

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

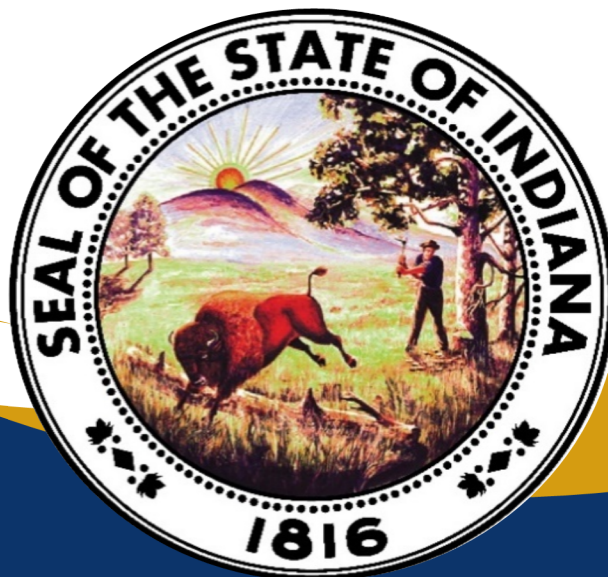
**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

LA PORTE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



**FILED**  
12/27/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Timothy Stabosz	01-01-21 to 12-31-24
County Treasurer	Jo Eileen Winski	01-01-21 to 12-31-24
Clerk of the Circuit Court	Heather Stevens	01-01-21 to 12-31-24
County Sheriff	John T. Boyd Ron Heeg	01-01-21 to 12-31-22 01-01-23 to 12-31-24
County Recorder	Elzbieta Bilderback	01-01-21 to 12-31-24
President of the Board of County Commissioners	Richard Mrozinski Sheila Matias Joseph Haney Connie Gramarossa	01-01-21 to 12-31-21 01-01-22 to 12-31-22 01-01-23 to 05-03-23 05-04-23 to 12-31-24
President of the County Council	Randy Novak Michael Rosenbaum Randy Novak	01-01-21 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF LA PORTE COUNTY, INDIANA

This report is supplemental to the audit report of La Porte County (County), for the period from January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. 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 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

November 21, 2024



COUNTY AUDITOR  
LA PORTE COUNTY

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B59508.

*Condition and Context*

The following deficiencies in the internal control system of the County related to financial transactions and reporting caused material errors in the financial statement presented for audit to remain undetected. Furthermore, the internal controls were not properly designed and implemented over the control environment, risk assessment process, information and communication process, or the IT environment, nor were internal controls monitored and evaluated for effectiveness. The magnitude of the internal control deficiencies and errors caused a significant delay to audit completion and reporting to the credit rating agencies.

*Receipts*

Internal controls had not been designed or implemented over receipts to ensure the accuracy, timeliness, and completeness of the County Auditor's Funds Ledger.

Due to the lack of internal controls, receipt errors remained undetected by the County. The financial statement was not adjusted for the following errors noted:

- The December 2021 property tax and license excise settlement distributions for the Cumulative Bridge Fund, Cty Cumulative Capital Devel., County Health Dept., Major Cumulative Bridge Fund, and the 2015 Reassessment funds, totaling \$1,874,256, were erroneously posted to the General Fund.

This resulted in the overstatement of the General Fund receipts by \$1,874,256 and the understatement of the Cumulative Bridge Fund by \$390,653, the Cty Cumulative Capital Devel. fund by \$265,556, the County Health Dept. fund by \$669,377, the Major Cumulative Bridge Fund by \$232,636, and the 2015 Reassessment fund by \$316,034. The County corrected the posting error on December 1, 2022.

- The December 2021 bank reconciliation included \$1,099,691 of deposits or electronic funds transfers received within the year that were not timely receipted and posted. Of that amount, \$716,821 were distributions from the State of Indiana and the remaining \$382,870 were interest and other charges for services received.
- On January 5, 2022, the County received \$2,035,387 from the State of Indiana for the January 2022 monthly local income tax (LIT) distribution. However, on January 7, 2022, the County back dated the receipt for the 2022 LIT distribution to December 30, 2021. This resulted in the overstatement of both receipts and the ending cash and investment balances for the LIT Certified Shares Dist fund by \$1,071,256 and the LIT Economic Development Dist fund by \$964,131.

*Group Health Insurance Disbursements*

Internal controls had not been designed or implemented over group health insurance disbursements to ensure the accuracy, timeliness, and completeness of the County Auditor's Funds Ledger.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County is self-insured for group health insurance benefits to employees and contracts with a third-party administrator for the processing of the claims. The following deficiencies were noted:

- The County has granted the third-party administrator access to the County's self-insurance bank account to automatically withdraw funds via EFT to vendors without an oversight or review process prior to payment.
- The December 2021 bank reconciliation included \$2,694,741 of withdrawals that were processed by the County's third-party administrator for group health insurance that were not timely posted. This resulted in the Group Health Ins Fund disbursements to be understated and the ending cash and investments balance to be overstated, each by the \$2,694,741. The financial statement was not adjusted for this item.

*Payroll Disbursements*

Internal controls had not been designed or implemented over payroll disbursements to ensure the accuracy, classification, presentation, and completeness of the County Auditor's Funds Ledger.

The Board of County Commissioners (Commissioners) were to review and sign each department's payroll check register to ensure the accuracy, classification, presentation, and completeness of the payroll disbursements. However, payroll registers which included detailed information such as the employee's names, check number, fund, or amount paid to each employee was not provided to the Commissioners. Instead, the Commissioners were provided a Deduction Summary Totals report which lacked all the detail information for the proper implementation of the internal control.

*Financial Close and Reporting*

The County Auditor and County Treasurer were required to independently prepare a monthly financial statement, which reflected the total receipts and disbursements and the balance for each fund for the month and year to date. An oversight or review process was not in place to ensure the monthly financial statements were complete and accurate.

The County did not have a system of internal controls over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The County Auditor submitted the AFR without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

The County Auditor was provided the AFR and other supplementary schedules in the financial statement format, the notes to the financial statement, and the Management Oversight of Nonaudit Services Checklist (Oversight Checklist) for review and approval prior to start of the audit. The Oversight Checklist documents management's responsibility for the financial statement and associated records. The following deficiencies were noted in the review process of the financial statement, other supplementary schedules, notes, and completion of the Oversight Checklist:

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- The Oversight Checklist was signed by the County Auditor on April 11, 2024. However, the Deputy County Auditor continued to review the financial statement, other supplementary schedules, and notes until April 15, 2024, when all files including the Oversight Checklist were provided to the audit team. Documentation of an oversight or review process of any changes made by the Deputy County Auditor after April 11, 2024, were not provided.
- The approved financial statement file included formula errors which resulted in the combining schedule totals to not agree with the financial statement totals.

Adjustments were proposed, accepted by the County, and made to the financial statement and Other Information - Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances presented in the Financial Statement Audit Report of the County to ensure the financial statement and combining schedule articulate.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective. . . ."

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . ."

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . ."

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Overdrawn Cash Balances

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Annual Financial Report
- Capital Assets
- Accounts Payable Voucher Deficiencies
- Gateway Uploads
- Training and Certification on Internal Control Standards
- Examination of Records
- Credit Cards
- Compensation
- Timely Recording
- Coronavirus State and Local Fiscal Recovery Funds Transfers

These internal control deficiencies are further detailed in the comments below.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

The same comment appeared in prior Reports B53006 and B59508.

*Condition and Context*

Internal controls were not in place to ensure cash balances were not overdrawn. The County had the following funds with overdrawn cash balances at December 31, 2021, which were not attributed to timing of grant reimbursements.

Fund	Amount Overdrawn
Edward Byrne Justice Grant	\$ 11,802
Public Health Preparedness Gr	8,583
Pub Health Preparedness Grant	6,339
Lead Prevention Program Grant	7,440
Public Health Preparedness 19	5,944
IN Lake MI Beach Grant 20	69
Public Health Preparedness 20	5,170
Coronavirus Relief Grant Fund	540
Chirp Grant 2021	2,972
Comm. Corrections State Grant	214,447
Sheriffs HIDTA Lease Program	374
Problem Solving Court Grant	400
JDAI Grant 17	1,460
Family Court Grant 18	15
JDAI Grant 2020	7,469

*Criteria*

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 unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**ANNUAL FINANCIAL REPORT**

The same comment also appeared in prior Report B59508.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The County Auditor submitted the AFR without evidence of an oversight or review process to ensure the accuracy and completeness of the information submitted.

The information for accounts payable and receivable, capital assets, investments, grants, and transfers entered in the AFR contained the following errors:

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Accounts Payable and Accounts Receivable*

The County had amounts that were either owed to vendors and not yet paid or collections from customers not yet received at year end. Those amounts were to be reported in the AFR as accounts payable or accounts receivable, respectively. However, the County did not report any accounts payable or receivable.

*Capital Assets*

The County did not complete the capital asset information in the AFR which resulted in the material understatement of the capital asset information by approximately \$108,760,385 based on the prior report.

*Investment Fund Statement*

The Investment Fund Statement did not properly report fund investments. The \$7,478,679 beginning and ending investment balance per the statement were not actual investments held by the County. The amount reflected the beginning cash and investment balances from the Supplemental Annual Reports for those departments that hold funds. This resulted in the beginning and ending investments balance to each be overstated by \$7,478,679.

*Grants*

The grants reported in the AFR had the following errors:

- The Highway Planning and Construction Cluster grants included state grants that resulted in the overstatement of expenditures by \$2,161,064.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant was omitted, which resulted in the understatement of expenditures by \$1,417,639.
- The Child Support Enforcement grant expenditures were understated by \$575,981.
- Two other grants had individual errors that resulted in total overstatements of expenditures of \$299,554.
- There were 16 additional grants that had individual errors that resulted in total understatements of expenditures of \$846,590.
- Other errors included incorrect program names, identifying numbers, and pass-through entities.

*Transfers*

The "transfers from" entered in the AFR did not agree to the "transfers to," which resulted in a variance between transfers of \$1,109,458.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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

"The state examiner shall require from every audited entity 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](#)."

**CAPITAL ASSETS**

*Condition and Context*

Internal controls were not in place over the preparation of the capital assets detailed listing. The County did not provide a detailed listing of capital assets as of December 31, 2021.

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**ACCOUNTS PAYABLE VOUCHER DEFICIENCIES**

The same comment also appeared in prior Report B59508.

*Condition and Context*

Internal controls were not in place to ensure all disbursements were supported by a properly completed and approved accounts payable voucher (APV).

*Electronic Funds Transfers*

The County pays certain vendors electronically via electronic funds transfers (EFT) and ACH (Automated Clearing House) payments. For 2021, approximately \$11,642,734 was disbursed to vendors electronically for debt, health insurance, and credit card payments that were not assigned check numbers. The following deficiencies were noted with these types of payments:

- The County did not have a resolution that allowed the fiscal officer to pay claims by EFT or the transferring of funds, other than a transaction originated by check, draft, or similar paper instrument.
- APVs with supporting invoices were not created for all EFT payments.
- All EFT payments to vendors were not audited and certified by the fiscal officer or approved by the Board of County Commissioners as required by Indiana Code.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- The County has granted the third-party administrator access to the County's self-insurance bank account to automatically withdraw funds via EFT to vendors without prior approval of the County. The EFTs were posted to the ledger as a claim adjustment without a check number. Without a check number, the EFTs were not included in the APV registers presented to the governing board for approval. This resulted in \$10,497,703 of health insurance payments process by the third-party administrator that were not certified by the County Auditor or approved by the Board of County Commissioners.

*Contracted Services*

The County's Public Defenders' office contracts with attorneys to serve as Deputy County Public Defenders based on the approved budget by the County Council. In 2021, the County paid 21 Deputy County Public Defenders a total of \$1,033,931 for services. However, current written contracts or detailed invoices were not provided to support the APV monthly payments for contractual services. Starting in 2024, public defender contracts were updated and have been provided to the County Auditor's office.

*Transfers Between Funds*

The County transfers amounts between funds for various reasons, which totaled \$7,522,133 for 2021. Of the 31 transfers between funds tested, 17 transfers between funds, totaling \$1,451,876, were not approved by the Board of County Commissioners as required. Of the 17 not approved, 13 transfers between funds, totaling \$889,723, were originally listed on the APV register but were crossed off the listing and determined to not be approved.

*Criteria*

Indiana Code 36-1-8-11.5 states:

"(a) As used in this section, 'electronic funds transfer' means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

(b) The fiscal body of a political subdivision or the board of a municipally owned utility may adopt a resolution to authorize an electronic funds transfer method of payment of claims. If a proper body adopts a resolution under this subsection, the political subdivision or municipally owned utility may pay money from its funds by electronic funds transfer.

(c) A political subdivision or municipally owned utility that pays a claim by electronic funds transfer shall comply with all other requirements for the payment of claims by political subdivisions or municipal utilities."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-1-8-11.5 allows for the governing body of a political subdivision to pass a resolution that allows the fiscal officer to pay claims by electronic funds transfer. The statute also requires compliance with all other requirements for the payment of claims. Indiana Code 5-11-10-1.6 provides the requirements and procedures to be completed prior to issuing a check. Most of those requirements involve prior approval of a claim and ensuring that bills/invoices have been reviewed. Therefore, we recommend that if a county is going to make payments electronically, that they complete the claims approval requirements, and then work with their depository for a payment authorization process. Except for INPRS remittances as detailed in IC 5-10.2-2-12.5, we would recommend not setting up automatic monthly payments or other instances where vendors are giving access to pull money from the county's bank account. (The County Bulletin and Uniform Compliance Guidelines, September 2018)

### **GATEWAY UPLOADS**

A similar comment also appeared in prior Report B59508, entitled *GATEWAY ENGAGEMENT UPLOADS*.

#### *Condition and Context*

Internal controls were not in place for the County Auditor's required monthly and annual uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system as directed by the State Examiner Directive (Directive) and state statute.

The required monthly uploads include the Documentation of Reconciliation of the Form 61 between County Auditor and the County Treasurer and the approved minutes for all boards and commissions that could have a financial impact on the County as a whole. The required annual uploads include the Detail of Receipt Activity, Detail of Disbursement Activity, Current Year Salary Ordinance and Amendments, Annual Vendor History report, Annual Funds Ledger, and Annual Payroll History Report.

The County Auditor did not comply with the Directive since the required monthly uploads for the Documentation of Reconciliation of the Form 61 and the Board of County Commissioners approved board minutes were not uploaded to Gateway as required for any month.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The required annual uploads were not completed for the Detail of Receipt Activity, Detail of Disbursement Activity, and the Current Year Salary Ordinance did not include the County Council approved pay schedules. Additional audit time was needed to gather the accurate department pay schedules.

In addition, Indiana Code 5-14-3.8-3.5 requires counties to upload copies of contracts to Gateway if the total cost of the contract exceeds \$50,000. None of the County contracts entered into during 2021 over \$50,000 were uploaded as required.

*Criteria*

Indiana Code 5-14-3.8-3.5 states in part:

". . . (b) As used in this section, 'contract' includes all pages of a contract and any attachments to the contract.

(c) A political subdivision shall upload a digital copy of a contract to the Indiana transparency Internet web site one (1) time if the total cost of the contract to the political subdivision exceeds fifty thousand dollars (\$50,000) during the term of the contract. This subsection applies to all contracts for any subject, purpose, or term, except that a political subdivision is not required to upload a copy of an employment contract between the political subdivision and an employee of the political subdivision. In the case of a collective bargaining agreement, the political subdivision shall upload a copy of the collective bargaining agreement and a copy of a blank or sample individual employment contract. A political subdivision shall upload the contract not later than sixty (60) days after the date the contract is executed. If a political subdivision enters into a contract that the political subdivision reasonably expects when entered into will not exceed fifty thousand dollars (\$50,000) in cost to the political subdivision but at a later date determines or expects the contract to exceed fifty thousand dollars (\$50,000) in cost to the political subdivision, the political subdivision shall upload a copy of the contract within sixty (60) days after the date on which the political subdivision makes the determination or realizes the expectation that the contract will exceed fifty thousand dollars (\$50,000) in cost to the political subdivision. . . ."

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Reports B53006 and B59508.

*Condition and Context*

Internal controls were not in place to ensure the certification of training on internal control standards was accurate. The County did not train applicable personnel on internal control standards as required by Indiana Code 5-11-1-27(g). However, the County certified on the Indiana Gateway for Government Units financial reporting system that the County had provided training on internal control standards. Since the County did not train applicable personnel, the certification that the County had trained on internal control standards was incorrect.

*Criteria*

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

"The state examiner shall require from every audited entity 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](#)."

**EXAMINATION OF RECORDS**

*Condition and Context*

The County Auditor was responsible for paying the examination of records fees (exam fees) of the County's local municipal units to the Indiana State Treasurer from the County's General Fund. The applicable exam fees were then to be deducted from the examined unit's property tax settlement at the next semiannual distribution and receipted back to the General Fund.

The County paid the Indiana State Treasurer the exam fees for the local municipal units; however, the internal controls were not in place to ensure the General Fund was reimbursed. The amount disbursed and reimbursed for the years 2021 through 2023 for the exam fees did not agree as follows:

Year	General Fund - Examination Fees		Over (Under) Reimbursed
	Disbursed	Received	
2021	\$ 145,205	\$ 86,069	\$ (59,136)
2022	380,157	111,844	(268,313)
2023	342,374	362,758	20,384

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Each Column of the County Form No. 22, if applicable, shall be completed to show the taxes distributed, amounts advanced, the amount due the county for examination of records and the net distribution for which a warrant is to be issued. The amount chargeable to each local governmental unit for examination of records is obtainable from the voucher submitted by the State Board of Accounts and, except for the cost of examining county offices and departments, the amounts should be deducted from the distributions and reimbursed to the county at the next semiannual settlement. The manner in which examination of records should be handled is detailed in Exhibit 21, page 10-45. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 10)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**CREDIT CARDS**

*Condition and Context*

Internal controls were not in place over credit card transactions. A review of credit card transactions paid from January through April 2021 noted the following deficiencies:

- The County Auditor is responsible for the issuance of warrants for claims properly payable from the county treasury and to verify that funds and appropriations are available before issuing warrants.

The County Auditor's term ended December 31, 2020. Starting January 1, 2021, the County Auditor and the Deputy County Auditor became the County Treasurer and the Deputy County Treasurer, respectively. A new County Auditor took office as of January 1, 2021.

However, the accounting software edit privileges for the County Auditor's funds ledger were maintained by the prior Deputy County Auditor after January 1, 2021. The prior Deputy County Auditor initiated and posted disbursements to the auditor's funds ledger, totaling \$33,899, for credit card payments as claim adjustments. This resulted in the prior Deputy County Auditor's override of internal controls afforded the County Auditor per statute.

- The County paid 14 credit card claims totaling \$70,201. The credit card claims were paid via wire transfer and not included on the accounts payable voucher register for audit and certification by the County Auditor and approval by the Board of County Commissioners.
- We reviewed \$15,246 of the credit card charges. One charge, totaling \$1,738, was for an emergency medical service (EMS) employee holiday party charged to a local restaurant. The employee party was posted to the EMS Public Outreach Non-Reverting Fund #4114.

County Ordinance 2017-4 established the EMS Public Outreach and Community Education Non-reverting fund. The ordinance states: "the fund is subject to the same controls and oversight as any other 'donation fund' administrated by the County Auditor's Office. . . . The fund established with the LaPorte County Auditor for the holding of these revenues collected shall be used exclusively for the reasonable expenses incurred for public outreach and community education at the sole discretion of the Administrator."

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

We could not determine how the employee party complied with County Ordinance 2017-4. Nor did the County have an employee appreciation policy.

The Board of County Commissioners approved Resolution 2013-13-A governing the use of credit cards, which stated in part:

"The credit card may be used for any purchase for which there is an existing appropriation at the time of use. The credit card may not be used for the following purchases:

- (A) Any purchase for which there is not an existing appropriation at the time of use.
- (B) Cash advances.
- (C) Personal or non-business purchases.
- (D) Alcoholic beverages.
- (E) Gasoline or repairs for non-county owned vehicles except for rental cars."

*Criteria*

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

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**COMPENSATION**

*Condition and Context*

Internal controls were not in place to ensure that compensation paid to employees was included in an approved salary ordinance prior to payment.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The following deficiencies were noted with the payment of compensation and the salary ordinance:

- On November 23, 2020, the County Council approved \$500 bonuses to be paid in January 2021 for those on the County's insurance. However, the bonus was not included in the 2021 salary ordinance.
- The 2021 salary ordinance was not adopted until February 22, 2021; however, employees and elected officials were paid in January 2021, as if the salary ordinance had been approved prior to January 1, 2021, as required.
- On December 21, 2021, the County Council approved that full-time employees as of December 21, 2021, were to receive a \$1,000 bonus for 2021, \$1,000 in June 2022, \$1,000 in December 2022, and \$1,000 in June 2023, from the American Rescue Plan Act (ARPA) funds received. The bonuses were not included in the subsequent salary ordinances.
- An employee received a biweekly stipend for being a Certified Court Reporter; however, the amount paid was not included in the salary ordinance.
- Bridge tenders, full-time paramedics, and emergency medical technicians rates of pay were not included in the salary ordinance.

*Criteria*

Indiana Code 36-2-3-7(b)(2) states:

"The fiscal body:

- (2) shall hold a regular meeting annually, as prescribed by [IC 6-1.1-17](#), to adopt the county's annual budget and tax rate;"

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**TIMELY RECORDING**

*Condition and Context*

Internal controls were not in place over receipts to ensure timely recording of transactions. Monthly, the County receives funds from the State of Indiana (State) via electronic funds transfer (EFT) for various taxes, grants, and other funding sources. A test to ensure the State funds sent to the County were accurately and timely receipted and posted noted the following deficiencies:

- The State funds received, totaling \$171,514, were not receipted or recorded in a timely manner. The County posted a receipt to the records up to 86 days after receiving the EFT from the State.
- Of the amount not posted timely, the State funds received, totaling \$60,865, were not receipted or recorded in the correct accounting period.

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

**CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS TRANSFERS**

*Condition and Context*

The Amended State Examiner Directive 2021-1 prescribed the accounting procedures for federal assistance received through the American Rescue Plan Act of 2021 (ARPA) for counties.

The County received an allocation from the Coronavirus State and Local Fiscal Recovery Fund (SLFRF), which was funded by the American Rescue Plan Act (ARPA).

However, the County did not have an effective internal control system in place to ensure all grant disbursements were made from the ARP Corona Local Fiscal Recovery fund as required by the State Examiner Directive (Directive).

The County did create an ARP Corona Fiscal Recovery grant fund by Ordinance 2021-2, as required per the Directive. However, the County transferred \$1,510,179 of grant funds from the ARP Corona Fiscal Recovery fund to the General, Economic Development, and ARP Lost Revenue funds, which was not allowed.

In addition, the County then transferred \$667,723 from the ARP Lost Revenue fund into numerous other County funds to pay payroll bonuses to employees. The ARPA grant transfer to another fund was not in compliance with the Amended State Examiner Directive.

The transferring of grant funds caused the County to have difficulty completing required federal reports accurately. The County left out all Coronavirus State and Local Fiscal Recovery Funds of \$1,417,639 on its 2021 Schedule of Expenditure of Federal Awards. In addition, the transferring of grant funds required additional audit time to trace and verify expenditures.

*Criteria*

The purpose of this directive is to prescribe the accounting procedures for federal assistance received through the American Rescue Plan Act of 2021 (ARPA).

**Separate Fund Required.** Assistance provided through the ARPA must be received into a separate fund. There are many funding provisions in this Act. A separate fund must be established for each separately identified assistance provided with ARPA in the naming title. . . .

COUNTY AUDITOR  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARPA grant fund; money from the ARPA fund may not be transferred to another fund of the county, city, or town. . . .

**Government Services Eligible Use Category.** If your unit chooses to use the ARPA funds to cover costs incurred for the provision of governmental services as provided in Section 603(c)(1)(C), you must either select the standard allowance of \$10 million or maintain detailed calculations of the reduction in revenue due to COVID-19 per the formula provided in the U.S. Treasury Final Rule. For purposes of this calculation, the most recent full fiscal year prior to the emergency is 2019.

The use of the funds for the provision of governmental services is limited to the standard allowance of \$10 million or the extent of the reduction in revenue due to the COVID-19 public health emergency per the formula provided in the U.S. Treasury Final Rule.

All disbursements for eligible uses, including government services, must be made directly from the ARPA Fund to ensure compliance with the U.S. Treasury Final Rule, uniform guidance, and conflict of interest requirements. Money may not be transferred to the General Fund or any other fund of the governmental unit.

(Amended State Examiner Directive 2021-1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Timothy Stabosz, County Auditor; Rhonda Graves, Chief Deputy County Auditor; Brandi Mason, Tax Deputy/Office Manager; Kylie Shaffer, Accounts Payable; Mary R. Moore, Payroll Administrator; Tabatha Peeples, Accounts Payable; and Tina West, Payroll Administrator.

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.

COUNTY TREASURER  
LA PORTE COUNTY

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

The same comment also appeared in prior Report B59508.

*Condition and Context*

The following deficiencies in the internal control system of the County related to the financial transactions and reporting caused material errors in the financial statement presented for audit to remain undetected. The magnitude of the internal control deficiencies and errors caused a significant delay to audit completion and reporting to the credit rating agencies.

*Bank Reconcilements - Cash and Investments*

Internal controls had not been properly designed or implemented to ensure that reconcilements of the record balances to the depository balances and investment balances were completed at least monthly to ensure the accuracy and completeness of financial transactions, including the investment activity. Internal controls had not been properly designed or implemented to complete a combined bank reconciliation to ensure bank accounts reconciled in total to the County's records or to ensure bank account balances were not overdrawn.

Monthly bank reconcilements were not properly completed. As such, the County was provided with additional time to prepare the required monthly reconcilements. Reconcilements as of December 31, 2021, were completed as of February 2024. The County did not prepare a combined bank reconciliation and instead reconciled by bank. The reconcilements were not combined and reconciled in total to the ledger and Cash Book.

With the additional time, the County determined the County Treasurer's Cash Book financial transactions were not timely or completely posted. Additional audit procedures were performed to test the December 31, 2021, reconcilements provided. The year-end reconcilements included reconciling items without supporting documentation and transactions that cleared the bank but not yet posted. This resulted in the understatement of receipts and disbursements by \$1,362,902 and \$2,735,940, respectively. The financial statement was not adjusted for these items.

*Receipts*

Internal controls had not been designed or implemented over receipts to ensure the accuracy, timeliness, and completeness of the County Treasurer's Cash Book.

For collections received, receipted, and deposited to the bank, a review process was designed but was not properly implemented. Evidence of the review process was not documented. Furthermore, an oversight or review process was not designed or implemented over the electronic funds transfers (EFT) received from the State of Indiana.

*Financial Close and Reporting*

The County Auditor and the County Treasurer are required to independently prepare a monthly financial statement, which reflects the total receipts and disbursements and the balance for each fund for the month and year to date. An oversight or review process was not in place to ensure the monthly financial statements were complete and accurate.

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The County Treasurer was required to prepare a Supplemental Annual Report (SAR) for inclusion in the Annual Financial Report submitted in the Indiana Gateway for Government Units financial reporting system, which is the basis for the financial statement. The County Treasurer did not complete the 2021 SAR until April 29, 2024. This resulted in the omission of the After Settlement Collections fund from the AFR and financial statement which understated the Beginning Cash and Investments Balance, Receipts, Disbursements, and Ending Cash and Investment Balance by \$4,451,205, \$3,834,014, \$4,451,205, and \$3,834,014, respectively.

Audit adjustments were proposed, accepted by the County, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the County.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

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

"The state examiner shall require from every audited entity 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](#)."

### **INTERNAL CONTROLS - COMPLIANCE**

#### *Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Timely Recording
- Monthly and Annual Uploads
- Credit Cards
- Subsequent Events - Timeliness of Reconciliations

These internal control deficiencies are further detailed in the comments below.

#### *Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TIMELY RECORDING**

*Condition and Context*

Internal controls were not in place over receipts to ensure timely recording of transactions. Monthly, the County receives funds from the State of Indiana (State) via electronic funds transfer (EFT) for various taxes, grants, and other funding sources. A test to ensure the State funds sent to the County were accurately and timely receipted and posted noted the following deficiencies:

- The State funds received, totaling \$688,257, were not receipted or recorded in a timely manner. The County posted a receipt to the records up to 143 days after receiving the EFT from the State.
- Of the amount not posted timely, the State funds received, totaling \$649,841, were not receipted or recorded in the correct accounting period. This could have resulted in the County's annual financial statement to be materially incorrect.

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

**MONTHLY AND ANNUAL UPLOADS**

*Condition and Context*

Internal controls were not in place for the County Treasurer's required monthly and annual uploads to the Indiana Gateway for Government Units (Gateway) financial reporting system as directed by the State Examiner Directive.

The County Treasurer is required to upload to Gateway each month the Bank Reconcilements, Bank Statements, Outstanding Check Lists, Cash Balance Report (Cash Book), and Documentation of Reconciliation of Form 61 between the County Auditor and the County Treasurer. Annual upload requirements include the Year-end Investment Statements.

For 2021, none of the monthly Bank Reconcilements, Bank Statements, Outstanding Check Lists, Cash Book, and Documentation of Reconciliation of Form 61 between the County Auditor and the County Treasurer or annual Year-end Investment Statements were uploaded to Gateway as required.

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

**CREDIT CARDS**

*Condition and Context*

Internal controls were not in place over credit card transactions. A review of credit card transactions paid from January through April 2021 noted the following deficiencies:

- The County Auditor is responsible for the issuance of warrants for claims properly payable from the County treasury and to verify that funds and appropriations are available before issuing warrants.

The County Auditor's term ended December 31, 2020. Starting January 1, 2021, the County Auditor and the Deputy County Auditor became the County Treasurer and the Deputy County Treasurer, respectively. A new County Auditor took office as of January 1, 2021.

However, the accounting software edit privileges for the County Auditor's funds ledger were maintained by the former Deputy County Auditor after January 1, 2021. The former Deputy County Auditor initiated and posted disbursements to the County Auditor's funds ledger, totaling \$33,899, for credit card payments as claim adjustments. This resulted in the former Deputy County Auditor's override of internal controls afforded the County Auditor per statute.

- The County paid 14 credit card claims totaling \$70,201. The credit card claims were paid via wire transfer and not included on the accounts payable voucher register for audit and certification by the County Auditor and approval by the Board of County Commissioners.
- We reviewed \$15,246 of the credit card charges. One charge, totaling \$1,738, was for an emergency medical service (EMS) employee holiday party charged to a local restaurant. The employee party was posted to the EMS Public Outreach Non-Reverting Fund #4114.

County Ordinance 2017-4 established the EMS Public Outreach and Community Education Non-reverting fund. The ordinance states: "the fund is subject to the same controls and oversight as any other "donation fund" administrated by the County Auditor's Office. . . . The fund established with the LaPorte County Auditor for the holding of these revenues collected shall be used exclusively for the reasonable expenses incurred for public outreach and community education at the sole discretion of the Administrator."

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

We could not determine how the employee party complied with County Ordinance 2017-4. Nor did the County have an employee appreciation policy that allowed the expense.

The Board of County Commissioners approved Resolution 2013-13-A governing the use of credit cards, which stated in part:

"The credit card may be used for any purchase for which there is an existing appropriation at the time of use. The credit card may not be used for the following purchases:

- (A) Any purchase for which there is not an existing appropriation at the time of use.
- (B) Cash advances.
- (C) Personal or non-business purchases.
- (D) Alcoholic beverages.
- (E) Gasoline or repairs for non-county owned vehicles except for rental cars."

*Criteria*

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

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***SUBSEQUENT EVENTS - TIMELINESS OF RECONCILIATIONS***

*Condition and Context*

Internal controls were not in place to ensure monthly bank reconciliations were being properly and timely completed. As such, the County was provided with additional time to prepare the required monthly reconciliations. Reconciliations through December 31, 2023, were completed as of September 2024. Reconciliations through June 30, 2024, were still in progress as of November 2024.

*Criteria*

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

COUNTY TREASURER  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2024, with Jo Eileen Winski, County Treasurer, and Amy Pahs, Chief Deputy County Treasurer.

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.



CLERK OF THE CIRCUIT COURT  
LA PORTE COUNTY

CLERK OF THE CIRCUIT COURT  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Reports B53006 and B59508, entitled *FINDING 2018-002 FINANCIAL TRANSACTIONS AND REPORTING - CLERK OF THE CIRCUIT COURT* and *FINANCIAL TRANSACTIONS AND REPORTING*, respectively.

*Condition and Context*

There were deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk).

*Cash and Investments*

Internal controls had not been properly designed or implemented to ensure that reconcilements of the record balances to the depository balances and investment balances were completed and reviewed monthly for all bank and investment accounts to ensure the accuracy and completeness of financial transactions and investment activity.

The monthly reconcilements of the bank and the Clerk's Cash Book were completed by the Bookkeeper and reviewed by the Clerk. However, evidence of the oversight or review process was not documented.

*Financial Close and Reporting*

The Clerk was required to prepare a Supplemental Annual Report (SAR) for inclusion in the County's cash basis Annual Financial Report submitted in the Indiana Gateway for Governmental Units financial reporting system, which is the basis for the financial statement. One employee completed the SAR without evidence of an oversight or review process prior to submission to the County Auditor.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

**CLERK'S TRUST ITEMS**

*Condition and Context*

Internal controls were not in place over the Clerk of the Circuit Court (Clerk) trust items. Indiana Code required the Court to forfeit the bond of a defendant who fails to appear in Court. The amount of the forfeited bond shall be transferred to the state common school fund less any court fees retained by the Clerk or any amounts collected in satisfaction of a judgement.

The Clerk had \$6,404,450 held in trust on December 31, 2021. Of the 25 trust items tested, 12 items, or 48 percent, were determined to not have been properly distributed as follows:

- Of the items held in trust, 4 had an order to forfeit or apply to fines and fees but remained held in trust.
- Of the items held in trust, 8 should have been forfeited or distributed but were waiting on an order from the court.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and

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

(2) has failed to appear before the court as ordered;

the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days or more than three hundred sixty-five (365) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

(1) any amount remaining on deposit with the court (less the fees retained by the clerk);  
and

(2) any amount collected in satisfaction of the judgment.

(f) The clerk shall return a deposit, less the administrative fee, made under section 3.2(a)(2) of this chapter to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings."

Indiana Code 32-34-1.5-4 states in part:

"Subject to section 11 of this chapter, the following property is presumed abandoned if it is unclaimed by the apparent owner during the period specified as follows: . . .

(9) For property held by a court, including property received as proceeds of a class action, one (1) year after the property becomes distributable. . . ."

CLERK OF THE CIRCUIT COURT  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2024, with Heather Stevens, Clerk of the Circuit Court, and Kari Barenie, Chief Deputy Clerk of the Circuit Court.

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.



BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - COMPLIANCE**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Training on Internal Control Standards
- Change Orders
- Public Works Project
- Gateway Uploads
- Public Purchases

These internal control deficiencies are further detailed in the comments below.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**TRAINING ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Reports B45345, B53006, and B59508.

*Condition and Context*

The County did not train all applicable personnel on internal control standards as required by Indiana Code 5-11-1-27(g).

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CHANGE ORDERS**

*Condition and Context*

Internal controls were not in place to ensure all change orders were approved at a public meeting. The Board of County Commissioners awarded a \$19,932,467 guaranteed maximum price contract for the Michigan City Courthouse Renovation as allowed by Indiana Code. Per state statute, any change or alteration to the original specifications of a public works contract must be approved by the governing board at a public meeting.

For the courthouse renovation project, the first three change orders were approved at public meetings in 2020. On September 16, 2020, the Board of County Commissioners approved to create a committee to approve the changes orders.

This resulted in change orders #4 through #45, from September 17, 2020 through May 2021, totaling \$384,235 to not be properly approved by the Board of County Commissioners at a public meeting as required. Furthermore, the County was unable to provide a listing of change orders after May 3, 2021, that agreed to the total paid to the vendor awarded the contract.

*Criteria*

Indiana Code 36-2-2-2 states: "The three (3) member board of commissioners of a county elected under this chapter is the county executive. In the name of 'The Board of Commissioners of the County of \_\_\_\_\_' the executive shall transact the business of the county."

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-32-2-2 states:

"Applicable public works statute' refers to whichever of the following statutes is applicable to public works projects of the public agency:

(1) [IC 4-13.6](#).

(2) [IC 5-16](#).

(3) [IC 36-1-12](#).

(4) Any other statute applicable to the public works projects of the public agency."

Indiana Code 5-32-2-5 states: "'CMc' or 'construction manager as constructor' means a person that provides CMc services."

Indiana Code 5-32-5-1 states: "The CMc shall comply with all notice, bidding, construction, and contract administration requirements relating to public works contracts that the public agency must comply with under the applicable public works statutes."

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PUBLIC WORKS PROJECT**

*Condition and Context*

Internal controls were not in place to ensure compliance with procurement methods allowed by state statute. The County renovated a newly-acquired building, including IT and electrical costs, which totaled \$1,783,000. However, the County did not comply with any of the bidding procedures required by Indiana Code 36-1-12-2 when the cost of a public work project is \$150,000 or greater. The Board of County Commissioners minutes did not document any special process or emergency decision that would have excluded the project from the bidding requirements or approved a contract for the project. The final invoice for the project paid in December 2021 noted the payment was based on a quotation.

*Criteria*

Indiana Code 36-1-12-2(a) states:

"As used in this chapter, 'public work' means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase."

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. If the board receives electronic bids as set forth in subsection (d), the board shall also provide electronic access to the notice of the bid solicitation through the computer gateway administered under [IC 4-13.1-2-2\(a\)\(5\)](#) by the office of technology.
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:

BOARD OF COUNTY COMMISSIONERS  
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AUDIT RESULTS AND COMMENTS  
(Continued)

- (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and
- (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
- (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
- (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection. . . ."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

## **GATEWAY UPLOADS**

### *Condition and Context*

Internal controls were not in place to ensure compliance with contract upload requirements per state statute. Indiana Code 5-14-3.8-3.5 requires counties to upload copies of contracts to the Indiana Gateway for Government Units financial reporting system if the total cost of the contract exceeds \$50,000. None of the County contracts entered into during 2021 over \$50,000 were uploaded as required.

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Indiana Code 5-14-3.8-3.5 states in part:

". . . (b) As used in this section, 'contract' includes all pages of a contract and any attachments to the contract.

(c) A political subdivision shall upload a digital copy of a contract to the Indiana transparency Internet web site one (1) time if the total cost of the contract to the political subdivision exceeds fifty thousand dollars (\$50,000) during the term of the contract. This subsection applies to all contracts for any subject, purpose, or term, except that a political subdivision is not required to upload a copy of an employment contract between the political subdivision and an employee of the political subdivision. In the case of a collective bargaining agreement, the political subdivision shall upload a copy of the collective bargaining agreement and a copy of a blank or sample individual employment contract. A political subdivision shall upload the contract not later than sixty (60) days after the date the contract is executed. If a political subdivision enters into a contract that the political subdivision reasonably expects when entered into will not exceed fifty thousand dollars (\$50,000) in cost to the political subdivision but at a later date determines or expects the contract to exceed fifty thousand dollars (\$50,000) in cost to the political subdivision, the political subdivision shall upload a copy of the contract within sixty (60) days after the date on which the political subdivision makes the determination or realizes the expectation that the contract will exceed fifty thousand dollars (\$50,000) in cost to the political subdivision. . . ."

**PUBLIC PURCHASES**

*Condition and Context*

Internal controls were not in place to ensure compliance with procurement methods allowed by state statute. On July 20, 2021, the Board of County Commissioners awarded a \$1,500,000 contract for repairs to the Michigan City Franklin St. Bridge. The contract was awarded without bidding the project to document and ensure the contract was awarded to the lowest responsible bidder. The Board of County Commissioner's attorney advised they would be approving the contract under Indiana Special Purchase provisions of Indiana Code 5-22-10-1 without competitive bidding, due to the fact the bridge is a specialized historic bridge, and it plays a critical role in economic activity in the City of Michigan City, and the vendor selected has previous expertise with this particular bridge.

As the aforementioned project is the alteration of a bridge paid for out of public funds, the appropriate procurement method governing this transaction is Indiana Code 36-1-12-1, public works projects. The County did not comply with any of the required provisions of this statute as required.

*Criteria*

Indiana Code 36-1-12-1(a) states:

"Except as provided in this section, this chapter applies to all public work performed or contracted for by:

- (1) political subdivisions; and
- (2) their agencies;

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

regardless of whether it is performed on property owned or leased by the political subdivision or its agency."

Indiana Code 36-1-12-2(a) states:

"As used in this chapter, 'public work' means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase."

BOARD OF COUNTY COMMISSIONERS  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.



COUNTY COUNCIL  
LA PORTE COUNTY

COUNTY COUNCIL  
LA PORTE COUNTY  
AUDIT RESULT AND COMMENT

**SALARY ORDINANCE**

*Condition and Context*

Internal controls were not in place to ensure the annual salary ordinance was complete and timely approved.

The following deficiencies were noted with the 2021 salary ordinance:

- On November 23, 2020, the County Council approved \$500 bonuses to be paid in January 2021 for those on the County's insurance. However, the bonus was not included in the 2021 salary ordinance.
- The 2021 salary ordinance was not adopted until February 22, 2021, which does not comply with state statute.
- Employees and elected officials were paid in January 2021 as if the salary ordinance had been approved prior to January 1, 2021, as required.
- On December 21, 2021, the County Council approved that full-time employees as of December 21, 2021, were to receive a \$1,000 bonus for 2021, \$1,000 in June 2022, \$1,000 in December 2022, and \$1,000 in June 2023 from the American Rescue Plan Act (ARPA) funds received. The bonuses were not included in the subsequent salary ordinances and the elected officials' salaries could not be changed within the same year per Indiana Code 36-2-5-13.
- An employee received a biweekly stipend for being a Certified Court Reporter; however, the amount paid was not included in the salary ordinance.
- Full-time paramedics and EMTs rates of pay were not included in the salary ordinance.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

COUNTY COUNCIL  
LA PORTE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 36-2-3-7(b)(2) states:

"The fiscal body:

- (2) shall hold a regular meeting annually, as prescribed by [IC 6-1.1-17](#), to adopt the county's annual budget and tax rate; . . ."

Indiana Code 36-2-5-13(c) states in part: "Except as provided in subsection (d), the compensation of an elected county officer may not be changed in the year for which it is fixed. . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)



**Randy Novak**  
LaPorte County Council President  
555 Michigan Avenue, Suite 205  
La Porte, IN 46350-3490

November 27, 2024

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

Re: Supplemental Compliance Report of the LaPorte County Council

LaPorte County Councils Official Response.

The audit results and comments were reviewed in detail on November 21, 2024. The findings issued by the State Board of Accounts identified a deficiency of which the Council can implement additional internal controls to remedy.

1. The Council will request that the Auditor's Office/Attorney prepare our Salary Ordinance prior to the end of the year with a review process to make sure all salaries are included.

Sincerely,

Randy Novak  
Council President

COUNTY COUNCIL  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.



COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY

COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

The same comment also appeared in prior Report B56543.

*Condition and Context*

The County Community Corrections had not separated incompatible activities related to all areas of the financial statement. The failure to establish these internal controls could have enabled material misstatements to occur and remain undetected. There were no internal controls in place over cash, receipts, assessment of fees, disbursements, and financial close and reporting. Internal control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statement.

*Cash*

Ledgers were not properly maintained, which resulted in monthly bank reconciliations to not be completed nor was there an internal control system in place over cash.

*Receipts/Assessment of Fees*

One employee could assess fees, collect payments, issue receipts, post to the accounting software system, prepare a deposit, and take the deposit to the bank. There was no review or oversight, or other compensating internal control, over the fee assessment, receipting, or depositing process to ensure accuracy.

Of the 14 assessed fees tested, 36 percent were not properly assessed based on the employment pay documentation on record.

*Disbursements*

There was no documented review or other compensating internal control to ensure accuracy and validity of disbursements prior to payment.

*Financial Close and Reporting*

The County Community Corrections was required to prepare a Supplemental Annual Report (SAR) for inclusion in the County's cash basis Annual Financial Report submitted in the Indiana Gateway for Government Units financial reporting system, which is the basis for the financial statement. The amounts that were included on the SAR were recorded from the bank statements, not from the County Community Corrections' own official documentation or ledgers. There was no review or oversight, or other compensating internal control, over the financial close and reporting process to ensure accuracy and completeness.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Each 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)

### ***INTERNAL CONTROLS - COMPLIANCE***

#### *Condition and Context*

Internal control deficiencies resulted in the noncompliance over:

- Public Records Retention
- Bank Reconciliations
- Overdrawn Cash Balances
- Commissary Funds

These internal control deficiencies are further detailed in the comments below.

#### *Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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An integral part of the control activity component is segregation of duties. . . .

COUNTYCOMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

***PUBLIC RECORDS RETENTION***

The same comment also appeared in prior Report B56543.

*Condition and Context*

Internal controls were not in place to ensure public records were properly retained.

The supporting documentation that was used to determine the assessed fees was not retained for audit in paper records or within the computerized system (Informer) that holds the information. It could not be determined if the correct fees were assessed for 36 percent of the sample tested due to the lack of supporting documentation.

For the six disbursements tested from the resident trust fund and three of the six (50%) disbursements tested from the commissary fund, the accuracy and validity of the disbursements could not be determined since supporting documentation was not provided.

*Criteria*

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

***BANK ACCOUNT RECONCILIATIONS***

The same comment also appeared in prior Report B56543.

*Condition and Context*

Internal controls were not in place to ensure proper ledgers were maintained and monthly bank reconciliations were performed. The County Community Corrections did not reconcile its bank accounts during the audit period. The Supplemental Annual Financial Report remitted to the County Auditor recorded receipts and disbursements from the bank statements and not from actual recorded receipts and disbursement transactions.

COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Report B59642, entitled *OVERDRAWN CASH AND INVESTMENT BALANCES*.

*Condition and Context*

*Community Corrections State Grant Fund (Fund 9106)*

Internal controls were not in place to ensure cash balances were not overdrawn. At December 31, 2021, the cash and investment balance of the Community Corrections State Grant fund (Fund 9106) had a deficit balance of \$214,447.

The Community Corrections State Grant fund accounts for the grant receipts of a state advanced grant award. The grant awards are distributed in equal monthly installments. At the start of the grant year, a budget is prepared for the use of the grant award; however, a comparison of the grant budget and amendments to the disbursements showed the budget overspent.

Furthermore, each grant fiscal year is not accounted for separately by the County to assist with monitoring that grant cash awards are not overspent.

In 2023, the County Community Corrections Director went before the County Council, which approved a request for additional funding to clear the deficit from previous years.

*Criteria*

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 unit.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMMISSARY FUNDS**

The same comment also appeared in prior Report B59642.

*Condition and Context*

Commissary funds and accounts were established without ensuring they were properly authorized and reported.

The LaPorte County Community Corrections Participant Rules and Regulations Effective October 2014 and Revised April 2018 required that all hygiene was required to be purchased through the Commissary. However, per Indiana Code, only the County Sheriff has the authority to establish a Commissary fund.

The County reported a Community Corrections Commissary fund with a cash and investment balance at December 31, 2021, of \$114,402. The County Community Corrections accounts for the activity of the Commissary Fund in a separate bank account.

The bank account (Commissary Account 8856), accounts for collections received from coin operated laundry machines, and commission checks from various vending activities (canned or bottled beverages, over-the-counter medications, hygiene products), and disbursements to vendors for the supplies as well as disbursements for community corrections supplies and small repairs.

The County reported a Community Corrections Residential Trust fund with cash and investment balances at December 31, 2021, of \$36,441.

The bank account (Residential Trust Fund Account 4572), accounts for the collections from residents for goods ordered such as food, snacks, and hygiene products from a specialty vendor who specifically packages the goods for delivery to each resident. The collections consist solely of money orders obtained by residents to pay for orders on the date of the submission of the order to the specialty vendor. Disbursements from this account consist of payments made to the specialty vendor for the goods ordered, less a small percentage for profit for the commissary. The balance in this account is not funds held in trust. Residents of community corrections retain their own funds.

Ledgers for the Commissary Account and the Residential Trust Account were not maintained after June 18, 2020, when a Community Corrections Work Release Officer determined he no longer needed to maintain the ledgers. Ledgers for the Commissary Account and the Residential Trust Account were not properly maintained during 2021 or 2022.

The Indiana Department of Corrections would have classified the commissary funds as project income, but the funds were not reported to the Indiana Department of Corrections as required per the grant agreements and grant procedural manuals.

*Criteria*

Per the Indiana Department of Corrections Grant Entity Procedural Manual, the following is stated, regarding project income:

"Project Income, which includes home detention fees, user fees, and other income derived from the operation of a Community Corrections program funded by a state grant, shall be disbursed only in furtherance of the approved Community Corrections Budget provided in the grant year's executed contract. . . .

COUNTY COMMUNITY CORRECTIONS  
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(Continued)

Project Income (e.g., home detention fees, residential user fees, and other derived income) does not revert to the state at the end of a grant period. Project Income can only be spent with prior written approval by the Department. Written approval may be in one of two forms:

1. The annual Community Corrections Grant Application
2. Transfer/Additional Appropriation Form (as outlined in Procedural Bulletin 3-2)

Contributions or other grants, funding sources, or county funds expended on the Community Corrections program cannot be co-mingled with Project Income accounts. . . ."

Per the Indiana Department of Corrections Financial Reports - Community Corrections Agencies: Community Corrections Grant Fund Entities Section 5-1 dated May 22, 2018 (Procedural Bulletin #1), which has as the purpose:

"To provide Community Corrections Programs with instructions for reporting Financial Documentation for the funds received to IDOC as required. The Financial Reports Instructions state, in part:

Financial Reports are to be completed monthly and submitted to the IDOC Community Corrections Division by the 15th of the following month . . . The next section of the Financial Report is a tool to track transactions for the FY from the agency's approved Project Income budget. Project Income is user's money collected by the agency . . . PI Collected This Month: Enter the amount of project income collected for the month. . . ."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Per Indiana Code, only the County Sheriff has the authority to establish a Commissary fund.

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;

COUNTY COMMUNITY CORRECTIONS  
LA PORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
  - (A) Substance abuse.
  - (B) Child abuse.
  - (C) Domestic violence.
  - (D) Drinking and driving.
  - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

COUNTY COMMUNITY CORRECTIONS  
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EXIT CONFERENCE

The contents of this report were discussed on November 20, 2024, with Mericka Beaty, County Community Corrections Director; Steve Eyrick, County Community Corrections Advisory Board President; and Holly Grushka, County Community Corrections Advisory Board Secretary.

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.



COUNTY PUBLIC DEFENDERS' COMMISSION  
LA PORTE COUNTY

COUNTY PUBLIC DEFENDERS' COMMISSION  
LA PORTE COUNTY  
AUDIT RESULT AND COMMENT

**PUBLIC DEFENDERS' CONTRACTS**

*Condition and Context*

The County did not have internal controls in place to ensure public defender payments were supported by a written contract or detailed invoices. The County Public Defenders' office contracts with attorneys to serve as Deputy County Public Defenders based on the approved budget by the County Council. In 2021, the County paid 21 Deputy County Public Defenders a total of \$1,033,931 for services. However, written contracts or detailed invoices were not provided to support the accounts payable voucher monthly payments for contractual services. As of 2024, County Public Defender contracts were updated and have been provided to the County Auditor's office.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 33-40-7-8 states:

"(a) A county public defender may contract with an attorney, a group of attorneys, or a private organization to provide legal representation under this chapter.

COUNTY PUBLIC DEFENDERS' COMMISSION  
LA PORTE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

- (b) The board shall establish the provisions of the contract under this section.
- (c) The county fiscal body shall appropriate an amount sufficient to meet the obligations of the contract."

Indiana Code 33-40-7-9 states:

"The board may establish an assigned counsel system of panel attorneys to provide legal representation under this chapter that shall operate as follows:

- (1) The board shall gather and maintain a list of attorneys qualified to represent indigent defendants.
- (2) Upon the determination by a court that a person is indigent and entitled to legal representation at public expense, the court shall appoint an attorney to provide the representation from the list maintained by the board.
- (3) An attorney appointed to provide representation under this section may request authorization from the judge hearing the case for expenditures for investigative services, expert witnesses, or other services necessary to provide adequate legal representation.
- (4) An attorney appointed to provide representation under this section is entitled to receive compensation and reimbursement for budgeted expenses by submitting a voucher to the court. Upon approval of the voucher by the appropriate judge, the voucher shall be presented to the county auditor who shall process the claim as other claims against county funds are processed.
- (5) An attorney appointed to provide representation under this section shall, upon completion of representation, report to the board information regarding the case disposition."

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November 19, 2024

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Indianapolis, Indiana 46204-2765

Re: OFFICIAL RESPONSE

Dear Mr. Joyce:

Please allow this letter to serve as LaPorte County Public Defender's Official Response to the Audit Results and Comments. It has come to the attention of the Public Defender's office, and the Public Defender Board, that current written contracts were not in existence in 2021 as required by Indiana Statute. This issue has been addressed and contracts have been executed with all public defenders. Further, these contracts will be executed yearly moving forward. Finally, please be advised that these contracts have been provided to the LaPorte County Auditor's Office. Thus, the issue has been remedied. Please advise should you have any questions or concerns.

Sincerely,



Elizabeth Flynn  
Chief Public Defender, LaPorte County

COUNTY PUBLIC DEFENDERS' COMMISSION  
LA PORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2024, with Elizabeth Flynn, Chief County Public Defender, and Dale Brown, County Public Defender's Commission member.

The contents of this report were discussed on November 21, 2024, with Timothy Stabosz, County Auditor; Connie Gramarossa, President of the Board of County Commissioners; Richard Mrozinski, County Commissioner; Randy Novak, President of the County Council; Michael Rosenbaum, County Council member; Justin Kiel, County Council member; and Rhonda Graves, Chief Deputy County Auditor.