

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

AUDIT REPORT  
OF  
CLERK OF THE CIRCUIT COURT  
LAKE COUNTY, INDIANA  
January 1, 2012 to December 31, 2012



**FILED**  
04/08/2014



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#### COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of the Circuit Court	Michael A. Brown	01-01-10 to 12-31-13
President of the County Council	Jerome A. Prince Ted F. Bilski	01-01-12 to 12-31-12 01-01-13 to 12-31-13
President of the Board of County Commissioners	Gerry J. Scheub Roosevelt Allen Jr.	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 LAKE COUNTY

We have audited the records of the Clerk of the Circuit 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 Lake County for the year 2012.

STATE BOARD OF ACCOUNTS

July 25, 2013

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL REPORTING***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Lake County Clerk of the Circuit Court (County Clerk) were insufficient. The County Clerk does not have adequate internal controls over financial reporting to facilitate the preparation of accurate and complete financial reports to be included in the County's Annual Report (CAR). The County Clerk's Fund included in the CAR includes all receipts and disbursements of the County Clerk's Office, cash balances due to governmental entities, and items held in trust for others.

The financial information provided by the County Clerk to be included in the Lake County CAR for the year 2012 contained numerous errors and omissions. The County Clerk has offices in multiple locations (Crown Point, East Chicago, Gary, and Hammond) and divisions (Civil, Small Claims, Criminal, and Traffic) within these locations. These offices and divisions were responsible for reporting their individual cash and investment balances as of December 31, 2012, as well as their receipts and disbursements for 2012 to the Financial Manager at the Crown Point office. The individual offices' and divisions' reports are combined by the Financial Manager and reported in total to the County Auditor for inclusion in the CAR. The total cash and investments reported on the 2012 CAR was \$12,748,138; the audited cash and investments balance as of December 31, 2012, was \$12,035,513; a difference of \$712,625. Identified errors that contributed to the differences included the reporting of depository balances instead of reconciled record balances. Management has agreed to the audit adjustments to be made to the amounts in the financial statement.

There was a lack of adequate internal control over the County Clerk's financial report before it was filed with the County Auditor. Adequate internal control over financial reporting requires that employees understand the importance of complete and accurate financial reporting and that they have the requisite knowledge and skills to prepare them. In addition, adequate internal control requires sufficient supervision and oversight by management and the governing bodies to ensure complete and accurate financial reporting.

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.

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)

***BANK RECONCILEMENTS – INTERNAL CONTROLS***

The County Clerk's Offices (located throughout Lake County) have been using Court View (a case management and financial software program) for many years. All financial transactions are processed through Court View which is considered the official records of the County Clerk. However, only five of the County Clerk's eight divisions reconcile their adjusted bank balances to Court View's Account Balance Listing (ABL) cash balance. Other divisions reconcile to a manual ledger or an excel spreadsheet (a commercially prepared software program), instead of the ABL.

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
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According to the personnel responsible for reconciling, the differences between the adjusted bank balance and the record balance were related to payments made by credit cards. There are timing differences between recording the payments to the accounting system and the deposits to the bank. Many differences on the bank reconciliations have been included as reconciling items for years without any effort to identify the cause and determine the proper method to make the corrections to the records. We noted the following additional deficiencies at the various County Clerk's divisions described as follows:

***Crown Point***

***Civil***

A manual Cash Book/Ledger is maintained and used to reconcile to the adjusted bank balance instead of the ABL which is the official record. As of December 31, 2012, the reconciled bank balance was \$7,313.45 in excess of the manual Cash Book balance. This increased from the \$3,054.10 excess that existed at December 31, 2011.

The ABL balance incorrectly included investment transaction activity and is \$106,529.41 in excess of the manual Cash Book balance. This is an increase from \$87,140.35 excess that existed at December 31, 2011. There has been no attempt to research the difference between the official record (ABL) and the manual Cash Book.

***Criminal***

The reconciled bank balance was \$900.00 in excess of the ledger balance (ABL), as of December 31, 2012.

***Traffic***

An Excel (commercially purchased software) spreadsheet is maintained and used to reconcile to the adjusted bank balance instead of the ABL which is the official record. This spreadsheet is prepared by the Traffic Division bookkeeper from daily receipts and disbursements generated by Court View and from the related bank activity (deposits, credits, and withdrawals). As of December 31, 2012, the adjusted bank balance (and the Excel spreadsheet) was \$81,563.77 less than the ledger balance (ABL) after adjusting for the investments. The difference between the ABL and the unit's spreadsheet plus the investment balance during the 2011 audit was \$86,207.84. No attempt was made to research the difference between the official record and the Excel spreadsheet.

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)

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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 Clerks of the Circuit Courts of Indiana, Chapter 13)

***East Chicago***

The reconciled bank balance for the East Chicago County Clerk's Office exceeded the ABL by \$102,064.28, as of December 31, 2012. Incorrect recording of an investment from "total monies on deposit" accounted for \$100,000 of the difference. The remaining \$2,064.28 was not identified and was an accumulation of many years of uncorrected errors.

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)

***Gary***

A manual Cash Book/Ledger is maintained and used to reconcile to the adjusted bank balance instead of the ABL which is the official record. The reconciled bank balance was \$4,409.66 less than the manual Cash Book balance, as of December 31, 2012. This was an increase of \$3,885.36 from December 31, 2011. The change indicates that errors have occurred in the current year and have not been investigated or corrected.

The manual Cash Book balance was \$165,306.23 greater than the ABL, as of December 31, 2012. No attempt was made to research the difference between the official record and the manual Cash Book. In addition, the detail of items held in trust "Open Items Case Listing" at December 31, 2012, was \$34,186.53 greater than the ABL (Control).

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."

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

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)



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LAKE COUNTY  
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***Hammond***

The County Clerk's Office in Hammond includes three divisions: Civil, Small Claims, and Traffic. The bank reconciliations of the three divisions included reconciling items that existed prior to 2010. Most of these reconciling items could not be verified to supporting documentation. The Hammond Office reconciles to the ABL's for each division; however, unidentified reconciling items with no documentation resulted in various cash shorts and longs. In addition, credit card receipts are not verified to actual deposits.

The Small Claims Division's reconciled bank balance was \$2,453.10 less than the ABL; the Civil Division's reconciled bank balance was \$14,629.18 in excess of the ABL; and the Traffic reconciled bank balance was \$4,480.02 in excess of the ABL.

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)

***CREDIT CARD TRANSACTIONS – INTERNAL CONTROLS***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient for the receipt of credit card payments in the County Clerk's Office. The County Clerk's Office allows customers to pay court fees, traffic fines, and bonds on the internet by using credit cards. Customers input the cause number or ticket number and pay the amount owed. The electronic payment software system used automatically records the customer's payment information to the County Clerk's Court View computerized record keeping system, and also deposits the amount into the bank account. The County's Data Department has developed reports for the County Clerk's bookkeepers that detail the credit card batches, cause numbers, transaction numbers, and payment amounts. There is a timing delay between the time the transaction is recorded in Court View and when the deposit is recorded in the bank account. When a customer overpays or accidentally repeats the transaction on line, the Court View system cannot record the overpayment or the duplicate transaction. The credit card bank deposit still occurs makes the transactions in the bank greater than the transactions in the Court View Cash Book. Analyzing every credit card transaction is necessary to determine which customer is owed a refund of the overpayment. Also, the credit card company occasionally reverses a payment or partial payment which makes the bank deposit less than the amount recorded in Court View. Reconciling the large volume of credit card transactions is a tedious and time consuming process. The reports and information available to the County Clerk's staff is insufficient to identify differences related to credit card transactions.

The County Clerk's Office has not established policies or control procedures to refund overpayments. It depends primarily on the credit card company or the customer to adjust or to request the overpayment. The County Clerk's Office has unidentified bank long amounts in several bank accounts which are believed to be due to the credit card procedures.

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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 of Indiana, Chapter 13)

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

**BOND FORFEITURES**

Indiana Code requires the court to forfeit the bond of a defendant who fails to appear in court. The amount of the forfeited bond shall be transferred to the state common school fund less any court fees retained by the County Clerk or any amounts collected in satisfaction of a judgment. In Lake County, a bond is not forfeited; a warrant is issued for the defendant's arrest instead. If the defendant is arrested within five years, the bond will be used to pay fines and fees, court cost, and attorney fees. If the defendant is not arrested within five years, the bond is remitted to the state as unclaimed property where the defendant could potentially recover the bond amount.

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.
- (b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.
- (c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.
- (d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

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- (e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:
  - (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
  - (2) any amount collected in satisfaction of the judgment.
- (f) The clerk shall return a deposit, less the administrative fee, made under section 3.2(a)(2) of this chapter to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings."

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2013, with Michael A. Brown, Clerk of the Circuit Court; Marilyn Hrnjak, Executive Chief Deputy; Rebecca Dowling, Financial Manager; Anastasia Koutouvas, Assistant Financial Manager; and Wanda Epps, Personnel Director.