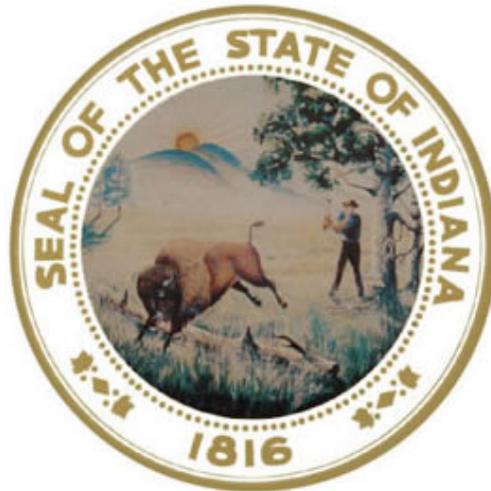


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
COUNTY HEALTH DEPARTMENT
LAKE COUNTY, INDIANA
January 1, 2010 to December 31, 2010



FILED

12/07/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Health Commissioner	Dr. Susan Best	01-01-07 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
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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Health Department 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

September 26, 2011

COUNTY HEALTH DEPARTMENT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

DEPOSITS NOT INTACT - HEALTH DEPARTMENT

The Health Department collects fees for birth certificates, death certificates, food permits, immunizations, swimming pool permits, and laboratory fees. The collections can be in the form of cash, check, or money order. The collections are to be deposited in the same composition, i.e., cash and check, as received.

The Health Department has not established a Petty Cash Fund with the approval of the County Council. However, a Petty Cash Fund was established through personal contributions from the employees of the Health Department. The contributions/Petty Cash Fund are then used to purchase cake and flowers for employees, as well as, for the purchases of office supplies.

The invoices for the office supplies are accumulated and remitted to the County Auditor for reimbursement. When the check is issued by the County Auditor to the Health Department for the reimbursement of the office supplies the check is included in the deposit of the collections for Health Department fees, and the cash collections are retained to replenish this Petty Cash Fund. This is one reason why collections are not always deposited in the same form as received.

Other instances were also observed where checks from customers were deposited when receipts indicate cash should have been deposited. In one case, it was determined, based upon information on the receipt, that cash change was given to the customer for a check written in excess of the fees due.

In a few isolated situations, checks were observed as being included in deposits to replace receipts issued for cash. Most of these isolated situations included small dollar amounts (amounts of less than \$10); however, a couple involved larger dollar amounts as follows:

A check dated December 29, 2010, in the amount of \$416 from Burns Funeral Homes, Inc., for which a receipt could not be located for audit, was included in a deposit made on December 30, 2010, to replace receipts issued on that date for cash collections and a receipt for a check received from Burns-Kish Funeral Homes, Inc., in the amount of \$224. The \$224 check from Burns-Kish Funeral Homes, Inc., was included in a subsequent deposit made on January 5, 2011, to replace cash receipts issued on that date.

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

Indiana Code 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."

COUNTY HEALTH DEPARTMENT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - HEALTH DEPARTMENT

Birth Certificates

Birth Certificate forms are prenumbered. A log is maintained of all birth certificates by number. For every birth certificate issued there should be a corresponding receipt issued.

When a customer requests a birth certificate, the certificate is printed by the Health Department Clerk on the prenumbered birth certificate form. A copy of the form is not retained for audit and there is not a computer listing by customer of certificates issued.

The Health Department maintains a listing of unused prenumbered forms. As a form is used, the Clerk using that form number is to indicate on the listing the date, the Clerk's name who used the form, and the corresponding receipt number. However, the Clerks do not include the birth certificate number on the corresponding receipt. On the receipts, only the number of birth certificates issued is indicated. If the Clerk does not indicate the date or receipt number on the listing of prenumbered forms, an issued birth certificate cannot be verified to a receipt. Instances were observed in which the listing was not properly completed. Furthermore, Clerks are not always noting when a form is used to correct an error, such as printing the wrong customer information; thus, a fee would not be collected for the form number used containing erroneous information. These voided documents are retained for audit, but lack the information required to trace it to the corrected document and receipt.

Death Certificates

Information to prepare a death certificate is retained in one of three ways: electronically through the State's database, on microfilm, or through paper records retained at the Health Department.

Death certificates are not issued on prenumbered forms. The death certificates issued are duplicate copies or reprints of the original information. The duplicate copies or reprints are hand-stamped with the Health Department's seal for authenticity.

Each Clerk in the Lake County Health Department is responsible for researching and preparing the death certificates. The same Clerk who prepares the death certificate will also issue the receipt and maintain the collection of fees. There is no accountability for the number of death certificates issued and sealed for authenticity and there is no accountability for the amount of fees collected.

Receipts

1. Receipts issued did not always indicate composition (cash or check).
2. Health Department officials require check numbers to be included on receipts, when payment is made by check; however, check numbers were not always noted on the receipts.
3. Receipts forms are in duplicate. The original is issued to the patron and the carbon copy is retained in the receipt book. There were instances where the carbon copy was altered in ink. Such alterations included changing the number of items purchased and method of payment (cash or check).
4. Receipts were not always issued at the time money was received and checks were observed as deposited which could not be verified to a receipt.

COUNTY HEALTH DEPARTMENT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Reports of Collections

Each Clerk is responsible for preparing an individual report of collections each day. These reports of collections indicate the dollar amounts of birth, death, immunizations, laboratory, septic, restaurant, land disposal, swimming pool, and coroner's fees to be posted to each fund category and total amount of collections. The Clerk will indicate the receipt book number and receipt sequence that corresponds to the remittances. The individual reports of collections are subsequently combined into one report of collections. This combined report is remitted to the auditor's office along with an adding machine tape of the collections being remitted. On the adding machine tape, the Clerk preparing the combined report of collections will indicate the checks remitted separately from the cash being remitted. A copy of the combined report of collections along with the County Auditor's receipt is retained by the Health Department. The adding machine tape and original copy of the report of collections is retained by the County Auditor.

The sequence of receipts indicated on the individual and combined reports of collections is not always accurate. For example, the receipt numbers would overlap from one report of collections to the next.

The individual reports of collections do not include the composition of the collections. Some Clerks attached adding machine tapes in their receipt books to document the composition and end of the receipt sequence being reported, but this was not uniformly performed by all of the Clerks.

The combined reports of collections were prepared by the Clerks who were also responsible for collecting and receipting funds. One Clerk prepared the majority of the combined reports reviewed; however, these duties are to be shared by each of the Clerks in the office. The combined report of collections is not prepared, reviewed, or verified by the Administrator or Deputy Administrator, neither of whom participates in the receipt and collection process.

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.

COUNTY HEALTH DEPARTMENT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2011, with Dr. Susan Best, Health Commissioner; Nicholas Doffin, Administrator; and Sandy Smoljan, Deputy Administrator.