

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTER COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
10/21/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Vicki Urbanik	01-01-15 to 12-31-18
County Treasurer	Michelle Clancy	01-01-15 to 12-31-18
Clerk of the Circuit Court	Karen M. Martin	01-01-15 to 12-31-18
County Sheriff	David Reynolds	01-01-15 to 12-31-18
County Prosecutor	Brian Gensel	01-01-15 to 12-31-18
President of the Board of County Commissioners	John A. Evans	01-01-15 to 12-31-16
President of the County Council	Daniel Whitten	01-01-15 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, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

August 10, 2016

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COUNTY AUDITOR  
PORTER COUNTY

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR**

*Condition*

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County Auditor had not implemented effective internal controls over the activities related to financial statement reporting. The County Auditor prepared and submitted the Annual Financial Report (AFR) which was used to generate the financial statement. The County did not have effective controls to verify the accuracy of the AFR prior to submission.

The financial statement included the following errors:

1. The transactions of the Sheriff's Cash Book were not included which understated the receipts and disbursements by \$5,771,062.
2. The Clerk of the Circuit Court sub-account of the Clerk's Trust fund did not include court-ordered investments. This omission understated the January 1, 2015, cash and investment balance, receipts, and disbursements by \$845,768, \$128,134, and \$452,780, respectively. The December 31, 2015, cash and investment balance was understated by \$521,123.
3. The PC Superior Trust sub-account of the Clerk's Trust fund reported bank activity instead of the actual receipts and disbursements activity of the sub-account. This resulted in differences in the January 1, 2015, cash and investment balance, receipts, and disbursements of \$1,300,940, \$139,012, \$133,548, respectively. The December 31, 2015 cash and investment balance contained a difference of \$1,306,404.
4. The receipts and disbursements for the Treasurer Supplemental CAR fund were overstated \$217,083,570.

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

*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)

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."



COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the County had not established an effective 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 effective 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 prevented, or detected and corrected, material misstatements in a timely manner. The financial statement 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 2015-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The County did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County did not have effective controls over the preparation and submission of the SEFA. The County Auditor prepared and submitted the SEFA without effective controls to ensure its accuracy before submission. 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 by \$29,958.
2. The Department of Transportation grant federal expenditures were understated by \$46,998.
3. The Child Support Enforcement grant federal expenditures were overstated by \$1,250.
4. The Department of Homeland Security grant federal expenditures were understated by \$8,483.

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

*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.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial statements. . . ."

2 CFR section 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in section 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414 Indirect (F&A) costs."

*Cause*

Management had not established an effective system of internal control that would have ensured proper reporting of the SEFA.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

*Effect*

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could have 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 2015-005 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT***

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or other Identifying Number): FY 2015

Pass-Through Entity: Indiana Department of Child Services

*Condition*

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

*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.

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 for allowable activities and costs.

*Period of Performance 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 performance.

COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

*Reporting*

Prosecutor:

The internal controls established for the Quarterly Incentive Expenditure Reports were not effective. Controls were implemented; however, the review of the Quarterly Incentive Expenditure Reports did not detect errors before submission. These errors were not material and were corrected in subsequent reports.

*Context*

The lack of effective controls over the requirements listed above were a systemic problem. The County did not have effective controls over these areas for the entire 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. . . ."

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

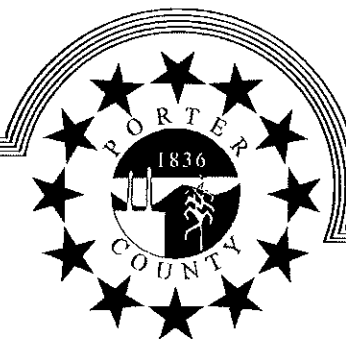
COUNTY AUDITOR  
PORTER COUNTY  
FEDERAL FINDINGS  
(Continued)

*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 2015-001 FINANCIAL TRANSACTIONS AND REPORTING***

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

#### Views of Responsible Official:

This finding primarily concerns 1.) supplemental CAR-1s submitted to the Auditor's Office by other departments for financial transactions that are not part of the County Auditor ledger and 2.) the controls implemented in our office to verify the accuracy of the supplemental CAR-1s.

One component of internal control is effective communication and information. With respect to the supplemental CAR-1s, in early 2015, we began a new process for those departments required to submit these reports. Rather than simply report the submitted CAR-1 data in our AFR, we began requiring departments to provide us bank reconciliations and supporting financial documents. Each bank reconciliation received was reviewed against the report submitted. Failure by a department or office to provide substantiation documentation was noted in a Summary of Supplemental Funds.

As part of our outreach with the departments, we also provide guidance in what to report and what not to report (please see copy of Auditor memo included with this Corrective Action Plan). When we have had questions or concerns, we contact the department(s) involved and check their accounting. Our work papers and email correspondence show an extensive amount of cross-checking with certain CAR-1s.

We began our CAR-1 requirements in early 2015 as part of the submission of the 2014 AFR and strengthened our efforts in 2016. We believe our process of requiring additional documentation, bank statements, and bank reconciliations has improved the reporting of the CARs. For example, the 2013 audit found instances of duplicate and unnecessary CARs, a problem we believe has been resolved.

Though we believe we have improved the controls over the supplemental CARs, we concede that we were unable to reconcile the differences in several of the CAR-1s submitted. We will now address the specific errors in this finding.

- 1) With regards to the Receipts and Disbursements for the Sheriff Civil Bureau, no Supplemental CAR-1 for this amount was provided. Zero ending balance from 2014 was thought to be a closed account. Notes have been made to ensure amounts receipted to Clerk are included for 2016 AFR.
- 2) Information was not reported to us. Notes have been made to request that these amounts be reported in the Supplemental CAR-1 in future years.
- 3) We requested (in 2015 for the 2014 AFR and in 2016 for the 2015 AFR), but no substantiation of receipts or disbursements were provided to us. We also did not receive bank reconciliation for confirmation of ending balance.

- 4) Auditor's office reviewed the Supplemental CAR-1 provided by the Treasurer and questioned the amounts reported (copy of email was included in working papers provided to field examiners). The Treasurer felt the amounts were reported accurately due to a change in the receipting method. Accordingly, we included the data as reported on the CAR-1.

Description of Corrective Action Plan:

To enhance the controls over financial transaction and reporting, we propose the following:

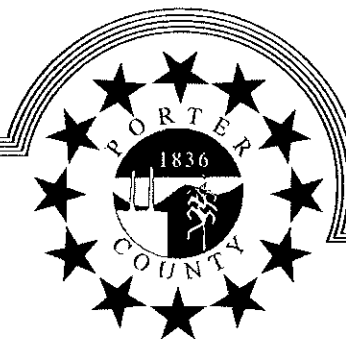
- Prepare and implement an Internal Control Procedures document specifically written for the unique needs of the County Auditor's Office with respect to financial reporting, compliance, and effectiveness and efficiency of operations.
- Provide training to Auditor staff on the importance of internal controls.
- Incorporate in the countywide Internal Control standards, as required by IC 5-11-1-27, a recognition of accurate Supplemental CAR-1 data submitted by departments for the AFR.
- From departments submitting the CAR-1s, ask for account ledgers or detailed lists of receipts and disbursements.
- Specifically ask for detail on funds not reported and provide a blank Supplemental CAR-1 to facilitate reporting of additional funds.
- Investigate potential upgrades to the Auditor's Office financial system to address deficiencies identified between the general ledger with system-generated reports used to prepare and to audit the AFR.
- Coordinate with the Treasurer's Office on the best way to receipt property and excise tax.

Anticipated Completion Date: By the end of 2016

Vicki Urbanik

Porter County Auditor

Aug. 11, 2016



Vicki Urbanik  
Auditor

(219) 465-3445

## CORRECTIVE ACTION PLAN

### ***FINDING 2015-002 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 agree with the need to enhance the effectiveness of our controls over the preparation of the SEFA.

Our AFR/SEFA work papers will show that efforts were made to confirm the SEFA receipts and disbursements beyond reliance on our financial records. Specifically, these efforts included a review of grant documents and pulled receipts with supporting documentation. Our work papers include extensive notes on the financial system-generated reports, an internally created spreadsheet with a document check list, and notes on grant forms we requested of departments receiving federal grants.

As noted by the first audit finding, a Department of Commerce grant was excluded from the SEFA. As part of our controls, we attempted to verify whether this grant involved federal money. The grant form submitted by the department did not include a CFDA # or a DES #, and the department marked the grant as "not federal." We concur that we need to improve our efforts to verify the accuracy of the information provided to us by departments that are awarded grants.

As for the findings #2-4, we believe the discrepancies could be resolved by segregating the state monies received as part of these grants with the federal monies.

#### Description of Corrective Action Plan:

To enhance the controls over the grants reported in the SEFA, we propose the following:

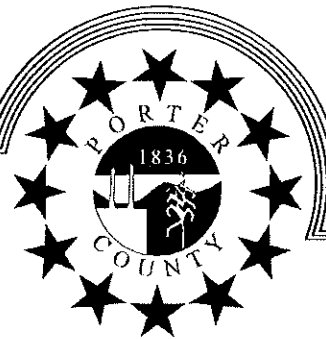
- Request from all departments receiving federal grants their monthly reimbursement reports, which should show the segregation of state and federal monies.
- Continue and strengthen the improvements begun in our grant program in 2015, including a centralized storage of grant documents and efforts to file complete grant applications with verified CFDA numbers.
- Coordinate with departments receiving federal grants to differentiate between federal and state/local grants and explore the best ways to verify the type of grant involved.
- Re-number our grant funds so that all federal grants are numbered properly, i.e., in the 8000 series with the CFDA number included in the title.
- Continue and strengthen our internal control philosophy of having SEFA numbers proofread and verified by an AFR team member other than the one who prepared the SEFA.
- Include in the countywide Internal Control standards, as required by IC 5-11-1-27, a recognition of the importance of county departments receiving federal grants to provide the Auditor's Office with complete and accurate grant information.



- Enhance our knowledge of new grant auditing requirements under the OBM's Uniform Guidance.

Anticipated Completion Date: By the preparation of the 2016 SEFA.

Vicki Urbanik  
Porter County Auditor  
August 11, 2016



Vicki Urbanik  
Auditor

(219) 465-3445

## CORRECTIVE ACTION PLAN

### ***FINDING 2015-005 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:

This finding, which was included in both the 2013 and the 2014 audits, found that we lack the controls to ensure that the Cost Allocation Plan is prepared properly. Although we have made efforts to question, review, and understand the plan with the consultant, we agree that there is a need for us to document just how we verify that the figures are correct. We acknowledge that while the consultant uses proprietary software to prepare his plan, we still have opportunities to verify certain information.

Toward this end, we propose the following:

--We will continue to review the monthly financial data we provide to the consultant for accuracy and to research potential discrepancies before transferring the data to the consultant. We will document this review process.

--During our annual review with the consultant, we will document, directly in the plan provided to us, the transactions we questioned and/or verified and how that verification was achieved.

--We will select certain expenditure accounts and/or certain funds in the CAP and verify that they match our ledger.

Anticipated Completion Date: By the next CAP review in early 2017, though the monthly report reviews will begin immediately.

Vicki Urbanik  
Porter County Auditor  
August 17, 2016

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS

***OVERDRAWN CASH BALANCES***

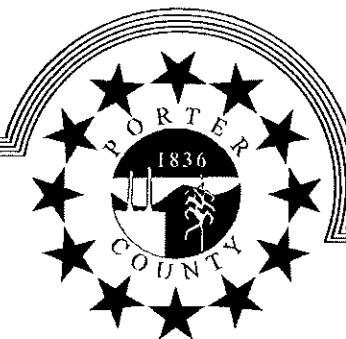
The Financial Statement and Federal Single Audit report included the Payroll Withholding - PERF fund with an overdrawn cash balance at December 31, 2015, of \$1,380.

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)

***APPROPRIATIONS***

The records presented for audit indicated that the Drain Construction/Reconstruction fund expenditures were in excess of budgeted appropriations by \$41,954 in 2015.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."



Vicki Urbanik  
Auditor

(219) 465-3445

August 11, 2016

## OFFICIAL RESPONSE

Dear State Board of Accounts:

We submit the following official response to the 2015 audit results and comments "Overdrawn Cash Balance" and "Appropriations."

### Overdrawn Cash Balance

This fund concerns a payroll withholding account. The negative balance in this account has been carried forward for multiple years; we note that this same negative balance was included in the 2013 audit.

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. At that point, a corresponding manual adjustment would have allocated the activity to the appropriate fund within the financial module, but this manual adjustment was not made. We will process the adjustment in 2016. A financial system upgrade we are planning will combine our financial and payroll systems, eliminating the potential for similar oversights.

### Appropriations

The Drain Construction/Reconstruction fund expenditures were found to be expended without an appropriation. The same situation occurred in 2014. Our records show that the last time an appropriation was made for the Drainage Construction Fund was in 2013.

We have alerted the department now handling the drain assessments that an appropriation is required before monies are expended. This is in keeping with our efforts to allow unappropriated expenditures only in the limited instances allowed. The Sheriff Pension expenditure is a good example. For years, this expenditure was made without council appropriation, a practice that came to a halt in 2015. We wish to note that with the implementation of the new storm water fees in 2016 (the expenditures for which are fully appropriated), we will expect to see the drain funds drawn down and ultimately closed.

*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 County Auditor; and Tiffany Johnson, Deputy County Auditor.

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COUNTY SHERIFF  
PORTER COUNTY

COUNTY SHERIFF  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2015-003 - 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 related to receipts, disbursements, and cash and investment balances. There were not adequate controls in place to reduce the risks of errors in financial reporting.

*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 have 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 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

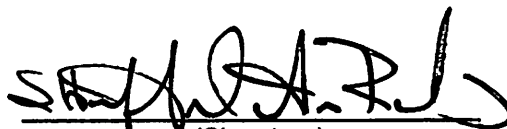
### ***FINDING 2015-003 FINANCIAL TRANSACTIONS AND REPORTING***

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 2015-004 - 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 and submitted the Supplemental County Annual Report (CAR). There were no controls to ensure that the CAR was accurate.

The Clerk's office stopped using the PC Superior Trust software system in September 2013. When a judgment was entered on a case in the old 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, 2015. 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, 2015, cash and investment balance, receipts, and disbursements of \$1,300,940, \$139,012, and \$133,548, respectively. The December 31, 2015, cash and investment balance contained a difference of \$1,306,404.

We were unable to audit the ending cash and investment balance of the PC Superior Trust sub-account of the Clerk's Trust fund of \$336,775 at December 31, 2015, because the outstanding check amount totaling \$1,308,903 could not be substantiated. The amount that could not be substantiated was immaterial to the financial statement as a whole.

The Clerk's CAR did not include court-ordered investments. The omission understated the January 1, 2015, cash and investment balance, receipts, and disbursements by \$845,768, \$128,134, and \$452,780, respectively. The December 31, 2015, cash and investment balance was understated by \$521,123.

*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 had not conducted a risk assessment related to the Clerk's financial reporting and transactions.

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 2015-005 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT***

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or other Identifying Number): FY 2015

Pass-Through Entity: Indiana Department of Child Services

*Condition*

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

*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.

*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 for allowable activities and costs.

*Period of Performance 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 performance.

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

*Reporting*

Prosecutor:

The internal controls established for the Quarterly Incentive Expenditure Reports were not effective. Controls were implemented; however, the review of the Quarterly Incentive Expenditure Reports did not detect errors before submission. These errors were not material and were corrected in subsequent reports.

*Context*

The lack of effective controls over the requirements listed above were a systemic problem. The County did not have effective controls over these areas for the entire 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. . . ."

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

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

*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



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 2015-004**

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

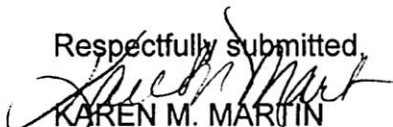
When filling out the CAR report we were advised by an Auditor Employee which numbers to use since we had 3 different accounts and COI's. There were controls in place but did not include the correct numbers necessary to finalize the CAR report. It is recommended that a new CAR report be created for the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

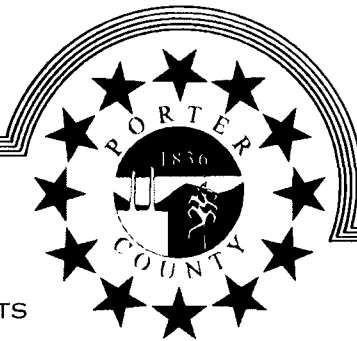
Respectfully submitted,

  
KAREN M. MARTIN  
Clerk of the Circuit Court

8/9/16



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 2015-005

**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 Clerk's office.

**Anticipated Completion Date: 8-30-2016**

Respectfully submitted,

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

*8/14/16*

CLERK OF THE CIRCUIT COURT  
PORTER COUNTY  
EXIT CONFERENCE

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

COUNTY PROSECUTOR  
PORTER COUNTY

COUNTY PROSECUTOR  
PORTER COUNTY  
FEDERAL FINDING

***FINDING 2015-005 - INTERNAL CONTROL OVER CHILD SUPPORT ENFORCEMENT***

Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or other Identifying Number): FY 2015  
Pass-Through Entity: Indiana Department of Child Services

*Condition*

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

*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.

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*Period of Performance 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 performance.

*Reporting*

Prosecutor:

The internal controls established for the Quarterly Incentive Expenditure Reports were not effective. Controls were implemented; however, the review of the Quarterly Incentive Expenditure Reports did not detect errors before submission. These errors were not material and were corrected in subsequent reports.

COUNTY PROSECUTOR  
PORTER COUNTY  
FEDERAL FINDING  
(Continued)

*Context*

The lack of effective controls over the requirements listed above were a systemic problem. The County did not have effective controls over these areas for the entire 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. . . ."

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*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements.

*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.

# 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](mailto:childsupport@porterco.org)  
Website: [www.porterco.org](http://www.porterco.org)

Brian T. Gensel  
Prosecuting Attorney

Laura A. Bernacki Stafford  
Child Support Director

### CORRECTIVE ACTION PLAN

Finding 2015-005- Internal Control Over Child Support Enforcement

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

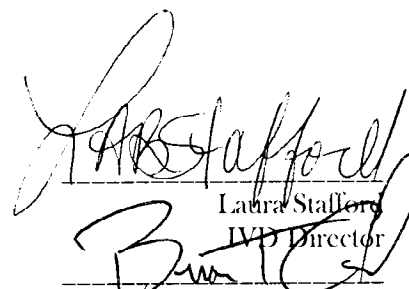
Views of responsible Official: We agree with finding

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 Stafford  
IVD Director

Brian 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.