

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

AUDIT REPORT  
OF

TOWN COURT  
TOWN OF MERRILLVILLE  
LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
11/14/2013



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Town Officials.....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Condition of Records .....	4
Bank Reconciliation .....	5
Cash Bond Trust Ledger .....	5
Cash Bonds Not Deposited, Update.....	5-6
Exit Conference.....	7

TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Judge	Gina L. Jones	01-01-12 to 12-31-15
Court Administrator	Mattie Collins	01-01-12 to 12-31-13
Clerk-Treasurer	Eugene M. Guernsey	01-01-12 to 12-31-15
President of the Town Council	Shawn Pettit Carol Miano	01-01-12 to 12-31-12 01-01-13 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MERRILLVILLE, LAKE COUNTY

We have audited the records of the Town Court for the period from January 1, 2012 to December 31, 2012, 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 the Town of Merrillville, for the year 2012.

STATE BOARD OF ACCOUNTS

October 9, 2013

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

City and Town Courts are required to maintain a City/Town Cash Book Form 213CT (Cash Book), and a Register of Trust Funds, General Form 102 (Trust Register). These prescribed forms have been replaced with electronically generated ledger equivalents; however, the Court has opted to maintain the prescribed Cash Book and Trust Register manually and forgo updating the electronic ledger equivalents in Court View (computer software). Receipts were issued through the electronic software that generates the electronic Cash Book. The disbursement activity was not recorded in the electronic Cash Book because checks were handwritten; not processed electronically. Disbursements were manually recorded on individual defendant's electronic case files even though the Court View system has the capability of electronically issuing checks and posting disbursements to the electronic Cash Book and Trust Register. Officials did not use this feature of the software until May 2013. The manual Cash Book balance at December 31, 2012, materially agreed to the depository balance; however, due to the incomplete use of the Court View financial system as described above, the cash balance in Court View (the official record of the Court) did not agree with the depository balance.

Court View software is capable of applying trust funds (cash bonds) to pay court costs, by using a "bond applied" function. This process removes the bond amount from the Trust Register and applies the costs to the appropriate fee categories in the Cash Book. A receipt is generated noting that the bond was applied. Because disbursements were not processed electronically through Court View, the electronic Cash Book and Trust Register could not be used to determine the respective "Cash Bonds Trust" cash balance in the ledger. A complete and functional electronic Cash Book and Trust Register were not available for audit. Using electronic software to generate and record disbursements would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

A manual "Register of Trust Funds" is maintained; however, the total of the detailed individual amounts does not reconcile with the corresponding trust cash balance in the Cash Book. Management does not review or approve the Cash Book and Cash Bonds Trust reconcilements. One person prepares the reconcilements without proper segregation of duties such as management oversight and approval.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, 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.

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 City and Town Courts, Chapter 4)

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

***BANK RECONCILIATION***

The Town Court reconciled the manual Cash Book (an excel spreadsheet that is an exact replica of the prescribed form) with the depository balance; however, this Cash Book does not reconcile with the cash balance in Court View. Court View is the official record of the Court and is used to track all court cases and their financial activity. In 2012, the Town Court did not process disbursements through the Court View system; they manually recorded check information. The outstanding check list in the Court View system is not accurate which contributed to the inaccurate reconciliation.

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 City and Town Courts, Chapter 4)

***CASH BOND TRUST LEDGER***

The Town Court collects cash bonds when defendants are required to post a bond in order to be released from jail. The bond is held in trust, a receipt is issued, and the bond is to be recorded in "Court View" (computerized court software) and recorded in the manual "Register of Trust Funds," General Form No. 102. When the case is disposed of, the bond is released to the defendant or applied to pay court costs, fines, and/or attorney fees as ordered by the Town Court. At December 31, 2012, the manual detailed Register of Trust Funds did not agree to the Court View cash balance of monies held in trust.

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 Cities and Town Courts, Chapter 4)

***CASH BONDS NOT DEPOSITED, UPDATE***

In the prior audit report of the Town Court, Report B39376, it was reported that cash bonds not deposited for the period July 28, 2006 to July 27, 2011, totaled \$310,325. This amount was determined by tracing cash bond collections at the Police Department to the records of the Town Court for subsequent deposit. A former court employee was responsible for collecting the cash bonds from the Police Department and subsequently recording the cash bond to the Court's computer system.

The same former employee also received cash bonds paid at the Town Court's administrative office. From July 13, 2011 to December 31, 2012, the Town Court redeemed and/or applied cash bonds to a defendant's court costs if that individual could provide an official receipt as proof of payment of their cash bond, and the court had other supporting court documents such as jail release forms and notations in the case file. During the period from July 13, 2011 to December 31, 2012, additional cash bonds not deposited were determined to be \$29,305. These bonds were not on the original list of bonds not deposited as collected at the police department. These additional cash bonds not deposited, but redeemed as of December 31, 2012, can be attributed to court cases during the time period of the former court employee's employment. Therefore, the total cash bonds not deposited has increased to \$339,630 (\$310,325 plus \$5,800 redeemed in 2011; and \$23,505 redeemed in 2012; that were not on the original list).

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Officials have also identified 19 other cases, totaling \$18,550, where the court order indicates a bond was required in order to be released from jail, but a cash bond was not recorded in the computer system. Officials are waiting for the defendant's to provide a receipt to prove payment was made. The final amount of cash bonds not deposited can't be determined until all of the Town's court cases from July 28, 2006 to July 27, 2011, have been finalized and redeemed.

The Town Court is redeeming (and/or applying to court costs) cash bonds not deposited by using current collections and other cash bonds held in trust. The Town Court has filed the appropriate insurance claims in order to recoup the funds not deposited. As of December 31, 2012, insurance proceeds have not been received. Due to the substantial amount of the cash bonds not deposited, the Town Court will need to seek additional funding sources in order to replenish the cash necessary to redeem all of the defendant's cash bonds that were not deposited.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) Selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) Approved as depositories of state funds. All funds collected by a city or town court shall be deposited not later than the business day."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COURT  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2013, with Gina L. Jones, Judge, and Mattie Collins, Court Administrator.