

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
04/16/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	4
Transmittal Letter	5
County Auditor:	
Federal Findings:	
Finding 2013-001 - Internal Controls and Compliance Over Financial Transactions and Reporting	8-9
Finding 2013-004 - Internal Controls and Compliance Over The Schedule of Expenditures of Federal Awards	9-10
Finding 2013-005 - Internal Controls and Compliance Over Treasurer's Daily Balance of Cash and Depositories and the Auditor's Fund Ledger	10-11
Finding 2013-011 - Internal Controls - Child Support Enforcement.....	12
Corrective Action Plan	13-23
Audit Results and Comments:	
Official Bonds	24
Auditor Settlement Funds	24-25
Overdrawn Cash Balances	25
Commissioner Tax Sale Distribution.....	25-27
Accounts Payable Vouchers Deficiencies.....	27-30
Delinquent Collection Fees Fund.....	30-32
Collection Expenses Withheld From Settlement Distribution.....	32
Current Payment of Claims - Self-Insurance	33
Collective Bargaining Agreement With Correctional Officers	33-34
Exit Conference	35
County Treasurer:	
Federal Finding:	
Finding 2013-005 - Internal Controls and Compliance Over Treasurer's Daily Balance of Cash and Depositories and the Auditor's Fund Ledger	38-39
Corrective Action Plan	40
Audit Result and Comment:	
Delinquent Collection Fees Fund.....	41-43
Exit Conference	44
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2013-002 - Internal Controls and Compliance Over Financial Transactions and Reporting - County Clerk	46-47
Corrective Action Plan	48
Audit Results and Comments:	
Bank Account Reconciliations - Internal Controls	49-50
Credit Card Transactions - Internal Controls	50-51
Bond Forfeitures.....	52-53
Public Records Retention	53
Official Bonds	53-54
Exit Conference	55

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
County Sheriff:	
Federal Findings:	
Finding 2013-003 - Internal Controls and Compliance Over Financial Reporting - Sheriff	58
Finding 2013-008 - Internal Controls - Edward Byrne Memorial Justice Assistance Grant Program, ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	58-60
Finding 2013-009 - Matching and Reporting - Edward Byrne Memorial Justice Assistance Grant Program	60-61
Finding 2013-010 - Earmarking - Edward Byrne Memorial Justice Assistance Grant Program	61-62
Corrective Action Plan	63-66
Audit Results and Comments:	
Inmate Trust Records.....	67
Unclaimed Property - Old Inmate Trust Balances and Civil Division	67-68
Condition of Records - Civil Division	68-69
Official Bonds	69-70
Collective Bargaining Agreement with Correctional Officers	70-71
Sheriff Temporary Loan Repayment.....	71
Bank Account Reconciliations - Animal Control.....	72
Exit Conference	73
County Recorder:	
Audit Results and Comments:	
Fee and Cash Book	76
Receipt Issuance.....	76-77
Bank Reconcilements and Remittances	77
Exit Conference	78
County Redevelopment Commission:	
Federal Findings:	
Finding 2013-006 - Internal Controls - CDBG Entitlement Grants Cluster	80
Finding 2013-007 - Internal Controls - HOME Investment Partnerships Program	81
Corrective Action Plan	82-83
Audit Result and Comment:	
Tax Increment Financing (TIF) Dissolution Funds	84-87
Exit Conference	88
Board of County Commissioners:	
Audit Results and Comments:	
Commissioner Tax Sale Distribution	90-91
Accounts Payable Vouchers Deficiencies.....	91-94
Delinquent Collection Fees Fund	94-96
Collection Expenses Withheld From Settlement Distribution.....	96
Current Payment of Claims - Self-Insurance	97
Official Bonds	97-98
Official Response.....	99-103
Exit Conference	104

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
County Council:	
Audit Results and Comments:	
Tax Increment Financing (TIF) Dissolution Funds	106-109
Commissioner Tax Sale Distribution	109-111
Official Bonds	111-112
Sheriff Temporary Loan Repayment.....	112
Official Response.....	113-114
Exit Conference	115
County Community Corrections:	
Federal Findings:	
Finding 2013-008 - Internal Controls - Edward Byrne Memorial Justice Assistance Grant Program, ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	118-119
Finding 2013-009 - Matching and Reporting - Edward Byrne Memorial Justice Assistance Grant Program	119-120
Corrective Action Plan	121-122
Exit Conference	123

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Peggy Holinga Katona	01-01-11 to 12-31-14
County Treasurer	John E. Petalas	01-01-11 to 12-31-14
Clerk of the Circuit Court	Michael A. Brown	01-01-10 to 12-31-17
County Sheriff	John Buncich	01-01-11 to 12-31-14
County Recorder	Michael B. Brown	01-01-13 to 12-31-16
President of the Board of County Commissioners	Roosevelt Allen Jr. Michael C. Repay	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the County Council	Ted Bilski	01-01-13 to 12-31-14



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 LAKE COUNTY, INDIANA

This report is supplemental to our audit report of Lake 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/.

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 25, 2014

(This page intentionally left blank.)

COUNTY AUDITOR
LAKE COUNTY

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS

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

We noted deficiencies in the internal control system of the County related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of the financial statement to prevent or detect material misstatements.

The County Auditor is responsible for preparing the Annual Financial Report (AFR) and electronically submitting it to the Indiana State Board of Accounts. The financial information in the AFR is used to generate the financial statement to be audited. The financial statement presented for audit contained the following error:

1. Twenty funds that were accounted for in the County's ledgers were omitted from the financial statement. The omitted funds understated the beginning cash and investment balance by \$1,155,493.
2. The beginning cash and investment balances did not agree to the prior audited ending cash and investment balances for nine funds. The variances, totaling \$887,004, were caused by adjusting entries which affected the beginning cash and investment balances, the receipts, and the disbursements in the County's ledgers.
3. An irrevocable trust account's annual activity for a defeased debt instrument was erroneously included in the County's financial statement. The activity of the trust account resulted in the overstatement of the beginning cash and investment balance by \$1,018,426.
4. The financial statement receipts were understated by \$6,868,788. This was caused by errors, omissions, and adjusting entries that changed the current year's receipts.
5. The financial statement disbursements were understated by \$3,177,056. This was caused by errors and omissions.
6. The financial statement ending cash and investment balance was understated by \$4,703,526. The understatement was caused by the numerous errors, omissions, and adjustments that occurred with the beginning cash and investment balances, the receipts, and the disbursements addressed in the above items.

Audit adjustments were proposed, accepted by the County Auditor, and made to the financial statement.

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)

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

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."

***FINDING 2013-004 - INTERNAL CONTROLS AND COMPLIANCE OVER
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The County did not have a proper system of internal control 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 for 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.

Various departments are responsible for applying for grants, seeking board approval for the grants, and overseeing the implementation of the grant and the related grant activity. The County Auditor's Office (finance department) is responsible for preparing the SEFA based upon the grant information obtained from the financial accounting records and other information provided by each department. The financial accounting records maintained by the departments should reconcile with the County's detailed financial records. When the departments' reports were compared to the County's financial records, differences were noted. The County has contracted with a grant supervisor to review the departments' information for completeness and accuracy and to compile the SEFA. The internal controls established were not effective in detecting and correcting errors.

We noted the following material errors:

1. The SEFA did not include \$204,143 of expenditures for seven different grants or projects.
2. Expenditures were underreported by \$1,687,253 for fourteen projects of various grants.
3. Expenditures were overreported by \$1,523,533 for eleven projects of various grants.

The combination of the financial errors resulted in the expenditures on the SEFA being understated by \$367,863.

Audit adjustments were proposed, accepted by the County, and made to the SEFA 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.

COUNTY AUDITOR
LAKE 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 Counties of Indiana, Chapter 1)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

FINDING 2013-005 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITOR'S FUNDS LEDGER

The County Treasurer's Office is responsible for maintaining the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflects the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day.

As part of the monthly reconciling process, the County Auditor's Office compares the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2013, the County Auditor's Office reconciliation and the funds ledger balances agreed. However, a reconciling item totaling \$481,694.42 did not have the proper supporting documentation to substantiate the amount. Based on further review of the County Treasurer's Cash Book entries, it was determined that the County Treasurer's Office recorded a negative quietus (receipt) in the County Treasurer's "Funds Ledger" line. A corresponding entry was not posted to the County Auditor's funds ledger to reflect the County Treasurer's Cash Book entry. The County Treasurer's Cash Book "Funds Ledger - Cash" line item should not be adjusted without the proper supporting documentation from the County Auditor's Office that a corresponding entry was recorded to the County Auditor's funds ledger.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

In addition, cash short or cash long entries are recorded in the Cash Book which indicates a difference between the ending balance of the taxes, other sources, funds, and investments when compared to the ending depository balances. Various cash short and cash long entry explanations during the year included voided transactions, payment by credit card, electronic check timing differences, and bank errors.

The cumulative cash short and cash long at December 31, 2010, 2011, 2012, and 2013, is noted as follows:

Description	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Cash Short	\$ 64,015.79	\$ 609,747.45	\$ 538,136.20	\$ 48,472.24
Cash Long	269,328.50	147,075.89	150,436.29	154,459.90
Unsubstantiated Adjustment	-	-	-	<u>481,694.42</u>
Net (Short)/Long	<u>\$ 205,312.71</u>	<u>\$ (462,671.56)</u>	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2013. However, failure to establish controls to identify and find resolution to these items could cause a material misstatement of the financial statement in the future. As of the June 30, 2014, the reconciling item totaling \$481,694.42 between the County Auditor's and County Treasurer's Office had not been resolved.

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)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2013-011 - INTERNAL CONTROLS - CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number: Indirect Costs 2013
Pass-Through Entity: Indiana Department of Child Services

Management has not established an effective internal control system to ensure the reliability and accuracy of data used in determining the indirect cost allocation plan and indirect cost rate that are used to charge indirect costs to the program.

The County hired an outside consultant to prepare their indirect cost allocation plan. This consultant requests financial and other pertinent information from the County to complete the cost allocation plan. This plan determines the amount of indirect costs that the County is eligible to receive.

The consultant also submits the plan to the Indiana Department of Child Services for the reimbursement of the indirect costs for the County. Documentation of evidence that the County reviewed the indirect cost allocation plan report information prepared by the consultant was not provided.

The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements related to the grant. A lack of an internal control system could also allow the misuse and mismanagement of federal funds and assets by not having proper oversight and reviews.

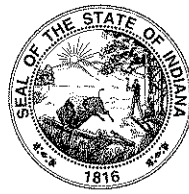
An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

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 noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County establish internal controls to ensure the reliability and accuracy of the data used in determining the amount of indirect costs that the County receives.



Auditor Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

© GGCUI 1049-M

CORRECTIVE ACTION PLAN

Section II **FINDING NO. 2013-001**

Auditee Contact Person: Michael T. Wieser
Title of Contact Person: Director of Finance, Lake County Auditor's Office
Phone Number: (219) 755-3129

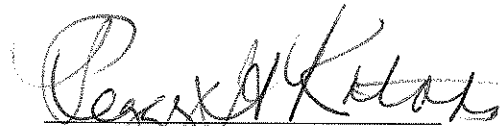
Corrective Action and Plan submitted:

As noted in the findings, all adjustments that were proposed were corrected and inserted into the financial statement.

The Auditor's office will implement a program that will provide reasonable assurance that the information is materially correct. When preparing the information needed for the financial statements, the employee designated with the task of preparing the information will present all documentation to either the Chief Deputy, or the Director of Finance for their review.

When filing the financial information electronically to the state examiner, both the employee and the supervisor will be present.

This program will be in effect for the submission of the 2014 financial statement information.


Lake County Auditor
December 2, 2014



Office of The Auditor

LAKE COUNTY, INDIANA

Heggy Holinga Katona
AUDITOR

CORRECTIVE ACTION PLAN

FINDING 2013-004 Internal Control and Compliance Over the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Lisa Beck/Ajaz Mohammed

Contact Phone Number: 219-755-3134

Description of Action Plan:

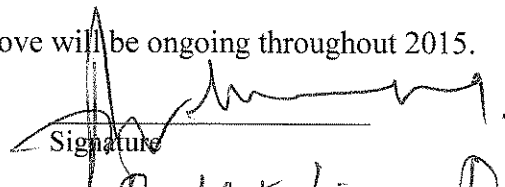
Previous Action

The Grant Supervisor position was created in October 2013. The Grant Supervisor's scope of duties were 1) to assist in accurately reporting financial information on the Schedule of Expenditures of Federal Awards ("SEFA"), and 2) to assist the departments in reducing and/or eliminating findings from the 2012 State Board of Accounts ("SBOA") audit that occurred in 2013. The Grant Supervisor met with each department to obtain the required information for the SEFA and to reconcile the County's detailed financial records with the financial records maintained by the departments. The departments directed the finance department to make any adjustments to the County's detailed financial records. The finance department entered the adjusted totals on the SEFA.

In 2014, the County enacted the Lake County Policies and Procedures for Internal Review ("policies"). A copy of said policies is attached hereto. The policies provide that all new and renewed federal grants meet with the Grant Committee before they appear in front of the Lake County Council for approval. The Grant Supervisor is provided a Council Agenda each month to prevent and detect errors on the SEFA. The Grant Supervisor and Budget Liaison Director perform periodic internal reviews of the financial records maintained by the departments and assist the departments whenever requested.

In preparing the SEFA for the 2014 calendar year, the Grant Supervisor and Budget Liaison Director plan to communicate with the departments, especially HUD, to obtain accurate and comprehensive financial information. The Grant Supervisor and Budget Liaison will review the County's detailed financial records and other information supplied by the departments. The County's Financial Director will verify the amounts along with supporting documentation before they are entered into the SEFA.

Anticipated Completion Date: The corrective action named above will be ongoing throughout 2015.



 Signature
 Budget Liaison Director

 Title
 12/05/14

 Date



ORDINANCE NO. 1376A

**ORDINANCE ESTABLISHING THE
LAKE COUNTY INTERNAL REVIEW
POLICIES AND PROCEDURES FOR
FEDERAL AND STATE GRANT REPORTING**

WHEREAS, various State and Federal Grants available to Lake County are on occasion presented to the Lake County Board of Commissioners and the Lake County Council for approval; and

WHEREAS, various State and Federal Grants available to Lake County on occasion require an appropriation of funds by the Lake County Council; and

WHEREAS, I.C. 36-2-3.5-5(6) provides that the Lake County Council, as the fiscal and legislative body of Lake County, may by ordinance establish new County departments, divisions, or agencies whenever necessary to promote efficient County Government; and

WHEREAS, it is in the best interest of Lake County Government to establish the Internal Review Division within the office of the Auditor to review the activities of Federal and State Grant programs, including but not limited to Government compliance with Federal and State laws, policies, established procedures, and accountability for the use of Federal and State funds; and

WHEREAS, the Internal Review Division shall issue reports on their findings to the Lake County Board of Commissioners, Lake County Council, and the Lake County Auditor, and all Government entities as required by the Lake County Grant Oversight Committee, established by Ordinance No. 1176A.

NOW, THEREFORE, LET IT BE ORDAINED AS FOLLOWS:

That the Lake County Council adopts the following internal review policies and procedures for federal grant reporting as follows:

SECTION 1: ORGANIZATION AND POLICY

1.1 PURPOSE:

This document establishes the official policies and procedures for the Internal Review Division within the Office of the Auditor. It explains the purpose, authority and responsibility of the internal review function and the duties of the Internal Review Division, which consists of the

Grant Committee, Grant Supervisor, and the Budget Liaison Director.

1.2 AUTHORITY:

The powers and duties of the Office of the Lake County Auditor (Auditor) are authorized under Indiana Code 32-2-9.5. The Auditor serves as the Fiscal Officer of the County with oversight responsibility of all financial books and records of County offices. The Auditor is an elected official and is organizationally independent of the operating activities of the Board of County Commissioners ("Commissioners"), the Lake County Council ("Council"), and the County Departments.

Recognizing the importance of government compliance with federal laws, policies, established procedures and accountability for the use of federal funds while performing its duties, the Auditor, Commissioners and Council have established the Internal Review Division.

The Internal Review Division is responsible for reviewing the activities of the federal grant programs under the direction of the Commissioners. The Internal Review Division is organizationally independent and has no direct responsibility for, or authority over, any Commissioner function, activity, or program subject to review.

The Internal Review Division has the authority and responsibility to review all departments receiving federal financial assistance and federal cost-reimbursement contracts and to issue reports thereon.

1.3 MISSION STATEMENT:

The mission of the Internal Review Division is to assure compliance by the County Departments that are receiving Federal financial assistance and Federal cost-reimbursement contracts received directly from Federal awarding agencies or indirectly from pass-through entities through the performance of independent, objective reviews and evaluations of relevant activities under the Commissioners. In performing these duties, the Internal Review Division will endeavor to assist Commissioner Administrators and County Department Managers in achieving compliance with financial reporting. These efforts are intended to ensure County compliance in order to fulfil the County's fiduciary responsibilities to the federal government.

1.4 MISSION STRATEGY:

The Internal Review Division will accomplish its mission to provide Lake County with an efficient, proactive and comprehensive internal review program through the conduct of:

- (A) Performance review to test that required internal controls are in place and to evaluate cost effectiveness and efficiency with which federal resources are employed. Recommendations will be reported as appropriate.
- (B) Assistance to the Auditor's Finance and Accounting Division and/or the external auditors in the performance of the annual audit of the County's financial statements.
- (C) Compliance reviews to ensure conformance with the requirements of Federal and Indiana laws and/or Federal and Indiana grants.

1.5 REQUIRED ACCESS TO RECORDS:

The Auditor must have full access to all County records, properties and personnel related to federal grants in order to properly conduct required review activities. Accordingly, County officials and employees shall furnish any requested information and records within their custody and respond to any questions regarding powers, duties, activities, organization, property, financial transactions and methods of business related to federal grants.

SECTION 2: METHOD OF OPERATION

2.1 INTERNAL REVIEW FUNCTIONS:

The following describes the functional operation of the Internal Review Division and the requirements for accomplishing its mission:

(A) Definition and Objective of Internal Review

Internal review is an independent objective assurance activity designed to add value and improve operations of the County as a service to management and elected officials. The fundamental objective of internal review is to assist all members of management to discharge their responsibilities. This objective is met by furnishing management with periodic reviews and recommendations concerning the federal grant related activities.

(B) Scope of Operations

The Internal Review Division's scope of operations encompasses revenues and expenditures of federal grant awards. This requires going beyond the accounting and financial records to obtain a full understanding of the operations under review and involves such activities as, but is not limited to:

- Perform a periodic review of the financial statement(s) for the Federal program in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States ("GAGAS");
- Obtain an understanding of internal control and perform tests of internal control over the Federal program consistent with the requirements of § __.500(c) for a major program;
- Perform procedures to determine whether the county department has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on the Federal program consistent with the requirements of § __.500(d) for a major program; and
- Follow up on prior SBOA audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit SBOA findings prepared by the County Department § __.500(e).

(C) Responsibility and Authority

- (1) The Internal Review Division has no direct responsibility for, or authority over, any activity under review.

(2) Any review performed by the Internal Review Division does not relieve the County department or Auditor employees of their assigned responsibilities.

(3) The Internal Review Division is comprised of the Grant Committee, the Grant Supervisor and the Budget Liaison Director.

(a) The Grant Committee is comprised of three members of the Lake County Council. Pursuant to Lake County Ordinance, all county departments prior to submission and/or award of the grant application shall schedule a meeting with the Grant Committee in order to review previous and ongoing compliance.

(b) Where internal control and contractual compliance is involved with federal grants, the Grant Supervisor and Budget Liaison Director will:

(i) Review and evaluate policies, plans and procedures, but have no responsibility for establishing same; and

(ii) Review the existing and proposed procedures and make recommendations and/or comments regarding acceptable standards.

(D) Responsibility of County Department

The County Department shall:

(1) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(2) Maintain internal control over Federal programs that provides reasonable assurance that the County Department 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.

(3) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(4) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § __.310.

(5) Ensure that the audits required by this part are properly performed and submitted when due. When extensions to the report submission due date required by § __.320(a) are granted by the cognizant or oversight agency for audit, promptly notify the Federal clearinghouse designated by Office of Management and Budget and each pass-through entity providing Federal awards of the extension.

(6) Follow up and take corrective action on review recommendations, including preparation of a summary schedule of prior review recommendations and a corrective action plan in accordance with § __.315(b) and § __.315(c), respectively.

2.2 INDEPENDENCE, OBJECTIVITY AND ETHICS:

The Internal Review Division is responsible directly to the Auditor for the performance of internal review activities and for the reporting of recommendations. The Internal Review Division is therefore considered to be independent of the county departments operations being reviewed.

Objectivity is essential to the review function. Therefore, the Internal Review Division should not devise or install procedures that will be later reviewed. In the installation of new systems, the Internal Review Division can offer suggestions for minimum controls and program implementation without impairing objectivity.

The Internal Audit Division shall maintain high standards of conduct, honor and character so that credibility and integrity are not open to question. The Internal Review Division will subscribe to the Codes of Professional Ethics and Standards as promulgated by the county's personnel and ethics policies.

2.3 REVIEW PLANNING, CONDUCT AND COMMUNICATION:

The Internal Review Division shall, on a periodic basis, develop a plan of review with respect to internal control and compliance requirements. The annual review plan shall include identification of each review to be conducted in terms of the financial records and activities to be reviewed.

Reviews shall be conducted in compliance with generally accepted government auditing standards issued by the Comptroller General of the United States ("GAGAS"). These standards are contained and detailed in the Circular A-133, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156. It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

The Internal Review Division shall notify the appropriate county department management of the nature and purpose of the review. During the course of the review, the Internal Review Division will inform the Auditor and department management, to the fullest extent practicable, of any significant recommendations.

SECTION 3: INTERNAL REVIEW SERVICES

3.1 TYPES OF SERVICES:

The following are general descriptions of the types of services provided by the Internal Review Division. The annual review plan can include any combination of these types.

(A) Revenue Review.

Review includes review of County departments responsible for the billing, collection and administration of federal grant revenues.

(B) Compliance Review.

These reviews generally are performed to ensure compliance with Federal or State laws and/or

requirements of Federal grants. These can include reviews of management practices and financial data to determine the extent to which a unit complies with applicable Indiana Statutes, County Code and policies and procedures.

(C) Fraud Investigations


Any suspected criminal act (e.g., theft, robbery, etc.) should be promptly reported to the appropriate County officials and proper law enforcement agency.

Suspicious of fraud, misappropriation of County assets, unethical behavior of County employees or other irregularities may be reported to the Auditor through the Internal Review Division. Callers may remain anonymous if they wish. As directed by the Auditor, an independent investigation may be performed by the proper law enforcement agency, or other appropriate agency.

3.2 REVIEW REPORTS:

Upon completion of the review, the Grant Supervisor and/or Budget Liaison Director will prepare an original draft of the review report. The report will communicate to County management, in a clear and concise manner, the results of the review. The format of the report will depend upon the type of review performed.

SO ORDAINED THIS 24th DAY OF September, 2014.



TED F. BILSKI, President



CHRISTINE CID



DANIEL E. DERNULC



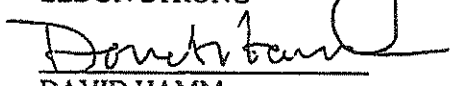
JEROME A. PRINCE

Absent

ELSIE FRANKLIN



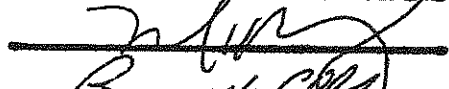
ELDON STRONG

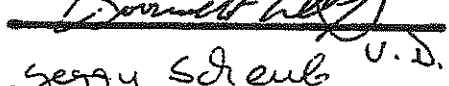


DAVID HAMM

Members of the Lake County Council

BOARD OF COMMISSIONERS OF THE COUNTY OF LAKE





Page -6-



APPROVED THIS 22nd DAY OF Sept, 2014

AUDITOR'S CERTIFICATE

State of Indiana)

)
SS:

County of Lake)


I, Peggy H. Katona, Lake County Auditor, in and for said County and State,

do hereby certify: the following to be a true and correct copy of

Ordinance No. 1376A - Ordinance Establishing the Lake County Internal
Review Policies and Procedures for Federal and State Grant Reporting

And same is filed in my office.

IN WITNESS WHEREOF, I
Hereunto set my hand and affix
The official seal of The Board
Of Commissioners of the County
Of Lake, IN on this
30th Day of September, 2014



Peggy H. Katona
Lake County Auditor

PEGGY HOLINGA KATONA
AUDITOR

JOHN PETALAS
TREASURER



Auditor Lake County
Treasurer Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307



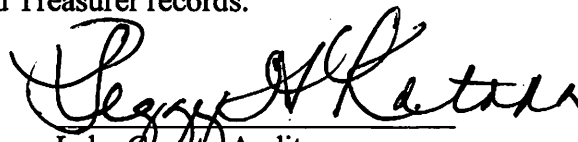
CORRECTIVE ACTION PLAN

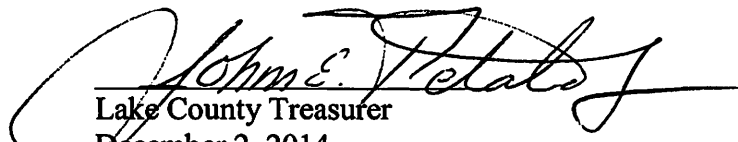
Section II
FINDING NO. 2013-005

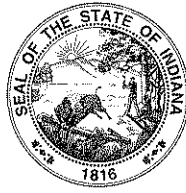
Auditee Contact Person: Michael T. Wieser
Title of Contact Person: Director of Finance, Lake County Auditor's Office
Phone Number: (219) 755-3129

Corrective Action and Plan submitted:

The issue, as presented, noted a reconciling difference of 481,694.42. A correction to reduce the amount by 240,847.30 was made at the time of the June 2014 settlement by recapturing a previous over distribution to various funds in tax district 042. The remaining difference has been identified. A conference scheduled for December 4, 2014 should produce the proper procedure to reconcile the difference between the Auditor and Treasurer records.


Lake County Auditor
December 2, 2014


Lake County Treasurer
December 2, 2014



Auditor Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

© GCU 1049-M


CORRECTIVE ACTION PLAN

Section III
FINDING NO. 2013-011

Auditee Contact Person: Michael T. Wieser
Title of Contact Person: Director of Finance, Lake County Auditor's Office
Phone Number: (219) 755-3129

Corrective Action and Plan submitted:

In a previous response to the Original Audit Report Number B42923, the Lake County Auditor's office contacted the vendor that was hired to prepare the cost allocation program and has subsequently met with the vendor on October 20, 2014. The vendor provided a page by page narrative to 2 members of the Lake County Auditor's finance department. In the discussion the vendor indicated to the Auditor's staff what pertinent information was used in the compilation of the data. Lake County Auditor's staff verified those numbers using Lake County financial reports.


Lake County Auditor
December 2, 2014

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS

The County Auditor's and County Sheriff's \$15,000 Surety Bond amounts were insufficient per the Indiana Code. Also, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center. All official bonds are to be made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand (\$30,000), as fixed by the fiscal body of the county."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

AUDITOR SETTLEMENT FUNDS

The County has reported one Settlement fund (6000) per the new chart of accounts. However, seven Settlement funds, with receipt and disbursement activity of \$7,189,159, were reported separately and not in the one Settlement fund as required. Furthermore, the reported Settlement fund included a nonsettlement fund with receipts of \$50,070 and an ending cash balance of \$188,105.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the Settlement fund did not have a zero balance before or after the reconciliation of the settlement of tax collections. The January 1, 2013 balance of the Settlement fund totaled \$836,289 and the December 31, 2013 balance of the Settlement fund totaled \$1,038,227. After research completed by the County Auditor's Office in 2014, a remaining balance of \$110,122 that had not been identified was distributed to the appropriate taxing units.

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 County Auditors of Indiana, Chapter 14)

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn
General	\$ 1,190,833
Park And Recreation	237,284
Sheriff Sale Administration	21,714
County Innkeepers Tax	174,372
Sheriff's Towing & Franchise	83,118
Violence Intervention Program	5,933
Employee Benefit Accruals	1,985,218

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 Auditors of Indiana, Chapter 14)

COMMISSIONER TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale, were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees fund - SRI, Inc., and the Treasurer's Tax Sale and presented as the Tax Sale Fees fund on the financial statements. The Commissioner's Tax Certificate Sale fund had a beginning balance of \$2,313,313 reported \$3,207,000 in receipts and \$4,682,671 in disbursements resulting in an ending balance of \$837,642.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of \$2,313,313, only \$1,924,000 was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years. That disbursement resulted in a remaining amount of \$389,313 from prior years, which were not applied to property tax, special assessments, or penalties.

The Commissioners' Tax Sale Certificate fund received \$3,207,000 in receipts from two Commissioners Sales in 2013. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2013. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$826,000 was transferred from the Commissioners Tax Sale fund to four incentive funds as an allocation of payroll costs attributed to the tax sale. The amounts transferred are determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale can be paid from the proceeds from the sale; however, only the actual costs incurred can be reimbursed. The transfers, based upon direction received from the County Council during 2010, 2011, 2012, and 2013, were as follows:

Fund	2010	2011	2012	2013
Auditor's Tax Incentive	\$ 100,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000
Recorder's Records Incentive	100,000	100,000	100,000	100,000
Treasurer's Incentive	<u>100,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>
Total transfers received	<u>\$400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>

The 2013 amount disbursed from and the cash balances of December 31, 2013, for the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive	\$ 234,244	\$ 359,865
Commissioner's Incentive Fund	216,564	327,947
Recorder's Records Incentive	90,022	286,162
Treasurer's Incentive	<u>148,466</u>	<u>428,789</u>
Totals	<u>\$ 689,296</u>	<u>\$ 1,402,763</u>

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in the incentive funds at the end of 2013 was \$1,402,763.

Ordinance 1333A also states that 40 percent of the net proceeds up to \$1,000,000 are to be deposited into the Commissioners' Tax Sale fund and only the net proceeds above the \$1,000,000 are to be distributed to the appropriate units of government where the respective tax certificate properties are located. Indiana Statute does not allow for this allocation as only direct costs, property tax, special assessments, and

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

penalties are to be paid. Any amount received in excess of those disbursements allowed by statute, should be deposited into the Tax Sale Surplus fund and not retained in the Tax Sale Fees fund. In addition, although not separately identified in the receipts from the Commissioners' Tax Sale, disbursements from the Commissioner's Tax Sale Certificate fund were made for the redemption of properties. Accounting for the redemption of properties should be posted to the Tax Redemption fund.

Indiana Code 6-1.1-24-6.4 states in part:

"(a) When a certificate of sale is sold under this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(f) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).
- (3) Third, to a separate 'tax sale surplus fund.'

(b) The:

- (1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property; may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(c) An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is claimed more than three (3) years after the date of its receipt . . ."

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The following deficiencies were noted during a review of accounts payable vouchers:

1. The County makes some payments through bank electronic funds transfers (EFT). These payments include: debt payments, park land purchases, and payments to the Indiana Pension Retirement System (INPRS). The Commissioners do not sign the accounts payable vouchers (claims for payment) prior to the actual bank EFT.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The County also makes some payments by issuing manual checks. The Commissioners do sign the accounts payable vouchers for the manual checks prior to the check issuance. At the next Commissioners' meeting, the manual checks and payments by EFT are approved after the payments have been made. The meeting minutes reflect this approval with the wording "to approve and make a matter of public record the Claims and Docket and ordered same for Auditor to include white claims for the review of Claims and Docket." A detailed listing of the approved manual checks and payments by EFT on an accounts payable voucher register is not retained for audit. Bank wire transfer payments of \$33,364,971 were paid in 2013 prior to proper Board of County Commissioners' approval before payment.

The County's codified ordinances did not include an ordinance authorizing the County Auditor to prepay accounts payable vouchers prior to the Board of County Commissioners' approval.

A similar audit result and comment appeared in the prior audit report.

3. Payroll taxes and other payroll withholding payments are made through bank EFTs. These payments were made without an accounts payable voucher (claim for payment) and without the Board of County Commissioners' approval at a subsequent meeting.
4. Payments were made to the third party administrator for the self-insurance administrative fees without supporting documentation. The white claim is provided by the vendor with the dollar amount completed and the claim is paid from that information. The total amount paid for administrative fees for 2013 was \$556,720.
5. Payments totaling \$286,505 were made to a vendor for the execution of the County Treasurer's Tax Sales, based solely upon receipts posted to the records. Per the contract with the vendor: "The Service Fee shall be collected by the County on all parcels included on the Certified List and remitted to *the vendor* upon collection and receipt of an invoice for the Service Fees from *the vendor*." Furthermore, the accounts payable vouchers for the payments to the vendor were initiated by the County Treasurer and processed by the County Auditor's Office the same day in which they were initiated. This type of disbursement has not been included in a County ordinance allowing for prepayment.

If a tax sale property cancellation occurred, a full refund is provided back to the purchaser, which includes the SRI service fee collected. However, the tax sale fees were receipted into the Tax Sale Fee - SRI fund and remitted to SRI without adjusting for any cancellations.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (1) there is a fully itemized invoice or bill for the claim; . . .
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-2-6-4 states in part:

"(b) Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or a court orders him to do so. . . .

(c) The county executive may allow a claim if the claim:

- (1) complies with IC 5-11-10-1.6; and
- (2) is placed on the claim docket by the auditor at least five (5) days before the meeting at which the executive is to consider the claim."

Indiana Code 36-2-6-4.5 states in part:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes under this section.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance for the following kinds of expenses if the county executive has adopted an ordinance under subsection (a): . . .

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the county auditor.

(d) The county executive or the county board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a looseleaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. [IC 5-11-10-2] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

A claim or voucher, to be properly itemized, must show kind of service, where performed, dates service rendered, by whom rendered, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Attorney General held in Official Opinion No. 13 (1968) that the attachment of a properly itemized and certified invoice to the front side of a prescribed claim form, in lieu of manual completion of the front side of the claim form, is consistent with the provisions of IC 5-11-10-1. In view of the foregoing opinion certified invoices may be used subject to the following conditions:

1. Invoice is fully itemized, in the manner described on the prescribed Accounts Payable Voucher Form.
2. Invoice is firmly attached to and becomes a permanent part of the prescribed claim and is processed in the same manner as other claims.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

DELINQUENT COLLECTION FEES FUND

In 2002, the Board of County Commissioners entered into a contract with a vendor to identify undervalued or omitted personal property not properly recorded in the County's tax system. Once identified, the County pursued collection of the delinquent taxes through outside attorneys. Prior to July 2012, when collection from these properties occurred, the delinquent tax and the attorney fees paid by the property owner were receipted into the Delinquent Collections Fee fund. The vendor and the outside attorneys were paid from this fund.

On the advice of the Board of County Commissioners' Attorney, the County Auditor transferred \$1,262,616 from the fund (based upon expenses estimated by the County Attorney without supporting documentation) to the Collection Expense Reimbursement fund. The remaining \$1,521,192 in the fund was transferred into the Omitted Property Audits fund.

After July 2012, collection of delinquent taxes from these types of properties was receipted into the Undervalued and Omitted Property fund (now Omitted Property Audits fund). Also, after July 2012, the Attorney fees paid by the property owners were receipted into the Collections Expense Reimbursement fund (386). According to the statute cited below, the County Auditor is obligated to distribute \$3,063,734.52 to the appropriate taxing districts as detailed below:

Description	Amount
Undervalued and omitted personal property taxes erroneously transferred to the Collection Expense Reimbursement Fund	\$ 1,262,616
Undervalued and omitted personal property taxes erroneously transferred to the new Omitted Property Audits Fund	1,521,192
2012 Undervalued and omitted property tax collections	240,390
2013 Undervalued and omitted property tax collections	122,986
Subtotal	3,147,185
Less: 2012 documented expenses of collection	(59,050)
2013 documented expenses of collection	(24,400)
Subtotal	(83,450)
Total to be distributed to taxing districts	\$ 3,063,735

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-23-7 states:

"(a) With respect to the collection of delinquent personal property taxes, the county treasurer shall charge the following collection expenses to each delinquent taxpayer:

- (1) For making a demand by:
 - (A) registered or certified mail, eight dollars (\$8); or
 - (B) any other manner permitted by section 1 of this chapter, five dollars (\$5).
- (2) For making a levy, ten dollars (\$10).
- (3) For selling personal property, ten percent (10%) of the sale price.
- (4) For advertising a sale, the legal rates for advertising.
- (5) For transfer and storage of personal property, the actual expense incurred.
- (6) Other reasonable expenses of collection, including:
 - (A) title search expenses;
 - (B) uniform commercial code search expenses; and
 - (C) reasonable attorney's fees or court costs incurred:
 - (i) in the collection process;
 - (ii) due to a court order; or
 - (iii) due to an order of the treasurer;

under IC 6-1.1-23-10.

(b) The fees collected under this section are the property of the county and shall be deposited in the county general fund. The collection expenses incurred in connection with the levy upon and sale of personal property shall be paid from the county general fund without prior appropriation."

Indiana Code 6-1.1-36-12 states:

"(a) A board of county commissioners, a county assessor, or a township assessor (if any) may enter into a contract for the discovery of property that has been undervalued or omitted from assessment. The contract must prohibit payment to the contractor for discovery of undervaluation or omission with respect to a parcel or personal property return before all appeals of the assessment of the parcel or the assessment under the return have been finalized. The contract may require the contractor to:

- (1) examine and verify the accuracy of personal property returns filed by taxpayers with the county assessor or a township assessor of a township in the county; and

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(2) compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer.

(b) This subsection applies if funds are not appropriated for payment of services performed under a contract described in subsection (a). The county auditor may create a special nonreverting fund in which the county treasurer shall deposit the amount of taxes, including penalties and interest, that result from additional assessments on undervalued or omitted property collected from all taxing jurisdictions in the county after deducting the amount of any property tax credits that reduce the owner's property tax liability for the undervalued or omitted property. The fund remains in existence during the term of the contract. Distributions shall be made from the fund without appropriation only for the following purposes:

(1) All contract fees and other costs related to the contract.

(2) After the payments required by subdivision (1) have been made and the contract has expired, the county auditor shall distribute all money remaining in the fund to the appropriate taxing units in the county using the property tax rates of each taxing unit in effect at the time of the distribution.

(c) A board of county commissioners, a county assessor, or a township assessor may not contract for services under subsection (a) on a percentage basis."

COLLECTION EXPENSES WITHHELD FROM SETTLEMENT DISTRIBUTION

The County Auditor distributed property tax collections in December 2013. Litigation expenses associated with delinquent property tax cases were withheld from the December 2013 settlement involving several taxing districts totaling \$43,017.

These amounts were deducted from the tax settlement of those units and were recorded as additions to the County's General fund and subsequently paid to attorneys.

We are unaware of any statutory authority to withhold these amounts from the respective taxing units.

The County Auditor is authorized to make distributions of funds due the State of Indiana and local governmental units within the county without allowance or approval of the Board of County Commissioners. Distributions of property taxes, bank, building and loan taxes, license excise taxes and any other distribution which includes two (2) or more funds or sources shall be accompanied by a Certificate of Tax Distribution, Form No. 22 (Rev. 1985). If a distribution (other than property tax settlement) includes only one fund or source and the fund or source is shown on the warrant, it is not necessary to furnish a certificate of tax distribution.

Warrants for all distributions should be made payable to the fiscal officer or treasurer of the governmental unit by title, for example: Trustee, Washington Township; Clerk-Treasurer, Town of Rockville, Treasurer, North Putnam Community School Corporation. The personal name of a public official should not be shown on any warrant payable to a state agency or local governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CURRENT PAYMENT OF CLAIMS - SELF-INSURANCE

During 2013, the County was self-insured for employee health benefits. A review of the healthcare claims noted that claims were not timely paid and could be held up to three months before payments were released. As of December 31, 2013, the County had outstanding insurance claims of approximately \$7,700,000.

As of October 2014, the County healthcare claims were being held up to approximately two months before payments were released.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COLLECTIVE BARGAINING AGREEMENT WITH CORRECTIONAL OFFICERS

Effective January 3, 2011, the County entered into a Collective Bargaining Agreement with the Lake County Correctional Association Local Chapter 11 for the Corrections Division of the Lake County Sheriff's Department. The term of the agreement was December 31, 2010 through December 31, 2012. Under Article 2 Term, Section 2.7 of this agreement: "If, on the expiration date, the parties have not yet entered into a new agreement relating to time periods after that date, then the terms and provisions of this agreement shall nonetheless remain in full force and effect until the earlier of (i) the date a new agreement is entered by the parties, or (ii) two calendar years after the expiration date. This agreement shall remain in effect during any such period of negotiations." Thus, for 2013, the County remained under the January 3, 2011 Collective Bargaining Agreement with the Lake County Correctional Association Local Chapter 11 since effective December 10, 2013, a new agreement was entered into with the term of January 1, 2014 through December 31, 2014.

Both agreements contain the following language in Article 16 Hours of Employment, Section 16.2: "The basic workweek for correctional officers working in the Lake County Jail Corrections Division shall consist of a twelve hour day with two shifts consistent with paragraph 10.2."

Both agreements also state in Article 1 Recognition, Section 1.3: "The Employer shall not, enter into any oral or written agreements with the employees covered under this contract or to any provisions of this contract either individually or collectively or with any other organization acting on behalf of such employees."

The 2013 Payroll Authorization Reports (LC300) and the Time Record Distribution Reports (PR135) for the Jail Department (3100) indicate that Correctional Officers were paid for 8 hour shifts plus any overtime hours if applicable, not 12 hour shifts. The Jail Department (3100) disbursed \$1,145,510 for overtime during 2013 from the General fund.

The County did not comply with its collective bargaining agreement with the Corrections Division of the Lake County Sheriff's Department. The noncompliance caused increased overtime costs. The County's management should establish controls related to the collective bargaining agreement and compliance with its requirements.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2014, with Peggy Holinga Katona, County Auditor; Ted Bilski, President of the County Council; Michael C. Repay, President of the Board of County Commissioners; Larry Cak, County Auditor's Executive Director; and Michael Wieser, Finance Director.

(This page intentionally left blank.)

COUNTY TREASURER
LAKE COUNTY

COUNTY TREASURER
LAKE COUNTY
FEDERAL FINDING

FINDING 2013-005 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITOR'S FUND LEDGER

The County Treasurer's Office is responsible for maintaining the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflects the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day.

As part of the monthly reconciling process, the County Auditor's Office compares the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2013, the County Auditor's Office reconciliation and the funds ledger balances agreed. However, a reconciling item totaling \$481,694.42 did not have the proper supporting documentation to substantiate the amount. Based on further review of the County Treasurer's Cash Book entries, it was determined that the County Treasurer's Office recorded a negative quietus (receipt) in the County Treasurer's "Funds Ledger" line. A corresponding entry was not posted to the County Auditor's funds ledger to reflect the County Treasurer's Cash Book entry. The County Treasurer's Cash Book "Funds Ledger - Cash" line item should not be adjusted without the proper supporting documentation from the County Auditor's Office that a corresponding entry was recorded to the County Auditor's funds ledger.

In addition, cash short or cash long entries are recorded in the Cash Book which indicates a difference between the ending balance of the taxes, other sources, funds, and investments when compared to the ending depository balances. Various cash short and cash long entry explanations during the year included voided transactions, payment by credit card, electronic check timing differences, and bank errors.

The cumulative cash short and cash long at December 31, 2010, 2011, 2012, and 2013, is noted as follows:

Description	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Cash Short	\$ 64,015.79	\$ 609,747.45	\$ 538,136.20	\$ 48,472.24
Cash Long	269,328.50	147,075.89	150,436.29	154,459.90
Unsubstantiated Adjustment	-	-	-	481,694.42
Net (Short)/Long	<u>\$ 205,312.71</u>	<u>\$ (462,671.56)</u>	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>

COUNTY TREASURER
LAKE COUNTY
FEDERAL FINDING
(Continued)

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2013. However, failure to establish controls to identify and find resolution to these items could cause a material misstatement of the financial statement in the future. As of the June 30, 2014, the reconciling item totaling \$481,694.42 between the County Auditor's and County Treasurer's Office had not been resolved.

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)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

PEGGY HOLINGA KATONA
AUDITOR

JOHN PETALAS
TREASURER



Auditor Lake County
Treasurer Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307



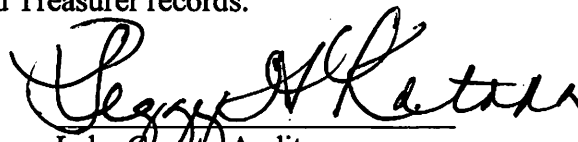
CORRECTIVE ACTION PLAN

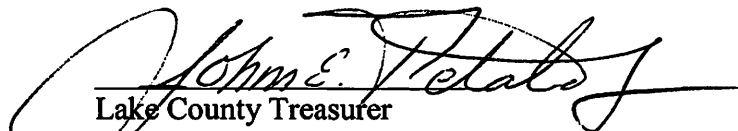
Section II
FINDING NO. 2013-005

Auditee Contact Person: Michael T. Wieser
Title of Contact Person: Director of Finance, Lake County Auditor's Office
Phone Number: (219) 755-3129

Corrective Action and Plan submitted:

The issue, as presented, noted a reconciling difference of 481,694.42. A correction to reduce the amount by 240,847.30 was made at the time of the June 2014 settlement by recapturing a previous over distribution to various funds in tax district 042. The remaining difference has been identified. A conference scheduled for December 4, 2014 should produce the proper procedure to reconcile the difference between the Auditor and Treasurer records.


Lake County Auditor
December 2, 2014


Lake County Treasurer
December 2, 2014

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULT AND COMMENT

DELINQUENT COLLECTION FEES FUND

In 2002, the Board of County Commissioners entered into a contract with a vendor to identify undervalued or omitted personal property not properly recorded in the County's tax system. Once identified, the County pursued collection of the delinquent taxes through outside attorneys. Prior to July 2012, when collection from these properties occurred, the delinquent tax and the attorney fees paid by the property owner were receipted into the Delinquent Collections Fee fund. The vendor and the outside attorneys were paid from this fund.

On the advice of the Board of County Commissioners' Attorney, the County Auditor transferred \$1,262,616 from the fund (based upon expenses estimated by the County Attorney without supporting documentation) to the Collection Expense Reimbursement fund. The remaining \$1,521,192 in the fund was transferred into the Omitted Property Audits fund.

After July 2012, collection of delinquent taxes from these types of properties was receipted into the Undervalued and Omitted Property fund (now Omitted Property Audits fund). Also, after July 2012, the Attorney fees paid by the property owners were receipted into the Collections Expense Reimbursement fund (386). According to the statute cited below, the County Auditor is obligated to distribute \$3,063,734.52 to the appropriate taxing districts as detailed below:

Description	Amount
Undervalued and omitted personal property taxes erroneously transferred to the Collection Expense Reimbursement Fund	\$ 1,262,616
Undervalued and omitted personal property taxes erroneously transferred to the new Omitted Property Audits Fund	1,521,192
2012 Undervalued and omitted property tax collections	240,390
2013 Undervalued and omitted property tax collections	<u>122,986</u>
Subtotal	<u>3,147,185</u>
Less: 2012 documented expenses of collection	(59,050)
2013 documented expenses of collection	<u>(24,400)</u>
Subtotal	<u>(83,450)</u>
Total to be distributed to taxing districts	<u><u>\$ 3,063,735</u></u>

Indiana Code 6-1.1-23-7 states:

"(a) With respect to the collection of delinquent personal property taxes, the county treasurer shall charge the following collection expenses to each delinquent taxpayer:

- (1) For making a demand by:
 - (A) registered or certified mail, eight dollars (\$8); or
 - (B) any other manner permitted by section 1 of this chapter, five dollars (\$5).

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

- (2) For making a levy, ten dollars (\$10).
- (3) For selling personal property, ten percent (10%) of the sale price.
- (4) For advertising a sale, the legal rates for advertising.
- (5) For transfer and storage of personal property, the actual expense incurred.
- (6) Other reasonable expenses of collection, including:
 - (A) title search expenses;
 - (B) uniform commercial code search expenses; and
 - (C) reasonable attorney's fees or court costs incurred:
 - (i) in the collection process;
 - (ii) due to a court order; or
 - (iii) due to an order of the treasurer;

under IC 6-1.1-23-10.

(b) The fees collected under this section are the property of the county and shall be deposited in the county general fund. The collection expenses incurred in connection with the levy upon and sale of personal property shall be paid from the county general fund without prior appropriation."

Indiana Code 6-1.1-36-12 states:

"(a) A board of county commissioners, a county assessor, or a township assessor (if any) may enter into a contract for the discovery of property that has been undervalued or omitted from assessment. The contract must prohibit payment to the contractor for discovery of undervaluation or omission with respect to a parcel or personal property return before all appeals of the assessment of the parcel or the assessment under the return have been finalized. The contract may require the contractor to:

- (1) examine and verify the accuracy of personal property returns filed by taxpayers with the county assessor or a township assessor of a township in the county; and
- (2) compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer.

(b) This subsection applies if funds are not appropriated for payment of services performed under a contract described in subsection (a). The county auditor may create a special nonreverting fund in which the county treasurer shall deposit the amount of taxes, including penalties and interest, that result from additional assessments on undervalued or omitted property collected from all taxing jurisdictions in the county after deducting the amount of any property tax credits that reduce the owner's property tax liability for the undervalued or omitted property. The fund remains in existence during the term of the contract. Distributions shall be made from the fund without appropriation only for the following purposes:

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

- (1) All contract fees and other costs related to the contract.
- (2) After the payments required by subdivision (1) have been made and the contract has expired, the county auditor shall distribute all money remaining in the fund to the appropriate taxing units in the county using the property tax rates of each taxing unit in effect at the time of the distribution.
- (c) A board of county commissioners, a county assessor, or a township assessor may not contract for services under subsection (a) on a percentage basis."

COUNTY TREASURER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014, with John E. Petalas, County Treasurer, and Priscilla Kirrin, Bookkeeping Supervisor.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL TRANSACTIONS AND REPORTING - COUNTY CLERK***

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities of the Clerk of the Circuit Court were insufficient. We noted several deficiencies in the internal control system of the Clerk of the Circuit Court's Office related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Clerk of the Circuit Court's Office to reduce risks to the achievement of financial reporting objectives. The Clerk of the Circuit Court's Office has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

The Clerk of the Circuit Court's Office has multiple offices and divisions. The divisions generally have a division manager, a bookkeeper, and clerks. The various clerks issue receipts for amounts received, and remit the receipts issued and related collections to the bookkeepers, who also issue receipts for collections from the public. The bookkeepers make adjustments for receipt errors, close and record the daily transactions, issue checks, prepare the bank deposit and reconcile the bank accounts. In some divisions, the bookkeeper also takes the deposit to the bank.

2. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed.

The Clerk of the Circuit Court 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 Financial Report (AFR) and annual financial statement. The Clerk fund included in the financial statement includes all receipts and disbursements of the Clerk of the Circuit Court's Office, cash balances due to other governmental entities, and items held in trust for others.

The financial information provided by the Clerk of the Circuit Court to be included in the County's 2013 financial statement contained numerous errors and omissions. The Clerk of the Circuit Court 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, 2013, as well as their receipts and disbursements for 2013 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 financial statement. The total cash and investments reported on the 2013 financial statement was \$14,171,981; the audited cash and investments balance as of December 31, 2013, was \$12,068,897. The following presents the differences between reported and audited financial activity:

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING
(Continued)

	01-01-13 Beginning Balance	Receipts	Disbursements	12-31-13 Ending Balance
Financial Activity Reported	\$ 12,064,993	\$47,646,286	\$ 45,539,298	\$ 14,171,981
Audited Financial Activity	<u>12,035,514</u>	<u>50,501,720</u>	<u>50,468,336</u>	<u>12,068,898</u>
Variances	<u>\$ 29,479</u>	<u>\$ (2,855,434)</u>	<u>\$ (4,929,038)</u>	<u>\$ 2,103,083</u>

Identified errors that contributed to the differences included the reporting of depository balances instead of reconciled record balances, reporting trust activity only and omitting fee activity, and not properly recording a disbursement due to a bank error. The audit adjustments were included in the variances noted in Finding 2013-001 above and the County Auditor approved the proposed adjustments to the financial statement.

The lack of adequate controls over the Clerk of the Circuit Court's financial report before it was filed with the County Auditor was evidenced above. 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.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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)



MICHAEL A. BROWN

CLERK LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

PHONE: (219) 755-3460

FAX: (219) 755-3520



December 3, 2014

Corrective Action Plan

FINDING 2013-002

Contact Person Responsible for Corrective Action: Marilyn Hrnjak

Contact Phone Number: 755-3049

Description of Corrective Action Plan:

1. Lack of Segregation of Duties: This concern has been addressed and corrected. Newly assigned duties have been given to existing personnel to segregate financial responsibilities. In addition, sign-off sheets have been created to verify segregation of duties.
2. Our chief financial officer now makes routine visits to all financial departments in Crown Point and in each satellite office to observe, correct, and train financial personnel on proper procedure. Training of financial officers is ongoing, including holding periodic training sessions in the Crown Point office for all financial employees.
3. In the future the correct balances from the Courtview report or from the manual ledgers will be used by all departments.
4. Training and supervision by the chief financial officer will continue.

Anticipation of Completion Date:

The Lack of Segregation of Duties concern has been resolved. The remaining plan will be implemented by January 31, 2015 with regard to the CAR report. Again, training will be ongoing.

Signature:

Title:

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS - INTERNAL CONTROLS

As noted in the prior audit report, the Clerk of the Circuit Court's Offices (located throughout the 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 Clerk of the Circuit Court. However, only five of the Clerk of the Circuit Court'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. The three divisions, that maintain a manual ledger or excel spreadsheet, do so using the transaction activity obtained from Court View.

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 credit card 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 Clerk of the Circuit Court's divisions described as follows:

Crown Point Civil

A manual Cash Book/Ledger (County Form 46) is maintained and used to reconcile to the adjusted bank balance instead of the ABL which is the official record. As of December 31, 2013, the reconciled bank balance was \$7,400 in excess of the manual Cash Book balance. This did not include a \$734 variance of unrecorded checks transactions from August 2013 that were not posted to the manual Cash Book until February 2014. The ABL balance incorrectly included investment transaction activity from prior years and was \$105,796 in excess of the manual Cash Book balance. This is a minor decrease from \$106,529 excess that existed at December 31, 2012. No attempt to research the variances between the official record (ABL) and the manual Cash Book has been done, due in part to the issues in reconciling credit card transactions.

Crown Point Criminal

The reconciled bank balance was \$900 in excess of the ledger balance (ABL), as of December 31, 2013. This remains unchanged from 2012. Prior to 2012, the difference had been \$1,100.

Crown Point 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, 2013, the adjusted bank balance (and the Excel spreadsheet) was \$81,395 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 2012 audit was \$81,564. No attempt was made to research the difference between the official record and the Excel spreadsheet.

East Chicago

The reconciled bank balance for the East Chicago Clerk of the Circuit Court's Office exceeded the ABL by \$102,014.53, as of December 31, 2013. Incorrect recording of an investment from "total monies on deposit" from 2009 accounted for \$100,000 of the difference. The remaining \$2,015 was not identified and

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

was an accumulation of many years of uncorrected errors. Also included in the reconciliation is a net adjustments amount of \$2,613. Virtually all of these adjustments are due to credit card transactions in the bank but not recorded in the records, or vice versa. The adjustments include transactions from 2011 to 2013 which have been carried on the monthly bank reconciliations and have not been resolved or posted to the records.

Gary

A manual Cash Book/Ledger (County Form 46) is maintained and used to reconcile to the adjusted bank balance instead of the ABL which is the official record. As of December 31, 2013, the reconciled bank balance was \$4,460 less than the manual Cash Book balance. This was an increase of \$50 from December 31, 2012. The change indicates that errors have occurred in the current year and have not been investigated or corrected.

The manual Cash Book balance was \$164,971 greater than the ABL, as of December 31, 2013. 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, 2013, was \$34,792 greater than the ABL (Control).

Hammond

The Clerk of the Circuit Court's Office in Hammond includes three divisions: Civil, Small Claims, and Traffic. The bank reconciliations of the three divisions included reconciling items that have existed for a number of years. These reconciling items could not be verified to supporting documentation as no detailed listing of the composition of the reconciling items is maintained. The Hammond Office performs reconciliations to the ABLs for each division; however, unidentified reconciling items with no documentation resulted in various cash shorts and longs.

The Small Claims Division's reconciled bank balance was \$2,443 less than the ABL; the Civil Division's reconciled bank balance was \$14,911 in excess of the ABL; and the Traffic reconciled bank balance was \$3,161 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 deposit and receipt of credit card payments in the Clerk of the Circuit Court's Office. The Clerk of the Circuit Court's Office allows customers to pay court fees, traffic fines, and bonds over the internet by using credit cards. Customers input the cause number or ticket number and pay the amount

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

owed. The third party electronic payment software system used is to automatically record the customer's payment information to the Clerk of the Circuit Court's Court View computerized recordkeeping system, and also deposit the amount into the bank account. The County's Data Department has developed reports for the Clerk of the Circuit Court's Bookkeepers that detail the credit card batches, cause numbers, transaction numbers, and payment amounts. A timing delay exists between the time the transaction is recorded in Court View and when the deposit is recorded in the bank account.

Review of the bank reconcilements through the year noted numerous instances of credit card transactions being deposited into the bank but not being recorded in Court View. Also, many instances of transactions being recorded in Court View without a corresponding deposit into the Clerk of the Circuit Court's bank accounts. These posting errors to the computerized accounting system by electronically generated transactions indicate weaknesses in the automated system.

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 which 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.

Manually reconciling the large volume of credit card transactions is a tedious and time consuming process, which lends itself to error. The reports and information available to the Clerk of the Circuit Court's staff is insufficient to identify all differences related to credit card transactions.

The Clerk of the Circuit Court'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 Clerk of the Circuit Court's Office has unidentified bank long amounts in several bank accounts which are believed to be due to the credit card issues as described above.

Information generated in one computer application system and transferred to another computer application system must be accurate and complete. The adequate transfer of information must be recorded on reports from both systems documenting the number of items of information transferred and the accounting value totals of the information transferred. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 14)

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)

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

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 Clerk of the Circuit Court 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.

A review of the Crown Point Traffic Division's open items case listing noted 564 older cash bonds were held in Trust by the Clerk of the Circuit Court's Office at December 31, 2013. The cash bonds on hand, received between the years of 1999 to 2007 for criminal defendants, total \$324,490.

A review of the Hammond Traffic Division's open items case listing noted 154 older cash bonds were held in Trust by the Clerk of the Circuit Court's Office at December 31, 2013. The cash bonds on hand, received between the years of 2002 to 2007 for criminal defendants, total \$73,904.

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.

(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:

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

- (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."

PUBLIC RECORDS RETENTION

The Traffic Division of the Clerk of the Circuit Court's Office did not retain or present all duplicate receipts for audit. Duplicate receipts retained were for corrections and cash bonds. The duplicates of the receipts issued for collections of fees and court costs were destroyed without proper permission obtained for destruction. Officials indicated that they did not have sufficient space to store the duplicate receipts and that they did not need them since there was a report of receipts.

The Crown Point Small Claims Office did not retain or present duplicate "Check Listing Actual" reports for audit. The Check Listing Actual reports act as the check registers for checks issued. Officials indicated that they disposed of these as they were not aware of the need to retain them.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

OFFICIAL BONDS

The County Auditor's and County Sheriff's \$15,000 Surety Bond amounts were insufficient per the Indiana Code. Also, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center. All official bonds are to be made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

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

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand (\$30,000), as fixed by the fiscal body of the county."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2014, with Michael A. Brown, Clerk of the Circuit Court; Marilyn Eve Hrnjak, Executive Chief Deputy Clerk; and Rebecca Dowling, Financial Manager.

(This page intentionally left blank.)

COUNTY SHERIFF
LAKE COUNTY

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDINGS

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

We noted several deficiencies in the internal control system of the Sheriff Department related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels within the Sheriff's Department to reduce risks to the achievement of financial reporting objectives. The Sheriff Department had not separated incompatible activities related to receipts and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

The Sheriff Department has multiple offices and divisions. Those divisions with a lack of segregation of duties included Civil, Inmate Trust, Commissary, and the Lake County Drug Task Force. In the Civil, Inmate Trust, and Lake County Drug Task Force divisions, one employee was responsible for receipting and disbursing funds, reconciling the monthly bank statements to the respective ledgers, and posting transactions to the ledgers. For the Commissary division, one employee was responsible for disbursing funds, reconciling to the bank, and posting transactions to the ledger.

2. Receipt Issuance: Receipts were not issued for collections made by the Commissary division. Commissary collections were from three main sources: purchases made from Inmate Trust, commission from telephone calls, and commission from video conferences.

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 Counties of Indiana, Chapter 1)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

***FINDING 2013-008 - INTERNAL CONTROLS - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE
GRANT PROGRAM, ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)
PROGRAM/GRANTS TO STATES AND TERRITORIES***

Federal Agency: Department of Justice

Federal Programs: Edward Byrne Memorial Justice Assistance Grant Program,
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/
Grants to States and Territories

CFDA Numbers: 16.738, 16.803

Federal Award Numbers: Justice Assistance Grants 2010-DJ-BX-0810, 2011-DJ-BX-3472,
2012-DJ-BX-0979, 2010-DJ-BX-0254, 2011-DJ-BX-2622, 2012-DJ-BX-0765,
2009-SB-B9-1671 and Detention Enhancement Project 2011-DJ-BX-2622

Pass-Through Entity: Indiana Criminal Justice Institute (for grants 2010-DJ-BX-0254, 2011-DJ-BX-2622,
and 2012-DJ-BX-0765)

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the programs that are administered by the law enforcement department of the County. The Lake County Drug Task Force (LCDTF) lacks internal controls over the compliance requirements for Activities Allowed, Allowable Costs, Cash Management, Matching, Earmarking, Period of Availability, and Reporting. The Community Corrections Department lacks internal controls over the Reporting and Matching compliance requirements.

The following applies to the Lake County Drug Task Force (LCDTF):

1. Activities Allowed, Allowable Costs, Period of Availability - The Purchase Orders (PO) and Accounts Payable Vouchers (APV) prepared in the latter half of 2013 were prepared by the Bookkeeper. The POs and APVs were also approved by the same Bookkeeper in the name of the Grant Administrator instead of approved by the Grant Administrator. Thus, the submitted APVs were prepared by one individual without a system of oversight or review prior to submission for payment. Previously, the Grant Administrator had signed the PO to authorize the purchase and the APV to authorize the payment.
2. Cash Management - The supporting spreadsheet and drawdown requests of grant funds were prepared by the Grant Administrator without a system of oversight or review prior to submission.
3. Earmarking and Reporting - Required reports were prepared and submitted by the Grant Administrator (financial reports and quarterly progress reports). These reports were prepared from spreadsheets prepared by the Grant Administrator. The reports were not based upon the County's financial accounting system. In response to the prior audit finding, the County Sheriff's Office assigned an individual to review the reports. The individual signed copies of several 3rd quarter report drafts to indicate review, but not 4th quarter reports. The Grant Administrator indicated that the review process conducted was verbal.
4. Matching - The grant funding received from the Indiana Criminal Justice Institute requires matching funds. The LCDTF has not designed or implemented adequate policies and procedures to ensure that Matching requirements have been met.

The following applies to the Community Corrections Department:

1. Reporting - The Community Corrections Department has not designed or implemented adequate policies and procedures to ensure that all required reports are accurately prepared and submitted. Evidence of an oversight, review, or approval process was not provided.
2. Matching - The grant funding received from the Indiana Criminal Justice Institute requires matching funds. The Community Corrections Department has not designed or implemented adequate policies and procedures to ensure that Matching requirements have been met.

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.

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDINGS
(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."

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, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

***FINDING 2013-009 - MATCHING AND REPORTING - EDWARD BYRNE
MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM***

Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Numbers: 2011-DJ-BX-2622, 2012-DJ-BX-0765
Pass-Through Entity: Indiana Criminal Justice Institute

The pass-through grant awarded by the Indiana Criminal Justice Institute (ICJI) required matching funds. Per the Grant Award letter for 2012-DJ-BX-0765, the matching funds required for the 2013 grant period was \$110,000. Per grant amendment 1 submitted by the Lake County Drug Task Force, the match consisted of 2.4 Task Force Officers totaling \$100,436 and communications for \$9,564. For the 2011-DJ-BX-2622 grant administered by the Lake County Community Corrections Programs, the grant required a match of \$66,667.

Review of the four quarterly "Subgrantee Cumulative Fiscal Report" submitted to ICJI for 2013 noted the match was reported as a cash match. The amounts reported each quarter for the grant period totaled exactly \$27,500 and \$16,666, respectively. The amount reported each quarter as the match is one-fourth of the total required match.

The grant records (binders and spreadsheets) did not contain documentation to support the match reported. Inquiry of the Grant Administrator indicated that the office match consisted of some officers working for the task force paid for by a participating city, and disbursements from a forfeiture fund. Records tracking and supporting the amounts reported, however, were not maintained. Due to the lack of records, we were unable to determine the accuracy of the amounts reported or if the match requirement was met.

28 CFR 66.24(b)(6) Matching or cost sharing states:

"Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs."

The Indiana Criminal Justice Institute's Drug & Crime Control Division - Subgrantee Policy and Procedure Manual, Chapter 6: Matching states in part:

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

"A. In-Kind Match (Cost Sharing) . . . In kind match, or cost sharing, does not require a cash outlay by the recipient agency, yet it must represent real dollars . . .

B. Cash Match (hard match) includes real dollars that are contributed toward the project or program . . .

D. Records of Match Subgrantee must maintain records which clearly show the source, the amount, and the timing of all matching contributions."

28 CFR 66.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially- assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Failure to maintain records that track the matching funds hinders the County's ability to adequately monitor and report matching. Noncompliance with the grant agreement or the matching and reporting compliance requirements could result in the loss of federal funds to the County.

We recommended that officials adequately identify, track, and report matching funds.

**FINDING 2013-010 - EARMARKING - EDWARD BYRNE
MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM**

Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Number: 2012-DJ-BX-0765
Pass-Through Entity: Indiana Criminal Justice Institute

The Lake County Drug Task Force receives various Edward Byrne Memorial Justice Assistance Grants (JAG), both direct grants from the Department of Justice and pass through grants from the Indiana Criminal Justice Institute (ICJI). The budget amounts for these grants awards are approved by the grantor agencies.

The grant received from ICJI budget included amounts for salary and benefits for a Grant Administrator and Data Entry/Bookkeeping Clerk, and office supplies. The total grant award, including local match, was \$220,000. The County could only earmark a maximum of 10 percent or \$22,000 for administrative costs.

The total budget for administrative costs was \$63,126. Based upon grant reports and grant spreadsheets maintained by the Grant Administrator, the County disbursed \$63,126 for administrative costs. The amount budgeted and disbursed exceeded the maximum allowed by \$41,126. The \$41,126 excess disbursed for administrative cost over the allowable amount is considered questioned costs.

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Amounts were reported as disbursed in 2013 from three other JAG grants received from the Department of Justice for administration costs which were below 10 percent of the grant award. When the grants were combined, the maximum amount was still exceeded due to the administrative amount disbursed from the grant received from ICJI.

The grant reimbursements received from ICJI are based upon the quarterly "Subgrantee Cumulative Fiscal Report." These reports contain a "personnel expenditure details" section which details the amounts expended for these two positions. Review of the grant agreement, and the ICJI Drug & Crime Control Division Subgrantee Policy and Procedure Manual noted that earmarking was not addressed.

42 USC 3751 states in part: "(e) Administrative costs. Not more than 10 percent of a grant made under this part may be used for costs incurred to administer such grant."

Noncompliance with the Earmarking compliance requirements could result in the loss of federal funds to the County.

We recommended that officials comply with all grant requirements applicable to the Earmarking requirements.



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

CORRECTIVE ACTION PLAN

FINDING NO. 2013 – 003


CONTACT PERSON: *Sheriff John Buncich*
TITLE OF CONTACT PERSON: *Sheriff John Buncich*
PHONE NUMBER: *(219) 755-3400*

Corrective Action and Plan submitted:

As noted in the findings, all adjustments that were proposed will be corrected.

The Sheriff's Office will implement a program that will provide reasonable assurance that the information is materially correct. When preparing the information needed for the financial statements, the employee designated with the task of preparing the information will present all documentation to either the Sheriff or Chief for their review.

This program will be in effect for the submission of the 2014 financial statement information.



Lake County Sheriff John Buncich

December 17, 2014

Date



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

CORRECTIVE ACTION PLAN


FINDING NO. 2013 – 008

CONTACT PERSON: *Sheriff John Buncich*
TITLE OF CONTACT PERSON: *Sheriff John Buncich*
PHONE NUMBER: *(219) 755-3400*

Corrective Action and Plan submitted:

As noted in the findings, all adjustments that were proposed will be corrected.

I have reviewed your Audit Report and am formulating a plan of action to correct any and all discrepancies in our day-to-day protocol.



Lake County Sheriff John Buncich

December 17, 2014

Date



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

CORRECTIVE ACTION PLAN


FINDING NO. 2013 – 009

CONTACT PERSON: *Sheriff John Buncich*
TITLE OF CONTACT PERSON: *Sheriff John Buncich*
PHONE NUMBER: *(219) 755-3400*

Corrective Action and Plan submitted:

As noted in the findings, all adjustments that were proposed will be corrected.

I have reviewed your Audit Report and am formulating a plan of action to correct any and all discrepancies in our day-to-day protocol.



Lake County Sheriff John Buncich

December 17, 2014

Date



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

CORRECTIVE ACTION PLAN


FINDING NO. 2013 – 010

CONTACT PERSON: *Sheriff John Buncich*
TITLE OF CONTACT PERSON: *Sheriff John Buncich*
PHONE NUMBER: *(219) 755-3400*

Corrective Action and Plan submitted:

As noted in the findings, all adjustments that were proposed will be corrected.

I have reviewed your Audit Report and am formulating a plan of action to correct any and all discrepancies in our day-to-day protocol.



Lake County Sheriff John Buncich

December 17, 2014
Date

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INMATE TRUST RECORDS

Indiana Code 36-8-10-22 requires the County Sheriff of each County that operates a County jail to hold, in trust separately for each inmate, any money received from that inmate or from another person on behalf of that inmate. This statute specifically requires the County Sheriff to maintain a record of each trust fund's receipts and disbursements.

These individual inmate records are kept as a subsidiary record to the inmate trust control ledger. The reconciled bank balance for the inmate trust fund reconciled with the inmate trust control ledger, but the total of all subsidiary records did not agree with the control ledger. At December 31, 2013, the subsidiary records were less than the inmate trust control ledger by \$329,558.

A similar comment appeared in the prior audit.

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)

UNCLAIMED PROPERTY - OLD INMATE TRUST BALANCES AND CIVIL DIVISION

The County 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 Indiana Attorney General's Office as unclaimed property.

As noted in prior audit reports, 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, 2013, the current computer software included 21,549 inactive trust accounts with balances totaling \$333,881. 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 Indiana Attorney General's Office. In 2013, remittances totaling \$4,748 were sent to the Indiana Attorney General's Office for Inactive Trust Accounts from 2003.

In addition, the Civil Division of the County Sheriff's Department has \$11,601 in trust as unclaimed property for stale dated checks. The County Sheriff has not remitted this money to the Indiana Attorney General's Office unclaimed property division as required by statute.

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: . . .

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3.
- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable."

Indiana Code 32-34-1-26(a) states: "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. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (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."

CONDITION OF RECORDS - CIVIL DIVISION

The Civil Division of the County Sheriff's Department maintains the required Cash Book electronically through computer software. 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 County 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 \$761,392 as of December 31, 2013.

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 were observed between the two records. These timing differences affect the cash balances of the two records, which also affects the bank reconciliations. Of the \$761,392 difference, \$758,779 is due to timing issues between the Cash Book and the Check Register for 2013. There remains an unresolved difference of \$2,612 from December 31, 2012, and prior.

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

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

Indiana Code 5-13-5-1 states in part:

"(a) Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

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)

OFFICIAL BONDS

The County Auditor's and County Sheriff's \$15,000 Surety Bond amounts were insufficient per the Indiana Code. Also, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center. All official bonds are to be made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand (\$30,000), as fixed by the fiscal body of the county."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

COLLECTIVE BARGAINING AGREEMENT WITH CORRECTIONAL OFFICERS

Effective January 3, 2011, the County entered into a Collective Bargaining Agreement with the Lake County Correctional Association Local Chapter 11 for the Corrections Division of the Lake County Sheriff's Department. The term of the agreement was December 31, 2010 through December 31, 2012. Under Article 2 Term, Section 2.7 of this agreement: "If, on the expiration date, the parties have not yet entered into a new agreement relating to time periods after that date, then the terms and provisions of this agreement shall nonetheless remain in full force and effect until the earlier of (i) the date a new agreement is entered by the parties, or (ii) two calendar years after the expiration date. This agreement shall remain in effect during any such period of negotiations." Thus, for 2013, the County remained under the January 3, 2011 Collective Bargaining Agreement with the Lake County Correctional Association Local Chapter 11 since effective December 10, 2013, a new agreement was entered into with the term of January 1, 2014 through December 31, 2014.

Both agreements contain the following language in Article 16 Hours of Employment, Section 16.2: "The basic workweek for correctional officers working in the Lake County Jail Corrections Division shall consist of a twelve hour day with two shifts consistent with paragraph 10.2."

Both agreements also state in Article 1 Recognition, Section 1.3: "The Employer shall not, enter into any oral or written agreements with the employees covered under this contract or to any provisions of this contract either individually or collectively or with any other organization acting on behalf of such employees."

The 2013 Payroll Authorization Reports (LC300) and the Time Record Distribution Reports (PR135) for the Jail Department (3100) indicate that Correctional Officers were paid for 8 hour shifts plus any overtime hours if applicable, not 12 hour shifts. The Jail Department (3100) disbursed \$1,145,510 for overtime during 2013 from the General fund.

The County did not comply with its collective bargaining agreement with the Corrections Division of the Lake County Sheriff's Department. The noncompliance caused increased overtime costs. The County's management should establish controls related to the collective bargaining agreement and compliance with its requirements.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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)

SHERIFF TEMPORARY LOAN REPAYMENT

A temporary loan of \$280,210 was made on September 20, 2013, from the Sheriff Pension Trust Fund to the Commissary Payroll Pass-Thru fund and not repaid by December 31, 2013. In December 2013, the County Council passed Resolution #13-93 granting a temporary loan extension until June 30, 2014.

The temporary loan was not repaid as of June 30, 2014, and had a balance due of \$112,210. The loan had a balance at October 9, 2014, of \$67,210.

Indiana Code 36-1-8-4, concerning temporary loans, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS - ANIMAL CONTROL

The Animal Control Department has a bank account that is used as a petty cash fund. They use a debit card for department disbursements and checks for appropriate refunds. A claim form is used to request reimbursement for these disbursements from the County. The Animal Control Department is not reconciling to the \$2,000 that should be accounted for in this account.

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."

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2014, with John Buncich, County Sheriff; Melanie Dillon, Supervisor; Valerie A. Barick, Civil Bookkeeper; Sharon Rogich, Bookkeeper; and Lisa Holland, Grant Administrator.

(This page intentionally left blank.)

COUNTY RECORDER
LAKE COUNTY

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

FEE AND CASH BOOK

The Indiana State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The County Recorder did not use an alternative form in lieu of the prescribed form as approved.

The County Recorder's "Fee and Cash Book" is a detail of receipts with cumulative monthly receipt balances by type of receipt. However, the Cash Book is not complete. The "Total Disbursements for Month to Date" and "Balance Carried Forward" columns are not used properly as required in the prescribed form. The "Fee and Cash Book" is maintained on a monthly basis. Each month begins with a zero balance. However, the disbursement of the prior month's cash balance is not recorded in the Cash Book. The book also does not include the interest earned each month from the bank account. A control ledger (of receipts, disbursements and balances) and a check register (a listing of checks remitted to the County Auditor that includes the check number, date, and amount) were also not maintained. Hence, a complete record and audit trail of all financial activity is not maintained.

The Fee and Cash Book should be totaled and footed at the close of each day and the receipts verified with the cash drawer. The amount of such receipts should also agree with the deposit to be made on the following business day. At the close of each calendar month the receipts should be accumulated and monthly totals entered at the foot of each column. The monthly totals should agree with the depository balance at the close of the month, considering the deposit of any fees received on the last day of the month, and will represent the amount to be paid into the county treasury. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 7)

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 Recorders of Indiana, Chapter 9)

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the County Recorder's records at the time the transactions occurred. We found that while check collections received were posted to the Cash and Fee Book (record), receipts were not always issued and some of the issued receipts did not agree to the records.

Each document recorded is assigned a document number. Collections received are posted to the Recorder's records using the document number. Daily collections received in the mail are totaled, and a receipt is issued for the total. For the mail collections, no tape or listing is maintained. Also noted were instances where the receipt issued for mail collections did not agree to the record. Without a tape or a spreadsheet to document and reconcile the mail collections receipted, errors are made and not detected resulting in mail collection receipts being cash long or cash short.

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

We also observed instances where the composition of the receipt, or payment type, was not indicated on the receipt.

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 Recorders of Indiana, Chapter 9)

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 Recorders of Indiana, Chapter 9)

BANK RECONCILEMENTS AND REMITTANCES

The County Recorder did not perform monthly reconcilements of the Fee and Cash Book to the depository balance as required by Indiana Code. The Fee and Cash Book does not list cash balances enabling a reconciliation to be performed. Therefore, no safeguard is in place to ensure that all monies are timely and accurately remitted to the County. Due to these issues, there is an excess cash balance totaling \$91,105 that was not remitted to the County.

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 fees received by the county recorder, for official services or involving official authority, shall be the property of the county and shall be paid into the county treasury at the close of each calendar month. [IC 36-2-7-10] (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 7)

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 County Recorders of Indiana, Chapter 9)

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2014, with Michael B. Brown, County Recorder, and Regina M. Lazzaro, County Recorder Chief Deputy.

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
FEDERAL FINDINGS

FINDING 2013-006 - INTERNAL CONTROLS - CDBG ENTITLEMENT GRANTS CLUSTER

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-11-UC-18-0016, B-12-UC-18-0016, B-08-UN-18-0002, B-11-UN-18-0002

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 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.

The County has not designed or implemented adequate policies or procedures to ensure that required quarterly reports were accurately prepared and submitted. The reports contained no evidence that they had been reviewed by anyone other than the person preparing the report. Segregation of duties, such as an oversight or approval process, has not been established.

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. Noncompliance with the grant agreement or the reporting 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, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2013-007 - INTERNAL CONTROLS - HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: Department of Housing and Urban Development

Federal Program: HOME Investment Partnerships Program

CFDA Number: 14.239

Federal Award Numbers: M-10-UC-18-0207, M-11-UC-18-0207, M-12-UC-18-0207, M-13-UC-18-0207

The County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions for Housing Quality Standards 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 program.

The frequency of Housing Quality Standards inspections depends on the number of Home-Assisted units in a project. The Department of Community Development did not have proper controls in place to ensure that the required inspections were completed.

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. 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.

We recommended that the County's management establish controls related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.



LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT

2293 N. Main Street • Crown Point, IN 46307
Tel. (219) 755-3225 • Fax (219) 736-5925
econdev@lakecountyin.com

MILAN GROZDANICH
Executive Director



CORRECTIVE ACTION PLAN

FINDING 2013-006

Auditee Contact Person: Milan Grozdanich
Title of Contact Person: Executive Director
Phone Number: (219) 755-3231

Action to Correct Finding:

Beginning immediately, either Milan Grozdanich, Executive Director, or Alverna Hooks, Deputy Director, will initial all reports created and mailed by Anna Nunez, Fiscal Officer or Lori Burke, Bookkeeper, to verify agreement with the expenditures and other supporting documents, demonstrating management review.

A handwritten signature in black ink, appearing to read "Milan Grozdanich".

Milan Grozdanich
Executive Director
December 8, 2014



LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT

2293 N. Main Street • Crown Point, IN 46307

Tel. (219) 755-3225 • Fax (219) 736-5925

econdev@lakecountyin.com

MILAN GROZDANICH
Executive Director



CORRECTIVE ACTION PLAN

FINDING 2013-007

Auditee Contact Person: Milan Grozdanich

Title of Contact Person: Executive Director

Phone Number: (219) 755-3231

Action to Correct Finding:

The Office will immediately implement a monitoring schedule showing the dates when monitoring is due for multi-unit facilities in accordance with the new HOME Housing guidelines. The schedule will be reviewed and approved by either Milan Grozdanich, Executive Director, or Alverna Hooks, Deputy Director, demonstrating management review.

A handwritten signature in cursive script, appearing to read "Milan Grozdanich".

Milan Grozdanich
Executive Director
December 8, 2014

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
AUDIT RESULT AND COMMENT

TAX INCREMENT FINANCING (TIF) DISSOLUTION FUNDS

On October 13, 2009, the County Council approved Ordinance No. 1316D creating the Lake County Redevelopment General Redevelopment fund (TIF Dissolution Fund) with the transfer authority granted pursuant to Indiana Code 36-1-8-4. The TIF Dissolution fund was created for the deposit of the balance of monies available upon the dissolution of the Lake County TIF.

The County Council approved an annual operating budget for the payroll, supplies, and travel expenses of the Lake County Community Economic Development Department. For 2012 and 2013, the operating budget and expenses were disbursed from the TIF Dissolution Fund and subsequently reimbursed from either the 1995 or 2007 TIF Allocation trust accounts maintained by the County Redevelopment Commission. The operating expenses and year end cash and investment balances of the TIF Allocation trust accounts for 2010 through 2013 were as follows:

<u>Years</u>	<u>Operating Expenses Disbursed</u>	<u>Year End Cash and Investment Balances</u>
2010	\$ 334,400	\$4,683,702
2011	334,749	4,077,007
2012	341,831	3,719,604
2013	466,267	3,289,102

The transfer authority granted pursuant to Indiana Code 36-1-8-4 is for a temporary transfer of a prescribed amount to a fund in need of money for cash flow purposes. A repayment of the funds is expected by the end of the budget year in which the transfer occurs. Or if the fiscal body approves an ordinance or resolution declaring an emergency exists, the repayment may be extended up to six months beyond the budget year of the year in which the transfer occurred if the fiscal body approves. Indiana Code 36-1-8-4 does not grant the authority to make permanent transfers of funds.

Pursuant to Indiana Code, the uses allowed for any tax increment financing funds received are restricted and strictly prohibits using TIF funds for operating expenses of the commission. In addition, the tax increment financing area should not have accumulated such an excessive cash and investment balance above the amount determined necessary to cover allowable debt payments and any other purposes described in Indiana Code 39-7-14-39(a)(3). Any excess assessed value should have been reallocated to the respective taxing units. The County Redevelopment Commission should go back and make the determination for each year that an excess amount was received into the allocation funds and determine the amount the other taxing units within the allocation area should have received as an allocation for those excesses each year. The statute does not provide for any uses of the TIF allocation funds other than projects within the TIF allocation area or debt payments directly related to the TIF allocation area.

Indiana Code 36-1-8-4 states:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
 - (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
 - (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
 - (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
 - (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.
- (b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:
- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
 - (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Indiana Code 36-7-14-39(b) states in part:

"(3) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivisions (1) and (2) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area: . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .

The allocation fund may not be used for operating expenses of the commission.

(4) Except as provided in subsection (g), before July 15 of each year, the commission shall do the following:

(A) Determine the amount, if any, by which the assessed value of the taxable property in the allocation area for the most recent assessment date minus the base assessed value, when multiplied by the estimated tax rate of the allocation area, will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (3), plus the amount necessary for other purposes described in subdivision (3).

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
AUDIT RESULT AND COMMENT
(Continued)

(B) Provide a written notice to the county auditor, the fiscal body of the county or municipality that established the department of redevelopment, and the officers who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 for each of the other taxing units that is wholly or partly located within the allocation area. The notice must:

- (i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or
- (ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (3) or lessors under section 25.3 of this chapter."

COUNTY REDEVELOPMENT COMMISSION
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2014, with Milan Grozdanich, Executive Director; John G. Brezik, County Redevelopment Commission Board Vice President; and Anna D. Nunez, Fiscal Officer.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

COMMISSIONER TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale, were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees fund - SRI, Inc., and the Treasurer's Tax Sale and presented as the Tax Sale Fees fund on the financial statements. The Commissioner's Tax Certificate Sale fund had a beginning balance of \$2,313,313 reported \$3,207,000 in receipts and \$4,682,671 in disbursements resulting in an ending balance of \$837,642.

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of \$2,313,313, only \$1,924,000 was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years. That disbursement resulted in a remaining amount of \$389,313 from prior years, which were not applied to property tax, special assessments, or penalties.

The Commissioners' Tax Sale Certificate fund received \$3,207,000 in receipts from two Commissioners Sales in 2013. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2013. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$826,000 was transferred from the Commissioners Tax Sale fund to four incentive funds as an allocation of payroll costs attributed to the tax sale. The amounts transferred are determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale can be paid from the proceeds from the sale; however, only the actual costs incurred can be reimbursed. The transfers, based upon direction received from the County Council during 2010, 2011, 2012, and 2013, were as follows:

Fund	2010	2011	2012	2013
Auditor's Tax Incentive	\$100,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000
Recorder's Records Incentive	100,000	100,000	100,000	100,000
Treasurer's Incentive	100,000	240,000	240,000	240,000
Total transfers received	<u>\$400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>

The 2013 amount disbursed from and the cash balances of December 31, 2013, for the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive	\$ 234,244	\$ 359,865
Commissioner's Incentive Fund	216,564	327,947
Recorder's Records Incentive	90,022	286,162
Treasurer's Incentive	148,466	428,789
Totals	<u>\$ 689,296</u>	<u>\$ 1,402,763</u>

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in the incentive funds at the end of 2013 was \$1,402,763.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Ordinance 1333A also states that 40 percent of the net proceeds up to \$1,000,000 are to be deposited into the Commissioners' Tax Sale fund and only the net proceeds above the \$1,000,000 are to be distributed to the appropriate units of government where the respective tax certificate properties are located. Indiana Statute does not allow for this allocation as only direct costs, property tax, special assessments, and penalties are to be paid. Any amount received in excess of those disbursements allowed by statute, should be deposited into the Tax Sale Surplus fund and not retained in the Tax Sale Fees fund. In addition, although not separately identified in the receipts from the Commissioners' Tax Sale, disbursements from the Commissioner's Tax Sale Certificate fund were made for the redemption of properties. Accounting for the redemption of properties should be posted to the Tax Redemption fund.

Indiana Code 6-1.1-24-6.4 states in part:

"(a) When a certificate of sale is sold under this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(f) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).
- (3) Third, to a separate 'tax sale surplus fund.'

(b) The:

- (1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property; may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(c) An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is claimed more than three (3) years after the date of its receipt . . ."

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The following deficiencies were noted during a review of accounts payable vouchers:

1. The County makes some payments through bank electronic funds transfers (EFT). These payments include: debt payments, park land purchases, and payments to the Indiana Pension Retirement System (INPRS). The Commissioners do not sign the accounts payable vouchers (claims for payment) prior to the actual bank EFT.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. The County also makes some payments by issuing manual checks. The Commissioners do sign the accounts payable vouchers for the manual checks prior to the check issuance. At the next Commissioners' meeting, the manual checks and payments by EFT are approved after the payments have been made. The meeting minutes reflect this approval with the wording "to approve and make a matter of public record the Claims and Docket and ordered same for Auditor to include white claims for the review of Claims and Docket." A detailed listing of the approved manual checks and payments by EFT on an accounts payable voucher register is not retained for audit. Bank wire transfer payments of \$33,364,971 were paid in 2013 prior to proper Board of County Commissioners' approval before payment.

The County's codified ordinances did not include an ordinance authorizing the County Auditor to prepay accounts payable vouchers prior to the Board of County Commissioners' approval.

A similar audit result and comment appeared in the prior audit report.

3. Payroll taxes and other payroll withholding payments are made through bank EFTs. These payments were made without an accounts payable voucher (claim for payment) and without the Board of County Commissioners' approval at a subsequent meeting.
4. Payments were made to the third party administrator for the self-insurance administrative fees without supporting documentation. The white claim is provided by the vendor with the dollar amount completed and the claim is paid from that information. The total amount paid for administrative fees for 2013 was \$556,720.
5. Payments totaling \$286,505 were made to a vendor for the execution of the County Treasurer's Tax Sales, based solely upon receipts posted to the records. Per the contract with the vendor: "The Service Fee shall be collected by the County on all parcels included on the Certified List and remitted to *the vendor* upon collection and receipt of an invoice for the Service Fees from *the vendor*." Furthermore, the accounts payable vouchers for the payments to the vendor were initiated by the County Treasurer and processed by the County Auditor's Office the same day in which they were initiated. This type of disbursement has not been included in a County ordinance allowing for prepayment.

If a tax sale property cancellation occurred, a full refund is provided back to the purchaser, which includes the SRI service fee collected. However, the tax sale fees were receipted into the Tax Sale Fee - SRI fund and remitted to SRI without adjusting for any cancellations.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (1) there is a fully itemized invoice or bill for the claim; . . .
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-2-6-4 states in part:

"(b) Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or a court orders him to do so. . . .

(c) The county executive may allow a claim if the claim:

- (1) complies with IC 5-11-10-1.6; and
- (2) is placed on the claim docket by the auditor at least five (5) days before the meeting at which the executive is to consider the claim."

Indiana Code 36-2-6-4.5 states in part:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes under this section.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance for the following kinds of expenses if the county executive has adopted an ordinance under subsection (a): . . .

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the county auditor.

(d) The county executive or the county board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose-leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. [IC 5-11-10-2] (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

A claim or voucher, to be properly itemized, must show kind of service, where performed, dates service rendered, by whom rendered, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Attorney General held in Official Opinion No. 13 (1968) that the attachment of a properly itemized and certified invoice to the front side of a prescribed claim form, in lieu of manual completion of the front side of the claim form, is consistent with the provisions of IC 5-11-10-1. In view of the foregoing opinion certified invoices may be used subject to the following conditions:

1. Invoice is fully itemized, in the manner described on the prescribed Accounts Payable Voucher Form.
2. Invoice is firmly attached to and becomes a permanent part of the prescribed claim and is processed in the same manner as other claims.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

DELINQUENT COLLECTION FEES FUND

In 2002, the Board of County Commissioners entered into a contract with a vendor to identify undervalued or omitted personal property not properly recorded in the County's tax system. Once identified, the County pursued collection of the delinquent taxes through outside attorneys. Prior to July 2012, when collection from these properties occurred, the delinquent tax and the attorney fees paid by the property owner were receipted into the Delinquent Collections Fee fund. The vendor and the outside attorneys were paid from this fund.

On the advice of the Board of County Commissioners' Attorney, the County Auditor transferred \$1,262,616 from the fund (based upon expenses estimated by the County Attorney without supporting documentation) to the Collection Expense Reimbursement fund. The remaining \$1,521,192 in the fund was transferred into the Omitted Property Audits fund.

After July 2012, collection of delinquent taxes from these types of properties was receipted into the Undervalued and Omitted Property fund (now Omitted Property Audits fund). Also, after July 2012, the Attorney fees paid by the property owners were receipted into the Collections Expense Reimbursement fund (386). According to the statute cited below, the County Auditor is obligated to distribute \$3,063,734.52 to the appropriate taxing districts as detailed below:

Description	Amount
Undervalued and omitted personal property taxes erroneously transferred to the Collection Expense Reimbursement Fund	\$ 1,262,616
Undervalued and omitted personal property taxes erroneously transferred to the new Omitted Property Audits Fund	1,521,192
2012 Undervalued and omitted property tax collections	240,390
2013 Undervalued and omitted property tax collections	<u>122,986</u>
Subtotal	<u>3,147,185</u>
Less: 2012 documented expenses of collection	(59,050)
2013 documented expenses of collection	<u>(24,400)</u>
Subtotal	<u>(83,450)</u>
Total to be distributed to taxing districts	<u><u>\$ 3,063,735</u></u>

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-23-7 states:

"(a) With respect to the collection of delinquent personal property taxes, the county treasurer shall charge the following collection expenses to each delinquent taxpayer:

- (1) For making a demand by:
 - (A) registered or certified mail, eight dollars (\$8); or
 - (B) any other manner permitted by section 1 of this chapter, five dollars (\$5).
- (2) For making a levy, ten dollars (\$10).
- (3) For selling personal property, ten percent (10%) of the sale price.
- (4) For advertising a sale, the legal rates for advertising.
- (5) For transfer and storage of personal property, the actual expense incurred.
- (6) Other reasonable expenses of collection, including:
 - (A) title search expenses;
 - (B) uniform commercial code search expenses; and
 - (C) reasonable attorney's fees or court costs incurred:
 - (i) in the collection process;
 - (ii) due to a court order; or
 - (iii) due to an order of the treasurer;

under IC 6-1.1-23-10.

(b) The fees collected under this section are the property of the county and shall be deposited in the county general fund. The collection expenses incurred in connection with the levy upon and sale of personal property shall be paid from the county general fund without prior appropriation."

Indiana Code 6-1.1-36-12 states:

"(a) A board of county commissioners, a county assessor, or a township assessor (if any) may enter into a contract for the discovery of property that has been undervalued or omitted from assessment. The contract must prohibit payment to the contractor for discovery of undervaluation or omission with respect to a parcel or personal property return before all appeals of the assessment of the parcel or the assessment under the return have been finalized. The contract may require the contractor to:

- (1) examine and verify the accuracy of personal property returns filed by taxpayers with the county assessor or a township assessor of a township in the county; and

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(2) compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer.

(b) This subsection applies if funds are not appropriated for payment of services performed under a contract described in subsection (a). The county auditor may create a special nonreverting fund in which the county treasurer shall deposit the amount of taxes, including penalties and interest, that result from additional assessments on undervalued or omitted property collected from all taxing jurisdictions in the county after deducting the amount of any property tax credits that reduce the owner's property tax liability for the undervalued or omitted property. The fund remains in existence during the term of the contract. Distributions shall be made from the fund without appropriation only for the following purposes:

(1) All contract fees and other costs related to the contract.

(2) After the payments required by subdivision (1) have been made and the contract has expired, the county auditor shall distribute all money remaining in the fund to the appropriate taxing units in the county using the property tax rates of each taxing unit in effect at the time of the distribution.

(c) A board of county commissioners, a county assessor, or a township assessor may not contract for services under subsection (a) on a percentage basis."

COLLECTION EXPENSES WITHHELD FROM SETTLEMENT DISTRIBUTION

The County Auditor distributed property tax collections in December 2013. Litigation expenses associated with delinquent property tax cases were withheld from the December 2013 settlement involving several taxing districts totaling \$43,017.

These amounts were deducted from the tax settlement of those units and were recorded as additions to the County's General fund and subsequently paid to attorneys.

We are unaware of any statutory authority to withhold these amounts from the respective taxing units.

The County Auditor is authorized to make distributions of funds due the State of Indiana and local governmental units within the county without allowance or approval of the Board of County Commissioners. Distributions of property taxes, bank, building and loan taxes, license excise taxes and any other distribution which includes two (2) or more funds or sources shall be accompanied by a Certificate of Tax Distribution, Form No. 22 (Rev. 1985). If a distribution (other than property tax settlement) includes only one fund or source and the fund or source is shown on the warrant, it is not necessary to furnish a certificate of tax distribution.

Warrants for all distributions should be made payable to the fiscal officer or treasurer of the governmental unit by title, for example: Trustee, Washington Township; Clerk-Treasurer, Town of Rockville, Treasurer, North Putnam Community School Corporation. The personal name of a public official should not be shown on any warrant payable to a state agency or local governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CURRENT PAYMENT OF CLAIMS - SELF-INSURANCE

During 2013, the County was self-insured for employee health benefits. A review of the healthcare claims noted that claims were not timely paid and could be held up to three months before payments were released. As of December 31, 2013, the County had outstanding insurance claims of approximately \$7,700,000.

As of October 2014, the County healthcare claims were being held up to approximately two months before payments were released.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OFFICIAL BONDS

The County Auditor's and County Sheriff's \$15,000 Surety Bond amounts were insufficient per the Indiana Code. Also, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center. All official bonds are to be made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

County auditors shall file bonds in amounts of not less than thirty thousand (\$30,000), as fixed by the fiscal body of the county."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."



**OFFICE OF THE ATTORNEY
TO THE BOARD OF COMMISSIONERS**

John S. Dull

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, IN 46307
PH. 219-755-3058 • FAX 219-648-6138
EMAIL: jsdull@yahoo.com



February 27, 2015

Sent Via Facsimile (317) 232-4711

Paul Joyce, CPA, State Examiner
State Board of Accounts
302 W Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Modified Audit Comment; Commissioner Tax Sale Distribution

Dear State Examiner Joyce:

Attached is an amended audit comment that I received today, February 27, 2015, via email. I have attached a copy of the email that accompanied the modified statement as well.

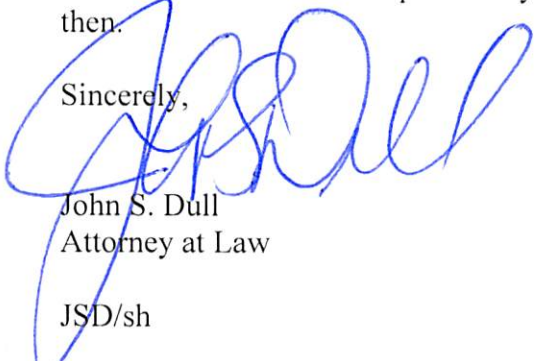
The Board of Commissioners has authorized me to submit its response today. The response of the Board of Commissioners is as follows:

1. The Lake County Commissioners tax certificate sale is a yearlong major effort on the part of the county executive to put these tax sale certificates into the hands of other parties.
2. The actual costs of the sale are incurred year round, not just in that timeframe immediately proceeding and shortly after the tax sale.
3. Almost on a daily basis there are inquires to county officials in either the Commissioner's office, Auditor's office, Assessor's office and Treasurer's office regarding tax sale certificates owned by the Lake County Board of Commissioners.
4. In regard to any inquiry, the County must explain to the person that acquisition of a tax sale certificate by that party constitutes only the transfer of a bundle of rights and that actions subsequent to acquisition are necessary in order to put the person in title through an Auditor deed. Almost 100% of the inquiries of this nature because the people think that if they are assigned a tax sale certificate it is equivalent to a deed. The following offices are into this explanation process and in some cases it overwhelms them: Auditor, Commissioner and Treasurer.

5. The amounts that are transferred are equivalent to the actual cost if you take into account the fact that this process occurs year round, there is a special department in the Auditor's office that handles inquiries, the Treasurer's office has staff assigned to deal with these issues and likewise, the Commissioner's office has staff assigned.
6. The reason that there is a cash balance is that this is the money that is spent in the following years starting January 1 of that year working on the Commissioner tax certificate sale. There has to be cash in the fund to cover expenses that are committed both before and after the sale and this is the ending cash balance. As you can see, the ending cash balance stays at about the same level and constitutes the cash upon which appropriations are made in the years subsequent to the year ending cash balance identified in your report.
7. Lake County is one of the most active counties in regards to the sale of Commissioner owned tax sale certificates. In fact, the idea for this statutory authority came from Lake County (Representative Dobis and County Attorney John Dull who first initiated the legislation). This legislation took several years to be transferred into a statute. The idea behind the legislation is to get these property tax certificates out of the hands of government. The key element of the legislation was that the certificates could be sold for less than the amount of taxes, penalties and interest due and owing.

Please be advised I will be out of town from March 1, 2015 until March 15, 2015 so any additional information or questions you have regarding this matter will have to be addressed after then.

Sincerely,



John S. Dull
Attorney at Law

JSD/sh

CC: Lake County Board of Commissioners
Christy Griffin via Email



**OFFICE OF THE ATTORNEY
TO THE BOARD OF COMMISSIONERS**

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, IN 46307
PH. 219/755-3058 • FAX 219/648-6138

• 1049-M

December 4, 2014

State Examiner
State Board of Accounts
2293 North Main Street
Crown Point, Indiana 46307

Re: Board of Lake County Commissioners, Lake County
Findings from 2013 Audit

Dear State Examiner:

The Board of Commissioners submits these comments in regard to the findings in the 2013 audit. Each one of the audit results will be listed separately and a comment developed.

The following are the specific audit results:

2. Accounts Payable Vouchers Deficiencies

- a. The thrust of the first three comments concern whether the commissioners make a payment without a claim voucher and without prior or subsequent approval. The Auditor should not make a payment without a voucher unless that payment is necessary to prevent a default on a loan or a land purchase or the payment is required by a unit of government such as the State of Indiana and/or the United States Government. To default on a bond or land payment because there is no voucher when in fact the Auditor knows that the payment is due would place in the case of bond payments the county's credit rating in jeopardy. In addition, some superior units of government such as the State of Indiana have laws and statutes which require that payments be made. It would be ill advised for the auditor not to make the pension payment to the State of Indiana and to withhold the payment of payroll taxes simply because a voucher had not been submitted by the State of Indiana and/or the United States Government. The proper procedure here would be to put those items on the agenda and acknowledge that the money was due and owing before the payment was needed and then have Commissioners approve it ahead of time at a public meeting.
- b. The Commissioners do follow a proper procedure regarding issuing manual checks but fail to retain in the Office of the Auditor as its secretary a detail listing of the approved manual checks and payments by electronic funds transfer. The Auditor should keep this documentation. The Commissioners are requesting that the Auditor and/or Treasurer provide this payment listing and retain it.
- c. The Commissioners will request that the self insurance health administrator submit supporting documentation when a request for payment is issued. The documentation obviously can be obtained from the basic contract.

- d. The Board of Commissioners will request that the Lake County Council enact an ordinance allowing for prepayment of the funds paid to the vendor who conducts the Lake County Treasurer's tax sales.

3. Delinquent Collection Fees Fund

- a. This audit exception was included in a prior audit by the State Board of Accounts.
- b. The Board of Commissioners incorporates by reference the response to the prior audit findings as part of its response to the 2013 audit.

4. Collection Expenses Withheld from Settlement Distribution

- a. This audit exception was included in a prior audit by the State Board of Accounts.
- b. The Board of Commissioners incorporates by reference the response to the prior audit finding as part of its response to the 2013 audit.

Sincerely yours,
Lake County Commissioners Attorney



John S. Dull

JSD:rmk

cc: Commissioner Michael Repay

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2014, with Peggy Holinga Katona, County Auditor; Ted Bilski, President of the County Council; Michael C. Repay, President of the Board of County Commissioners; Larry Cak, County Auditor's Executive Director; and Michael Wieser, Finance Director.

COUNTY COUNCIL
LAKE COUNTY

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

TAX INCREMENT FINANCING (TIF) DISSOLUTION FUNDS

On October 13, 2009, the County Council approved Ordinance No. 1316D creating the Lake County Redevelopment General Redevelopment fund (TIF Dissolution Fund) with the transfer authority granted pursuant to Indiana Code 36-1-8-4. The TIF Dissolution fund was created for the deposit of the balance of monies available upon the dissolution of the Lake County TIF.

The County Council approved an annual operating budget for the payroll, supplies, and travel expenses of the Lake County Community Economic Development Department. For 2012 and 2013, the operating budget and expenses were disbursed from the TIF Dissolution Fund and subsequently reimbursed from either the 1995 or 2007 TIF Allocation trust accounts maintained by the County Redevelopment Commission. The operating expenses and year end cash and investment balances of the TIF Allocation trust accounts for 2010 through 2013 were as follows:

<u>Years</u>	<u>Operating Expenses Disbursed</u>	<u>Year End Cash and Investment Balances</u>
2010	\$ 334,400	\$4,683,702
2011	334,749	4,077,007
2012	341,831	3,719,604
2013	466,267	3,289,102

The transfer authority granted pursuant to Indiana Code 36-1-8-4 is for a temporary transfer of a prescribed amount to a fund in need of money for cash flow purposes. A repayment of the funds is expected by the end of the budget year in which the transfer occurs. Or if the fiscal body approves an ordinance or resolution declaring an emergency exists, the repayment may be extended up to six months beyond the budget year of the year in which the transfer occurred if the fiscal body approves. Indiana Code 36-1-8-4 does not grant the authority to make permanent transfers of funds.

Pursuant to Indiana Code, the uses allowed for any tax increment financing funds received are restricted and strictly prohibits using TIF funds for operating expenses of the commission. In addition, the tax increment financing area should not have accumulated such an excessive cash and investment balance above the amount determined necessary to cover allowable debt payments and any other purposes described in Indiana Code 39-7-14-39(a)(3). Any excess assessed value should have been reallocated to the respective taxing units. The County Redevelopment Commission should go back and make the determination for each year that an excess amount was received into the allocation funds and determine the amount the other taxing units within the allocation area should have received as an allocation for those excesses each year. The statute does not provide for any uses of the TIF allocation funds other than projects within the TIF allocation area or debt payments directly related to the TIF allocation area.

Indiana Code 36-1-8-4 states:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
 - (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
 - (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
 - (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
 - (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.
- (b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:
- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
 - (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Indiana Code 36-7-14-39(b) states in part:

"(3) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivisions (1) and (2) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area: . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .

The allocation fund may not be used for operating expenses of the commission.

(4) Except as provided in subsection (g), before July 15 of each year, the commission shall do the following:

(A) Determine the amount, if any, by which the assessed value of the taxable property in the allocation area for the most recent assessment date minus the base assessed value, when multiplied by the estimated tax rate of the allocation area, will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (3), plus the amount necessary for other purposes described in subdivision (3).

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(B) Provide a written notice to the county auditor, the fiscal body of the county or municipality that established the department of redevelopment, and the officers who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 for each of the other taxing units that is wholly or partly located within the allocation area. The notice must:

- (i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or
- (ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (3) or lessors under section 25.3 of this chapter."

COMMISSIONER TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale, were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees fund - SRI, Inc., and the Treasurer's Tax Sale and presented as the Tax Sale Fees fund on the financial statements. The Commissioner's Tax Certificate Sale fund had a beginning balance of \$2,313,313 reported \$3,207,000 in receipts and \$4,682,671 in disbursements resulting in an ending balance of \$837,642.

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of \$2,313,313, only \$1,924,000 was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years. That disbursement resulted in a remaining amount of \$389,313 from prior years, which were not applied to property tax, special assessments, or penalties.

The Commissioners' Tax Sale Certificate fund received \$3,207,000 in receipts from two Commissioners Sales in 2013. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2013. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$826,000 was transferred from the Commissioners Tax Sale fund to four incentive funds as an allocation of payroll costs attributed to the tax sale. The amounts transferred are determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale can be paid from the proceeds from the sale; however, only the actual costs incurred can be reimbursed. The transfers, based upon direction received from the County Council during 2010, 2011, 2012, and 2013, were as follows:

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	2010	2011	2012	2013
Auditor's Tax Incentive	\$100,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000
Recorder's Records Incentive	100,000	100,000	100,000	100,000
Treasurer's Incentive	<u>100,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>
Total transfers received	<u>\$400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>

The 2013 amount disbursed from and the cash balances of December 31, 2013, for the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive	\$ 234,244	\$ 359,865
Commissioner's Incentive Fund	216,564	327,947
Recorder's Records Incentive	90,022	286,162
Treasurer's Incentive	<u>148,466</u>	<u>428,789</u>
Totals	<u>\$ 689,296</u>	<u>\$ 1,402,763</u>

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in the incentive funds at the end of 2013 was \$1,402,763.

Ordinance 1333A also states that 40 percent of the net proceeds up to \$1,000,000 are to be deposited into the Commissioners' Tax Sale fund and only the net proceeds above the \$1,000,000 are to be distributed to the appropriate units of government where the respective tax certificate properties are located. Indiana Statute does not allow for this allocation as only direct costs, property tax, special assessments, and penalties are to be paid. Any amount received in excess of those disbursements allowed by statute, should be deposited into the Tax Sale Surplus fund and not retained in the Tax Sale Fees fund. In addition, although not separately identified in the receipts from the Commissioners' Tax Sale, disbursements from the Commissioner's Tax Sale Certificate fund were made for the redemption of properties. Accounting for the redemption of properties should be posted to the Tax Redemption fund.

Indiana Code 6-1.1-24-6.4 states in part:

"(a) When a certificate of sale is sold under this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(f) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).
- (3) Third, to a separate 'tax sale surplus fund.'

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(b) The:

- (1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property; may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(c) An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is claimed more than three (3) years after the date of its receipt . . ."

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

OFFICIAL BONDS

The County Auditor's and County Sheriff's \$15,000 Surety Bond amounts were insufficient per the Indiana Code. Also, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center. All official bonds are to be made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand (\$30,000), as fixed by the fiscal body of the county . . ."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

SHERIFF TEMPORARY LOAN REPAYMENT

A temporary loan of \$280,210 was made on September 20, 2013, from the Sheriff Pension Trust Fund to the Commissary Payroll Pass-Thru fund and not repaid by December 31, 2013. In December 2013, the County Council passed Resolution #13-93 granting a temporary loan extension until June 30, 2014.

The temporary loan was not repaid as of June 30, 2014, and had a balance due of \$112,210. The loan had a balance at October 9, 2014, of \$67,210.

Indiana Code 36-1-8-4, concerning temporary loans, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
- (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs."

LAKE COUNTY COUNCIL

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307
219-755-3280
Fax: 219-755-3283

6th District
TED F. BILSKI
323 W. 8th Place
Hobart, IN 46342
Phone: 219-947-7672



LAKE COUNTY GOVERNMENT CENTER
CROWN POINT, INDIANA

© GCU 1049-M

“OFFICIAL RESPONSE”

December 8, 2014

Paul D. Joyce
State Examiner
302 W. Washington, E418
Indianapolis, IN. 46204-2765

Dear Mr. Joyce,

Pursuant to the 2013 Lake County Audit Results and subsequent exit conference on November 26, 2014, I am forwarding my written response.

Based on the opinion from the Council Attorney, the finding on Tax Increment Financing (TIF) Dissolution Fund will be pursued as follows:

1. All TIF monies will be deposited in the TIF Dissolution Fund #686.
2. Effective January 1, 2015, the County Auditor will calculate the balance of monies in the TIF Dissolution Fund #686, and initiate the process to allocate those monies to the respective civil units (including the county).
3. A letter will be issued by the Council's Attorney – shortly – to the attorneys for the County Redevelopment Commission and Lake County Board of Commissioners advising them as follows, effective January 1, 2015: 1) the county's share of the allocated monies cannot be used for operating expense; 2) the county's share of the allocated monies is for use in the Redevelopment District; and 3) the County Economic Development Department and County Redevelopment Commission should revise to their 2015 budget appropriations in January 2015.

Based on the advisement of the Council Administrator and Lake County Auditor's Office, the finding on the Commissioner Tax Sale Distributions will be pursued as follows:

1. The four (4) county departments receiving monies from Commissioner Tax Sale Distributions shall apply their share of monies as permitted by IC 6-1.1-25-9(a). Those four (4) county departments include: The Lake County Auditor, Lake County Commissioners, Lake County Recorder, and Lake County Treasurer.

2. The four (4) county departments will calculate and transfer any remaining surplus of monies to the County General Fund #001. Estimates of those surpluses have been provided by the Lake County Auditor and County Council Administrator.

Based on the credo of good government financing, the finding on the Sheriff's Temporary Loan Repayment will be pursued as follows, in the following order:

1. The Sheriff will be encouraged to divert monies from the Commissary Fund to the Commissary Payroll Pass-Thru Fund to repay the loan, before June 30, 2015; or
2. The Sheriff will be encouraged to repay the loan from his EXISTING General Fund budget, before June 30, 2015; or
3. The Sheriff will be provided NEW, additional and prudent options to repay the loan from his General Fund budget, as soon as the 2015 budget is approved by the Department of Local Government Finance.

Lastly, I appreciate how your staff conducted the exit conference last Wednesday, November 26, 2014.



Ted F. Bilski
President, Lake County Council

cc: Lake County Councilmembers

COUNTY COUNCIL
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2014, with Peggy Holinga Katona, County Auditor; Ted Bilski, President of the County Council; Michael C. Repay, President of the Board of County Commissioners; Larry Cak, County Auditor's Executive Director; and Michael Wieser, Finance Director.

The contents of this report were discussed on November 26, 2014, with Ted Bilski, President of the County Council, and Dante Rondelli, County Council Finance Director.

(This page intentionally left blank.)

COUNTY COMMUNITY CORRECTIONS
LAKE COUNTY

COUNTY COMMUNITY CORRECTIONS
LAKE COUNTY
FEDERAL FINDINGS

FINDING 2013-008 - INTERNAL CONTROLS - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM, ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG) PROGRAM/GRANTS TO STATES AND TERRITORIES

Federal Agency: Department of Justice

Federal Programs: Edward Byrne Memorial Justice Assistance Grant Program,
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/
Grants to States and Territories

CFDA Numbers: 16.738, 16.803

Federal Award Numbers: Justice Assistance Grants 2010-DJ-BX-0810, 2011-DJ-BX-3472,
2012-DJ-BX-0979, 2010-DJ-BX-0254, 2011-DJ-BX-2622, 2012-DJ-BX-0765,
2009-SB-B9-1671 and Detention Enhancement Project 2011-DJ-BX-2622

Pass-Through Entity: Indiana Criminal Justice Institute (for grants 2010-DJ-BX-0254, 2011-DJ-BX-2622,
and 2012-DJ-BX-0765)

Management of the County has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the programs that are administered by the law enforcement department of the County. The Lake County Drug Task Force (LCDTF) lacks internal controls over the compliance requirements for Activities Allowed, Allowable Costs, Cash Management, Matching, Earmarking, Period of Availability, and Reporting. The Community Corrections Department lacks internal controls over the Reporting and Matching compliance requirements.

The following applies to the Lake County Drug Task Force (LCDTF):

1. Activities Allowed, Allowable Costs, Period of Availability - The Purchase Orders (PO) and Accounts Payable Vouchers (APV) prepared in the latter half of 2013 were prepared by the Bookkeeper. The POs and APVs were also approved by the same Bookkeeper in the name of the Grant Administrator instead of approved by the Grant Administrator. Thus, the submitted APVs were prepared by one individual without a system of oversight or review prior to submission for payment. Previously, the Grant Administrator had signed the PO to authorize the purchase and the APV to authorize the payment.
2. Cash Management - The supporting spreadsheet and drawdown requests of grant funds were prepared by the Grant Administrator without a system of oversight or review prior to submission.
3. Earmarking and Reporting - Required reports were prepared and submitted by the Grant Administrator (financial reports and quarterly progress reports). These reports were prepared from spreadsheets prepared by the Grant Administrator. The reports were not based upon the County's financial accounting system. In response to the prior audit finding, the County Sheriff's Office assigned an individual to review the reports. The individual signed copies of several 3rd quarter report drafts to indicate review, but not 4th quarter reports. The Grant Administrator indicated that the review process conducted was verbal.
4. Matching - The grant funding received from the Indiana Criminal Justice Institute requires matching funds. The LCDTF has not designed or implemented adequate policies and procedures to ensure that Matching requirements have been met.

COUNTY COMMUNITY CORRECTIONS
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The following applies to the Community Corrections Department:

1. Reporting - The Community Corrections Department has not designed or implemented adequate policies and procedures to ensure that all required reports are accurately prepared and submitted. Evidence of an oversight, review, or approval process was not provided.
2. Matching - The grant funding received from the Indiana Criminal Justice Institute requires matching funds. The Community Corrections Department has not designed or implemented adequate policies and procedures to ensure that Matching requirements have been met.

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 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, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

***FINDING 2013-009 - MATCHING AND REPORTING - EDWARD BYRNE
MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM***

Federal Agency: Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Federal Award Numbers: 2011-DJ-BX-2622, 2012-DJ-BX-0765
Pass-Through Entity: Indiana Criminal Justice Institute

The pass-through grant awarded by the Indiana Criminal Justice Institute (ICJI) required matching funds. Per the Grant Award letter for 2012-DJ-BX-0765, the matching funds required for the 2013 grant period was \$110,000. Per grant amendment 1 submitted by the Lake County Drug Task Force, the match consisted of 2.4 Task Force Officers totaling \$100,436 and communications for \$9,564. For the 2011-DJ-BX-2622 grant administered by the Lake County Community Corrections Programs, the grant required a match of \$66,667.

COUNTY COMMUNITY CORRECTIONS
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Review of the four quarterly "Subgrantee Cumulative Fiscal Report" submitted to ICJI for 2013 noted the match was reported as a cash match. The amounts reported each quarter for the grant period totaled exactly \$27,500 and \$16,666, respectively. The amount reported each quarter as the match is one-fourth of the total required match.

The grant records (binders and spreadsheets) did not contain documentation to support the match reported. Inquiry of the Grant Administrator indicated that the office match consisted of some officers working for the task force paid for by a participating city, and disbursements from a forfeiture fund. Records tracking and supporting the amounts reported, however, were not maintained. Due to the lack of records, we were unable to determine the accuracy of the amounts reported or if the match requirement was met.

28 CFR 66.24(b)(6) Matching or cost sharing states:

"Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs."

The Indiana Criminal Justice Institute's Drug & Crime Control Division - Subgrantee Policy and Procedure Manual, Chapter 6: Matching states in part:

"A. In-Kind Match (Cost Sharing) . . . In kind match, or cost sharing, does not require a cash outlay by the recipient agency, yet it must represent real dollars . . .

B. Cash Match (hard match) includes real dollars that are contributed toward the project or program . . .

D. Records of Match Subgrantee must maintain records which clearly show the source, the amount, and the timing of all matching contributions."

28 CFR 66.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (3) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (4) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially- assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Failure to maintain records that track the matching funds hinders the County's ability to adequately monitor and report matching. Noncompliance with the grant agreement or the matching and reporting compliance requirements could result in the loss of federal funds to the County.

We recommended that officials adequately identify, track, and report matching funds.

LAKE COUNTY COMMUNITY CORRECTIONS

2600 West 93rd Avenue
Crown Point, Indiana 46307
(219) 755-3850 – Fax (219) 755-3871

KELLIE J. BITTORF
Executive Director

December 5, 2014

MARK R. MURPHY
Director of Operations

LONI N. BRITTINGHAM
Quality Assurance Manager

To: Michael Wieser
Director of Finance
Lake County Auditor's Office

JEFFERY A. BATCHELOR
Residential Manager

RICHARD F. SERVI
Budget and Personnel Manager

Cc: Kellie J. Bittorf
Executive Director

BOARD OF COMMISSIONERS

Re: 2013 SBA Audit, Corrective Action Plan

ROOSEVELT ALLEN JR.
First District

GERRY J. SCHEUB
Second District

MICHAEL REPAY
Third District

CORRECTIVE ACTION PLAN

FINDING NO. 2013-008. INTERNAL CONTROLS

Lake County Community Corrections

ADVISORY BOARD

PAUL E. PANTHER
Chairman

HON. THOMAS P. STEFANIAK JR.
Vice-Chairman

LONI N. BRITTINGHAM
Secretary (Non-member)

SHERIFF JOHN BUNCICH

HON. SAMUEL L. CAPPAS

PROS. ATTY. BERNARD CARTER

JAMES CLEMENT JR.

HON. KAREN FREEMAN-WILSON

CARLEAN GADLING

LEE GILLIAM

KEVIN HUSEMAN

ROBERT KRUMWEID

RICHARD MAROC

HON. SHEILA M. MOSS

JAN PARSONS

JOSEPH M. PELLICCIOTTI

COUNCILMAN JEROME PRINCE

HERBERT I. SHAPS

ALMA V. WHITE


Federal Agency: U.S. Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738, 16.803
Pass-Through: Indiana Criminal Justice Institute
Award Number: 2011-DJ-BX-2622
Auditee Contact: Richard Servi
Title of Contact: Budget & Personnel Manager
Phone Number: 219-755-3850 x308

Corrective Action and Plan Submitted:

1) Reporting: In order to insure proper compliance of Reporting, Lake County Community Corrections will immediately take measures to ensure all required reports are accurately prepared and submitted. As reports are now submitted online, all report preparation documents will be reviewed and signed off on for approval, as evidence of oversight, by the Executive Director, prior to submission by the Budget & Personnel Manager. Report acceptance by the Indiana Criminal Justice Institute is received electronically.

2) Matching: In order to insure proper compliance of Matching, Lake County Community Corrections will immediately take measures to ensure all required reports, detailing where the matching funds are spent, are accurately prepared and submitted. To date detailed listings from our LC500 reports have been provided. As reports are now submitted online, all report preparation documents will be reviewed and signed off on, to ensure matching requirements are being met, by the Executive Director, prior to submission by the Budget & Personnel Manager. Report acceptance by the Indiana Criminal Justice Institute is received electronically.

Anticipated Completion Date: December 5, 2014



Richard F. Servi
Budget and Personnel Manager
December 5, 2014

LAKE COUNTY COMMUNITY CORRECTIONS

2600 West 93rd Avenue
Crown Point, Indiana 46307
(219) 755-3850 – Fax (219) 755-3871

KELLIE J. BITTORF
Executive Director

December 5, 2014

MARK R. MURPHY
Director of Operations

LONI N. BRITTINGHAM
Quality Assurance Manager

JEFFERY A. BATCHELOR
Residential Manager

RICHARD F. SERVI
Budget and Personnel Manager

To: Michael Wieser
Director of Finance
Lake County Auditor's Office

Cc: Kellie J. Bittorf
Executive Director

Re: 2013 SBA Audit, Corrective Action Plan

BOARD OF COMMISSIONERS

ROOSEVELT ALLEN JR.
First District

GERRY J. SCHEUB
Second District

MICHAEL REPAY
Third District

CORRECTIVE ACTION PLAN

FINDING NO. 2013-009, MATCHING AND REPORTING

Lake County Community Corrections

ADVISORY BOARD

PAUL E. PANTHER
Chairman

HON. THOMAS P. STEFANIAK JR.
Vice-Chairman

LONI N. BRITTINGHAM
Secretary (Non-member)

SHERIFF JOHN BUNCICH

HON. SAMUEL L. CAPPAS

PROS. ATTY. BERNARD CARTER

JAMES CLEMENT JR.

HON. KAREN FREEMAN-WILSON

CARLEAN GADLING

LEE GILLIAM

KEVIN HUSEMAN

ROBERT KRUMWEID

RICHARD MAROC

HON. SHEILA M. MOSS

JAN PARSONS

JOSEPH M. PELLICCIOTTI

COUNCILMAN JEROME PRINCE

HERBERT I. SHAPS

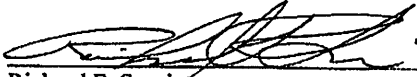
ALMA V. WHITE

Federal Agency: U.S. Department of Justice
Federal Program: Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number: 16.738
Pass-Through: Indiana Criminal Justice Institute
Award Number: 2011-DJ-BX-2622, 2012-DJ-BX-0765
Auditee Contact: Richard Servi
Title of Contact: Budget & Personnel Manager
Phone Number: 219-755-3850 x308

Corrective Action and Plan Submitted:

Matching and Reporting: In order to insure proper compliance of Matching and Reporting, Lake County Community Corrections will immediately take measures to ensure all required report records are accurately detailed to represent the matching funds expended. Historically, as the total incurred by LCCC was always higher than the amount required by the grant, each quarters' submission represented only 1/4 of the annual amount. As reports are now submitted online, all report preparation documents will be specific to the amounts incurred, as documented by our LC500 reports, and uploaded electronically. Per our auditor, the total, in any quarter, may be greater than the 25% factor we have been using. These will be reviewed and signed off on for approval, as evidence of oversight, by the Executive Director, prior to submission by the Budget & Personnel Manager. Report acceptance by the Indiana Criminal Justice Institute is received electronically.

Anticipated Completion Date: December 5, 2014


Richard F. Servi
Budget and Personnel Manager
December 5, 2014

"A Sensible Approach to Corrections"

COUNTY COMMUNITY CORRECTIONS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2014, with Kellie Bittorf, Executive Director, and Richard F. Servi, Manager Budgets and Personnel.