

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
PORTER COUNTY, INDIANA
January 1, 2014 to December 31, 2014



FILED
10/21/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Robert J. Wichlinski Vicki Urbanik	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	Michael Bucko Michelle Clancy	01-01-11 to 07-25-14 07-26-14 to 12-31-18
Clerk of the Circuit Court	Karen Martin	01-01-11 to 12-31-18
County Sheriff	David Lain David Reynolds	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Prosecutor	Brian Gensel	01-01-11 to 12-31-18
Judge of the Circuit Court	Mary R. Harper	01-01-11 to 12-31-18
President of the Board of County Commissioners	John A. Evans	01-01-14 to 12-31-16
President of the County Council	Daniel Whitten	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER COUNTY, INDIANA

This report is supplemental to our audit report of Porter County (County), for the period from January 1, 2014 to December 31, 2014. 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

August 10, 2016

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COUNTY AUDITOR
PORTER COUNTY

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING – COUNTY AUDITOR

Condition

There were deficiencies in the internal control system of the County Auditor related to financial transactions and reporting. The County Auditor had not implemented effective internal controls over the activities related to financial statement reporting and payroll disbursement transactions. The County Auditor prepared and submitted the Annual Financial Report (AFR), which was used to generate the financial statement. There were no controls to verify the accuracy of the AFR prior to submission.

In addition, controls over supporting documentation and approval of payroll disbursements were not properly implemented. The County did not follow its payroll policy to ensure that all employees were paid for the correct number of hours each pay period. Each County Department was responsible for entering certain information, such as dates and hours worked, and type of leave taken for each payroll period, into the payroll software. When the information was electronically received by the County Auditor, payroll amounts were computed and Payroll Earnings Forecasts (Forecasts) were generated for each Department. The Forecasts listed each employee, the amount of pay they were to receive, and the total payroll for that Department. These forecasts were the certified time sheets to support each payroll.

Not all Department heads returned the Forecasts to the Payroll Department prior to the pay date. The County policy states: "Each department head is responsible for reviewing the payroll earnings forecast, as they are required to sign and date the payroll earnings forecast. Each department head or their designee signs stating the following, in part, " . . . hereby certify that I have examined the time record of each employee listed . . . that each employee has performed the services for which the salary or compensation is paid; . . . that the compensation listed opposite the name of each employee upon either statutory or regulatory authority and is justly due each such employee; . . . that this payroll totaling \$XX is correct and has by me been approved."

The County Auditor did not have properly implemented or effective controls to ensure that all Departments returned the signed Forecasts, that all employees paid were included based on the Forecasts, and that amounts recorded in the County's ledger agreed to amounts authorized on the Forecasts.

The County Auditor reported all financial information in the AFR which was used to generate the financial statement. The financial statement included the following errors:

1. The December 31, 2014 cash and investments balance and the receipts for the Hospital Interest fund were understated \$290,540.
2. The December 31, 2014 cash and investments balance and the disbursements for the CEDIT Special Legislation fund were understated \$3,003,442.
3. The December 31, 2014 cash and investments balance and the receipts for the CEDIT Homestead Credit fund were understated \$3,003,442.
4. The January 1, 2014 cash and investments balance of the County User Fee fund was overstated \$15,336 and did not agree with the prior report ending balance.
5. The January 1, 2014 cash and investments balance for the Prosecutor Check Deferral fund was understated \$15,336 and did not agree with the prior report ending balance.

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

6. The Clerk of the Circuit Court fund did not include court-ordered investments. This omission understated the January 1, 2014 balance, receipts, disbursements, and December 31, 2014 cash and investments balance \$977,340, \$100,378, \$231,950, and \$845,768, respectively.
7. The PC Superior Trust (Trust) fund reported bank activity instead of the actual receipts and disbursements activity of the Trust. This resulted in differences in the January 1, 2014 cash and investments balance, receipts, disbursements, and December 31, 2014 cash and investment balance of \$1,680,984, \$433,648, \$813,693, and \$1,300,940, respectively.

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

Criteria

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)

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

Cause

Management of the County had not established a proper system of internal control. Management also had not conducted a risk assessment related to the County's financial reporting and transactions.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have been prevented, or detected and corrected, material misstatements in a timely manner. The Financial Statements contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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).

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

There were no controls over the preparation and submission of the SEFA. The County Auditor prepared and submitted the SEFA without controls to ensure its accuracy before submission. The SEFA was prepared based on the financial records alone, without reviewing grant information, such as grant award letters, applications, and other documents. This resulted in the following errors on the SEFA presented for audit:

1. The Department of Commerce grant was not included, which understated the federal expenditures \$10,741.
2. The Department of Transportation grant for the Dunes Kankakee Trail was not included, which understated federal expenditures \$1,936.
3. Three Department of Transportation grants were incorrectly reported as follows:
 - a. 126 Bridge Inspection, DES #1005141, federal expenditures were overstated \$10,105.
 - b. Bridge 165 CR 600 E, DES #1005672, federal expenditures were understated \$12,103.
 - c. Division/Smoke Road Intersection Improvement, DES #1297541, federal expenditures were overstated \$2,503.
4. The Department of Health and Human Services Child Support Enforcement grant federal expenditures were overstated \$50,031.
5. The Department of Homeland Security grant federal expenditures were overstated \$2,421.

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

Criteria

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).

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."

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

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 award 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 subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. . . . "

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Years (or Other Identifying Number): FY2014

Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

County Auditor:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program. There were no controls in place to ensure that the Cost Allocation Plan was properly prepared and included accurate information.

County Prosecutor, Clerk of the Circuit Court, County Court:

There were no controls in place to ensure that expenditures were only for activities and costs allowable for the program. One employee in each department/office was solely responsible for preparing payroll, which was the majority of program expenditures. There were no controls in place to ensure that only the appropriate employees were paid from program funds or that all supporting documentation of payroll expenditures was maintained.

Period of Availability and Reporting

Clerk of the Circuit Court:

A consultant prepared the Monthly Expense claims and the Quarterly Incentive Expenditure reports. The consultant did not provide the supporting documentation for the Monthly Expense claims and Quarterly Incentive Expenditure reports until months after the reports were submitted. Therefore, the County was not able to implement adequate controls to ensure that the reported expenditures were accurate or were paid within the period of availability.

Context

Based on the initial assessment of the Child Support Enforcement grant, it is determined that the lack of controls over the requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

Criteria

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. "

Cause

Management had not developed a system of internal controls that segregated key functions.

COUNTY AUDITOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

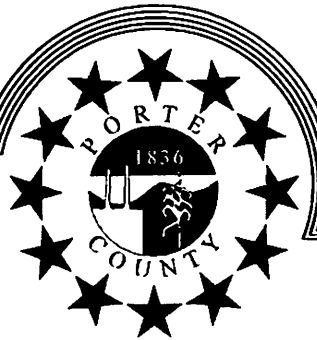
There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Vicki Urbanik
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

FINDING 2014-001 FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Vicki Urbanik, Auditor
Contact Phone Number: 219-465-3350

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

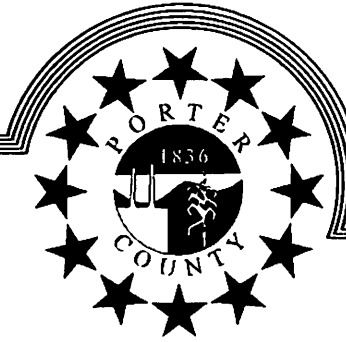
This finding in part addresses deficiencies in payroll administration in 2014, including ineffective controls over payroll earnings reports ("forecasts"). A similar finding was included in the 2013 audit. We concur with the deficiencies cited. To correct these deficiencies, the following corrective actions were implemented in 2015:

- Assign a person outside of the payroll department to track which department heads signed and returned their forecasts.
- Assign a person outside of the payroll department to match employee pay as authorized in the Salary Ordinance with the amounts reported in the forecasts.
- Match the amounts reported as compensation in the forecasts with the county ledger.

This finding also cited errors in a number of fund balances as reported in the 2014 AFR. The fund balances were based on the amounts contained in the county's financial system. We concur that these fund balances were incorrect, based on the post-AFR research we conducted in 2015 and 2016. Please see the Summary Schedule of Prior Audit Findings for a more detailed explanation.

Anticipated Completion Date: In early 2015, we anticipated that we would be able to implement the improvements in the payroll administration as soon as staff was available to assume this added responsibility.

Vicki Urbanik
Porter County Auditor
August 10, 2016



Vicki Urbanik
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

FINDING 2014-002 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Vicki Urbanik, Auditor
Contact Phone Number: 219-465-3350

Views of Responsible Official: We concur with the findings of under- and over- reported amounts in the 2014 SEFA.

Description of Corrective Action Plan:

To improve the controls over the preparation and submission of the SEFA, we proposed the following actions in early 2015:

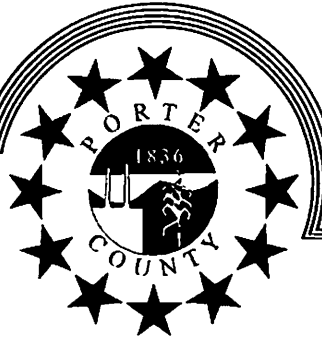
- Improve the grant documentation housed in the auditor's office by requesting departments that are awarded federal grants to provide copies of grant applications and verified CFDA numbers.
- The County Auditor reviews new grant applications prior to signing.
- Designate an auditor staff member as the individual responsible for maintaining complete grant files for ease of access to grant information when preparing the SEFA.
- Assign a team to work together to prepare the AFR, including the SEFA; proofread and cross-check amounts reported on the SEFA by a staff member other than the one who initially prepared the SEFA.

Anticipated Completion Date: In early 2015, we began improving the record keeping related to grants immediately and anticipated that we would implement additional improvements as soon as staffing became available.

Vicki Urbanik

Porter County Auditor

August 10, 2016



Vicki Urbanik
Auditor

(219) 465-3445

CORRECTIVE ACTION PLAN

FINDING 2014-006 INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Contact Person Responsible for Corrective Action: Vicki Urbanik, Auditor
Contact Phone Number: 219-465-3350

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: To ensure that the Cost Allocation Plan is properly prepared and includes accurate information, we proposed in 2015 to do the following:

- A designated staff member who produces monthly financial reports as requested by the consultant first reviews the reports for deficiencies and researches any questionable items or noticeable changes.
- Management meets with the consultant to review his methodology for compiling the cost allocation plan and to review the plan prior to submission to the state.

Anticipated Completion Date: When monthly financial reports are requested by the consultant and during the review of the CAP in the first quarter of the year.

Vicki Urbanik

Porter County Auditor

August 10, 2016

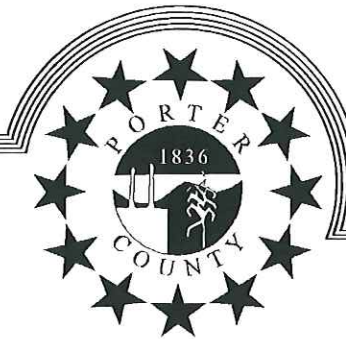
COUNTY AUDITOR
PORTER COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The Financial Statement and Federal Single Audit report included the Convention Center Operating and Payroll Withholding - PERF funds with overdrawn cash balances at December 31, 2014, of \$29,622 and \$1,380, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY - PORTER



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

Vicki Urbanik
Auditor

(219) 465-3445

August 11, 2016

OFFICIAL RESPONSE

Dear State Board of Accounts:

We would like to make an official response to the 2014 audit results and comments concerning "Overdrawn Cash Balances" based on our understanding of the events at the time:

Convention Center Operating: This fund ended 2014 with a balance of (\$29,622). Although I was not in office at the time, I later spoke with the department head involved about why this fund was overdrawn. It is my understanding that the fund was overdrawn when the appropriation for health insurance was taken. Although this appropriation was within the Expo Center's budget, the manager was unaware that the monies would be "pulled" at that specific time, resulting in the overdrawn fund. To help prevent this problem, in 2015 we implemented a new process for health insurance appropriations. We now transfer the appropriations on a quarterly basis (unless the fund involved cannot support the expenditure). We also alert department heads in advance that their appropriations will be drawn down, so that they have time to plan their cash flows accordingly.

Payroll Withholding—PERF: It appears to us that a correction was made to a PERF disbursement at some point prior to 2013. The adjustment was made in the payroll system and transferred to a payroll "clearing fund" in the financial module. A corresponding manual adjustment would have allocated the activity to the appropriate fund within the financial module. This manual adjusting transaction did not occur. We will process the adjustment in 2016. A financial system upgrade we are planning will combine our financial and payroll systems, potentially eliminating these types of transactions in the future.

Vicki Urbanik

Porter County Auditor

August 11, 2016

COUNTY AUDITOR
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2016, with Vicki Urbanik, County Auditor; John A. Evans, President of the Board of County Commissioners; Daniel Whitten, President of the County Council; Toni Downing, Chief Deputy Auditor; and Tiffany Johnson, Deputy Auditor.

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COUNTY TREASURER
PORTER COUNTY

COUNTY TREASURER
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

Condition

There were deficiencies in the internal control system of the County Treasurer related to the bank reconciliations. The County Treasurer had not separated incompatible activities related to the bank reconciliations. One employee performed the bank reconciliations without controls in place to ensure their accuracy.

Criteria

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)

Cause

The County Treasurer had not established a proper system of internal control. Management had not conducted a risk assessment related to the County Treasurer's financial reporting and transactions.

Effect

The failure to establish controls could enable material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County Treasurer at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

COUNTY - PORTER

MICHELLE CLANCY
TREASURER



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

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August 4, 2016

Corrective Action Plan

FINDING 2014-003 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY TREASURER

Fiscal year in which the finding initially occurred: 2014

Contact Person Responsible for Corrective Action: Michelle Clancy, Treasurer

Contact Phone Number: 219-465-3470

Views of Responsible Official:

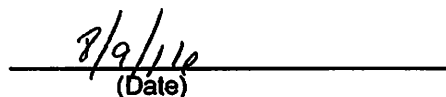
I concur with the finding

Description of Corrective Action Plan:

Fully Corrected. I as the incoming Treasurer in the Fall of 2014 had implemented new office procedures where I began and continue, on a monthly basis, to review, compare and verify that the balances of all of the depositories' statements are reconciled to the balances in the Auditor's Ledger along with the balances on the Treasurer's Cash Book.


(Signature)

Michelle Clancy, Treasurer


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

COUNTY TREASURER
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2016, with Michelle Clancy, County Treasurer; and Jimmy Albarran, Chief Deputy Treasurer.

COUNTY SHERIFF
PORTER COUNTY

COUNTY SHERIFF
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-004 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY SHERIFF

Condition

There were deficiencies in the internal control system of the County Sheriff related to financial transactions and reporting. The County Sheriff Civil Division had not separated incompatible activities related to receipts, disbursements, and cash and investments balances. There was some segregation of duties; however, there was no oversight or review.

Criteria

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)

Cause

Management of the County Sheriff had not established a proper system of internal control. Management also had not conducted a risk assessment related to the County Sheriff's financial transactions and reporting.

Effect

The failure to establish controls could enable material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County Sheriff at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Porter County Sheriff's Office

David M. Reynolds
Sheriff

Jeffery A. Biggs
Chief

CORRECTIVE ACTION PLAN

FINDING 2014-004 FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: David Reynolds, Sheriff
Contact Phone Number: 219-477-3000

Views of Responsible Official:
We concur with the finding

Description of Corrective Action Plan:
Support Service Tayna Gear will review on a monthly basis and sign off on all Receipts disbursements, and cash / investment balances.
A copy of the review will be forward to Chief Jeffery Biggs.

Anticipated Completion Date: 08/09/2016
This will be corrected immediately including all of 2016 prior to this date.


(Signature)

Porter County Sheriff
(Title)

08/09/2016
(Date)

COUNTY SHERIFF
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2016, with David Reynolds, County Sheriff; Edie Hahn, Business Manager; and Tanya Gear, Civil Bureau Supervisor.

CLERK OF THE CIRCUIT COURT
PORTER COUNTY

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-005 - FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT

Condition

There were deficiencies in the internal control system of the Clerk of the Circuit Court (Clerk) related to financial transactions and reporting. The Clerk had not separated incompatible activities related to financial reporting and closing. One employee prepared the Supplemental County Annual Report (CAR) that was submitted for inclusion in the County Annual Financial Report. There were no controls to ensure that the CAR was accurate.

The Clerk's office stopped using the PC Superior Trust software in September 2013. When a case judgment was entered into this software system, the case information was recorded in the new software system (Odyssey) and a bank transfer was made to the Odyssey bank account. A detailed list of the old software system trust balance was not generated at December 31, 2014. The last time a detailed report was generated was December 31, 2011, with a balance of \$6,607,088.

The Clerk's CAR reported bank activity instead of the actual Receipts and Disbursements activity of the PC Superior Trust system. This resulted in differences in the January 1, 2014 cash and investments, receipts, disbursements and December 31, 2014 cash and investment balances of \$1,680,984, \$433,648, \$813,693, and \$1,300,940, respectively.

The ending cash and investments balance of the PC Superior Trust of \$597,125 at December 31, 2014, could not be audited, because the outstanding check amount of \$1,309,743 could not be substantiated.

The Clerk's CAR did not include court-ordered investments. This omission understated the January 1, 2014 cash and investments, receipts, disbursements, and December 31, 2014 cash and investments balances \$977,340, \$100,378, \$231,950, and \$845,768, respectively.

Criteria

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management of the Clerk had not established a proper system of internal control. Management also had not conducted a risk assessment related to the Clerk's financial transactions and reporting.

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Years (or Other Identifying Number): FY2014

Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

County Auditor:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program. There were no controls in place to ensure that the Cost Allocation Plan was properly prepared and included accurate information.

County Prosecutor, Clerk of the Circuit Court, County Court:

There were no controls in place to ensure that expenditures were only for activities and costs allowable for the program. One employee in each department/office was solely responsible for preparing payroll, which was the majority of program expenditures. There were no controls in place to ensure that only the appropriate employees were paid from program funds or that all supporting documentation of payroll expenditures was maintained.

Period of Availability and Reporting

Clerk of the Circuit Court:

A consultant prepared the Monthly Expense claims and the Quarterly Incentive Expenditure reports. The consultant did not provide the supporting documentation for the Monthly Expense claims and Quarterly Incentive Expenditure reports until months after the reports were submitted. Therefore, the County was not able to implement adequate controls to ensure that the reported expenditures were accurate or were paid within the period of availability.

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Context

Based on the initial assessment of the Child Support Enforcement grant, it is determined that the lack of controls over the requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

Criteria

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. "

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

COUNTY - PORTER

KAREN M. MARTIN

CLERK OF THE CIRCUIT AND SUPERIOR COURTS



COURTHOUSE
16 E. LINCOLNWAY • SUITE 211
VALPARAISO, INDIANA 46383

TELEPHONE:
(219) 465-3450

CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Person Responsible for Corrective Action: Karen M. Martin
Contact Phone Number: 219-465-3463

When filling out the CAR report we were advised by an Auditor Employee which numbers to use since we had 3 different accounts and COI's. There were controls in place but did not include the correct numbers necessary to finalize the CAR report. It is recommended that a new CAR report be created for the Clerk's office.

Due to the inaccuracy of the Jalan Trust account we have been in the process of finalizing the last 2 steps to arrive at an accurate number. Chase had consolidated amounts in our statements and not detailed the checks. We are awaiting the detail to verify outstanding checks. We also are working on the bonds to transfer over the amounts to Odyssey. This will allow us to arrive at a final number.

We now will place the COI's separate when the new CAR report is received.

Anticipated Completion Date: 6-30-2017

Respectfully submitted,

Karen M. Martin
KAREN M. MARTIN
Clerk of the Circuit Court

8/9/16

COUNTY - PORTER



COURTHOUSE
16 E. LINCOLNWAY • SUITE 211
VALPARAISO, INDIANA 46383

KAREN M. MARTIN
CLERK OF THE CIRCUIT AND SUPERIOR COURTS

TELEPHONE:
(219) 465-3450

CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Person Responsible for Corrective Action: Karen M. Martin
Contact Phone Number: 219-465-3463

There were controls in place regarding segregation of duties but due to the fact we hired a consultant to file our IV-D claims we were unaware that we were to receive detailed information with each monthly report. I had felt since we had interviewed with the consultant in detail and had the staff work with him this might be sufficient, unfortunately it was not. We have as of this date, requested that all documentation be sent with each claim submitted to the Clerks office.

Anticipated Completion Date: 8-30-2016

Respectfully submitted,

Karen M. Martin
KAREN M. MARTIN
Clerk of the Circuit Court

:

8/4/16

CLERK OF THE CIRCUIT COURT
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2016, with Karen Martin, Clerk of the Circuit Court, and Jacalyne Haney, Deputy Clerk.

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COUNTY PROSECUTOR
PORTER COUNTY

COUNTY PROSECUTOR
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Years (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

County Auditor:

A consultant prepared the Cost Allocation Plan for indirect costs charged to the program. There were no controls in place to ensure that the Cost Allocation Plan was properly prepared and included accurate information.

County Prosecutor, Clerk of the Circuit Court, County Court:

There were no controls in place to ensure that expenditures were only for activities and costs allowable for the program. One employee in each department/office was solely responsible for preparing payroll, which was the majority of program expenditures. There were no controls in place to ensure that only the appropriate employees were paid from program funds or that all supporting documentation of payroll expenditures was maintained.

Period of Availability and Reporting

Clerk of the Circuit Court:

A consultant prepared the Monthly Expense claims and the Quarterly Incentive Expenditure reports. The consultant did not provide the supporting documentation for the Monthly Expense claims and Quarterly Incentive Expenditure reports until months after the reports were submitted. Therefore, the County was not able to implement adequate controls to ensure that the reported expenditures were accurate or were paid within the period of availability.

Context

Based on the initial assessment of the Child Support Enforcement grant, it is determined that the lack of controls over the requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

COUNTY PROSECUTOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

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. "

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-007 - REPORTING

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Years (or Other Identifying Number): FY2014

Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County Prosecutor's office in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. There were no controls to ensure that required reports were accurate prior to submission.

COUNTY PROSECUTOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Quarterly Incentive Reports and Monthly Expenditure Reports were under-reported for several reporting periods. Both payroll and non-payroll disbursements were omitted from the expenditures reported.

Context

All of the Quarterly Incentive Reports and 33 percent of the Monthly Expenditure Reports were under-reported. Corrections were made in the fourth quarter of 2014 for all incorrect Quarterly Incentive Reports.

Criteria

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. "

45 CFR 92.20 States in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to--

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes

(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. . . . "

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

COUNTY PROSECUTOR
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County Prosecutor's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

In addition, we recommended that the County Prosecutor's Office comply with the Reporting requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

PORTER COUNTY PROSECUTING ATTORNEY
OFFICE OF CHILD SUPPORT ENFORCEMENT

15 N. Franklin - Suite 100
Valparaiso, Indiana 46383
Phone: 219-465-3405/Fax: 219-465-3689
Email: childsupport@porterco.org
Website: www.porterco.org

Brian T. Gensel
Prosecuting Attorney

Laura A. Bernacki Stafford
Child Support Director

CORRECTIVE ACTION PLAN

Finding 2014-006- Internal Control Over Child Support Enforcement

Contact Person Responsible for Corrective Action: Laura A. Bernacki Stafford
Contact Phone Number: 219-465-3898

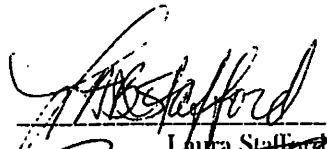
Views of responsible Official: We agree with finding

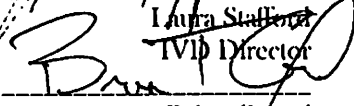
Description of Corrective Action Plan:

IVD Director will receive copies of all payroll once completed by criminal office and review same. IVD office will maintain copies of all bills sent to criminal office for payment and compare same with requisitions returned from criminal office.

Anticipated Completion Date:

Plan is already in effect pay date may 30, 2016.



Laura A. Bernacki Stafford
IVD Director


Brian Gensel
Prosecutor

August 9, 2016

PORTER COUNTY PROSECUTING ATTORNEY
OFFICE OF CHILD SUPPORT ENFORCEMENT

15 N. Franklin - Suite 100
Valparaiso, Indiana 46383
Phone: 219-465-3405/Fax: 219-465-3689
Email: childsupport@porterco.org
Website: www.porterco.org

Brian T. Gensel
Prosecuting Attorney

Laura A. Bernacki Stafford
Child Support Director

CORRECTIVE ACTION PLAN

Finding 2014-007- Reporting

Contact Person Responsible for Corrective Action: Laura A. Bernacki Stafford
Contact Phone Number: 219-465-3898

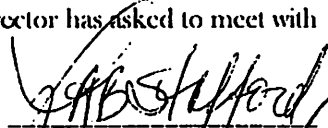
Views of responsible Official: We agree with finding

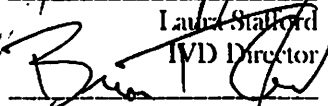
Description of Corrective Action Plan:

Correct the under-reporting on monthly expenditures. IVD Director to review expenditures in addition to IVD Manager at time of reporting and subsequent month. Meet with auditor for additional explanation on why incentive accounts are different in system.

Anticipated Completion Date:

Under-reporting has been complete, December 2014 and June 2016. IVD Director has asked to meet with the auditor and anticipates this to be complete within 90 days.



Laura A. Bernacki Stafford
IVD Director


Brian T. Gensel
Prosecutor

August 9, 2016

COUNTY PROSECUTOR
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2016, with Brian Gensel, County Prosecutor; and Laura Bernacki Stafford, IV-D Director.

COUNTY COURT
PORTER COUNTY

COUNTY COURT
PORTER COUNTY
FEDERAL FINDINGS

FINDING 2014-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Years (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

County Auditor:

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Period of Availability and Reporting

Clerk of the Circuit Court:

A consultant prepared the Monthly Expense claims and the Quarterly Incentive Expenditure reports. The consultant did not provide the supporting documentation for the Monthly Expense claims and Quarterly Incentive Expenditure reports until months after the reports were submitted. Therefore, the County was not able to implement adequate controls to ensure that the reported expenditures were accurate or were paid within the period of availability.

COUNTY COURT
PORTER COUNTY
FEDERAL FINDINGS
(Continued)

Context

Based on the initial assessment of the Child Support Enforcement grant, it is determined that the lack of controls over the requirements listed above was a systemic problem. There were no controls over these areas during the audit period.

Criteria

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. "

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

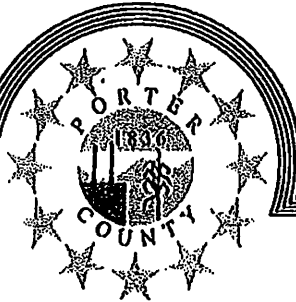
Recommendation

We recommended that the County's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

COUNTY-PORTER



PORTER COUNTY CIRCUIT COURT
IV-D COURT

JUVENILE SERVICES CENTER
1660 SOUTH STATE ROAD 2
VALPARAISO, INDIANA 46385

TELEPHONE: (219) 465-5630

DIANE, COURT REPORTER
VICKIE, EXECUTIVE ASSISTANT

MARY R. HARPER, JUDGE
LISA A. MOSER, COURT COMMISSIONER
PORTER COUNTY IV-D COURT
August 10, 2016

Carla Wenger, CPA
Field Examiner
Indiana State Board of Accounts

CORRECTIVE ACTION PLAN

FINDING 2014-006

HONORABLE JUDGE MARY R. HARPER
CONTACT PHONE NUMBER: (219) 465-3535

COMMISSIONER LISA A. MOSER
CONTACT PHONE NUMBER: (219) 465-3630

VIEWS OF RESPONSIBLE OFFICIAL:

We concur with the finding.

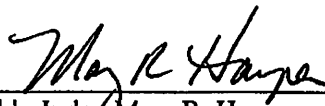
DESCRIPTION OF CORRECTIVE ACTION PLAN:

Payroll forecasts submitted by the IV-D Court are now reviewed by a designated person in the Auditor's office for allowability and allowable costs. This creates the internal control system that is required by the program. The IV-D Court has confirmed with the Auditor, Vicki Urbanik that this control is in place. However, the IV-D Court understands that this does not relieve the Court of its responsibility to provide accurate information to the Auditor.

Additionally, copies of all payroll documentation and expenses, submitted to the Auditor, are maintained in the IV-D Court chambers.

ANTICIPATED COMPLETION DATE:

The corrective plan has already been implemented.


Honorable Judge Mary R. Harper
Porter Circuit Court
IV-D Division

Date: 8/10/16

COUNTY COURT
PORTER COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2016, with the Honorable Mary R. Harper, Judge of the Circuit Court.