

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

AUDIT REPORT  
OF  
COUNTY SHERIFF  
LAPORTE COUNTY, INDIANA  
July 8, 2010 to August 17, 2011



**FILED**  
12/07/2011



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Michael Mollenhauer	01-01-07 to 12-31-14
President of the County Council	Mark Yagelski Richard Mrozinski, Jr.	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Board of County Commissioners	Barbara Huston Kenneth Layton	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 LAPORTE COUNTY

We have audited the records of the County Sheriff for the period from July 8, 2010 to August 17, 2011, 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 LaPorte County for the year 2010.

STATE BOARD OF ACCOUNTS

November 3, 2011

COUNTY SHERIFF  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS - INMATE TRUST***

Depository reconciliations of the Inmate Trust Register balances to the bank account balances were incorrect at December 31, 2010. The December 31, 2010, bank reconciliation had an unidentified variance of \$5,693.85. The adjusted bank balance was higher than the Inmate Trust Ledger.

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, Chapter 1)

***COMMISSARY BANK ACCOUNT***

The Commissary Account maintained by the Sheriff's Office is not being used as intended by Indiana Code 36-8-10-21. Various claims are being paid by the Sheriff with the commissary account and subsequently reimbursed by the County. In essence the Commissary Account is being used to pay for claims that would normally be required to go through the County's claim process. For the period of audit, July 8, 2010 through August 17, 2011, the Sheriff's Commissary Account was reimbursed \$26,500.77. These reimbursement expenses were posted to various funds on the County records.

Nothing was presented for audit that would indicate that process described above was mutually agreed upon by the county fiscal body and the county sheriff or the type of expenses that would be reimbursed by the County.

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

"The sheriff . . . at the sheriff's discretion and without appropriation by the fiscal body, may disburse money from the fund for: . . . (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)."

Indiana Code 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."

COUNTY SHERIFF  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CREDIT CARDS**

The Sheriff, Commissioners, some Department Heads, and Superior Court 3 are using credit cards to purchase items without a credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***NON-REVERTING TELEPHONE COMMISSIONS FUND***

On October 19, 2010, the LaPorte County Board of Commissioners approved Ordinance No. 2010-08, "An Ordinance Creating a Non-Reverting Telephone Commissions Fund". This ordinance requires the receipt of all telephone commissions received by the County into the newly created Telephone Commissions Fund. Through June 22, 2011, total telephone commissions received to this fund are \$11.

COUNTY SHERIFF  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County Sheriff has been depositing telephone commissions for inmate telephone services to the Jail Commissary Fund established in accordance with Indiana Code 36-8-10-21. Total telephone commission receipts into the Sheriff's Commissary Fund for the time period October 19, 2010 through June 22, 2011, are \$88,896.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**DONATIONS**

During the audit period July 8, 2010 through August 17, 2011, the following donations totaling \$6,150, were made from the Commissary Account by the Sheriff's Department:

Date	Check Number	Vendor	Amount
01-21-11	5121	Worthy Women Recovery Home	\$ 1,500
02-07-11	5154	LaPorte County Reserves	1,000
03-28-11	5214	Dunebrook	2,500
04-20-11	5233	LaPorte County Mounted Posse	1,000
08-16-11	5350	Dunebrook	150

Donations are not specifically authorized under Indiana Code 36-8-10-21(d).

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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;

COUNTY SHERIFF  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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."

***ADVANCE PAYMENTS***

On June 23, 2011, four Sheriff Department employees were advanced \$900 each prior to the receipt of goods or services. The cash advance was for meal allowance for 15 weeks while the individuals were training at a police academy.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

***MEMBERSHIP ON-DUTY INSURANCE BENEFITS***

Records presented for audit indicate noncompliance with Indiana Code 36-8-10-21(d) and the Internal Revenue Service fringe benefit reporting requirements. On July 23, 2010, the Sheriff's Department used commissary account money to pay for membership on-duty insurance benefits for 33 individuals. These policies were renewed on August 17, 2011. The total amount paid for two years of coverage was \$2,574.

The National Reserve Law Officers Membership On-Duty Insurance Benefits covers individual members while traveling directly to and from their assignment. Membership provides Paralysis and Coma Benefits if a member's injury results in paralysis or coma within 180 days after the date of the accident. Excess Accidental Medical and Dental Insurance is paid if you are injured while performing law enforcement functions. An Accidental Death Payment is paid if a member is killed in the line of duty. An Accidental Dismemberment may also be paid and other benefits are available.

COUNTY SHERIFF  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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;
- (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."

COUNTY SHERIFF  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2011, with Michael Mollenhauer, Sheriff; James T. Sosinski, Chief Deputy; George E. Ritter, Major; Jeanne L. Albers, Commissary Secretary; and Connie Trojanowski, Civil Division. The official response has been made a part of this report and may be found on pages 10 through 16.

The contents of this report were discussed on November 3, 2011, with Barbara Huston, President of the Board of County Commissioners; and Richard Mrozinski, Jr., President of the County Council.



**MICHAEL F. MOLLENHAUER**  
**LaPorte County Sheriff**

*Chief Deputy*  
**JAMES T. SOSINSKI**

*Major*  
**GEORGE RITTER**

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November 3, 2011

State Board of Accounts

Re: Additional Comments on Audit Results/Exit Interview

BANK ACCOUNT RECONCILIATIONS – INMATE TRUST

The discrepancy that was found for the inmate trust fund account balance is due to the large amount of outstanding release checks written for inmates. This amount is constantly changing. To make it easier to keep track of these checks, the bank reconciliations are being done in the Keefe banking software. The difference is still being identified but as soon as it is found, the reconciliation difference should be zero.

We are also looking in to getting an Inmate Debit Card Release System through Keefe. Instead of writing the inmate a check upon their release, the balance on their inmate trust fund account would be transferred to a debit card for the inmate. The amount clears our bank immediately through a transfer of funds from our Inmate Trust Fund bank account to Keefe's bank account that issues the debit cards. Implementing this system would completely eliminate the outstanding checks problem and it will simplify the accounting process exponentially.

COMMISSARY BANK ACCOUNT

In response to the State Board of Accounts' findings on the reimbursement procedure, the LaPorte County Sheriff's Office will no longer pay invoices from the Commissary fund then request reimbursement from the County. If an invoice is turned in for payment that should be paid directly from a County budget, it will be submitted for payment to the Auditor.

Since the State Board of Accounts' audit exit interview on August 17, 2010, the Sheriff's Office has asked for reimbursement on very few things other than travel expenses incurred on credit cards for training and extraditions. The Sheriff's Office has not submitted for any reimbursements on travel expenses for events after May of 2011.

The Sheriff's Office would like to make an agreement with the Commissioners and County Council regarding travel expenses incurred using the Department credit card for training and extradition:

- The Sheriff's Office Jail Administrative Assistant will issue the Department credit card to an officer for use in travel during training and/or extraditions.
- The officer will return the credit card and receipts to the Jail Administrative Assistant upon their return.
- The Jail Administrative Assistant will then itemize the receipts and document them on a spreadsheet, detailing why the credit card was used.
- When the credit card statement comes in, it and all of the itemized receipts will be turned over immediately to the Auditor's office for payment from the appropriate fund(s).
- If the payment is made late to the credit card company and any late fees or interest are incurred, the Auditor will be responsible for paying those fees.

Having this agreement will eliminate the need for reimbursement to the Commissary account, which is what the State Board of Accounts is suggesting and would make it possible for the LaPorte County Sheriff's Office to comply with.

#### CREDIT CARDS

As outlined in our initial response on August 30, 2011 (see enclosed), we agree with the fact that all departments should have a credit card policy. Let it also be noted that the policy being suggested is very close to the procedure that we have for the credit cards being paid by the Commissary account.

#### NON-REVERTING TELEPHONE COMMISSIONS FUND

There are two major issues with the inmate telephone commissions.

- The County Bulletin, Vol. No. 377 April 2011 newsletter issued by State Board of Accounts states under the section "Telephone Fees at the County Jail": "IC 36-8-10-21 allows the County Sheriff to establish a commissary fund for the sale of merchandise to inmates. If the county jail has pay telephones, which pays a long distance commission to the county, and those telephones are in an area of the jail used exclusively by inmates, then we would not take an audit exception to those commissions being deposited in the Commissary Fund." (see enclosed)
- Ordinance No. 2010-08 passed by the LaPorte County Board of Commissioners contradicts and directly violates state law, Indiana Code 36-8-10-21.

#### DONATIONS

The Sheriff's Office was unaware up to this audit that invoices had to be submitted from an organization receiving funds from the Commissary account. In the future, the Sheriff's Office will require an invoice or statement from an organization stating that the funds are being used in accordance with IC 36-8-10-21.

To explain the five payments in question:

- \$1,500 to the Worthy Women’s Recovery Home – A community program that provided the service of helping women released from the jail who are the victims of abuse.
- \$1,000 to LaPorte County Reserves – A program of the Sheriff’s department providing the service of protecting the community from criminal activity.
- \$2,500 to Dunebrook – A Child Advocacy Center provides a service to children of the community.
- \$1,000 to LaPorte County Mounted Posse - A program of the Sheriff’s department providing the service of protecting the community from criminal activity.
- \$150 to Dunebrook – A Child Advocacy Center that issued a brochure with a public service announcement regarding child abuse from the LaPorte County Sheriff’s Office.

ADVANCE PAYMENTS

This is in response to the \$900 checks issued to employees to compensate for meals during their 15 week training at the Police Academy. We found out about 10 days before the new Merit officer hires went to the training academy that the academy no longer provides the evening meal for trainees. We didn’t have a credit card available to send with them for 15 weeks. We made the best decision we could within a short amount of time and decided to allot a \$15 per diem for each trainee, which totaled \$900. Each trainee was issued a check with the instructions to return itemized food receipts each week and any left over money at the end of the training period. Receipts and change must total \$900. They could not go over the \$900. If they did, they were responsible for re-payment.

We now understand that the State Board of Accounts does not approve of this method but is also short on approved suggestions. One State Board of Accounts representative suggested the use of a pre-paid debit card purchased initially by the Sheriff’s Office. However, he said this method was also not pre-approved with the State Board of Accounts.

The Sheriff’s Office will work with the State Board of Accounts on an approved method and hopefully put it into effect by the next training period in January 2012.

MEMBERSHIP ON-DUTY INSURANCE BENEFITS

The two insurance payments in 2010 and 2011 to the NRLO for Reserve Officers’ insurance were made in error. In May 2010, the former Jail Administrative Assistant resigned without notice. She did not stay to train a new employee. In June 2010, current Jail Administrative Assistant Jeanne Albers took over the position. Due to lack of documentation on where this bill was to be paid and the fact that the invoice was addressed directly to the Administrative Assistant, I assumed that the bill was to be paid from Commissary Funds. It was an honest mistake and will be submitted to the Commissioners for payment in the future.

When asked in the Exit Interview meeting, the State Board of Accounts representatives said that we should ask for reimbursement on these two invoices. Since these bills were mistakenly paid from the Commissary Fund, they will be submitted to the Commissioners for reimbursement to the Commissary Fund for \$2,574.00.

Overall, the LaPorte County Sheriff's Office is working with the State Board of Accounts to correct any mistakes for future audits.

Sincerely,



Sheriff Michael F. Mollenhauer



**MICHAEL F. MOLLENHAUER**  
**LaPorte County Sheriff**

*Chief Deputy*  
**JAMES T. SOSINSKI**

*Major*  
**GEORGE RITTER**

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August 30, 2011

State Board of Accounts  
Re: Comments on Audit Results/Exit Interview

Credit Cards

The LaPorte County Sheriff's Office agrees with the recommendation to create a credit card policy. The credit cards within the Commissary Fund follow very similar guidelines as suggested in the audit comments. We would like to offer some suggestions for consideration in creating a separate credit card policy for the LaPorte County Sheriff's Commissary Fund:

- In explanation of item 2; in the matters of the Sheriff's Office, the credit cards are issued and handled by the Jail Administrative Assistant. The Sheriff, Chief Deputy and Major also have credit cards in their possession for use and issuance at their discretion.
- In addition to item 3; the purpose for which the credit cards are used for should include the attributes under IC 36-8-10-21(d), attribute for disbursement of commissary funds.

Otherwise, the credit card policy suggested follows the guidelines that we run the credit card policy from currently. Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Michael F. Mollenhauer".  
Sheriff Michael F. Mollenhauer

# THE COUNTY BULLETIN

## And Uniform Compliance Guidelines

### ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 377

April 2011

#### REMINDER OF ORDER OF BUSINESS

#### April

- 15 Members of Tax Adjustment Board to be appointed before this date in counties that have not abolished such board. (IC 6-1.1-29-2)
- Last day to make pension report and payment for first quarter by counties participating in Public Employees' Retirement Fund.
- 20 Last day to report and make payment of balance of State and County Income Tax withheld in March to Indiana Department of Revenue.
- Last day to file quarterly unemployment compensation reports with the Department of Workforce Development.
- 22 Good - Friday - Legal Holiday (IC 1-1-9-1)
- 26, 27 & 28 State Board of Accounts called meeting for County Recorders - Indianapolis
- 30 Last day to file quarterly report of federal withholding tax with Director of Internal Revenue Service.

#### May

- 1 Prepare report of school funds to Auditor of State and make payment of principal and interest due to Treasurer of State on the Common and Permanent Endowment Funds, and pay the Treasurer of State all fines and forfeitures on hand April 30, 2009, as shown in this report. (IC 20-42-1-6)
- 10 First installment of property taxes due. (IC 6-1.1-22-9)
- 15 On or before May 15 is the last regular day for filing applications for tax exemption by Churches, Educational and Charitable organizations. (IC 6-1.1-11-3)
- Period for normal filing of personal property schedules ends. (IC 6-1.1-1-7)
- Before May 16, of each even numbered year, the County Auditor shall provide to the County Assessor a list by taxing district of property for which a tax exemption was in effect for the preceding year. (IC 6-1.1-11-5)

**THE COUNTY BULLETIN**  
And Uniform Compliance Guidelines

Volume 377, Page 7

April 2011

**COUNTY SHERIFFS**

**Accident Report Fund**

IC 9-29-11-1 allows County Sherriff's to charge a fee which shall be fixed by ordinance of the fiscal body in an amount not less than five dollars (\$5.00) for each report. The fee shall be deposited in a separate account to be known as the Accident Report Fund and may be expended at the discretion of the County Sheriff for any purpose reasonably related to the keeping of accident reports and records or the prevention of street and highway accidents.

We recommend the following procedures be used in accounting for such transactions:

- (1) Issue a Receipt, Sheriff's Receipt No. 133 for each fee collected and post the receipt to the Sheriff's Cash Book.
- (2) Remit the receipts to the County Auditor at the end of each month on the Monthly Report of Collection (County Form No. 362).
- (3) The County Auditor shall receipt the fees to a separate "Accident Report Fund."
- (4) The money in the fund may be expended for the purposes listed in IC 9-29-11-1 without appropriation.

**Buy Money**

The following procedures should be followed in obtaining and making expenditures for buy money or payments to informants:

- (1) Under IC 36-1-3 an ordinance be passed allowing this type of program and associated expenditures;
- (2) An appropriation for such purpose be provided in the manner authorized by state statutes;
- (3) Petty cash fund procedures are followed as authorized by IC 36-1-8-3; and
- (4) A minimum documentation procedure to be followed, similar to either:
  - (a) Guidelines for Confidential Expenditures, Appendix J, Indiana Criminal Justice Planning Agency Financial Guide; or
  - (b) Guidelines for Withdrawal of Money and Reporting Procedures of Enforcement Aid Fund Moneys, Indiana State Police Department.

**Telephone Fees at the County Jail**

IC 36-8-10-21 allows the County Sheriff to establish a commissary fund for the sale of merchandise to inmates. If the county jail has pay telephones, which pays a long distance commission to the county, and those telephones are in an area of the jail used exclusively by inmates, then we would not take an audit exception to those commissions being deposited in the Commissary Fund.

However, if the telephones are in an area of the jail which is accessible to the public, then the commission for long distance calls shall be deposited in the County General Fund and would require an additional appropriation for expenditure of this revenue.