

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

AUDIT REPORT

OF

COUNTY SHERIFF

LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
05/07/2014

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	John Buncich	01-01-11 to 12-31-14
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 County Sheriff 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 1, 2013

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The County's financial statement presented for audit included the following fund with an overdrawn cash balance at December 31, 2012:

Fund	Amount Overdrawn
Commissary Payroll Pass Through	\$ <u>302,866</u>

The non-reverting fund was created by ordinance 1330E on December 14, 2010. Item No. 2 of the ordinance states in part: "That sufficient funds collected from the commissary shall be deposited in the Jail/Sheriff Commissary Payroll Pass Through Fund No. 332 for the Lake County Sheriff, a non-reverting Fund and the funds shall be used for payroll, along with group insurance, lateral pay, differential, merit retirement, clothing allowance, holiday pay and other related benefits for the four merit officer . . ."

The fund became overdrawn in 2012 due to disbursements made prior to deposits of sufficient funds from the Sheriff's Commissary as required by ordinance. Review of the County's financial records, as of June 27, 2013, determined that the fund was still overdrawn \$267,165.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CONDITION OF RECORDS – CIVIL DIVISION

The Civil Division of the County Sheriff's Department maintains the required Cash Book electronically through computer software purchased by the County Sheriff. The Civil Division records receipts by date, receipt number, and amount, as well as checks, by check date, check number, and amount in the computer software. The Civil Division also maintains a Check Register, the equivalent of a personal checking account register, in which the Civil Division records deposit and check amounts. The Check Register is prepared using an excel worksheet, and can be altered without providing an audit trail.

As the Civil Division collects funds, an electronic receipt is issued from the computer software, and will automatically record the entry to the electronic Cash Book. Checks are handwritten and must be recorded individually into the electronic Cash Book. The electronic Cash Book replaced a prescribed handwritten Cash Book in March 2007, and is considered the official record for recording the financial transactions of the Sheriff's Civil Division.

At the time the electronic Cash Book was placed into service, the handwritten Cash Book was abandoned and the cash balances were not properly transferred to the electronic records. Because the cash balances were not correctly transferred, the electronic Cash Book is not used when reconciling the bank account. The Clerk who maintains the electronic Cash Book also maintains the Check Register, which is used as the basis for reconciling the bank account. The Clerk must manually enter all transactions into the Check Register. The reconciled bank balance exceeded the electronic Cash Book balance by \$36,064.14 as of December 31, 2012.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

While the Check Register and electronic Cash Book should mirror each other, except for the recording of a deposit which comprises many individual receipts, several timing differences are observed between the two records. These timing differences affect the cash balances of the two records, which also affects the bank reconcilements. Of the \$36,064.14 difference, \$25,611.54 is due to timing issues between the Cash Book and the Check Register for 2013. There remains an unresolved difference of \$10,512.60 from December 31, 2011, and prior, and \$60.00 from 2012.

As the electronic Cash Book is not used properly and is not reconciled to the bank account, errors may not be detected or corrected.

The County reported the activity of the Check Register in their financial statement. The Check Register does reconcile to the bank account.

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 Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

Transactions to record a voided and reissued check were not properly recorded in the records. A check for \$84,478 was originally written in 2011, and was reported in the 2011 Annual Financial Report. The check was later voided and reissued in 2012 (Check #11660 reissued on February 3, 2012). The software in use by the Civil Division removed the transaction completely from the records, instead of receipting the amount back in and then reissuing the check. Due to the process used by the software, there was no audit trail for this transaction. The transaction correction process caused the beginning cash balance and the disbursements amounts for the 2012 Annual Financial Report to be overstated by the check amount. Corrections were made to the financial statement with the approval of management.

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."

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 Counties of Indiana, Chapter 1)

UNCLAIMED PROPERTY – CIVIL DIVISION

As stated in prior audit reports, the Civil Division of the Sheriff's Department has \$11,600.95 in trust as unclaimed property for stale dated checks. The Sheriff has not remitted this money to the Indiana Attorney General's unclaimed property division as required by statute.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . ."

Indiana Code 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property . . ."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) (c), on the data a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

INMATE TRUST BALANCES

Inmate Trust accounts are comprised of money collected from inmates upon incarceration. It also includes money contributed by friends and family members for the benefit of the inmate. The inmate may use these funds held in trust to purchase items in the Commissary, pay medical expenses, or other jail expenses.

As reported in prior audit reports, the Inmate Trust bank account does not reconcile to the detailed list of inmate's individual trust account balances. We were provided with two detailed lists of inmate trust account balances as of December 31, 2012; one for "active" inmates and one for "inactive" (released) inmates. Each report listed the inmate's name, identification number, and balance on hand as of December 31, 2012. The total for all inmates, as of December 31, 2012, less debts owed by the inmates, was \$324,980.22. The reconciled bank balance at December 31, 2012, was \$616,897.91; an unidentified difference (cash long) of \$291,917.69. This difference decreased \$2,257.46 from December 31, 2011. Officials have not attempted to reconcile or identify the difference.

Additionally, the outstanding check list at December 31, 2012, did not include any checks issued prior to May 2009. The Sheriff's Department changed accounting software for inmate trust in May 2009. The new software did not include outstanding transactions from the prior accounting system. Documentation was not provided to demonstrate that outstanding checks issued prior to May 2009 have been properly handled or added back to the corresponding inmate's account balance. This issue contributes to the discrepancy between the bank balance and the balance of the inmate trust accounts.

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)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OLD INMATE TRUST BALANCES AND MEDICAL EXPENSES

Trust Balances

The Sheriff requires inmates who have been released or discharged to make a formal request to have his or her funds held in trust returned. If the funds have not been returned after a period of five years, the funds are to be remitted to the Attorney General's Office as unclaimed property.

As noted in prior audits, the computer software used to account for the inmate trust funds does not have the capability to list accounts that are over five years old. Personnel researching the accounts use the year of incarceration, included as part of the booking number, as a starting point to determine the five year limitation. Furthermore, trust balances retained using the old computer software have not been transferred to the new computer software.

As of December 31, 2012, the current computer software included 18,992 inactive trust accounts with balances totaling \$305,972.53. Some of the trust account balances were significant, while others had debt balances which denote amounts owed to the County Sheriff for Commissary purchases or medical services. We were unable to determine how old some balances were; however, based on the booking numbers, incarcerations dated back to 2004 and these accounts should be remitted to the Attorney General's office.

Indiana Code 36-8-10-22 (d) states: "Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or his legal guardian any balance remaining in his trust fund."

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . ."

Indiana Code 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property . . ."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

Medical Expenses

While incarcerated in the Lake County Jail, an inmate's medical expenses are deducted from his or her inmate trust account balance. If the inmate does not maintain a balance in the account, the medical expenses are considered an outstanding debt; the co-pay is not waived in accordance with statute. Furthermore, the debt balances are not written off within 30 days after the service date as required by statute. If the inmate is re-incarcerated, the prior debt may be reapplied to his account.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 11-10-3-5 (c) states:

"A person committed to the department is not required to make the copayment under subsection (b) if:

- (1) the person does not have funds in the person's commissary account or trust account at the time the service is provided;
- (2) the person does not have funds in the person's commissary account or trust account within thirty (30) days after the service is provided;
- (3) the service is provided in an emergency;
- (4) the service is provided as a result of an injury received in the correctional facility; or
- (5) the service is provided at the request of the administrator of the correctional facility."

SUPPORTING DOCUMENTATION – ANIMAL CONTROL

The Animal Control Department (Department) has a bank account that is used as a petty cash fund. A debit card is used for Department disbursements and checks are used for appropriate refunds. A claim form is submitted to the County to request reimbursement for these disbursements.

During 2012, there was \$604.43 in debit card purchases that had no supporting documentation and were never reimbursed by the County. There was also \$469.99 in disbursements for which reimbursement was requested twice. Due to the lack of supporting information, we could not determine the purpose of the disbursements.

In addition, the Department is not reconciling to the established account balance of \$2,000.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2013, with John Buncich, Sheriff; Robert Arnold, Deputy Commander; Melanie Dillion, Bookkeeper Supervisor; Sharon Rogich, Bookkeeper; and Valarie Barick, Civil Division Bookkeeper. The Official Response has been made a part of this report and may be found on pages 10 and 11.



July 09, 2013

Mr. Bruce Hartman, CPA
State Examiner
State Board of Accounts
302 West Washington
Room E418
Indianapolis IN 46204-2765

Dear Mr. Hartman:

The Lake County Indiana Sheriff's Department acknowledges the importance of the Indiana State Board of Accounts mission in promoting efficiency, integrity, and transparency of local government operation. We also appreciate the input of the auditors assigned to the audit of the Sheriff's Department, both during the audit and during the exit conference. While we take the auditor's comments and the related report seriously, we may disagree with their recommendations or observations on various issues from time to time. We appreciate that the auditors have noticed improvements made since January, 2011, as evidenced by the few exceptions noted in the current report.

Inmate Trust Balances – Paragraph 2 - We disagree in part with these findings. Jail administrative staff and the independent CPA met and analyzed the inmate balance reports to try reconciling differences. As stated in the audit report, software changes prior to this administration and a lack of accounting records from the prior administration, as noted in prior audit reports, are hampering efforts to reconcile differences. The change from year to year in the unidentified difference could be attributed by the clearing of old checks that were labeled as outstanding at the end of the year. These checks would change the bank balance, and therefore change the unidentified difference. The Sheriff is committed to reconciling amounts and presenting an accurate balance. This discrepancy has been referenced in previous audit reports and is a major concern for the Sheriff's Department. Based on the spotty records left by the previous administration, and the fact that this issue has been unresolved with any specificity for many years, this is a monumental issue to correct.

Paragraph 4 – We disagree in part with the findings of this paragraph. Sheriff's department personnel did contact the bank and informed them of the state regulations regarding two year old stale checks. We agree that there are "stale" checks being carried. We are in the process of clearing up this issue. We have been at a disadvantage in resolving the inactive inmate accounts and outstanding checks, as prior to January, 2011 the accounting records were in a state of incompleteness, as was stated in the prior years' audit reports. It took considerable staff resources, but the outstanding checks have been determined and due diligence letters have been sent to former inmates. The Sheriff's Department is committed to implementing the regulations as outlined by the Indiana Attorney General's office as to unclaimed property.

Old Inmate Trust Balances & Medical Expenses

Paragraph 1 – The Sheriff's Department recognizes there are sums that should be remitted to the Indiana Attorney General's (IAG) office as unclaimed property. As noted in the audit report, the auditors could not determine with specificity how old the balances were, but some dated back to 2004, far before this administration took office. Determining the detailed information the IAG requires to be transmitted has been an unresolved issue. The Sheriff's Department will continue attempts to resolve this issue and remit the funds to the IAG office.

If you have any questions concerning the above, please feel free to contact me.

Sincerely,



Sheriff John Buncich

Cc: All Lake County Commissioners
All Lake County Council
Atty. John Bushemi
Atty. John Dull
Atty. Ray Szarmach
Chief Downs
Willie Stewart, Jr., Jail Administrator