

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF SCHERERVILLE

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2015



**FILED**  
11/10/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Police Pension:	
Examination Result and Comment:	
1925 Police Pension and Surviving Spouse Benefits Overpayments .....	6
Official Response.....	7
Exit Conference .....	8
Town Court:	
Examination Results and Comments:	
Internal Controls - Court Records .....	10
Annual Financial Report.....	11
Cash Bonds.....	11-12
Official Response.....	13-14
Exit Conference .....	15

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice M. Malinowski	01-01-12 to 12-31-19
President of the Town Council	Rob Guetzloff Mike Troxell	01-01-13 to 12-31-13 01-01-14 to 12-31-16
Superintendent of Water Utility	Jeff Huet	01-01-13 to 12-31-16
Superintendent of Wastewater Utility	Jim Gorman	01-01-13 to 12-31-16
Town Manager	Robert Volkman	01-01-13 to 12-31-16
Town Judge	Kenneth Anderson	01-01-12 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE TOWN OF SCHERERVILLE, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Schererville (Town), for the period from January 1, 2013 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 26, 2016

(This page intentionally left blank.)

POLICE PENSION  
TOWN OF SCHERERVILLE

POLICE PENSION  
TOWN OF SCHERERVILLE  
EXAMINATION RESULT AND COMMENT

**1925 POLICE PENSIONS AND SURVIVING SPOUSE BENEFITS OVERPAYMENTS**

Benefits paid to 1925 Police pensioners and surviving spouses were not paid according to state statute in 2013, 2014, 2015, and subsequent to the examination period in 2016. Retirement benefits for regular members, disabled members, and surviving spouses are to be calculated based in part on the salary of a first class patrolman and years of service as provided in Indiana Codes 36-8-6-9, 36-8-6-8, and 36-8-6-9.6, respectively. Longevity is also considered in the salary basis.

The Town calculated increases for the 1925 Police pensioners based upon the Indiana Public Retirement System cost of living adjustments awarded to the 1977 Police Officers' and Firefighters' Pension and Disability Funds and one half of the Town's salary increases rather than by the provisions of the aforementioned statutes. This resulted in overpayments to the pensioners from the Police Pension #2 fund as follows:

Description	2013	2014	2015	January Through September 2016	Totals
Actual pensioner payments	\$ 155,663	\$ 160,333	\$ 165,161	\$ 127,601	\$ 608,758
Pension payments due per State statute	<u>150,336</u>	<u>154,695</u>	<u>159,185</u>	<u>122,858</u>	<u>587,074</u>
Overpayments	<u>\$ 5,327</u>	<u>\$ 5,638</u>	<u>\$ 5,976</u>	<u>\$ 4,743</u>	<u>\$ 21,684</u>

The Police Pension Secretary should seek lump-sum repayments from the pensioners or enter into written agreements to collect the overpayments through monthly payroll deductions.

Any overpayments not acted upon by the Pension Secretary shall become the joint financial responsibility of the Pension Secretary and the pensioner who received the overpayment. If the Pension Secretary has made good faith efforts to collect the overpayments and the pensioner has been nonresponsive, the overpayment shall become the personal responsibility of the pensioner.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



# TOWN OF SCHERERVILLE

Phone: (219) 322-2211  
Fax: (219) 865-5572

10 E. Joliet St. • Schererville, IN 46375  
Janice M. Malinowski, Clerk-Treasurer

October 11, 2016

State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2765

## OFFICIAL RESPONSE

Attn: State Examiner

Dear State Examiner:

Per our Audit Exit Conference for the Town of Schererville which was held on Monday, September 26, 2016, for Years 2013, 2014, 2015, I am issuing an **OFFICIAL RESPONSE** to the following comments:

### 1925 POLICE PENSIONS AND SURVIVING SPOUSE BENEFITS

Through a finding, the present seven (7) members of the 1925 Plan have been overpaid in their benefits. Town Officials are researching the two (2) possibilities listed below. A Distribution Adjustment will be made pending results.

1. Reimbursement of monies to the Police Pension Fund via Liability Coverage (Bond/Errors & Omissions) for the Clerk-Treasurer
2. Reimbursement of monies to the Police Pension Fund via 1925 Police Pension Members

If you have any further questions and concerns regarding the above responses, please do not hesitate to contact me at your earliest convenience at (219)322-2211 ext. 1318.

Sincerely,

Janice M. Malinowski, IAMC, CMC, MMC  
Clerk-Treasurer

TOWN OF SCHERERVILLE

POLICE PENSION  
TOWN OF SCHERERVILLE  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2016, with Janice M. Malinowski, Clerk-Treasurer; Mike Troxell, President of the Town Council; Kristie Klein, Deputy Clerk-Treasurer; Dennis Zagrocki, Police Pension Secretary; Sue Gozdecki, Payroll Administrator; and Robin Thiel, Human Resources.

TOWN COURT  
TOWN OF SCHERERVILLE

TOWN COURT  
TOWN OF SCHERERVILLE  
EXAMINATION RESULTS AND COMMENTS

***INTERNAL CONTROLS - COURT RECORDS***

The Town Court collected various court costs and fees depending upon the charges filed. The various court costs and fees collected were then distributed to the Town Fiscal Officer, Auditor of Lake County, and the Auditor of State. The collections were remitted monthly to the Town Fiscal Officer and Auditor of Lake County. The amounts for the Auditor of State were remitted semiannually, in June and December of each year, for the collections made in the previous six months.

In April 2013, officials of the Town Court opened a new bank account and began tracking the collection and distribution of court activity through the use of a secondary ledger. The secondary ledger maintained was not the prescribed form, not an approved form, not an exact replica of the prescribed form, and lacked the controls necessary to account for all financial activity.

All daily receipts were generated and recorded in the official software system. The daily totals were also recorded in the secondary ledger and deposited into the new bank account.

However, disbursements made from the new bank account were only recorded in the secondary ledger. Disbursements were not recorded in the official software system for the bond and trust items. Therefore, the cash balance in the official software system was not accurate and could not be reconciled to an adjusted bank balance.

Accurate monthly bank reconciliements were not completed. The new bank account was not reconciled to the official records. A monthly bank reconciliation for the old bank account was not performed since all activity was not included in the official software system.

The lack of one accurate set of records to account for the activity of both banks did not provide a reasonable assurance regarding the reliability of financial information and activity of the Town Court.

We were unable to calculate accurate receipts, disbursements, and cash balances with the information provided by the Town Court.

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."

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 City and Town Courts, Chapter 4)

TOWN COURT  
TOWN OF SCHERERVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ANNUAL FINANCIAL REPORT**

The Annual Financial Reports (AFR) for 2013, 2014, and 2015 contained a number of errors and did not match the records of the Town Court. Amounts reported to the Town Clerk-Treasurer's office by the Town Court for inclusion in the Town's AFR did not accurately reflect the financial activity of the Town Court.

The following variances were noted for the years of 2013, 2014, and 2015:

<u>2013</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Reported	\$ 278,842	\$ 955,339	\$ 887,895	\$ 346,286
Calculated	<u>278,842</u>	<u>1,023,074</u>	<u>1,016,609</u>	<u>285,307</u>
Variance - Over/(Under)	<u>\$ -</u>	<u>\$ (67,735)</u>	<u>\$ (128,714)</u>	<u>\$ 60,979</u>

<u>2014</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Reported	\$ 346,286	\$ 814,454	\$ 960,328	\$ 200,412
Calculated	<u>285,307</u>	<u>1,007,648</u>	<u>1,063,108</u>	<u>229,847</u>
Variance - Over/(Under)	<u>\$ 60,979</u>	<u>\$ (193,194)</u>	<u>\$ (102,780)</u>	<u>\$ (29,435)</u>

<u>2015</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Reported	\$ 200,412	\$ 871,706	\$ 958,353	\$ 113,765
Calculated	<u>229,847</u>	<u>999,445</u>	<u>1,029,819</u>	<u>199,473</u>
Variance - (Under) Reported	<u>\$ (29,435)</u>	<u>\$ (127,739)</u>	<u>\$ (71,466)</u>	<u>\$ (85,708)</u>

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."

**CASH BONDS**

The control account for the cash bonds in the Town Court's official software was not accurate. Since April 2013, a secondary ledger was maintained and the cash bond disbursements were not recorded in the cash bond account in the Court's official record. We attempted to calculate accurate cash bond control balances with the information provided by the Town Court. The differences between the control account and what we calculated are noted below:

TOWN COURT  
TOWN OF SCHERERVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Years</u>	<u>Calculated Cash Bond Control</u>	<u>Court Cash Bond Control</u>	<u>Difference</u>
2013	\$ 278,613	\$ 339,001	\$ (60,388)
2014	221,894	468,565	(246,671)
2015	183,228	594,933	(411,705)

In addition, the bond control balance per the Town Court's Account Balance Listing did not reconcile to the cash bonds detail per Open Items Listing report balance at December 31, 2013, 2014, and 2015. The differences between the detail ledger for cash bonds on hand and the calculated control accounts were:

<u>Years</u>	<u>Court's Account Balance Listing</u>	<u>Open Items Listing Report</u>	<u>Difference</u>
2013	\$ 339,001	\$ 270,281	\$ 68,720
2014	468,565	458,673	9,892
2015	594,933	595,838	(905)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)



Judge Kenneth L. Anderson

Schererville Town Court

(219) 865-5579  
Facsimile (219) 865-5525

25 East Joliet Street  
Schererville, Indiana 46375

October 5, 2016

State Board of Accounts  
302 W. Washington St.  
Room E 418  
Indianapolis, IN 46204-2765

Re: Response to Auditor's Comments/Schererville Town Court

Enclosed please find response from Schererville Town Court on State Auditors comments.

Respectfully,

Kenneth L. Anderson  
Judge, Schererville Town Court

encl.

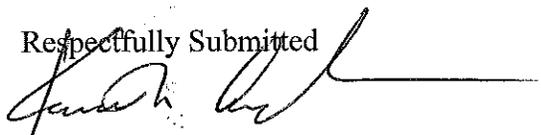
**SCHERERVILLE TOWN COURT  
RESPONSE TO  
AUDITOR'S COMMENTS**

At the last audit regarding 2012-2013, it became apparent that the transfer to Courtview, was not complete in that we had \$1350.00 in our bond book that was unaccounted for and approximately \$4400.00 unaccounted for in uncashed checks or mathematical errors. We attempted to locate the errors in accounting and found that going back through the months to find the mathematical errors was not cost effective. In that light we decided to freeze the old account and open a new account so that we could isolate the financial amount of discrepancy.

At the time we contacted Charlie Pride to discuss opening a new account and paying down from the old account until we had the mathematical errors found. We expected that to be a five (5) year project and Mr. Pride indicated he had no problem with the concept. In April 2013 we commenced with the change to a new set of books, allowing the previous accounts to pay out their checks thereby reducing it to zero. As with all good plans, perhaps we used a cannon to kill a mosquito because when removing money from our bond account in payment of bonds we did not record those transfers in Courtview. Thus three(3) years later Courtview does not reflect the checks paid and has a larger balance showing than it should.

To resolve this we are going to review each case over the past three (3) years and make the proper entries to remove that balance from Courtview. In talking with staff it appears that we can resolve this in about nine months. Secondly, starting in October 2016, we are making sure that any check paid out is properly recorded in Courtview. We have two individuals working on the books as an internal control and a misunderstanding between myself, as Judge, and the two employees, resulted in the Courtview error. The plan is in place to resolve the reporting error.

Respectfully Submitted



Kenneth L. Anderson  
Judge, Schererville Town Court

TOWN COURT  
TOWN OF SCHERERVILLE  
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2016, with Kenneth Anderson, Town Judge; Leone Erwin, Clerk; Dan Bozich, Bookkeeper; Janice M. Malinowski, Clerk-Treasurer; Mike Troxell, President of the Town Council; and Kristie Klein, Deputy Clerk-Treasurer.