

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

AUDIT REPORT

OF

CLERK OF THE CIRCUIT COURT

CLARK COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
03/23/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Barbara Haas	01-01-08 to 12-31-14
President of the County Council	Jack Coffman Kevin Vissing Barbara Hollis	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of County Commissioners	M. Edward Meyer Les Young	01-01-10 to 12-31-11 01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the Clerk of the Circuit Court 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 Clark County for the year 2010.

STATE BOARD OF ACCOUNTS

July 22, 2011

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

During a review of the financial activity the following weaknesses in internal controls were identified.

1. When collections are remitted to the Clerk's office by the Traffic Bureau the person remitting and receiving the collections does not sign the computerized print out providing documentation to show the transfer and verification of monies transferred from one person to another. Each person initials the print out, however; initials can be easily duplicated and can apply to more than one individual.
2. There are no reports in the child support computerized financial system (ISETS - Indiana Support Enforcement Tracking System) to help ensure all receipt batches are accounted for. It is possible that batches could remain unapproved for an extended period of time when there are insufficient manual or system controls to ensure each batch is approved timely. When batches remain unapproved, the unapproved transactions are in held status and further processing is suspended until the batch is approved. As a result, it is more likely that disbursements to participants could be delayed if staff are not provided a mechanism to help ensure all batches have been accounted for.
3. Proper segregation of duties did not exist between individuals responsible for handling cash and reconciling and posting financial activity. The same individual is responsible for preparing and making bank deposits, issuing and signing checks, issuing receipts, posting activity to the ledger, making adjustment/correction transactions to the records, and reconciling the ledger balance with the bank balance.

Proper segregation of duties is required to ensure the accuracy in financial reporting and the safeguarding of assets.

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 objections, 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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

A similar comment was reported in Reports B37133 and B38284.

CASH NECESSARY TO BALANCE – CHILD SUPPORT

The Clerk's reconciliation of the Child Support depository account balance to the Child Support record balance at December 31, 2010 showed a cash necessary to balance which is a net depository balance less than record balance of cash and investments in the amount of \$520.

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

A similar comment was reported in prior Reports B37133 and B38284.

CASH NECESSARY TO BALANCE – CASHBOOK

During the year 2010 monthly reconciliations of the depository account balance with the Court Cash Book record balance were performed; however, unidentified differences existed in each month. The difference between the record balance and depository balance at December 31, 2010, was \$8,334 with the depository account balance showing less than the record balance.

Indiana Code 5-13-6-1(e) states: "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 Clerks of the Circuit Courts of Indiana, Chapter 13)

A similar comment was made in prior Reports B37133 and B38284.

RECONCILIATION OF SUBSIDIARY LEDGER – TRUST ACCOUNTS

The balance per the detail trust subsidiary record did not agree with the balance per the ledger control account. At December 31, 2010, the trust subsidiary record showed a balance of \$1,998,726, whereas, the balance per the cash book ledger control account showed a balance of \$1,998,946 for a difference of \$220.

At all times, the manual and 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 Clerks of the Circuit Courts of Indiana, Chapter 13)

A similar comment was reported in prior Reports B37133 and B38284.

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPARTMENT ANNUAL FINANCIAL REPORT

Financial activity for the Clerk of the Circuit Court was not properly reported. The financial activity, as shown on the Supplemental CAR-1 report, prepared for the Department overstated the financial activity for receipts in the amount of \$4,010,551, disbursements in the amount of \$3,518,405, and the ending cash balance in the amount of \$492,547.

The Supplemental CAR-1 has been prescribed to summarize yearly financial activity associated with the County's department for inclusion in the County's Annual Financial Report. Failure of the department to provide accurate financial information to the County Auditor for incorporation into the County's Annual Financial Report could result in the State Board of Accounts not being able to provide an unqualified opinion on the Independent Auditor's Report.

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)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment was reported in prior the Report B38284.

COURT FEES – ALCOHOL AND DRUG COUNTERMEASURE FEE

The County portion of alcohol and drug countermeasure fees collected by the Clerk of the Court for the period August to December 2010 in the amount of \$8,259 was reported to the County Auditor on the Report of Collections to be receipted to County Fund 286, County Alcohol and Drug Fund

Indiana Code 33-37-4-2(c) states in part: "The clerk of a circuit court shall distribute monthly to the county auditor . . . Seventy-five percent (75%) of the alcohol and drug countermeasure fees collected. . . The county auditor shall deposit fees distributed by a clerk under this subsection into the county drug free community fund established under IC 5-2-11."

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

DISHONORED CHECKS NOT REFERRED TO PROSECUTING ATTORNEY

Cash reconcilements prepared by the Clerk's office include dishonored checks in the amount of \$1,062 for court fees and \$105 for support fees. No documentation was presented for audit showing these checks were referred to the Prosecuting Attorney within 90 days after the checks were received.

CLERK OF THE CIRCUIT COURT
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AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-13 states: "A unit that is unable to obtain payment of a dishonored check shall, not later than ninety (90) days after the check is initially received by the unit, refer the matter to the prosecuting attorney for the county where the dishonored check was received for prosecution."

If the clerk is unable to obtain payment of a dishonored check, not later than ninety (90) days after the check was initially received, the matter shall be reported to the Prosecuting Attorney for the county. Many clerks have adopted the policy of requiring remittances in the form of money orders, certified checks or payments in cash. If the dishonored check is related to support payments, IC 33-32-4-6 authorizes clerks to reimburse support accounts from support fees for funds improperly disbursed through an error or because a check or money order was dishonored by a financial institution. The clerk is required to notify the prosecutor and pursue collection of these support fees. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts, Chapter 5)

TRANSACTION RECORDING

Interest earned on a money market checking account for the period June 2010 to December 2010 was not posted to the financial records.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

DISTRIBUTION OF FEES – PARKING VIOLATIONS

Fees collected for Class C infractions under Indiana Code 5-16-9-5(a) relating to parking in handicapped space without a placard were reported to the County Auditor by the Clerk of the Circuit Court to be deposited in the County General Fund.

Indiana Code 34-28-5-5(c) states in part: ". . . the funds collected as judgments for violations of statutes defining infractions shall be deposited in the state general fund."

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Court of Indiana, Chapter 13)

DISTRIBUTION OF ORDINANCE VIOLATION CIVIL PENALTIES

The Clerk of the Circuit Court reported monies collected for municipal ordinance violations in the amount of \$6,077 for the period August to December 2010 to be receipted to County Fund number 313, Continuing Law Enforcement User Fee Fund.

Judgments for municipal corporations should be collected and distributed to the municipal corporation as ordered by the court. The guidance provided by the local government ordinance should then be followed by the municipal corporation's fiscal officer in depositing penalties prescribed by local government ordinance.

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 34-28-5-1 (c) An action to enforce an ordinance shall be brought in the name of the municipal corporation.

SHERIFF PROCESSOR SERVICE FEE

The County has established a pension trust under Indiana Code 36-8-10-12. During the course of the year monies collected for sheriff process service fee were at times reported to the County Auditor to be recorded in the County General Fund and at other times recorded to a Pension Trust fund.

Indiana Code 33-37-5-15(d) states in part: "The county auditor shall deposit fees collected under this section: (1) in the pension trust established by the county under IC 36-8-10-12 . . ."

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

ACCOUNTING SYSTEM WEAKNESS

Clark County, in conjunction with the Indiana Family and Social Services Administration, accounted for child support collections and payments through the Indiana Support Enforcement Tracking System (ISETS) the year during 2010. The following deficiency was identified:

Balances of child support cases include errors resulting from data conversion, information not recorded during the time period from data conversion to system implementation, computer application processing errors and user errors. The errors are currently being corrected on a case-by-case basis as they are identified.

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 Clerks of the Circuit Courts, Chapter 14)

A similar comment was made in prior Report B38284.

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

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

CLERK OF THE CIRCUIT COURT
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- (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)."

A similar comment was reported in Reports B37133 and B38284.

CLERK OF THE CIRCUIT COURT
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2011, with Barbara Hass, Clerk, and Nancy Shepherd, Chief Deputy.

The contents of this report were discussed on December 13, 2011, with Barbara Hollis, President of the County Council.

The contents of this report were discussed on December 19, 2011, with M. Edward Meyer, former President of the Board of County Commissioners.