

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTER COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
03/13/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robert J. Wichlinski	01-01-11 to 12-31-14
County Treasurer	Michael Bucko Michelle L. Clancy	01-01-11 to 07-25-14 07-26-14 to 12-31-14
Clerk of the Circuit Court	Karen M. Martin	01-01-11 to 12-31-14
County Sheriff	David E. Lain	01-01-11 to 12-31-14
County Recorder	Jon C. Miller	01-01-11 to 12-31-14
President of the Board of County Commissioners	John A. Evans	01-01-13 to 12-31-14
President of the County Council	Jeremy Rivas Bob Poparad Daniel Whitten	01-01-13 to 03-10-13 03-11-13 to 12-31-13 01-01-14 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF PORTER COUNTY, INDIANA

This report is supplemental to our audit report of Porter County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

November 6, 2014

COUNTY AUDITOR  
PORTER COUNTY

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS

***FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the preparation of the financial statement. The County should have proper controls in place over the preparation of the financial statement to ensure accurate and reliable reporting of the County's financial activity. Adequate internal control requires that employees understand the importance of accurate financial reporting and that they have the requisite knowledge and skills to prepare accurate financial reports. In addition, proper internal control requires sufficient oversight, review, and approval to ensure complete and accurate financial reporting. Due to the lack of internal controls, material misstatements in the financial statement were undetected. We believe these deficiencies in the internal control system constitute material weaknesses.

The County Auditor is required to report all financial information in the Annual Financial Report (AFR). This information is used to compile the financial statement. The financial statement presented for audit included the following errors:

1. The beginning cash and investment balances were not accurately reported for 12 funds. These errors resulted in the beginning balances of these 12 to be overstated by a total of \$2,594,521. The prior-year audited financial statement ending cash and investment balances were not compared to the current-year beginning balances before the AFR was submitted.
2. The Sheriff's Inmate Trust receipts, disbursements and cash and investment balances were reported twice. These errors resulted in overstatements of the financial statement as follows: beginning cash and investment balance by \$148,305, receipts by \$846,522, disbursements by \$806,238, and ending cash and investment balance by \$188,589.
3. Cash and investment balances, receipts, and disbursements of the County Recorder were reported on the financial statement as separate funds twice and also included in the respective funds on the financial statement as the money was received by the department. These errors resulted in overstatements of the financial statement as follows: beginning cash and investment balance by \$69,806, receipts by \$1,730,740, disbursements by \$1,771,878, and ending cash and investment balance by \$28,668.
4. A Lake Eliza Drainage Grant was listed on the financial statement with \$100,000 in receipts and an ending cash and investment balance of \$100,000; however, the County Auditor was unable to provide a bank statement or bank account to support this balance.
5. The Settlement fund balance reported cash collected by the County Treasurer after fall settlement of \$3,875,985; this amount should not have been recorded in the Settlement fund. This amount was also included in the Treasurer Supplemental report balance which is added to the County's AFR. This resulted in an overstatement of the cash and investment balance of \$3,875,985.
6. The Settlement fund receipts, disbursements and balances reported on the financial statement did not agree with the financial records. The financial statement reported Settlement fund receipts of \$207,645,058; however, the ledger reported net receipts of \$222,983,118. The financial statement reported Settlement fund disbursements of \$220,804,403; however, the ledger reported net disbursements of \$224,680,388. The financial statement reported a negative cash and investment balance of \$11,462,075 in the Settlement fund which should have reported a zero balance.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

7. The financial statement presented for audit reported a total ending cash and investment balance of \$227,336,080; however, the audited financial statement ending cash and investment balance is \$235,753,403; a difference of \$8,417,323.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in this report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Additionally, management of the County has not established an effective internal control system, which would include segregation of duties over the payroll process. One individual records, posts, reconciles, and issues payroll checks with a lack of oversight.

Internal controls over the supporting documentation and approvals for payroll disbursements were insufficient. The County is not following their own payroll policy to ensure all employees are being paid for the correct number of hours for each pay period. Each department of the County is responsible for entering certain information, such as dates and hours worked, and/or type of leave taken for each payroll period into the payroll computer software program. When the information is electronically received by the County Auditor, payroll amounts are computed, and Payroll Earnings Forecasts can be generated for each department. The Payroll Earnings Forecasts list each employee, and the amount of pay they are to receive, as well as the total payroll for that department. When properly approved, these forecasts are the certified time sheets to support each payroll.

Currently, not all department heads are returning the certified time sheets (Payroll Earnings Forecasts) to the payroll department prior to payroll being paid. The County Policy states:

"Each department head is responsible for reviewing the payroll earnings forecast, as they are required to sign and date the payroll earnings forecast. Each department head or their designee signs stating the following, in part, ". . . hereby certify that I have examined the time record of each employee listed . . . that each employee has performed the services for which the salary or compensation is paid; . . . that the compensation listed opposite the name of each employee upon either statutory or regulatory authority and is justly due each such employee; . . . that this payroll totaling \$XX is correct and has by me been approved."

Controls have not been effective in ensuring that all departments return the signed Payroll Earnings Forecasts, that all employees paid are included on the forecasts, and that amounts posted to the County's ledger agree to amounts authorized per the forecasts.

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.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

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 County Auditors of Indiana, Chapter 14)

***FINDING 2013-002 - INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

The County Auditor is responsible for preparing the SEFA, based upon financial records and grant information, (i.e. grant award letters, applications and other documents). The SEFA was prepared based on the financial records alone, without reviewing grant information. This resulted in several immaterial errors on the original SEFA. In addition, the SEFA presented for audit was prepared without oversight, review, or approval.

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 County Auditors of Indiana, Chapter 14)

***FINDING 2013-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT***

Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): FY 2013  
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

*Activities Costs - County*

The County contracts with a consultant to prepare a cost allocation plan. Based on the cost allocation plan, the County is reimbursed for certain indirect costs. The cost allocation plan is based upon amounts reported by the County in a prior year's financial statement. The County has not established verifiable controls or procedures for ensuring that the cost allocation plan is accurate, by at a minimum, ensuring that the amounts included in the cost allocation plan were the correct amounts from the prior's year's financial statement. Controls were not established to monitor the consultant's report.

*Allowable Costs and Reporting - Prosecutor*

The Prosecutor is required to prepare "Monthly Expense Claims" for Title IV-D. These monthly expense claims report direct expenses of the Title IV-D program, which are subsequently reimbursed at the federal matching rate of 66 percent.

The December 2013 monthly expense claim reported expenditures for personal services which included health insurance of \$173,800 (\$15,800 for 11 employees). Officials indicated that this amount was for health insurance; however, no supporting documentation was attached to the claim or kept on file. We were able to verify that the amount was correct and allowable with the approved budget and the County Auditor's ledger. Controls were not established to ensure that supporting documentation was on file to support the health insurance amount claimed.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that County officials establish controls to effectively monitor the activities related to the grant agreement and all compliance requirements that have a direct and material effect on the program.



Robert J. Wichlinski  
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

**FINDING 2013-001**

Contact Person Responsible for Corrective Action: Robert J. Wichlinski  
Contact Phone Number: 219-465-3350

Description of Corrective Action Plan:

- 1.) Reports will be compiled on a quarterly basis (vs. annual basis) and reconciled with the Treasurer worksheets that are provided.
- 2.) Auditor requests for financial information from the Financial System administrator(s) will be refined to assure accurate reporting.
- 3.) A workshop will be convened to assure:
  - a. Financial System administrators understand the relationship between them and the Auditor,
  - b. Financial System administrators understand their reporting requirements.
- 4.) The annual report will represent the progressive compilation of quarterly reports. The totals will be entered in the system by one Deputy Auditor, verified by a separate Deputy Auditor, and approved by the County Auditor.

Anticipated Completion Date: February 1, 2015

\_\_\_\_\_  
(Signature)

Auditor

\_\_\_\_\_  
(Title)

11/6/14

\_\_\_\_\_  
(Date)



Robert J. Wichlinski  
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

**FINDING 2013-01**

Contact Person Responsible for Corrective Action: Payroll  
Contact Phone Number: 219-465-3350

Description of Corrective Action Plan:

- 1.) A series of workshops will be convened to instruct department personnel responsible for administering payroll in the importance of reviewing and assuring the accuracy of the reports supporting their bi-weekly payroll. Attendees will also be given instruction in the means by which to make the calculations necessary to accurately complete the reports using the County's financial system.
- 2.) The County Auditor will review and reconcile payroll submission and report inaccuracies and deficiencies to both the department payroll administrator and the County Board of Commissioners.
- 3.) The County Board of Commissioners will be encouraged to consider investment in a real-time time & Attendance system in an effort to eliminate antiquated time cards.

Anticipated Completion Date: January 1, 2015

\_\_\_\_\_  
(Signature)

AUDITOR

\_\_\_\_\_  
(Title)

11/12/14

\_\_\_\_\_  
(Date)

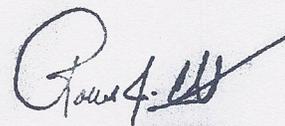
**FINDING 2013-002**

Contact Person Responsible for Corrective Action: Robert J. Wichlinski  
Contact Phone Number: 219-465-3350

Description of Corrective Action Plan:

- 1.) A staff workshop will be convened to review the errors noted by the SBOA to assure the Deputy Auditors understand the proper means by which to extract the necessary data from the separate Departments to complete the report and the means by which to enter the data into the Financial System and then imputed into the Gateway System.
- 2.) Totals will be entered into Gateway by one Deputy Auditor, verified by a separate Deputy Auditor, and approved by the County Auditor.

Anticipated Completion Date: February 1, 2015



---

(Signature)

Auditor

---

(Title)

11/6/14

---

(Date)



Robert J. Wichlinski  
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

**FINDING 2013-006**

Contact Person Responsible for Corrective Action: Robert J. Wichlinski  
Contact Phone Number: 219-465-3350

Description of Corrective Action Plan:

- 1.) Reports will be compiled on a quarterly basis (vs. annual basis) and reconciled with required Federal on-line reporting.
- 2.) Auditor requests for financial information from the grant administrator(s) will be refined to assure accurate response.
- 3.) A workshop will be convened to assure:
  - a. Grant administrators understand the relationship between them and the Auditor
  - b. Grant administrators understand their reporting requirements.
- 4.) The annual report will represent the progressive compilation of quarterly reports. The totals will be entered into the system by one Deputy Auditor, verified by a separate Deputy Auditor, and approved by the County Auditor.

Anticipated Completion Date: January 1, 2015

(Signature)

Auditor

(Title)

11/13/14

(Date)

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The financial statement presented for the County included the following funds with overdrawn cash balances at December 31, 2013:

Fund	Amount Overdrawn
Payroll Withholding - Insurance	\$ 540
Payroll Withholding - PERF	1,379
CEDIT Homestead Credit	143,475
Memorial Opera House Man	25,849
Arcelor Mittal Grant	4,673

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 County Auditors of Indiana, Chapter 14)

**RECEIPT ISSUANCE**

Internal controls over receipts issued by the County Auditor were insufficient. The County Auditor does not issue official receipts for all transactions. We noted that non prescribed receipts, produced from commercially purchased spreadsheet program on plain paper, are issued for document fees. The receipts produced are not prenumbered. We were unable to determine if all receipts were recorded.

In addition, not all receipts issued by the County Auditor properly designated whether the amount was paid with cash or check, thus we were unable to determine if receipts were deposited intact.

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 County Auditors of Indiana, Chapter 14)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

COUNTY - PORTER



**Porter County Auditor**  
Administration Center  
155 Indiana Avenue • Suite 204  
Valparaiso, Indiana 46383

Robert J. Wichlinski  
Auditor

(219) 465-3445

On the finding of overdrawn funds, the Auditor's Office will work with the County's Financial Software Company to make sure all accounts are correctly balanced by the end of the 2014 year. When the new chart of accounts was implemented, money was receipted into a specific fund but paid out of a fund with the wrong sub-fund or wrong department number. This is easily corrected and we will take care of this issue this year.

COUNTY - PORTER



**Porter County Auditor**  
Administration Center  
155 Indiana Avenue • Suite 204  
Valparaiso, Indiana 46383

Robert J. Wichlinski  
Auditor

(219) 465-3445

Porter County: Audit Results & Comments

The Porter County Auditor will inform the Auditor-Elect that in response to receipting of all transactions that happen in the Auditor's Office will need a receipt given at the conclusion of the transaction. Our Real Estate System can be used to print a receipt for each given transaction. This is the process that the Auditor's Office will take moving forward to ensure that a receipt is generated on all transactions.

COUNTY AUDITOR  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 6, 2014, with Robert J. Wichlinski, County Auditor; John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.

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COUNTY SHERIFF  
PORTER COUNTY

COUNTY SHERIFF  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL  
TRANSACTIONS AND REPORTING - COUNTY SHERIFF***

We noted several deficiencies in the internal control system of the County Sheriff's Department related to financial transactions and reporting which we believe constitute material weaknesses. Control activities should be selected and developed at various levels of the County Sheriff's Department to reduce risks to the achievement of financial reporting objectives. There is a lack of segregation of duties and a lack of oversight in some areas. The Inmate Trust and Commissary areas have not separated incompatible activities related to receipts, disbursements, and cash and investment balances. One employee is responsible for all aspects of accounting for and reconciling these accounts. The Civil Division has separated these duties among various employees; however, there is no formal system of oversight or review. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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 Counties of Indiana, Chapter 1)



# Porter County Sheriff's Department

David E. Lain  
Sheriff

Steve Lawrence  
Chief Deputy

November 3, 2014

**Corrective Action Plan**  
**Re: State Board of Accounts Report**

**Finding 2013-003**  
**Internal controls over financial transactions and reporting**

The accounting practices in the areas of the Sheriff's Commissary account, Inmate Trust account and Civil Bureau accounts have been consistent for many years. We do appreciate however that the SBOA recognizes that there are opportunities for additional checks and balances that should be undertaken and formalized.

In the case of the commissary funds, that administrator will now share reports with the Chief Deputy who will review and approve the account on a monthly basis. The inmate trust fund will be forwarded by the administrator to the Assistant Jail Administrator who will review and approve the same, monthly.

It is hoped that with the change in contractors (Stellar) through which these accounts flow, the improved external controls that are now in place will also enhance our internal efficiency in tracking those accounts.

The various Civil Bureau accounts will ultimately be reviewed and approved by the Civil Bureau Supervisor after each account's administrator has compiled them.

Respectfully,

A handwritten signature in black ink that reads "David E. Lain".

Sheriff David Lain

COUNTY SHERIFF  
PORTER COUNTY  
AUDIT RESULT AND COMMENT

***COMPENSATION AND BENEFITS***

Compensation was paid to an employee of the County Sheriff's Department which was not included in the payroll system or on the salary ordinance or resolution. The compensation of \$6,000 in 2013 was for maintenance of the County Sheriff's website. The additional compensation was not reported on a 1099 or W-2.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements.

Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties in Indiana, Chapter 1)



# Porter County Sheriff's Department

David E. Lain  
Sheriff

Steve Lawrence  
Chief Deputy

November 6, 2014

**Official Response**  
**Re: State Board of Accounts Audit Result & Comment**

**Compensation of Web Administrator**

Although the Web Administrator (WA) has been compensated in the same manner for many years (even prior to this administration) that person had not been a Sheriff's employee until the time period covered by this audit.

When SBOA recommended that there should be an actual invoice for each month's compensation for the WA that was put into practice immediately. Additionally, although the WA is also a department employee, an actual contract for WA services was created and enforced. The WA also completes a 10-99 as that "corporate entity".

A handwritten signature in black ink that reads "David E. Lain".

**Sheriff David Lain**

COUNTY SHERIFF  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2014, with David E. Lain, County Sheriff. The contents of this report were subsequently discussed on November 6, 2014, with John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.

CLERK OF THE CIRCUIT COURT  
PORTER COUNTY

CLERK OF THE CIRCUIT COURT  
PORTER COUNTY  
FEDERAL FINDING

**FINDING 2013-004 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL  
TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT**

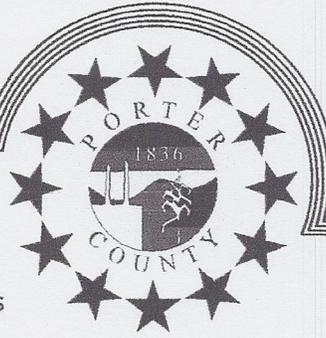
The Clerk of the Circuit Court did not have a proper system of internal controls in place over financial transactions, reconciling, and reporting. The Clerk of the Circuit Court should have proper controls in place to ensure that the Cash Book balance is accurate at the end of each month, that the Cash Book balance reconciles with the detailed subaccount balances, that all open items held in the Trust Register and cash Bond Register are properly identified and that the receipts, disbursements, and cash and investment balances reported on the County's financial statement are correct. The lack of proper internal controls has allowed the following to occur:

1. We were unable to audit the trust balance of the Office of the Clerk of the Circuit Court at December 31, 2013, because detailed information from the Clerk of the Circuit Court's Trust Register was not available. The amount we were unable to audit was \$2,928,021 of the total cash and investment balance of \$5,789,243 in the Clerk of the Circuit Court's Trust fund at December 31, 2013. A Trust Register report of balances held in trust has not been generated since December 31, 2011. 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. The most current reconciliation of the Trust Register balance to the Cash Book balance was June 30, 2007.
2. The Clerk of the Circuit Court is required to maintain the "Clerk's Cash Book and Daily Balance Record, Form No. 46" (Cash Book). The Cash Book was not properly maintained in 2013 and contained obvious errors. The investment balance on the December 31, 2013 Cash Book of \$905,426.28 did not agree with actual court ordered investments on hand of \$977,339.87. In addition, the Child Support Account, the Indiana Support Enforcement Tracking System (ISETS) balance of \$55,480 listed on the Cash Book did not agree with the reconciled ISETS balance of \$43,492 at December 31, 2013.

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)

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."



**KAREN M. MARTIN**  
CLERK OF THE CIRCUIT AND SUPERIOR COURTS

TELEPHONE:  
(219) 465-3450

November 6, 2014

FAX: (317)232-4711

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

**CORRECTIVE PLAN OF ACTION**

Please be advised that this is my official response regarding the findings

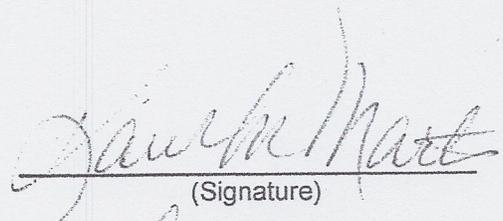
**FINDING 2013-004**

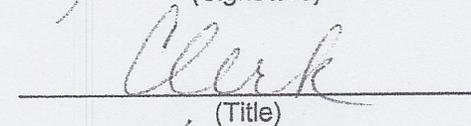
The trust and depository balances have not balanced since June 2007.

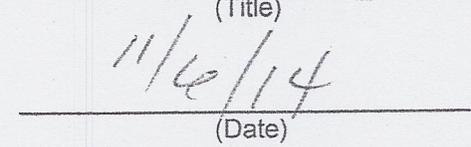
The biggest challenge is that, the program the information was originally entered into is not accounting software. In September 2013 we converted the files into Odyssey that does include accounting. Since we could not get good balance numbers originally we did not convert the financial information. We are in the process of reviewing and entering all information manually. We do balance on a monthly basis with all entries that are made in Odyssey since September 2013.

Sincerely,

KAREN M. MARTIN  
Clerk of the Circuit Court

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CLERK OF THE CIRCUIT COURT  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2014, with Jacalyne Haney, Deputy Clerk of the Circuit Court. The contents of this report were, subsequently, discussed on November 6, 2014, with Karen M. Martin, Clerk of the Circuit Court; John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.

COUNTY TREASURER  
PORTER COUNTY

COUNTY TREASURER  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2013-005 - INTERNAL CONTROLS AND COMPLIANCE OVER  
RECONCILEMENTS AND REPORTING - COUNTY TREASURER***

The County Treasurer did not have a proper system of internal controls in place over financial reconciling and reporting. The County Treasurer has not established effective controls to accurately reconcile the Cash Book with investment account depository statements. In addition, there was no oversight, review, or approval process over the reconcilements. The County Treasurer should have proper controls in place for the reconciliation of investment balances to ensure accurate financial reporting. Without a proper system of internal control in place that operates effectively, material misstatements of the financial statement could remain undetected.

The investment account statements provided by the depositories were not used to reconcile the investment balance in the County Treasurer's Cash Book in 2013. This allowed errors to go undetected. As a result, investment balances were overstated by \$296,479 as of December 31, 2013. In addition, interest on some investments was automatically added to mutual fund balances and not recorded in the records which resulted in \$4,099 in interest that was not recorded or reported. The failure to establish adequate internal controls over the reconciliation process enabled these errors to remain undetected.

Audit adjustments were proposed, accepted by the County, and made to the financial statement presented in this report.

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 County Treasurers of Indiana, Chapter 10)

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."

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

# COUNTY - PORTER

MICHELLE CLANCY  
TREASURER



PORTER COUNTY TREASURER  
ADMINISTRATION CENTER  
155 INDIANA AVENUE  
SUITE 209  
VALPARAISO, INDIANA 46383

TELEPHONE: (219) 465-3470  
FAX: (219) 465-3821  
E-MAIL: MCLANCY@PORTERCO.ORG

October 28, 2014

## Responding to SBOA Finding 2013 -005 - Corrective Action plan

Implementation Date: Immediately

The Treasurer will, on a monthly basis before monthly closing, review, compare and verify that the balances of the investment depositories' statements are reconciled to the balances in the Auditor's ledger and to the balances in the Treasurer's Cash Book.

A handwritten signature in cursive script that reads "M L Clancy".

Michelle L. Clancy  
Porter County Treasurer

COUNTY TREASURER  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2014, with Michael Bucko, former County Treasurer. The contents of this report were, subsequently, discussed on November 6, 2014, with Michelle L. Clancy, County Treasurer; John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.

COUNTY PROSECUTOR  
PORTER COUNTY

COUNTY PROSECUTOR  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2013-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT***

Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): FY 2013  
Pass-Through Entity: Indiana Department of Child Services

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

*Activities Costs - County*

The County contracts with a consultant to prepare a cost allocation plan. Based on the cost allocation plan, the County is reimbursed for certain indirect costs. The cost allocation plan is based upon amounts reported by the County in a prior year's financial statement. The County has not established verifiable controls or procedures for ensuring that the cost allocation plan is accurate, by at a minimum, ensuring that the amounts included in the cost allocation plan were the correct amounts from the prior's year's financial statement. Controls were not established to monitor the consultant's report.

*Allowable Costs and Reporting - Prosecutor*

The Prosecutor is required to prepare "Monthly Expense Claims" for Title IV-D. These monthly expense claims report direct expenses of the Title IV-D program, which are subsequently reimbursed at the federal matching rate of 66 percent.

COUNTY PROSECUTOR  
PORTER COUNTY  
FEDERAL FINDING  
(Continued)

The December 2013 monthly expense claim reported expenditures for personal services which included health insurance of \$173,800 (\$15,800 for 11 employees). Officials indicated that this amount was for health insurance; however, no supporting documentation was attached to the claim or kept on file. We were able to verify that the amount was correct and allowable with the approved budget and the County Auditor's ledger. Controls were not established to ensure that supporting documentation was on file to support the health insurance amount claimed.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the County.

We recommended that County officials establish controls to effectively monitor the activities related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

PORTER COUNTY PROSECUTING ATTORNEY  
OFFICE OF CHILD SUPPORT ENFORCEMENT

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15 N. FRANKLIN - SUITE 100

VALPARAISO, IN 46383

PHONE: 219-465-3405 ~ FAX: 219-465-3689

EMAIL: [CHILDSUPPORT@PORTERCO.ORG](mailto:CHILDSUPPORT@PORTERCO.ORG)

WEBSITE: [WWW.PORTERCO.ORG](http://WWW.PORTERCO.ORG)

CORRECTIVE ACTION PLAN

***FINDING 2013-006 – Internal Controls Over Child Support Enforcement***

Contact Person Responsible for Corrective Action: Laura A Bernacki Stafford  
Contact Phone Number: 219-465-3872

Description of Corrective Action Plan:

Obtain written documentation of employee insurance costs.

Anticipated Completion Date:

October 30, 2014

  
\_\_\_\_\_  
(Signature)

IND Director/Deputy Pros.  
\_\_\_\_\_  
(Title)

10/30/14  
\_\_\_\_\_  
(Date)



Laura Bernacki Stafford <labstafford@gmail.com>

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## help

3 messages

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**Laura Bernacki Stafford** <labstafford@comcast.net>  
To: Brenda Bailey <bbailey@porterco.org>

Thu, Oct 30, 2014 at 1:38 PM

Brenda-

Can you please let me know how much insurance per person is for 2014 and if you know for 2015. I believe that it is \$15,800.

Thanks,  
Laura  
Laura A. Bernacki Stafford, Esq.  
IV-D Director  
Porter County Prosecutors Office  
Child Support Division  
15 N. Franklin, Ste. 100  
Valparaiso, Indiana 46383  
219-465-3872  
lstafford@porterco.org

Please consider the environment before printing this email.

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**Brenda Bailey** <BBailey@porterco.org>  
To: Laura Bernacki Stafford <labstafford@comcast.net>

Thu, Oct 30, 2014 at 2:44 PM

Laura,

*The \$15,800 was for the 2013 budget.*

*The 2014 & 2015 budget is \$17,380. However, the memo attached for 2015 says subject to change.*

Thanks,

Brenda Bailey

Insurance Benefits Administration

Porter County Auditor's Office

155 Indiana Ave

Suite # 202

Valparaiso, IN 46383

Office ~ 219.465.3633

**Fax # ~ 219.465.3588**

[bbailey@porterco.org](mailto:bbailey@porterco.org)

**From:** labstafford@gmail.com [mailto:labstafford@gmail.com] **On Behalf Of** Laura Bernacki Stafford  
**Sent:** Thursday, October 30, 2014 1:38 PM  
**To:** Brenda Bailey  
**Subject:** help

[Quoted text hidden]

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 **2015\_Budget Memo.doc**  
33K

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**Laura Bernacki Stafford** <labstafford@comcast.net>  
To: Brenda Bailey <BBailey@porterco.org>

Thu, Oct 30, 2014 at 3:22 PM

thanks

Laura A. Bernacki Stafford, Esq.  
IV-D Director  
Porter County Prosecutors Office  
Child Support Division  
15 N. Franklin, Ste. 100  
Valparaiso, Indiana 46383  
219-465-3872  
lstafford@porterco.org

Please consider the environment before printing this email.

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COUNTY PROSECUTOR  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2014, with Laura Bernacki Stafford, Deputy Prosecutor, and Maria Overschmidt, Office Manager. The contents of this report were, subsequently, discussed on November 6, 2014, with John A. Evans, President of the Board of County Commissioners, and Daniel Whitten, President of the County Council.

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COUNTY EMERGENCY MANAGEMENT AGENCY  
PORTER COUNTY

COUNTY EMERGENCY MANAGEMENT AGENCY  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2013-007 - EQUIPMENT MANAGEMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Homeland Security  
Federal Program: State Homeland Security Program (SHSP)  
CFDA Number: 97.073  
Federal Award Numbers: 2010-SS-TO-0038  
Pass-Through Entity: Indiana Department of Homeland Security

The State Homeland Security Program (SHSP) provides federal funds to assist with building facilities to prevent, deter, respond to, and recover from incidents of terrorism at the state and local levels through planning, equipment, training, and exercise activities.

The County purchased equipment to fulfill the needs of the County and four other surrounding Counties as authorized in various grant agreements. However, controls were not established to ensure that Porter County maintained capital asset records in accordance with federal guidelines for equipment management.

The County purchased equipment totaling \$289,184 from the SHSP grant funds in 2013. The County maintained a detailed listing of capital assets; however, this listing did not include these new purchases of equipment.

The County's Emergency Management Department (Department) also is to account for the equipment purchased with the SHSP grant funds. The pass-through entity, Indiana Department of Homeland Security, requires that the equipment purchased from the SHSP grant be detailed in their iGMS system (Indiana Grants Management System). The Department did not maintain the detailed listing of capital assets purchased with SHSP funds on the iGMS system.

The Department also did not establish procedures for ensuring that a physical inventory is taken at least every two years, or for monitoring changes to the equipment condition or location. The County and its Department did not develop a system for ensuring the County maintained adequate equipment records.

The County did not comply with federal compliance requirements applicable to equipment and real property management. This noncompliance is considered to be material noncompliance. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

COUNTY EMERGENCY MANAGEMENT AGENCY  
PORTER COUNTY  
FEDERAL FINDING  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

44 CFR 13.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the County.

We recommended that the County's management establish controls related to the grant agreement and all compliance requirements that have a direct and material effect on the program. In addition, we recommend that the County comply with Equipment and Real Property Management requirements of the grant program.



1995 South State Road 2  
Valparaiso, IN 46385  
219-465-3593  
Russell Shirley, Director  
Mike Weber, Deputy Director

November 3<sup>rd</sup>, 2014  
Indiana State Board of Accounts

Finding 2013-007, 11/03/2014, Corrective Action Planned:

1. All capital asset purchases will be registered with the Porter County Auditor's office.
2. Initially capital asset purchases for the past two years (2012 – 2013) will be submitted to the Porter County Auditor's office. After these entries have been made we will conducted an in-depth internal audit to reconcile the Porter County Auditor's office records to our past Requests For Expenditures.
3. Initially all RFE's for the past two years will be entered into iGMS, following that RFE's for the previous 5 years will be entered into iGMS.
4. Equipment inventories will be conducted every year in December.

Russell Shirley  
Director,  
Porter County EMA

COUNTY EMERGENCY MANAGEMENT AGENCY  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2014, with Russell Shirley, Director of the County Emergency Management Agency. The contents of this report were subsequently discussed on November 6, 2014, with John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.

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COUNTY CONVENTION, RECREATION, AND VISITOR COMMISSION/  
DBA INDIANA DUNES TOURISM  
PORTER COUNTY

COUNTY CONVENTION, RECREATION AND RECREATION COMMISSION/  
DBA INDIANA DUNES TOURISM  
PORTER COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Tourism Advertising Account were insufficient. The Tourism Office sells ads in tourism brochures to local businesses. They have an advertising account separate from their operating account. The Tourism Office did not issue official receipts for advertising sales in their official Access software as they did for their operating account receipts; they instead issued receipts in Quicken, a commercially purchased financial software program. In addition, the disbursements from the Advertising Account were not presented for the governing board to approve.

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, Chapter 1)

November 11, 2014

Paul Joyce, CPA, State Examiner

Pursuant to an audit conducted on August 25, 2014 by the Indiana State Board of Accounts, Porter County Convention, Recreation and Visitor Commission (PCCRVC) was informed that Quick Books, which is a commercial accounting software we were utilizing for our Advertising Account, was inadequate. The Advertising Account is a bifurcated account that holds non-tax revenue that is generated by selling advertising space in PCCRVC publications and selling retail items in the visitor center. It was deemed inadequate because it did not allow for proper audit trails and did not provide disbursement reports to be brought to the governing board for approval.

Upon this notification, the PCCRVC revised our accounting system to utilize the official Access software that is used for our Operating Account, which is the account that holds the innkeepers tax dollars the PCCRVC receives. By utilizing the Access software, the PCCRVC rectified the issue as it related to the audit trail and board notification.

We immediately executed these changes on September 1, 2014.

The change in the accounting system and disbursement reports were discussed at the September Board of Directors meeting. The board approved the staff to make the necessary changes to meet the Indiana State Board of Accounts requirements.

INDIANA DUNES TOURISM

1215 N State Road 49 • Porter, IN 46304

v:219-926-2255 • f:219-929-5395 • 800-283-TOUR (8687)

www.IndianaDunes.com • info@indianadunes.com



COUNTY CONVENTION, RECREATION AND VISITOR COMMISSION/  
DBA INDIANA DUNES TOURISM  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2014, with Lorelei Weimer, Executive Director; Patti Boyer, Operations Director; and Richard Connor Riley, Board member. The contents of this report were subsequently discussed on November 6, 2014, with John A. Evans, President of the Board of County Commissioners; and Daniel Whitten, President of the County Council.