

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

AUDIT REPORT

OF

CLERK OF THE CIRCUIT COURT

ST. JOSEPH COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
08/27/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of the Circuit Court	Terri Rethlake	01-01-11 to 12-31-14
President of the County Council	Raphael Morton	01-01-11 to 12-31-12
President of the Board of County Commissioners	Robert Kovach Andrew Kostielney	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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TO: THE OFFICIALS OF ST. JOSEPH COUNTY

We have audited the records of the Clerk of the Circuit Court for the period from January 1, 2011 to December 31, 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 St. Joseph County for the year 2011.

STATE BOARD OF ACCOUNTS

August 2, 2012

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

During the audit of the Clerk of the Circuit Court's (Clerk) records, the following deficiencies were noted:

1. Bank Reconcilements

The bank reconcilements, for the main office Cash Book, have not been completed from September 2011 through May 2012. When we first started the audit fieldwork, in the early part of January 2012, the Clerk's staff was working on the September 2011 reconciliation and as of the end May 2012, there has been little progress.

We were unable to verify the Cash Book balance at December 31, 2011, of \$10,899,485 due to the lack of bank reconcilements. The bank balance at December 31, 2011, was \$7,938,324

Indiana Code 5-13-6-1(1)(c) states in part: "All local investment officers shall reconcile at least monthly the balances 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)

2. Cash Book Postings

The 2012 Cash Book is not being posted timely. As of June 4, 2012, the staff is in the process of posting transactions for March 2012.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

3. Control Account and Sub Accounts – Posting Errors

The December 30, 2011 Cash Book balances did not agree to the total of the subaccount balances. The ending balance of the Cash Book control account shows \$10,899,485 and the ending balance of the subaccounts totals \$3,257,648, which leaves a discrepancy of \$6,426,564.

The difference noted above was caused by posting errors to the subaccounts. One example is that on a daily basis, the total disbursements for the day are posted to the control account however those disbursements are not posted to the subaccounts which caused the subaccount balances to be inflated. Two other examples are shown in the next two paragraphs.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Our calculated cash bond subaccount balance for December 31, 2011, totals \$4,165,841 and the Cash Book's cash bond subaccount show \$1,663,008. After examining the Clerk's Daily Cash Book of Receipts and Disbursements sheets, we determined that there were two problems contributing to the discrepancy in this account. The first, as mentioned in the previous paragraph, was the fact that daily disbursements were not posted to the Cash Bond subaccount and the second problem was that on December 27, 2011, the balance that was brought forward, \$0 did not agree to the balance from the previous business day, December 22, 2011, \$3,077,576.

Our calculated trust funds subaccount balance for December 31, 2011, totals \$3,579,208 and the Cash Book's trust funds subaccount shows \$58,501. After examining the Clerk's Daily Cash Book of Receipts and Disbursements sheets, we determined that the same problems discussed previously also contributed to the discrepancy in this account. On December 27, 2011, the balance that was brought forward, \$0 did not agree to the balance from the previous business day, December 22, 2011, of \$2,307,636. After further review of the Clerk's Cash Book of Receipts & Disbursements Sheets for October and November 2011, we noted that the conditions related to posting errors were also problems in those months.

After reconciling the cash with the daily receipts, the transactions are to be posted to the Cash Book of receipts and disbursements. Entries to the receipt side of the Cash Book of receipts and disbursements are to be made from the duplicate receipts in numerical order. Postings should begin with the date of the transaction, the cause number and record reference wherein the transaction was entered, from whom received and for what purpose. The total amount received must be entered in the total column of the Cash Book of receipts and disbursements extending the various items to the proper columns and under the appropriate headings. The distribution to the proper columns will be the same as shown on the receipt.

Entries to the disbursements side of the cash book of receipts and disbursements should be entered in the same manner as receipts are entered. Disbursements should be entered in numerical order showing the check number, record reference, to whom and purpose for which the check was issued. The amount of the check should be entered in the total disbursements column and the distribution extended to the appropriate column. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

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)

After all receipts and disbursements have been properly entered, add each column and prove the totals crosswise. The total of all receipts and disbursements must equal the amount shown as the total in the TOTAL COLUMN for receipts and disbursements. If this does not prove, an error has been made and you must retrace your work. It is much easier to detect errors on a daily basis than to wait until the end of the month.

Reconcile cash receipts daily and make complete daily postings to the cash book regardless of how few transactions you have had.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

When postings have filled a cash book page, prove the totals of receipts and disbursements crosswise before forwarding the amounts to the next page. The totals should be cumulative to the end of the month at which time the regular monthly report to the auditor and settlement with the treasurer will be made. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

DEPOSITS

For the month of November 2011, three of the eighteen deposits tested for the main office were deposited later than the next business day. Two of those deposits were deposited two business days late, and one was deposited four business days late.

During the same period, we also noted two instances in which the deposits were less than the receipts (short). The deposit for November 16, 2011, was short \$3,607 and the deposit for November 21, 2011, was short \$142. Due to lack of timely bank reconciliations, we found these errors during our audit tests and presented the errors to the Clerk. These errors were corrected by the bank with deposits made to the Clerk's bank account on February 9, 2012, and February 6, 2012, respectively.

For the month of November 2011, thirteen of the seventy-two receipts batches tested for support from the main office were deposited later than the next business day. Six of those receipt batches were deposited two business days late, two were deposited four business days late, four were deposited five business days late, and one was deposited six business days late. During the same period, we also noted four instances where deposits were not deposited intact. The cash and checks amounts as indicated by the official receipts did not agree to the cash and checks as indicated by the deposit slip. In those four incidents, the checks amount per deposit slips were higher and the checks listed on the actual receipts and the cash on the deposit slips was lower than the cash listed on the actual receipts. In one of these four instances, the difference was \$300 and in another the difference was \$110.

In our test of small claims court we found four instances in which the deposits were not made the next business day. In those four instances, the deposits were made on the 2nd subsequent business day and included cash amounts of \$1,151; \$858; \$2,611; and \$5,053, respectively.

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

". . . all local officers . . . 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 . . . local boards of finance. . . ."

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."

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

RECONCILING THE REGISTER OF FUNDS HELD IN TRUST

As noted in prior Reports B31268, B33487, B35035, B37539, and B39140, funds held in trust by the Clerk of the Circuit Court (Clerk) are not being reconciled to the Cash Book. The Cash Book balance shows a total of cash bonds and trust funds of \$1,721,509 held by the Clerk in the main office on December 31, 2011. A summary schedule of the outstanding cash bonds and trust funds at December 31, 2011, was not presented for audit and the Clerk's software system could not produce such a report. As a result of the system limitations, the Clerk has no mechanism to determine whether the amounts being carried on the Cash Book for cash bond and trust funds are correct and at the same time the Clerk has no way of knowing what is truly outstanding at any given time. The following list of items are being held based on past audits and discussions with officials: Cash attachment bonds, attorney trust, change of venue, foreign checks, tenders into court, miscellaneous receipts, old support checks, miscellaneous trust, traffic and misdemeanor partial payments, traffic and misdemeanor bonds, felony bonds with old numbers, felony bonds, felony partial payments, escrow bonds, and juvenile payments.

In the Mishawaka Office, the reconciliation of the trust to the Cash Book had a difference of \$21,026. The Mishawaka's office had a balance of \$218,859 that was held in trust at December 31, 2011, and the detail of all items on hand as calculated by the staff at December 31, 2011, was \$197,833.

As soon as possible after the cash book and daily balance record have been closed for the month, the clerk should reconcile the trust register with these two records. Total all items appearing on and in the trust fund register. This also must be done as of the last day of the month. The total of these items must equal the balance in the trust fund column of the Cash Book and in the daily balance record. If there is a difference, an error has been made. It will behoove you to review the work to detect the error and make the necessary correction. Do not leave the books out of balance. If you have been accurate in posting the records daily and have proved each day's transactions, you will not have any difficulty. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

Our review of trust items on hand revealed that many items had been on hand for a period of five years or longer. Similar comments were made in the prior Reports B31268, B33487, B35035, B37539, and B39140.

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-3. They should not be allowed to accumulate beyond the proper time period for remittance to the Attorney General. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

OLD OUTSTANDING CHECKS (WARRANTS) - MISHAWAKA OFFICE

Our review of the bank reconciliation of the Mishawaka office of the Clerk of the Circuit Court at December 31, 2011, showed \$833.37 in checks that have been outstanding for five years and should be remitted to the Attorney General. The amount of these checks that have been outstanding in excess of two years was \$1,843.14, including the above amount. A similar comment was made in prior Reports B28220, B31268, B33487, B35035, B37539, and B39140.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In order to eliminate old outstanding checks from the records, perform the following:

1. Issue a formal stop payment order to the bank upon which each check is drawn.
2. If the check was for child support, follow the procedures established to enter the check into ISETS. For all other checks, enter the amount of each check as a receipt in the Cash Book. Post the respective amounts to the trust column of the Cash Book and enter each amount in the name of the payee in the register of trust.
3. Since the checks have never cleared the bank, the amount is still on deposit. Therefore, when all such checks are charged to the records and reinstated in the trust register or ISETS, the original check numbers will be eliminated as outstanding in the next reconciliation with the bank.
4. If, at the time such checks are restored to the records, the original dates indicate the checks have been outstanding for five or more years, they should be paid over to the Attorney General immediately. The original date should be shown in the register of trust or on ISETS. If the checks are not old enough to be collected by the Attorney General they should be held until the proper time period has elapsed.

The entry in the Cash Book, for non-child support outstanding checks, should be:

"Old Outstanding Check No. _____ issued _____ (date) _____, to _____
(Name) _____," and extend the amounts to the total and trust fund columns.

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-3. They should not be allowed to accumulate beyond the proper time period for remittance to the Attorney General. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 8)

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Terri Rethlake, Clerk of the Circuit Court. The Official Response follows on pages 10 through 12.

The contents of this report were discussed on August 2, 2012, with Andrew Kostielney, President of the Board of County Commissioners, and with Rafael Morton, President of the County Council.

Terri J. Rethlake
St. Joseph County Clerk
EX-OFFICIO CLERK ST JOSEPH SUPERIOR & PROBATE COURTS
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August 6, 2012

State Board of Accounts
302 W Washington St
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RE: OFFICIAL RESPONSE

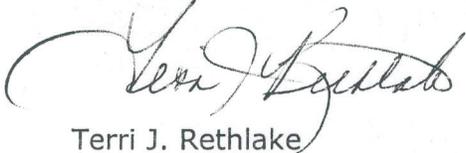
I wish to respond and comment on the 2011 audit recently completed by the State Board of Accounts for the office of the Clerk of the Circuit Court of St. Joseph County.

1. Bank Reconcilements: After finding out that an employee was not properly performing her job, that employee was transferred to another department and a new employee hired for the bookkeeping position. This department has been in a flux for several years. The transferred employee states she was never properly trained by the employee that left on how to properly post payments and disburse monies. This employee's job of posting affected another employee's of reconciling. As of the date of this letter, the Small Claims account is reconciled up to June 20, 2012; the main office cash book and its account are reconciled up to July 2012.
2. Cash book postings: The 2011 cash book is posted through December 31 and the 2012 cash book is posted through May of 2012. We have improved the cash book sheets by separating fees that were combined in one column and giving them a separate column heading of there own making it easier to post and disburse the proper amounts to the County and State Auditors. The new bookkeeper has excellent skills in working with Excel. She reformulated the cash book sheets so that all the formulas now work and in fact, some of them automatically populate once an amount is posted. The postings are now complete through May 31, 2012. Once we are completely caught up, the cash book will be posted daily.
3. Control Account & Sub Accounts-Posting Errors: As stated above, with the new cash book spread sheets the sub accounts totals are now correctly calculating with the new formulas. Disbursements are now being posted to sub accounts, as they should be.

4. Bank Reconcilements: Main office bank account is reconciled through July 2011. We started 2011 over because of new reconciliation form given by examiner. Small Claims bank account is reconciled through June of 2012.
5. Deposits: The statement that we are not depositing funds collected by the next business day is not correct. Last year we had problems with the Sheriff's Department taking my bookkeeper to the bank everyday. However, after speaking with the Sheriff we have been making our deposits every day since that time. The procedure for depositing with our bank, Fifth Third Bank, was changed to a bag system in which each deposit is placed into it own deposit bag and those bags are taken to the bank daily where the bank employees the number of bags received from us. The bank does not count & deposit them while we are there. Cash is separated from checks and both are sent to different bank centers for counting. This is resulting in the deposits not being posted on the day we deliver them. We have instituted a form that is taken to the bank with the deposits and the bank clerks initial that form and give it back to us. These forms will be presented to the examiner for proof of taking deposits to the bank within the next business day as statute provides
6. Reconciling Trust Funds: This audit comment has been noted in the past five (5) audits of the Clerk's office. As stated in the Action Plan submitted to the State Board of Account on July 9, 2012, this office is in the process of converting to the State's Odyssey Case Management System. This will help with financial & reconciliation of trust items from the date we begin the new system. It will not however help with reconciling the trust items in our old Low system. JTAC will not convert any of the financial information currently in our old computer system into Odyssey. Any financial info we have in Low will have to be manually entered into Odyssey on a case by case basis. The SBOA and I had a meeting with Scott Seniff from Low & Associates about how we can get this information from the system. The last I heard from him a month or more ago, he was working with JTAC to see if we can get the Low info being converted into a data warehouse to produce a report we could use.
7. Clerk's Trust Items Over Five Years Old: As stated in past responses to audits, without the capability of running a report with our current computer system, we cannot escheat trust funds to the Attorney General that are five (5) or more years old.
8. Old Outstanding Checks (Warrants): Work is being done on the outstanding check lists to identify whom the check was issued to and on what case. Once the checks have been identified, this money will be escheated to the Attorney General.

Office Improvements: Standard operating procedures for all three (3) bookkeeping positions have been written and updated. Once caught up, all three

(3) bookkeepers will be learning each other's positions so that when one is gone on sick leave or vacation their jobs will be done while they are gone. They are working very hard to correct the problems cited in the audit. The year 2011 is reconciled but does not balance. The supervisor is working on balancing it so it does reconcile. As of today, January 2011 is balanced; February 2011 is \$1.00 short; March 2011 is \$.01 over; April 2011 is \$.06 over; and May 2011 and June 2011 are balanced. The examiner gave the Bookkeeping supervisor an additional form to help in reconciliation of the trust account.



Terri J. Rethlake
Clerk of the Circuit Court

CC: SBOA South Bend field office
Commissioners
County Council President