Order Form:
05-18-10	Crown Point July 4th Celebration Committee	\$ 20.00	Parade entry fee; no invoice/ documentation attached
05-11-10	Puerto Rican Parade and Cultural Organization of NWI	25.00	Parade entry fee; no invoice/ documentation attached
05-18-10	Hobart Chamber of Commerce	40.00	July 4th parade entry fee; no invoice/ documentation attached
09-08-10	Crown Rentals, Inc.	368.00	Banquet table cover and commercial fan rental
06-04-10	Albanese Confectionery Group	380.57	Lemonheads, tootsie rolls, bubble gum for Sheriff's Dept's parades
09-10-10	Albanese Confectionery Group	400.67	Candy for weekend parade
07-21-10	Albanese Confectionery Group	507.42	Tootsie roll, lemonheads, bubble gum
08-11-10	Praxair Distribution	705.45	Helium tanks for Lake County Fair
08-05-10	Praxair Distribution	860.77	Helium balloon filler and helium
06-29-10	RomanArt	1,251.00	Two Lake County Sheriffs Parade Banners Graphic Design
06-23-10	Albanese Confectionery Group	1,522.27	Lemonheads, tootsie rolls, bubble gum - Sheriff's Dept parades
06-23-10	Amigo Advertising	2,040.00	10,000 USA flags
09-10-10	Amber Mechanical Contractors, Inc.	2,400.00	Spot Cooler (3 BTU) for Lake County Fair
06-30-10	RomanArt	2,922.80	288 custom embroidered caps designed by Sheriff Dominguez 3-D Sheriff Star
09-08-10	RomanArt	<u>2,922.80</u>	288 custom embroidered caps
Total		<u>\$ 16,366.75</u>	

Indiana Code 36-8-10-21 (d) states:

"The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, 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;

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- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8)."

The above disbursements are considered questionable as to allowability under the statutory guidelines provided for the Jail Commissary Funds, and we were not provided any evidence that either the Council or the Commissioners had approved the disbursements.

FEDERAL FORMS 1099 NOT ISSUED FOR SERVICES PAID OUT OF COMMISSARY

Three individuals were paid for personal services from the Jail Commissary Fund. Services provided were for employee wellness training, women's work release, and administrative services. The amounts paid were \$18,100, \$2,980, and \$2,000, respectively. Federal Forms 1099-MISC, Miscellaneous Income, were not issued as required. In addition, one of the individuals was already an employee with the Sheriff's Department when he entered into a contract with the Sheriff on December 6, 2010. Neither of the other two individuals had contracts with the Sheriff, and none of the individuals had written contracts with the County Commissioners outlining the scope of the services to be provided.

The prior report indicated that the County was in the process of undergoing an Internal Revenue Service (IRS) audit for the tax year 2007. One of the deficiencies the IRS noted was that numerous County employees received a Wage and Tax Statement, Form W-2 for wages, and a Form 1099-MISC, Miscellaneous Income, for other services provided to the County. Services provided and reported on a "1099 MISC" did not incur payroll tax withholdings and did not incur the related employer taxes.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
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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 Counties of Indiana, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. 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)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

SEIZED FUNDS

The Sheriff maintains a trust checking account of confiscated cash from drug arrests. The confiscated cash is maintained in this interest-bearing checking account until such time as the case is settled and a court order is drawn, instructing the disposition of the seized funds. Once the court order is issued, a cashier's check is obtained from the bank made payable to either the defendant (if he or she is successful in their defense) or to the Clerk of the Circuit Court who will then distribute the funds according to the Court Order.

The records maintained consist of bank statements, deposit tickets, copies of cashier checks, and copies of the court orders when the cases are disposed of. On either the deposit tickets or the bank statements, the Sheriff indicates the County Sheriff Case Number. A Trust Register is not maintained. A properly maintained Trust Register would list the name of the offender, the case number and the dollar amount received and held in trust. As the cases were disposed of through court orders, an entry would be made in the Trust Register to indicate the date the funds were released, and to whom the funds were released. Furthermore, receipts are not used to identify the date the cash was received, from whom it was received either by officer, offender, or case identification number.

As of December 31, 2010, the checking account balance was \$433,048.06. Because a Trust Register has not been maintained, the Sheriff cannot identify either by defendant name or Case Number the identity of the cash held in trust.

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)

This record (Register of Fees and Funds Held in Trust [Form No. 44]) is commonly referred to as the "trust fund register." It is a register wherein money received for the benefit of all persons or parties, except support, is entered in detail. The posting to this record is made from the clerk's duplicate receipts

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and checks and from the trust column of the cash book. Items entered in other columns of the cash book must not be posted in the trust fund register. The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the cash book. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts, Chapter 4)

INMATE TRUST BALANCES

The Sheriff's Department prepared a computer generated report entitled "General Ledger Account Balances as of December 31, 2010" (General Ledger) which was presented for audit to verify the cash balances of the various inmate trust accounts maintained. It is from the "Assets" portion of the General Ledger that we verified the reconciled bank account balances. The General Ledger also had a listing of "Liabilities." One item in the General Ledger is entitled "Res-Acct," which should have been the overall total of the all of the inmate trust account balances; however, we were informed this is not the case. There are several other items in the General Ledger which must be added or deducted in order to balance to the asset (cash account maintained in the General Ledger). Such account names include:

Cybersuite, and Cash Long, which are essentially adjustments that need to be posted to the Cash account.

Prior Deposits, and Prior Checks, which are reconciling items for bank transactions that occurred during the computer conversion process, but were not posted to the inmate trust balances.

Commissary, Dental Collections, Fair Share Collections, etc., which are amounts charged against the Inmate Trust balance as of year end, but not yet posted to the Cash account.

Balance Forward, which is essentially an unidentified variance.

To support the balances reported for the Inmate Trust accounts, we were also provided detailed listings of inmates and their account balances as of December 31, 2010. These detailed listings were also computer generated. One is a listing of "active" inmates and their account balances, and the other was of the "inactive" inmates and their account balances. A third report is available of "Inactive inmates with debt," but that report was not generated until June 13, 2011. This report is a listing by inmate name and number, and the dollar amount they owe to the commissary and/or medical account for services provided. The report generated on June 13, 2011, only reflected the balances as of the date the report was run; the activity at December 31, 2010, could no longer be reported as the report was not generated on that date.

Following is a listing of the Inmate Trust Account balances from the various sources available, which shows that none of the balances agree. The amounts reported below as Active and Inactive Trust Balances per Detail do not include the "Debt" balances of the inactive inmates, as this report was not generated until June 13, 2011. Had such a report been generated as of December 31, 2010, it would have reduced the amount reported below for the Active and Inactive Trust Balances per Detail.

Cash (Assets) per General Ledger	\$ 518,944.53
Reconciled Bank Account Balance	518,898.64
Computed Inmate Trust based combined General Ledger Accounts	518,178.30
Resident Account Balance (Liabilities) per General Ledger	252,247.29
Active and Inactive Trust Balances per Detail	251,636.73

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

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.

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)

INMATE TRUST BALANCES AND MEDICAL EXPENSES

The Sheriff's Department requires inmates who have been released or discharged to make a formal request to have his or her funds held in trust returned. If the funds have not been returned after a period of five years, the funds are to be remitted to the Attorney General's Office as unclaimed property.

The computer software used to account for the inmate trust funds does not automatically flag such accounts. Additionally, the reports of inactive inmate trust accounts do not provide dates of incarceration or release; thus, officials researching the accounts are required to use the year of incarceration, which is included as part of the booking number included on the report, to determine five year limitation. Furthermore, the trust balances retained in the old computer software have not been transferred to the new computer software. Records on these "old" trust balances could not be located for audit.

In the current computer software, as of December 31, 2010, there were 13,904 inactive trust accounts with a balance of \$230,462.31. Some of the accounts showed some significant balances of trust on hand, while others had debt balances (debt balances would indicate amounts were owed to the Sheriff for Commissary or Medical purchases). While we could not determine how old some of the balances are, we could determine incarcerations dating back to 2007 based upon the booking numbers.

Indiana Code 36-8-10-22 (d) states: "Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund."

Indiana Code 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 . . . (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."

Medical expenses charged to an inmate are deducted from his or her inmate trust account balance. If the inmate does not maintain a balance in the account, the medical expense amount is accounted for as an outstanding debt; the co-pay is not waived in accordance with statute. Furthermore, the debt balances are not written off within 30 days after the service date as required by statute. If the inmate is reincarcerated, the prior debt may be reapplied to his account.

A report was generated on June 13, 2011, of inactive inmates with debt balances. This report included one inmate's account from 2002, but for the most part accounts dated back to 2007. This report comprised 8,658 inmate accounts, with debt balances totaling \$200,838.80.

COUNTY SHERIFF
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(Continued)

Indiana Code 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."

CONDITION OF RECORDS - CIVIL DIVISION

The Civil Division of the Sheriff's Department maintains a check register, which is the equivalent of a personal checking account register, in which the Civil Division records deposit amounts and check amounts. A Cash Book is also maintained electronically through computer software purchased by the Sheriff. The Civil Division records receipts by date, receipt number, and amount as well as disbursements by check date, check number, and amount in the computer software. As the Civil Division collects funds, an electronic receipt is supposed to be issued from the computer software, which will automatically post the entry to the electronic Cash Book when the Clerk initiates the posting mechanism. Checks are handwritten and must be posted individually into the electronic Cash Book. The electronic Cash Book replaced a prescribed handwritten Cash Book in March 2007, and is considered the official record for recording the financial transactions of the Sheriff's Civil Division. At the time the electronic Cash Book was placed into service the handwritten Cash Book was abandoned, and the cash balances were not properly transferred to the electronic records. Because the cash balances were not correctly transferred, the electronic Cash Book is not being used when reconciling the bank account. Furthermore, adjustments provided by the former Sheriff's accountant were not posted to the Cash Book. The Clerk who maintains the electronic Cash Book also maintains the Check Register, which is used as the basis for reconciling the bank account.

While the Check Register and electronic Cash Book should mirror each other, except for the posting of a deposit which comprises many individual receipts, several timing differences are observed between the two records. These timing differences affect the cash balances of the two records, which also affects the bank reconcilements. As of December 31, 2010, the reconciled cash balance exceeded the electronic Cash Book balance by \$17,557.72; however, the reconciled cash balance agreed to the Check Register balance as of that same date.

Because the electronic Cash Book is not used properly and is not reconciled to the bank account, errors are not detected or corrected. Some of errors noted included not being presented with a complete Cash Book. The first electronic Cash Book printed and provided for audit excluded checks issued in 2010 in amounts ranging from \$4,369.07 to \$19,672.37. Other checks totaling \$207,183.16 dated in January and February 2010 were found to be posted in December 2009. A check dated January 17, 2011, in the amount of \$15,187.77 was posted in May 2010. Checks are not being posted in sequential order. It was also determined that receipts were not being posted until after they were verified to the bank deposit.

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(Continued)

Because these issues were reported in prior Sheriff's reports, and due to numerous other issues the current Sheriff has encountered, he has personally hired an accountant to reconcile the bank accounts maintained by the Sheriff's Department. The accountant will also be providing guidance on enhancing internal controls over cash procedures.

The County reported the activity of the check register in their financial statements, which appears to be a more accurate accounting of the activity of the Sheriff Civil Division based upon bank account activity.

Indiana Code 5-13-6-1(e) states in part: "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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

UNCLAIMED PROPERTY - CIVIL DIVISION

As commented on in prior reports, the Civil Division of the Sheriff's Department has been holding \$11,600.95 in trust as unclaimed property for stale dated checks. The Sheriff has not remitted this money to the Indiana Attorney General's unclaimed property division as required by statute.

Indiana Code 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 . . . (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."

Indiana Code 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 . . ."

SHERIFF CIVIL - RECEIPT ISSUANCE - STATE DISTRIBUTIONS

A majority of the state distributions to the Sheriff issued during the period from April 7, 2010 to December 31, 2010, were posted to the records between 3 and 35 days after the date on the remittance advice issued by the Auditor of the State.

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)

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

PENSION TRUST

In accordance with state statute, for each writ, order, process, notice, tax warrant, etc., that the Sheriff serves, the Sheriff is to submit to the County Council a verified claim so that \$13 from each claim can be deposited into the Sheriff's Pension Trust Fund. For the year 2010, the Sheriff's Department did not submit verified claims of service to the County Council. Therefore, the County Council did not appropriate or deposit thirteen (\$13) for each verified claim of service into the pension trust.

Indiana Code 33-37-7-11 states:

"(a) This section applies to a county in which there is established a pension trust under IC 36-8-10-12.

(b) For each service of a writ, an order, a process, a notice, a tax warrant, or other paper completed by the sheriff of a county described in subsection (a), the sheriff shall submit to the county fiscal body a verified claim of service.

(c) From the county share distributed under section 4 of this chapter and deposited into the county general fund, the county fiscal body shall appropriate thirteen (\$13) for each verified claim submitted by the sheriff under subsection (b). Amounts appropriated under this subsection shall be deposited by the county auditor into the pension trust under IC 36-8-10-12."

FEES

Upon review of the receipts, we noted the following which limited our ability to perform audit procedures to verify the fees collected by the Sheriff's Bureau of Identification Department:

1. An ordinance supporting the fees charged for background checks, fingerprints and offense reports was not presented for audit.
2. A single receipt may be issued for multiple items (i.e., offense reports or background checks); however, the number of items is not indicated on the receipt.
3. Receipts issued did not specify the type of handgun permit (lifetime or limited) or the offender fee (annual fee or address change).

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 of Indiana, Chapter 1)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks for all bank accounts maintained by the Sheriff. In addition, not all bank statements were available for audit.

COUNTY SHERIFF
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(Continued)

Indiana Code 5-15-6-3(a) concerning optical imaging of checks, states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111(a) and (e) state:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

Supporting documentation such as receipts, canceled checks, tickets, 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)

REMITTANCE OF COLLECTIONS - ANIMAL CONTROL

The Sheriff's Animal Center (Center) is not remitting fees to the Auditor timely as illustrated below:

<u>Receipt Dates</u>	<u>Report of Collection Date</u>	<u>Auditor Receipt Date</u>
June 14 to 18	06-23-10	07-14-10
June 19 to 30	07-13-10	07-21-10
August 17 to 18	08-30-10	09-27-10
August 31 to September 4	09-14-10	09-28-10
September 10	09-21-10	10-07-10
September 15 to 16	09-24-10	10-25-10

Furthermore, the collections are not remitted to the Auditor in the same form (cash, and check) in which they were received as designated by the receipts. Some receipts reviewed were not marked as to the form of payment received.

COUNTY SHERIFF
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AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(c) states:

"Except as provided in subsection (d), all local officers, except township trustees, 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 several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ANIMAL CONTROL FILES AND FEES

Files are maintained on each animal housed at the Sheriff's Animal Center, including animals who are adopted, or who are subsequently claimed by their original owners. The files include all the paperwork performed for an adoption, including an Application, an Adoption Agreement, and a Certificate of Adoption. The Adoption Agreement, when fully completed, will include the date, fees by type (SNAP - spay and neuter, and adoption) and the receipt numbers issued for collection of the fees. For animals who are impounded and subsequently claimed by their owners, the files will include Return to Owner forms, which when fully completed include the date the animal was admitted, the date the animal was returned to the owner, and fees charged by type (Impound fees, shots, and a return to owner fee).

The following deficiencies were noted regarding the files and fees:

1. Files were incomplete. For some files the Certificates of Adoption were not located, but receipts were found for adoption fees.
2. Many Certificates of Adoption did not include receipt numbers.
3. Some fees listed on the Certificates of Adoption could not be traced to receipts.
4. Most Return to Owner forms did not include receipt numbers.
5. Many Return to Owner forms did not include applicable fees, as not all were charged, such as the impound fees or return to owner fees. Additionally, information was not provided on the form to indicate the reason the fees were not charged.
6. Some fees on the Return to Owner forms could not be traced to receipts.

According to Center employees, based upon a customer's circumstances, not all fees are charged. For example, if an owner comes to reclaim their pet, but cannot afford all the fees then the fees will be waived. Also, specials or reduced fees are offered for adoptions at the discretion of the Center. Such special circumstances or special fees should be addressed in the fee schedule, and have approval of the governing board. Additionally, such factors should be documented in the adoption files, as well as on the receipts. The Center Director should be approving any reductions in fees by signing the appropriate documents, and noting the reduction in the adoption files. Because the Center is waiving and reducing fees without proper authority and documentation, based upon the present filing system of adoption files, accountability over collections could not be readily determined.

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AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (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.

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 of Indiana, Chapter 1)

ANIMAL CONTROL FOSTER CARE

The Sheriff's Animal Center allows prospective pet owners to take an animal home for a maximum of 15 days to determine if the animal will be a good fit for their needs. The Center calls this service Foster Care. At the time the animal is released for foster care, the adoption and SNAP fees are collected as a "Foster Deposit." Receipts are not written for these collections and are not deposited with the County Auditor. The Center explained the fees are not receipted until the animal is adopted, because if the animal is returned, the fees are returned to the prospective pet owner. A "Foster Deposit Sheet" is maintained at the Center to account for the fees collected, but not receipted or deposited.

The Foster Deposit Sheet (Sheet) includes the following information: the dollar amount collected, the date, the description of the animal, the customer's name, and, if subsequently adopted, the adoption date. Foster Deposit Sheets provided for audit were incomplete. The customer names were not always indicated. Foster care deposits per the Foster Deposit Sheets, which were not marked to indicate that either the deposits had been returned or receipted, were totaled and compared to collections on hand at the Center on July 27, 2011. The deposits exceeded the collections by \$1,705. The Sheets showed deposits were being held in excess of the 15 day limit, which may indicate a cash shortage or that not all adoptions or refunds of deposits are being noted on the Sheets. Furthermore, one of the Clerks identified an outstanding deposit as having been receipted, but for a different amount than indicated as a deposit on the Sheet.

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)

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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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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EXIT CONFERENCE

The contents of this report were discussed on August 29, 2011, with John Buncich, Sheriff, and Sharon Rogich, Bookkeeper for the Sheriff's Department; and on September 7, 2011, with Rogelio "Roy" Dominguez, former Sheriff, and John M. Kopack, Attorney for the former Sheriff.