

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

AUDIT REPORT

OF

CLERK OF THE CIRCUIT COURT

PORTER COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/17/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Karen Martin	01-01-11 to 12-31-14
President of the County Council	Daniel Whitten	01-01-11 to 12-31-12
President of the Board of County Commissioners	John Evans	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER 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 Porter County for the year 2011.

STATE BOARD OF ACCOUNTS

July 18, 2012

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
AUDIT RESULTS AND COMMENTS

TRUST ACCOUNT

The Clerks' trust account consists of property or proceeds held by the Court or Court Clerk. A monthly reconciliation of the detail of the Clerk's Trust Fund Register to the trust cash balance was not presented for audit. The last reconciliation was performed in June 2007.

Until 2007 the Clerk maintained a manual Trust Fund Register. After 2007, the Trust Fund Register was maintained electronically. Since the conversion to the electronic recordkeeping for the Trust account, the Clerk's personnel have been unable to reconcile the detail register to the cash book balance. In comparing the cash balance of the trust funds in the Cash Book, at December 31, 2011, to the computerized Trust Register there is a difference of \$1,511,130.74, (the computerized detail Trust Register exceeding the cash balance). The difference may be attributed to the failure to enter all the information from the manual Trust Register into the computerized records at its inception.

As soon as possible after the Cash Book and the daily Balance Record have been closed for the month, the Clerk should reconcile the Trust Fund Register with these two records.

Total all item appearing on hand 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)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers) adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not have access to the storage locations of these documents. Receipt and payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 14)

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

BANK ACCOUNT RECONCILIATIONS

The Clerk's office currently maintains three bank accounts (Traffic, Child Support, and Trust Accounts) and is responsible for reconciling these three bank accounts. At December 31, 2011, only the reconciled Child Support account agreed to the ledger balance. We reviewed the bank reconciliation for the Trust and found it included various unexplained adjustments. Also, the cash balance the Clerk's Office used to compare to the reconciled bank balance was incorrect. After verifying some of the adjustments and deposits in transit the December 31, 2011 bank reconciliation showed \$699.66 more in the bank than accounted for in the ledger.

In October of 2011, the Clerk's office opened a new bank account for the Traffic collections. The bank reconciliation for the new Traffic account, prepared by the Clerk's office for December 31, 2011, included various adjustments totaling \$38,621.19 that could not be adequately explained. After eliminating the adjustments, the reconciliation calculates to a \$38,621.19 cash shortage in the bank. It appears the individual currently performing bank reconciliations may not be familiar with the proper procedures or ability to recognize what adjustments need to be made to prepare an accurate bank reconciliation.

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 3)

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2012, with Karen Martin, Clerk, and Diane Fike, Deputy Clerk. The Official Response has been made a part of this report and may be found on page 7.

COUNTY - PORTER

KAREN M. MARTIN
CLERK OF THE CIRCUIT COURT



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July 25, 2012

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OFFICIAL RESPONSE TO 2011 AUDIT

Please be advised that this is my official response regarding the 2011 audit and information included.

TRUST ACCOUNT

We are in the process of reviewing the information regarding the difference of \$1.5 million. As stated in my previous letter dated July 22, 2011 this responsibility should have fallen on Dale Brewer who was the clerk in the year 2007 or Pam Fish who was Clerk from 2008 through 2010. As of the above date we have not found the information needed from February 2010 to compare amounts. We will work diligently and make our best effort. If this is not accomplished we will request additional direction from the county.

BANK ACCOUNT RECONCILIATIONS-CLERK

In response to the account that was opened in October 2011 a clerical error was made in December 2011 and corrected in the month of January 2012 which allowed the account to balance. Regarding the statement "It appears the individual currently performing bank reconciliations may not be familiar with the proper procedures or ability to recognize what adjustments need to be made to prepare an accurate bank reconciliation", the individual who has performed this function has been in this department for 14 years. I have taken the advice of the SBOA and restructured the office and hope this action will resolve this issue.

Sincerely,

A handwritten signature in cursive script that reads "Karen M. Martin".

KAREN M. MARTIN

Clerk of the Circuit Court