

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, 2012 to December 31, 2012



FILED

07/11/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Bank Account Reconciliations	4
Condition of Records	5-6
Exit Conference.....	7
Official Response	8

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	01-01-12 to 12-31-12
	Jeremy Rivas	01-01-13 to 03-10-13
	Bob Poparad	03-11-13 to 12-31-13
President of the Board of County Commissioners	John A. Evans	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF PORTER 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 Porter County for the year 2012.

STATE BOARD OF ACCOUNTS

August 13, 2013

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
AUDIT RESULTS AND COMMENTS

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. The financial transactions represented by the three bank accounts are maintained electronically using three distinct computer software packages. As stated in the prior audit, the individual who was performing the bank reconciliations did not possess the skills and knowledge necessary to perform more complex bank reconciliations. The Clerk has re-assigned responsibilities for bank reconciliation functions. Additionally, the Clerk has been reviewing the bank reconciliations.

Trust Accounts

The last attempt to reconcile the depository balance for the Trust account was June 30, 2012. The bank reconciliation presented for audit as of June 30, 2012, includes adjustments to the bank balance for returned deposits for nonsufficient funds (NSF) checks in the aggregate of \$1,045.78; however, the Clerk's personnel were unable to provide the detail to substantiate this amount. Other adjustments are included for cumulative cash longs and cash shorts from 2008 through May 2012. These cash shorts and longs range from a short of \$540.44 to a long of \$4,048.41.

Child Support Account

The bank reconciliation for the Child Support account as of December 31, 2012, balanced to the ledger. However, the outstanding check list presented for audit did not support the amount presented on the reconciliation as outstanding checks. The outstanding checklist was printed with an incorrect date range. Other bank reconciliations prepared prior to and subsequent to the December 31, 2012 reconciliations also had incorrect outstanding checklists, due to using incorrect date ranges in the preparation. These errors remained undetected due to the lack of management oversight of the Child Support Account reconciliations.

Traffic Account

The bank reconciliation for the Traffic account as of December 31, 2012, balanced to the ledger. However, the reconciliation included adjustments which were not sufficiently documented or explained. The computer software vendor was able to provide some explanation for the adjustments such as, receipts which had been recorded twice. Dates and receipt numbers documenting the duplicate recordings were not retained for audit. Also, some of the adjustments continue to be included on subsequent reconciliations. Entries for the adjustments have not been recorded to the records.

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)

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

CONDITION OF RECORDS

Cash Book (Trust Account)

The Clerk is required to maintain "The Clerk's Cash Book and Daily Balance Record, Form No. 46" (Cash Book). The Cash Book is divided into the following two sections.

1. The top section is a ledger of the accumulated receipts and disbursements for each day, and beginning and ending cash balances by fee type (Court Costs - state and county, Trust, and Support), and to be referred to as the Daily Balance Record.
2. The second section is the "Daily Cash Reconciliation," to be referred to as the Reconciliation. Under the Reconciliation section, the Clerk will document the activity and balances of the various bank and investment accounts that comprise the Daily Balance Record.

The Cash Book (Daily Balance Record) maintained by the Clerk is an exact replica of the prescribed "Clerk's Cash Book and Daily Balance Record, Form 46," which is maintained electronically in excel, a commercially packaged spreadsheet computer program. Amounts are entered in the Daily Balance Record from detail receipts and disbursements reports. These reports are printed from software developed specifically for the Clerk's Office to record individual transactions. Thus, amounts recorded in the Daily Balance Record should be supported by the detail receipts and detail disbursement reports. Also, the cash balance per the Daily Balance Record at the end of the day should agree to the cash balance recorded in the cash book as the beginning balance on the following day.

The cash balance at the end of the day did not always agree to the cash balance recorded in the Daily Balance Record as the beginning balance on the following day.

The receipts recorded in the Daily Balance Record did not always agree to the detail receipt reports. In most cases, the differences were due to "return to trust items," and voided checks. The receipts recorded in the Daily Balance Record were increased to adjust for these items. On two dates in June, receipts per the Daily Balance Record were less than the receipts per the detail by \$78,523.75 and \$18,376.37. Per the bank statement, these amounts were deposited, and subsequently disbursed, but the Clerk chose to record as reconciling items to the Cash Book. These amounts were documented in the Reconciliation section as "Plus Cash Short." No other information was documented in the Cash Book; thus, a user would conclude that the bank account was cash short by \$78,523.75 and \$18,376.37. The Clerk reduced the dollar amount of the receipts in the Cash Book by these amounts to correct for transfers made between investment accounts and the Trust bank account, to avoid overstating the cash receipts and disbursements for transfers between bank accounts.

One of the fee type categories in the Cash Book is "Trust Funds." Trust funds are collections ordered by the Court to be held by the Clerk as restitution or cash bonds. In some cases, the Court orders restitution to be invested for the defendant. Under the "Daily Cash Reconciliation" section of the Cash Book, the Court Ordered investments are to be recorded as investments; however, as of December 31, 2012, the balance recorded in the Reconciliation section as investments was only \$905,433.27. The Court Ordered investments, as supported by bank statements, indicated the balance should have been \$1,049,700.09. Interest earned on the investments as well as newly ordered investments were not properly recorded in the Cash Book as investments.

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

Trust Register

The Clerk is responsible for maintaining records of amounts held in trust for collections of restitution and bonds. Prior to June 2007, the balances of amounts held in trust were accounted for using a handwritten "Register of Fees and Funds Held in Trust (Form No. 44)" commonly referred to as a Trust Register. After June 2007, the Trust Register was converted to electronic form using the same computer software that also accounts for receipts and disbursements for all fee types, including trust and bonds, the receipts and disbursements of the Trust Register, and the Cash Book.

The most current reconciliation of the Trust Register balance to the Cash Book balance for amounts held in trust was June 30, 2007, which occurred prior to the conversion to the electronic Trust Register. A Trust Register report of balances held in trust has not been generated since December 31, 2011. A report is generated of receipts and disbursements of amounts held in trust on a monthly basis, but a comparison of those numbers to the Cash Book receipts and disbursements for amounts held in trust, indicates significant variances each month.

A comparison of the Trust Register balance to the Cash Book balance as of December 31, 2011, indicated the balance held in trust per the Trust Register exceeded the Cash Book balance of amounts held in trust by \$1,511,130.74.

Odyssey (Traffic)

The Clerk is responsible for maintaining records of fees collected for, and to be distributed to, the county and state. For the months of April and May of 2012, the Odyssey Bank Account balance exceeded the amounts that were to be distributed to the county and state by \$14,465 and \$14,945.59, respectively. Although, the bank account reconciled at December 31, 2012, the amounts that had exceeded the bank account were added to the disbursements for the year in order to obtain the reconciled balance.

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)

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)

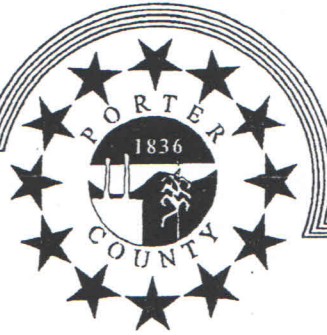
The Clerk's Cash Book and Daily Balance Record, Form No. 46, is a summary of the cash book of receipts and disbursements. It should be kept daily and is posted from the cash book of receipts and disbursements. It is a record that should reveal a cumulative total of all funds received and disbursed, the depository balance at the end of each day, and the amount of cash in the office at the close of each day. It is a very valuable guide in bookkeeping procedures. Clerks who do not properly use this record usually experience difficulty in making a cash reconciliation and balancing the records at the end of the month. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 4)

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2013, with Karen Martin, Clerk. The Official Response has been made a part of this report and may be found on page 8.

COUNTY - PORTER

KAREN M. MARTIN
CLERK OF THE CIRCUIT COURT



PORTER COUNTY
CLERK'S OFFICE
COURTHOUSE
16 LINCOLNWAY • SUITE 209
VALPARAISO, INDIANA 46383

TELEPHONE:
(219) 465-3450

August 20, 2013

FAX: (317)232-4711

State Board of Accounts
302 West Washington St
Room E418
Indianapolis, IN 46204

OFFICIAL RESPONSE TO 2012 AUDIT

Please be advised that this is my official response regarding the 2012 audit and information included.

BANK ACCOUNT RECONCILIATIONS-CLERK

I have taken the advice of the SBOA, removed personnel and restructured the office, I am confident this action will assist in resolving issues brought forth in the past and current audit. We are in the process of converting to the Odyssey system that will be complete on September 9, 2013. Confirming prior work entries will allow staff to correct errors in a timely fashion. This will accomplish our goal.

Sincerely,

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

KAREN M. MARTIN

Clerk of the Circuit Court