

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
10/29/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-8
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-28
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	30-32
Corrective Action Plan	33-44
Other Reports.....	45

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	John Petalas Peggy Holinga Katona	01-01-22 to 12-31-22 01-01-23 to 12-31-24
County Treasurer	Peggy Holinga Katona John Petalas	01-01-22 to 12-31-22 01-01-23 to 12-31-24
Clerk of the Circuit Court	Lorenzo Arredondo (Vacant) Michael A. Brown	01-01-22 to 07-14-22 07-15-22 to 08-05-22 08-06-22 to 12-31-24
County Sheriff	Oscar Martinez, Jr.	01-01-22 to 12-31-24
County Recorder	Regina Pimentel	01-01-22 to 12-31-24
President of the Board of County Commissioners	Michael C. Repay	01-01-22 to 12-31-24
President of the County Council	Ted F. Bilski, II Charlie Brown Christine Cid	01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Lake County (County), for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the County's financial statement and have issued our report thereon dated October 3, 2024, wherein we noted the County followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

Lake County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Lake County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on CDBG - Entitlement Grants Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the CDBG - Entitlement Grants Cluster for the year ended December 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Matter Giving Rise to Qualified Opinion on CDBG - Entitlement Grants Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding 14.218 CDBG - Entitlement Grants Cluster, as described in item 2022-003 for Program Income. Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2022-003, 2022-004, and 2022-005, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2022-006, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the County, as of and for the year ended December 31, 2022, and the related notes to the financial statement. We issued our report thereon dated October 3, 2024, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with accounting principles generally accepted in the United States of America, and an unmodified opinion was issued regarding the presentation in accordance with the regulatory basis of accounting. Our audit was performed for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.



Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
Juvenile Center Breakfast Program			FY2022	\$ -	\$ 34,529
National School Lunch Program	Indiana Department of Education	10.555			
Juvenile Center Lunch Program			FY2022	-	55,221
Supply Chain Assistance			FY2022	-	6,176
Total - National School Lunch Program				-	61,397
Total - Child Nutrition Cluster				-	95,926
Total - Department of Agriculture				-	95,926
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419			
GEO Property Acquisition			CZ-249	-	150,000
Total - Department of Commerce				-	150,000
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Lake County NSP - 3	Direct Grant	14.218			
2017 CDBG			B-11-UN-18-0002	-	12,048
2018 CDBG			B-17-UC-18-0016	-	22,801
2019 CDBG			B-18-UC-18-0016	-	14,606
2020 CDBG			B-19-UC-18-0016	-	78,477
2021 CDBG			B-20-UC-18-0016	20,940	535,098
			B-21-UC-18-0016	21,000	680,103
Total - Community Development Block Grants/Entitlement Grants				41,940	1,343,133
COVID-19 - Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
CDBG-CV Grant			B-20-UW-18-0016	-	45,065
Total - CDBG - Entitlement Grants Cluster				41,940	1,388,198
COVID-19 - Community Development Block Grants/State's program and Non-entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
Community Connections for People with Disabilities			A192-21-FSSA-CV2-108	45,528	45,528
Home Investment Partnerships Program	Direct Grant	14.239			
2018 LC Home Program			M-18-UC-18-0207	-	9,740
2019 LC Home Program			M-19-UC-18-0207	29,746	29,746
2020 LC Home Program			M-20-UC-18-0207	7,054	7,434
2021 LC Home Program			M-21-UC-18-0207	-	54,889
Total - Home Investment Partnerships Program				36,800	101,809
Total - Department of Housing and Urban Development				124,268	1,535,535

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Department of the Interior					
Great Lakes Restoration Controlled Burn in Grand Calumet River AOC	Indiana Department of Natural Resources	15.662	F18AC00015	-	13,210
Total - Department of the Interior				-	13,210
Department of Justice					
Domestic Cannabis Eradication and Suppression LCSD FY 2020 Grow Seizure Reward	Indiana State Police	16.000	Lake Co DCE/SP	-	30,000
Crime Victim Assistance Prosecutor's Office - 2020-2022 VOCA Grant Sheriff's Office - 2020-2022 VOCA Grant	Indiana Criminal Justice Institute	16.575	2018-V2-GX-0031 2019-V2-GX-0014	- -	70,112 69,414
Total - Crime Victim Assistance				-	139,526
Violence Against Women Formula Grants Prosecutor's Office - 2021-2022 STOP Grant	Indiana Criminal Justice Institute	16.588	STOP-2021-00039	-	91,445
Project Safe Neighborhoods LC Project Safe Neighborhoods LC Project Safe Neighborhoods	Indiana Criminal Justice Institute	16.609	2019-GP-BX-0074 2020-GP-BX-0006	- -	83,850 60,385
Total - Project Safe Neighborhoods				-	144,235
Edward Byrne Memorial Justice Assistance Grant Program 2018 Justice Assistance Grant 2019 Justice Assistance Grant 2020 Justice Assistance Grant	Direct Grant	16.738	2018-DJ-BX-0473 2019-DJ-BX-0342 2020-DJ-BX-0623	- - -	16,823 75,167 6,518
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	98,508
Equitable Sharing Program Equitable Sharing - DEA Forfeitures	Direct Grant	16.922	IND450000	-	36,333
Total - Department of Justice				-	540,047
Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction 45th Avenue-Whitcomb to Chase Bridge Inspection 2018-2022 Bridge 65 Bridge 48 Bridge 47 Bridge 259 Bridge 97 Veterans Memorial Trail	Indiana Department of Transportation	20.205	DES #1172007 DES #1592160 DES #1600930 DES #1702830 DES #1702831 DES #1902819 DES #2101129 DES #9981680	- - - - - - - -	151,689 30,888 60,223 66,897 58,710 134,503 1,051 63,363
Total - Highway Planning and Construction				-	567,324
Total - Highway Planning and Construction Cluster				-	567,324

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Interagency Hazardous Materials Public Sector Training and Planning Grants FY 2022 Haz-Mat Practical Training	Indiana Department of Transportation	20.703	2022 HMEP-00045	-	12,898
Total - Department of Transportation				-	580,222
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund Health Dept COVID-19 Testing	Indiana Department of Health	21.019	FY 2020 - Contract #45124	-	57,076
COVID-19 - Emergency Rental Assistance Program CRF-ERA (ERA-1) Direct Grant ARP-ERA (ERA-2) Direct Grant	Direct Grant	21.023	ERA-0359 ERA2-0357	9,164,624 3,850,000	9,165,973 3,850,000
Total - COVID-19 - Emergency Rental Assistance Program				13,014,624	13,015,973
Total - Department of the Treasury				13,014,624	13,073,049
<u>Environmental Protection Agency</u>					
Geographic Programs - Great Lakes Restoration Gibson Woods Restoration Gibson Woods & State Nature Preserves Restoration	Indiana Department of Environmental Management Indiana Department of Natural Resources	66.469	A305-6-186 EDS #21NRD003	- -	63,960 13,161
Total - Geographic Programs - Great Lakes Restoration				-	77,121
Total - Environmental Protection Agency				-	77,121
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness 2021-2022 Public Health Emergency Preparedness 2022-2023 Public Health Emergency Preparedness	Indiana Department of Health	93.069	Contract #56586 Contract #63206	- -	106,955 35,278
Total - Public Health Emergency Preparedness				-	142,233
COVID-19 - Immunization Cooperative Agreements Immunizations and Vaccines for Children-COVID	Indiana Department of Health	93.268	Contract #53403	-	3,411
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) State Partnership for COVID-19 Testing	Indiana Department of Health	93.323	Contract #55468	-	100,000

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2022

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Child Support Enforcement	Indiana Department of Child Services	93.563			
County Clerk Title IV-D FFP			County Clerk	-	244,316
County Clerk Title IV-D Incentive			County Clerk	-	110,043
Juvenile Court Title IV-D FFP			County Court	-	376,156
Juvenile Court Title IV-D Incentive			County Court	-	40,511
Prosecutor's Title IV-D Incentive			County Prosecutor	-	564,347
Prosecutor's Title IV-D FFP			County Prosecutor	-	2,119,897
County Title IV-D Indirect Costs			Indirect Costs	-	<u>925,020</u>
Total - Child Support Enforcement				-	<u>4,380,290</u>
COVID-19 - Elder Abuse Prevention Interventions Program	Indiana Family & Social Services Administration	93.747			
Elder Abuse Prevention Interventions Program			2101INAPC5	-	<u>22,561</u>
Opioid STR	Indiana Family & Social Services Administration	93.788			
Partnership with HealthLinc Inc for MRT			Subrecipient to HealthLinc Inc	-	<u>13,000</u>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Indiana Department of Health	93.944			
HIV/AIDS Surveillance			Contract No: 49990	-	<u>80,802</u>
Total - Department of Health and Human Services				-	<u>4,742,297</u>
<u>Department of Homeland Security</u>					
Boating Safety Financial Assistance	Indiana Department of Natural Resources	97.012			
2022 Sheriff's Marine Patrol			Contract No: 51824	-	<u>3,750</u>
Emergency Management Performance Grants	Indiana Department of Homeland Security	97.042			
2021 EMPG - Salary Grant			EMC-2021-EP-00004	-	<u>72,953</u>
Homeland Security Grant Program	Indiana Department of Homeland Security	97.067			
LCSD - SHSP Nonpriority - Safer Lake County Plan			EMW-2021-SS-00032	-	58,818
LCSD - SHSP Priority Project - Emerging Threat Plan			EMW-2021-SS-00032	-	<u>230,125</u>
Total - Homeland Security Grant Program				-	<u>288,943</u>
Total - Department of Homeland Security				-	<u>365,646</u>
Total federal awards expended				<u>\$ 13,138,892</u>	<u>\$ 21,173,053</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

LAKE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2022. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.023	CDBG - Entitlement Grants Cluster	Qualified
93.563	COVID-19 - Emergency Rental Assistance Program	Unmodified
93.563	Child Support Enforcement	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2022-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County converted and began using new financial software (Oracle) as of July 1, 2022, for all receipt and vendor disbursements. The detail processing of payroll remained with the old financial software (Lawson) and was subsequently posted to Oracle via journal entries. The processing of the Employee Benefit Accruals fund, which combined the employee payroll withholdings and the Lake County Self Insurance funds, posted receipts to both Lawson and Oracle and posted disbursements to Oracle.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County contracted with HTC, an Oracle software implementation consultant, to assist with the conversion and implementation process to Oracle, including the transfer of the financial data from Lawson to Oracle for the first six months of 2022. The County provided reports from Lawson to HTC for the conversion process without an oversight or review process in place to ensure the accuracy, completeness, and classification of the financial data in Oracle. Due to the lack of internal controls, the magnitude of errors caused a significant delay to audit completion, and the following issues were noted:

- The January 1, 2022 cash and investment balances of the funds were posted to Oracle. For the January to June 2022 Lawson receipt and disbursement activity, journal entries were posted to Oracle to the various receipt and disbursement accounts within the funds and then offset by either a Lawson Balance Conversion Revenue (49999) or Expense (69999) account. The posting of the activity to an offset revenue or expense account instead of a cash and investment account resulted in the first six months of receipts and disbursements not affecting each fund's cash and investment balances. Thus, each fund that had activity for the first six months in Lawson had an inaccurate ending cash and investment balance and understated receipts and disbursements in Oracle.
- The Lawson financial system accounted for the employee payroll withholdings and the Lake County Self Insurance funds (Employee Benefits Accruals) via various liability accounts with corresponding cash and investment accounts. Neither the January 1, 2022 cash and investment balances nor the first six months of receipt and disbursement activity of the Employee Benefits Accruals funds were converted to Oracle in separate funds.
- Various Oracle ledgers and reports provided at the beginning of the audit did not articulate with each other. Detailed receipts and disbursements ledgers did not agree to summary ledgers. County officials were not aware of issues with the reports until we inquired during the audit.
- The County did not perform monthly reconciliements between the County Auditor's and County Treasurer's records for July to December.

The initial financial statements provided by the County did not agree to the records provided for audit. Cash and investment balances, receipts, and disbursements were determined to be materially misstated due to the conversion difficulties detailed above. As such, the County was provided with additional time to analyze the conversion entries and reconcile the depository balances to the ledger.

The County hired an accounting consultant to help analyze the conversion entries, propose adjustments to the ledger, ensure reports articulated with each other, and reconcile the depository balances to the ledger as of December 31, 2022. The revised 2022 financial statement was provided in April 2024.

Financial Transactions and Reporting

There were deficiencies in the internal control system of the County related to financial transactions and reporting.

The County had not separated incompatible activities related to receipts, disbursements, cash and investment balances, journal entries, and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Employee Benefit Accruals (EBA) fund

The Lawson financial system accounted for the EBA fund via various liability accounts with corresponding cash and investment accounts that posted the activity of the employee payroll withholdings and the Lake County Self Insurance funds. Internal controls were not in place to ensure the EBA cash and investment balances and financial activity were converted properly to Oracle and accurately reported in the financial statement.

Neither the January 1, 2022 cash and investment balances nor the first six months of receipt and disbursement activity of the EBA funds were converted to Oracle in separate funds.

Instead, after July 1, the EBA disbursement activity was accounted for in the General fund liability accounts in Oracle and the receipt activity remained in Lawson. As a result, the General fund financial activity and cash and investment balance were determined to be incorrect in Oracle for the activity that should have been posted to separate funds. Also, the County only reported the EBA fund activity from Lawson, which materially understated the disbursements that were recorded in the General fund liability accounts in Oracle for the last six months of year.

Due to the lack of internal controls, the EBA fund receipts and disbursements were understated by \$2,553,950 and \$46,623,710, respectively, and ending cash and investment balance was overstated by \$44,069,760.

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

Cash and Investments

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and County Auditor's independently prepared statements reconciled. Due to the software conversion, monthly reconciliations between the County Auditor and County Treasurer (Form 61) were not prepared for July to December 2022. The County's consultant prepared the reconciliation of the Monthly Financial Statement (Form 61) for December 2022 as of May 2024. At December 31, 2022, the financial statement balance was \$684,193 greater than the combined reconciled depository balances. The financial statement was not adjusted for this variance.

Additionally, a \$1,250,000 fund investment balance from Lawson was properly reported in the financial statement; however, it was not included in the fund investment balance in Oracle. Therefore, the County Treasurer's depository balances and the beginning and ending cash and investment balances per the financial statement were greater than the Oracle cash and investment balances.

Receipts

Receipts were posted to the financial accounting systems without evidence of an oversight or review process to ensure the accuracy, completeness, and classification of the recording of receipts. One individual in the County Auditor's office was primarily responsible for the issuing and recording of receipts and performed the reconciliation to the County Treasurer's collections at the end of day.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Journal Entries

The County had a review process in place for journal entries performed by staff of the County Auditor's finance office. However, during and after the transition to the new financial software in the middle of 2022, journal entries and reversing entries were entered by various outside consultants and County employees for correction of conversion errors without a review or oversight process to ensure the accuracy and classification of the entries.

Financial Statement and Reporting

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 original and the revised AFRs were entered and submitted by the County Auditor's office without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

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 5-11-1-4(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](#)."

At the close of each calendar month a Monthly Financial Statement, County Form No. 61, shall be prepared, showing the financial transactions for the month and year to date, for each fund and in total.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

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

Cause

Management of the County had not established a proper system of internal controls over the conversion to a new financial software system to ensure the beginning balances and data was accurately and completely posted to the new financial software or that detail and summary reports from Oracle articulated with each other. In addition, a system of internal controls was not designed or implemented over financial transactions, reconciling, and reporting.

Effect

The failure to properly establish a system of internal controls over the conversion to Oracle allowed for material discrepancies in the ledger to remain undetected and to be reported in the financial statement. The magnitude of these errors caused a significant delay to audit completion. The audit team disengaged to allow the County additional time to analyze the discrepancies as identified in the *Condition and Context*.

The failure to properly establish a system of internal controls over cash and investment balances, receipts, disbursements, and journal entries enabled material misstatements or irregularities to remain undetected. The revised financial statement included the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

FINDING 2022-002

Subject: Reconciliation of the Monthly Financial Statement
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The County did not have a system of internal controls over the County Treasurer's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and County Auditor's independently prepared statements reconciled. Due to the software conversion, monthly reconciliations between the County Auditor and County Treasurer (Form 61) were not prepared for July to December 2022. The County's consultant prepared the reconciliation of the Monthly Financial Statement (Form 61) for December 2022 as of May 2024. At December 31, 2022, the financial statement balance was \$684,193 greater than the combined reconciled depository balances. The financial statement was not adjusted for this variance.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Additionally, a \$1,250,000 fund investment balance from Lawson was properly reported in the financial statement; however, it was not included in the fund investment balance in Oracle. Therefore, the County Treasurer's depository balances and the beginning and ending cash and investment balances, per the financial statement, were greater than the Oracle cash and investment balances.

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. . . ."

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)

Cause

Management of the County had not established a proper system of internal controls during the conversion to a new financial software to ensure monthly reconciliations of financial transactions between the County Auditor and County Treasurer were completed.

Effect

The failure to properly establish a system of internal controls during the conversion to a new financial software system enabled misstatements or irregularities to remain undetected between the County Auditor and County Treasurer records.

Views of Responsible Officials

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

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2022-003

Subject: CDBG - Entitlement Grants Cluster - Program Income
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
Assistance Listings Number: 14.218
Federal Award Numbers and Years (or Other Identifying Numbers): B-11-UN-18-0002, B-17-UC-18-0016,
B-18-UC-18-0016, B-19-UC-18-0016,
B-20-UC-18-0016, B-21-UC-18-0016
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The County received program income through various loan programs it offered to qualifying individuals. Once the County received a loan payment, the receipt was posted into the financial accounting system of the County and recorded in a grant fund. The amount received was also to be recorded in the Department of Housing and Urban Development's (HUD) Integrated Disbursement and Information System (IDIS) website. The recorded program income in the IDIS would then appear on the Drawdown Report by Voucher Number report (PR07).

One individual was responsible for notifying the County Auditor's office when program income money was received, so it could be receipted in the County's financial accounting system. The same individual was also responsible for reporting the information on the IDIS site. No internal controls were established to ensure the program income that was recorded in the financial accounting system was also reported on the IDIS site and the PR07 report.

Four receipts totaling \$38,960 were selected for testing from the County's receipt ledger. The four receipts were unable to be located on the PR07 report provided for audit. However, one of the four receipts was recorded in the IDIS system after information regarding the receipt was requested.

In addition, we were unable to verify the total amount recorded in the receipt ledger to the total reported on the PR07 report. The County's ledger was greater than the PR07 report by \$30,324 and is primarily attributed to under reporting of program income in the IDIS as identified above.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following: . . .

- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

24 CFR 570.504 states in part:

"(a) *Recording program income*. The receipt and expenditure of program income as defined in § 570.500(a) shall be recorded as part of the financial transactions of the grant program.

(b) *Disposition of program income received by recipients*.

- (1) Program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.
- (2) If the recipient chooses to retain program income, that program income shall be disposed of as follows:
 - (i) Program income in the form of repayments to, or interest earned on, a revolving fund as defined in § 570.500(b) shall be substantially disbursed from the fund before additional cash withdrawals are made from the U.S. Treasury for the same activity. (This rule does not prevent a lump sum disbursement to finance the rehabilitation of privately owned properties as provided for in § 570.513.)
 - (ii) Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury. . . ."

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

A turnover of staff in the County's Community Development office, and management not ensuring that a system of internal controls that segregated key functions was designed, implemented, and operating effectively, contributed to the program income issue identified above.

Effect

Without the proper implementation of an effectively designed system of internal controls, the County could not ensure that program income was properly reported and used before the drawdown of federal funds as required. The County could be at risk of losing federal funds by the federal awarding agency due to noncompliance with federal regulations.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the management of the County establish a system of internal controls to ensure that all program income received is properly reported in the IDIS system and expended prior to drawing down federal awards.

Views of Responsible Officials

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

FINDING 2022-004

Subject: CDBG - Entitlement Grants Cluster - Reporting

Federal Agency: Department of Housing and Urban Development

Federal Programs: Community Development Block Grants/Entitlement Grants; COVID-19 -
Community Development Block Grants/Entitlement Grants

Assistance Listings Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-11-UN-18-0002, B-17-UC-18-0016,
B-18-UC-18-0016, B-19-UC-18-0016,
B-20-UC-18-0016, B-21-UC-18-0016,
B-20-UW-18-0016

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition and Context

The County did not have internal control procedures over the Quarterly Reports (PR29), the IDIS Section 3 Performance Report, and the NSP Quarterly Reports. One individual prepared or generated the report without a review or oversight process.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Additionally, the County's internal controls were not consistently documented over the drawdown requests for the CDBG grant during the audit period. The drawdown requests were entered into the IDIS, which then became the basis for several of the reports. The internal control presented by the County was that one individual prepared and entered the request, which would then be printed, and another individual would review and sign the printed request to document the review. Of the 13 reimbursement requests tested, internal control documentation for 8 of the requests was printed and signed during the current period, after the documentation was requested. The creation of documentation of the internal control procedure did not support that internal controls were properly implemented and effective during the audit period.

The lack of internal controls were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

Cause

A turnover of staff in the County's Community Development office, and management not ensuring that a system of internal controls that segregated key functions was designed, implemented, and operating effectively, contributed to the program income issue identified above.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management design and implement a proper system of internal controls, and retain documentation of its system of internal controls, to ensure compliance with reporting requirements.

Views of Responsible Officials

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

FINDING 2022-005

Subject: CDBG - Entitlement Grants Cluster - Period of Performance

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/Entitlement Grants

Assistance Listings Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-11-UN-18-0002, B-17-UC-18-0016,
B-18-UC-18-0016, B-19-UC-18-0016,
B-20-UC-18-0016, B-21-UC-18-0016

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

Condition and Context

The County did not have internal control procedures over adjustments to Community Development Block Grants/Entitlement Grants funds. During and after the transition to a new financial accounting software system for the County, various adjusting entries were entered by outside consultants without any oversight or review by County management.

The lack of internal controls was a systematic issue from July 1, 2022 to December 31, 2022.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.1 states in part:

". . . *Internal controls* for non-Federal entities means:

- (1) Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (i) Effectiveness and efficiency of operations;
 - (ii) Reliability of reporting for internal and external use; . . ."

Cause

The conversion process due to the change in financial software in the middle of year 2022 caused abnormal activity which was not a part of the system of internal controls as designed and implemented by the County.

Effect

Without the proper implementation of an effectively designed system of internal controls, the internal control system cannot be capable of effectively preventing, or detecting and correcting, material noncompliance. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management design and implement a proper system of internal controls, and retain documentation of its system of internal controls, to ensure compliance with period of performance requirements.

Views of Responsible Officials

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

FINDING 2022-006

Subject: COVID-19 - Emergency Rental Assistance Program - Reporting
Federal Agency: Department of the Treasury
Federal Program: COVID-19 - Emergency Rental Assistance Program
Assistance Listings Number: 21.023
Federal Award Numbers and Years (or Other Identifying Numbers): ERA-0359, ERA2-0357
Compliance Requirement: Reporting
Audit Findings: Significant Deficiency, Other Matters

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Recipients are required to submit FFATA (Federal Funding Accountability and Transparency Act) reporting through the FSRS (FFATA Subaward Reporting System) website to the U.S. General Services Administration. This reporting is required to be completed for each action based on subawards of \$30,000 or more that are made from the federal program. Information to be reported included the information contained within the subaward.

The County did not have any policies or procedures in place related to the FFATA reporting requirements. During the audit period, the County was required to submit the FFATA reporting for one subaward that was over \$30,000. The County, however, did not submit the required report on the FSRS website.

The lack of internal controls and noncompliance were isolated to the FFATA reporting in 2022.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 170 Appendix A(l)(a) states in part:

". . . you must report each action that equals or exceeds \$30,000 in Federal funds for a subaward to a non-Federal entity or Federal agency . . ."

Cause

A system of internal controls over the FFATA reporting was not designed by management of the County to ensure the County provided the U.S. General Services Administration, as well as users of the FSRS website, with complete and accurate information related to the COVID-19 - Emergency Rental Assistance Program awards.

Effect

Without the proper implementation of an effectively designed system of internal controls, the County cannot ensure compliance with FFATA reporting requirements. Noncompliance with the provisions of federal statutes, regulations, and the terms and conditions of the federal award could result in the loss of future federal funding to the County.

Additionally, the County not meeting the COVID-19 - Emergency Rental Assistance Program reporting requirements increases the likelihood that the U.S. General Services Administration, as well as users of the FSRS website, will not have access to transparent and accurate information regarding subawards of federal awards.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management of the County design and implement a proper system of internal controls to ensure that all subrecipients awarded \$30,000 or more are properly reported in accordance with the FFATA reporting requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



Peggy Holinga Katona
Auditor

2293 North Main Street
Crown Point, IN 46307
219-755-3120
Fax: 219-755-3023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-001 and 2021-001

Fiscal year in which the finding initially occurred: 2019, 2020, & 2021

Current Audit Period: 2022

Finding Subject: Financial Transactions and Reporting

Summary of Finding:

There were several deficiencies in the internal control system of the County related to financial transactions and reporting in the following areas:

- Financial Statements and Notes to the Financial Statements (2019)
- Net Position/Fund Balance (2019)
- Capital Assets (2019)
- Discretely Presented Component Units (2019)
- Salaries and Payroll Deductions Payable (2020)
- Statement of Fiduciary Net Position - Fiduciary Funds (2019)
- Other Post-Employment Benefits (OPEB) (2019)
- Blended Component Unit-Building Corporation (2020)
- Taxes Receivable (2020)
- Debt-Capital Leases and Interest on Debt (2020)

A comprehensive summary of the aforementioned deficiencies can be seen in the published Financial Statement Audit Reports for the periods ending December 31, 2019, 2020, & 2021.

Status of Audit Finding: Not Corrected

Response Comments:

The opinions on the financial statements for the years ending December 31, 2019, 2020, and 2021 were based upon Lake County management's responsibility to prepare, and present fairly, said financial statements in accordance with generally accepted accounting principles (GAAP) in the United States of America for government entities.

On December 22, 2023 the County received a waiver of the 2022 and 2023 GAAP reporting provisions required under Ind. Code §5-1-11.5-4 from the Indiana State Board of Accounts as a result of the County's accounting software conversion which adversely impacted the timeline and completeness of the financial statements.

The reimplementation of the County's Oracle accounting software has enabled embedded systemic controls in order to assist in the mitigation of risk associated with material misstatements to the GAAP financial statements for the year ended December 31, 2024 and onward. Additionally, it is the intent of the County to stand up a more formal repository for risk assessment and associated internal controls and to continue to assess, document, and mitigate those risks to the financial statements on a go forward basis.

JOHN E. PETALAS
Treasurer



Treasurer Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET

June 27, 2024

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-002 and 2021-002

Fiscal year in which the finding initially occurred: 2019 and 2020
Current Audit Period: 2022

Finding Subject: Financial Transactions
Summary of Finding:

There was a deficiency in the internal control system of the County Treasurer related to financial transactions.

The County Treasurer's office maintained at Treasurer's Daily Balance of Cash and Depositories (Cash Book) which reflected the daily receipts and disbursements, total amount of cash and all the information together and recorded it in the Treasurer's Cash Book without a documented oversight or review process. The County Treasurer's office has subsequently implemented control procedures in 2022 to address this deficiency.

Status of Audit Finding: Corrected

Response Comments:

During January of 2022, the supervisor of the Cash Bookkeeping team and the Treasurer's Finance Manager began reviewing the Cash Book activity on a monthly basis. A printed copy is made, reviewed and initialed by each reviewer. Any discrepancies noted are discussed the Cash Book preparer.



Michael A. Brown

CLERK LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET

PHONE: (219) 755-3460

CROWN POINT, INDIANA 46307

FAX: (219) 755-3520

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2020-003

Fiscal year in which the finding initially occurred: 2018

Current Audit Period: 2022

Finding Subject: Financial Transactions

Summary of Finding:

There were several deficiencies in the internal control system of the Clerk of the Circuit Courts (Clerk) office related to financial transactions.

Bank Reconciliations

The Clerk did not have a proper system of internal controls in place to ensure that the accounting record balances were reconciled with all bank depository balances at least monthly as required by Indiana Code.

The Clerk's office had not reconciled any of the bank accounts, including the court ordered investments, associated with the prior software system. Furthermore, errors noted since the conversion to the new software in May 2018, which resulted in the reconciled bank balance to be lower than the record balance, continue to be carried on the bank reconciliation. Additional audit procedures were performed and it was determined that the cash and investment balance reported in the financial statement was materially correct.

Monitoring of Controls

The Clerk did not have an effective process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the Clerk to monitor and assess the quality of the system of internal controls.

Status of Audit Finding: Corrected

Response Comments:

All bank accounts including the Child Support Division have been reconciled, reviewed, and uploaded into Gateway. All Courtview case management bank accounts have been closed and put into a holding account per State Board of Accounts except for the Traffic Account. This account is still being worked on. The financial office is still working to resolved the conversion issues. The court ordered investment accounts are reconciled monthly, verifying the ledgers with the bank statements. A review sheet is then signed by the Division Manager and Financial Manager. Most of the accounts have been ordered by the court to be closed per our request. Closing of the accounts is still ongoing

The controls are evaluated on an ongoing basis. The Clerk's Office has incorporated the standard Operating Procedures to assist in the improvement of internal controls. Segregation of duties have been enforced with the Financial Bookkeepers and Division Manager in the Satellite Office. Bank reconciling by the Financial Office and the Satellite Offices is being completed in a timely manner and verified with a review sheet.

7-2-2024



Auditor Lake County

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



CORRECTIVE ACTION PLAN

FINDING 2022-001

Finding Subject: Internal Controls Over Financial Transactions and Reporting

Summary of Finding:

The county did not have properly designed internal controls in order to prevent or detect errors in the general ledger for activities related to receipts, disbursements, cash and investment activities, journal entries, and financial reporting.

Contact Person Responsible for Corrective Action: Dan Ciecierski, Comptroller

Contact Phone Number and Email Address: 219-755-3137 | ciecidx@lakecountyin.org

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

N/A

Description of Corrective Action Plan:

Lake County has begun execution of a comprehensive strategy in order to address the lack of internal controls around its financial transactions and reporting in a number of ways. The following will address control issues identified in these areas:

- Financial Transactions and Reporting
- Employee Benefit Accrual (EBA) Fund
- Cash and Investments
- Receipts
- Journal Entries
- Financial Statement & Reporting

First, a more qualified consulting firm has been hired to assist on two important fronts related to the new accounting system:

1. The first is the reimplementing of the Oracle accounting software which is inclusive of correcting data and poor configurations from the prior consultant, and deploying additional appropriate functionality to allow the County to optimize Oracle to suit the accounting needs from a process standpoint as well as an internal control perspective. Oracle in and of itself allows the county to implement strategic preventative internal controls via role-based access features. Said differently, Oracle has a more robust and granular ability to automatically create separation of



Auditor Lake County

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



duties among employees and departments simply by restricting the ability to perform actions which should be naturally segregated to mitigate risk of error.

2. Secondly, the managed services portion of the consulting contract will aid the County in running the business activities related to both the Oracle Human Capital Management (HCM) module and the Enterprise Resource Planning (ERP) module (Purchasing, Accounts Receivable, Accounts Payable, and General Accounting).

Another initiative being executed to address the lack of internal controls is to attract, and hire qualified professionals who have years of real world, practical experience in the field for which a job relates to. During the original implementation of the Oracle system there was no one who fully understood, nor had a background in the professional field of accounting in the Auditor's Office. The County has hired a Comptroller who passed the CPA, and has spent their entire career in the field of accounting. This individual has worked in the corporate utility and banking industries and has experience in GAAP reporting, regulatory reporting, internal controls, and overall general accounting. Additionally, the Comptroller has been involved with internal and external audit compliance as well as the installation, user acceptance testing, and transition of new accounting software.

Finally, once the regulatory audits for 2022 and 2023 are complete, the County will enhance the control environment for all activities by documenting processes via standard operating procedures (SOP's) and ensuring those procedures are being executed effectively. SOP's will include preventative controls such as secondary reviews and approvals of journal entries. Also included will be strategic role based access, a formal monthly close process, detective controls such as reconciliations at a granular level of General Ledger attributes and between functional areas of the County (i.e. Treasurer's and Auditor's Offices).

Anticipated Completion Date:

Major milestones and their associated completion dates are listed below.

1. 2022 General Ledger cleanup, AFR corrected, SBOA audit completion – Completion expected Oct. 31, 2024
2. 2023 General Ledger cleanup, AFR corrected, SBOA audit completion – Completion expected Sep. 30, 2025
3. Technology Enhancements & Control Process (SOP) development and tracking – Completion expected December 31, 2025

JOHN PETALAS
TREASURER



CITY BRANCH OFFICES
HAMMOND
GARY

Treasurer Lake County

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

CORRECTIVE ACTION PLAN

FINDING 2022-002 (Auditor Assigned Reference Number)

Finding Subject: Form 61
Summary of Finding:

Treasurer and Auditor are unable to reconcile

Contact Person Responsible for Corrective Action:
Ashley Chlodinski

Contact Phone Number and Email Address:
(219)755-3783
kristax@lakecountyin.org

Views of Responsible Officials:

We concur with the finding.

Description of Corrective Action Plan:

During the implementation of a new financial system the reporting needed to reconcile the Auditor and Treasurer was not accurately provided by the initial hired consultants. Treasurer and Auditor worked together to come up with a solution but were unsuccessful. Baker Tilly has been hired to take over for the previous consultants in helping to get the reporting needed. Currently there are different teams to help address the reporting issues and both Auditor and Treasurer are working with these teams to achieve reconciliation between the offices.

Anticipated Completion Date:

12/31/2025



**LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT**

2293 N. Main Street - Crown Point, In 46307

Tel. (219) 755-3225 www.lakecountyin.org

Executive Director
Timothy A. Brown

September 18th, 2024

CORRECTIVE ACTION PLAN

FINDING 2022-003

Finding Subject: CDBG – Entitlement Grants Cluster—Program Income
Summary of Finding:

Condition and Context:

The County received program income through various loan programs it offered to qualifying individuals. Once the County received a loan payment, the receipt was posted into the financial accounting system of the County and recorded in a grant fund. The amount received was also to be recorded in the Department of Housing and Urban Development's (HUD) Integrated Disbursement & Information System (IDIS) website. The recorded program income in IDIS would then appear on the Drawdown Report by Voucher Number report (PR07). No internal control process had been established over the program income compliance requirement. One individual was responsible for notifying the Auditor's office when program income money was received, in order for it to be receipted in the County's financial accounting system. The same individual was also responsible for reporting the same on IDIS site. No controls were established to ensure the program income that was recorded in the financial accounting system was also reported on IDIS site and the PR07 report.

Additionally, four receipts totaling \$38,960 were selected for testing from the County's receipt ledger. These four receipts were unable to be located on the PR07 report provided for audit. One of the four receipts was recorded in the IDIS system after information regarding the receipt was requested. The receipt was not in the PR07 report that had been provided for audit when we were provided information documenting it being recorded in IDIS.

Furthermore, we were unable to verify the total amount recorded in receipt ledger to the total reported on PR07 report. The County's ledger was greater than the PR07 report by \$30,324 and is primarily attributed to under reporting of program income in IDIS as identified above.

Recommendation:

We recommended that the management of the County establish a system of internal controls to ensure that all program income received is properly reported in the IDIS system and expended prior to drawing down federal awards.

Contact Person Responsible for Corrective Action: Timothy A. Brown

Contact Phone Number and Email Address: 219-755-3225 and brownta@lakecountyin.org

Views of Responsible Officials:

LCCEDD concurs with the audit finding.

Description of Corrective Action Plan:

LCCEDD staff have already adopted changes in internal controls to correct the Program Income reporting deficiencies. The process is as follows:

1. All incoming checks into the department are first reviewed by the Deputy Director. The Deputy Director determines the source of income (i.e. CDBG, HOME, NSP) and the correct receipt type (program income, repayment, homebuyer). The Deputy Director records the IDIS number of the project on the check before giving it to the Fiscal Officer.
2. The Fiscal Officer records the receipt on an internal schedule of receipts and submits the check to the County Auditor with the check deposit form with the IDIS number and correct fund and account number for deposit.
3. Once the County Auditor posts the receipt to the County's general ledger, the Fiscal Officer records the Auditor's receipt into HUD's IDIS Online reporting system.
4. At the close of each quarter, the Fiscal Officer will prepare and submit the Cash on Hand Report within thirty days of the close of the quarter. The Fiscal Officer will reconcile all expenses and receipts posted in the County's general ledger system with the receipts (report PR09) and drawdown requests (report PR07) in HUD's IDIS Online reporting system. Before submitting the Cash on Hand Report in the IDIS Online system, the Deputy Director will review and approve the prepared reconciliation and Cash on Hand Report. Any discrepancies between the two systems will be reported to the Auditor and the Department Director to determine corrective actions.
5. Within 30 days of the close of each calendar quarter, the Fiscal Officer will submit the Cash on Hand Report via IDIS Online. The Fiscal Officer will maintain a copy of the Cash on Hand report and the corresponding reconciliation in their program files.
6. On an on-going basis, the Director will meet with Department staff to determine if training or technical assistance is needed to complete HUD reporting requirements in a timely and accurate manner.

Anticipated Completion Date:

A policy and procedure amendment will be written by the end of this year and presented to the Lake County Redevelopment Commission for their March 2025 meeting for adoption.

Sincerely,

Timothy A. Brown
Executive Director
LCCEDD



**LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT**

2293 N. Main Street - Crown Point, In 46307

Tel. (219) 755-3225 www.lakecountyin.org

Executive Director

Timothy A. Brown

September 18th, 2024

CORRECTIVE ACTION PLAN

FINDING 2022-004

Finding Subject: CDBG – Entitlement Grants Cluster—Reporting

Summary of Finding:

Condition and Context:

The County did not have internal control procedures over the Quarterly Reports (PR29), IDIS Section 3 Performance Report, and NSP Quarterly Reports. One individual prepared or generated the report without a review or oversight process.

Additionally, the County's internal controls were not consistently documented over the draw down requests for the CDBG grant during the audit period. The draw down requests were entered into IDIS, which then becomes the basis for several of the reports. The control presented by the County was that one individual prepared and entered the request, which would then be printed, and another individual would review and sign the printed request to document the review. Of the thirteen reimbursement requests tested, control documentation for eight of the requests were printed and signed during current period, after the documentation was requested. The creation of documentation of the control procedure did not support that internal controls were effective during the audit period.

Recommendation:

We recommended that the County's management design and implement a proper system of internal controls, and retain documentation of its system of internal controls, to ensure compliance with reporting requirements.

Contact Person Responsible for Corrective Action: Timothy A. Brown

Contact Phone Number and Email Address: 219-755-3225 and brownta@lakecountyin.org

Views of Responsible Officials:

LCCEDD concurs with the audit finding.

Concurrence: The Fiscal Officer from the Audit Period was new to the position and her training was focused on the changes to the financial systems at the county over the DRGR quarterly reporting of NSP actions. Further, Finding 2022-003 also caused some of the reporting issues with CDBG of having two CDBG funds and posting errors to these funds. The current LCCEDD Fiscal Officer found the problems during the audit and corrective actions were done retroactively to address this part of the finding with the drawdown requests.

The CDBG drawdowns were submitted into IDIS by the Fiscal Officer who printed out the drawdown request. These printouts were then given to the Executive Director or the Deputy Director who then went into IDIS and approved the drawdown request, then print out the IDIS drawdown approval and return the request and the signed approval back to the Fiscal Officer.

Description of Corrective Action Plan:

LCCEDD staff have already adopted changes in internal controls to correct the CDBG reporting deficiencies as described in Finding 2022-003. Further, management will oversee compliance with current policies and the new quarterly reconciliations. LCCEDD policies will be updated to make the following changes:

General Management and Oversight:

On an on-going basis, the Director will meet with Department staff to determine if training or technical assistance is needed to complete HUD reporting requirements in a timely and accurate manner.

NSP Quarterly Reports:

To be followed until the HUD field office indicates QPR reports are no longer needed due to grant closeout:

1. Before the close of each month, the Fiscal Officer will create receipts and draws as needed in HUD’s DRGR system to reflect funds receipted or expended by the County.
2. At the close of each quarter, the Fiscal Officer will prepare and submit the quarterly report in DRGR for the NSP1 and NSP3 grant allocation. To prepare the report, the Fiscal Officer will reconcile all expenses and receipts posted in the County’s general ledger system for the NSP programs with the receipts and drawdown requests recorded in in HUD’s DRGR reporting system.
3. Before submitting the NSP QPR Report in the DRGR system, the Deputy Director will review and approve the prepared reconciliation and QPR Report. Any discrepancies between the two systems will be reported to the Auditor and the Department Director to determine corrective actions.
4. Within 30 days of the close of each calendar quarter, the Fiscal Officer will submit the NSP QPR Report via DRGR. The Fiscal Officer will maintain a copy of the NSP QPR and the corresponding reconciliation in their program files.

Cash on Hand Reports:

1. At the close of each quarter, the Fiscal Officer will prepare and submit the Cash on Hand Report within thirty days of the close of the quarter. The Fiscal Officer will reconcile all expenses and receipts posted in the County’s general ledger system with the receipts (report PR09) and drawdown requests (report PR07) in HUD’s IDIS Online reporting system.
2. Before submitting the Cash on Hand Report in the IDIS Online system, the Deputy Director will review and approve the prepared reconciliation and Cash on Hand Report. Any discrepancies between the two systems will be reported to the Auditor and the Department Director to determine corrective actions.
3. Within 30 days of the close of each calendar quarter, the Fiscal Officer will submit the Cash on Hand Report via IDIS Online. The Fiscal Officer will maintain a copy of the Cash on Hand report and the corresponding reconciliation in their program files.

Section 3 Reporting:

1. As part of the application review, the Deputy Director will determine the applicability of the Section 3 requirements for each proposed project.
2. For projects where Section 3 is applicable, the Deputy Director will ensure that staff administering the project are familiar with the Section 3 requirements and understand the forms and reporting required to properly report Section 3, including the determination of total labor hours worked, labor hours worked by Section 3 and Targeted Section 3 workers, and corresponding certifications.
3. The County will collect Section 3 reports from subrecipients administering projects throughout the period of performance. If the project meets Section 3 benchmarks, the County will consider the activity to be in full compliance with Section 3. If the project does not meet one of the Section 3 benchmarks, the County will require reporting on the qualitative efforts that the subrecipient made to try to reach the benchmarks.
4. Section 3 information collected for each project will be reported in IDIS Online. The Section 3 information must be reported annually before the submission of the annual report (CAPER) to HUD.

Anticipated Completion Date:

Part of the corrections have already been put into place and the Policy and Procedure Manual will be amended in April of 2025 after the Lake County Redevelopment Commission adopts appropriate changes.

Sincerely,

Timothy A. Brown
Executive Director
LCCEDD

CC: LCRDC and Attorney
Usona Development



Auditor Lake County

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



CORRECTIVE ACTION PLAN

FINDING 2022-005

Finding Subject: CDBG - Entitlement Grants Cluster - Period of Performance

Summary of Finding:

The county did not have properly designed internal controls in order to prevent or detect errors in the general ledger for activities related to adjustments to Community Development Block Grant funds during the transition and implementation of the Oracle accounting system.

Contact Person Responsible for Corrective Action: Dan Ciecierski, Comptroller

Contact Phone Number and Email Address: 219-755-3137 | ciecidx@lakecountyin.org

Views of Responsible Officials:

We concur with the finding.

Explanation and Reasons for Disagreement:

N/A

Description of Corrective Action Plan:

Lake County has begun execution of a comprehensive strategy in order to address the lack of internal controls around its financial transactions and reporting in a number of ways. The following will address control issues identified in these areas:

- Financial Transactions and Reporting
- Employee Benefit Accrual (EBA) Fund
- Cash and Investments
- Receipts
- Journal Entries
- Financial Statement & Reporting

First, a more qualified consulting firm has been hired to assist on two important fronts related to the new accounting system:

1. The first is the reimplementing of the Oracle accounting software which is inclusive of correcting data and poor configurations from the prior consultant, and deploying additional appropriate functionality to allow the County to optimize Oracle to suit the accounting needs from a process standpoint as well as an internal control perspective. Oracle in and of itself allows the county to implement strategic preventative internal controls via role-based access features. Said differently, Oracle has a more robust and granular ability to automatically create separation of



Auditor Lake County

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



duties among employees and departments simply by restricting the ability to perform actions which should be naturally segregated to mitigate risk of error.

2. Secondly, the managed services portion of the consulting contract will aid the County in running the business activities related to both the Oracle Human Capital Management (HCM) module and the Enterprise Resource Planning (ERP) module (Purchasing, Accounts Receivable, Accounts Payable, and General Accounting).

Another initiative being executed to address the lack of internal controls is to attract, and hire qualified professionals who have years of real world, practical experience in the field for which a job relates to. During the original implementation of the Oracle system there was no one who fully understood, nor had a background in the professional field of accounting in the Auditor's Office. The County has hired a Comptroller who passed the CPA, and has spent their entire career in the field of accounting. This individual has worked in the corporate utility and banking industries and has experience in GAAP reporting, regulatory reporting, internal controls, and overall general accounting. Additionally, the Comptroller has been involved with internal and external audit compliance as well as the installation, user acceptance testing, and transition of new accounting software. In order to mitigate the risk of error for any adjusting entries made which are recommended by consultants, the Comptroller of Finance must review and approve these entries.

Anticipated Completion Date:

1. This process has already been put into place and is being executed.



**LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT**

2293 N. Main Street - Crown Point, In 46307

Tel. (219) 755-3225 www.lakecountyin.org

Executive Director
Timothy A. Brown

September 18th, 2024

CORRECTIVE ACTION PLAN

FINDING 2022-006

Finding Subject: Emergency Rental Assistance Program -- Reporting
Summary of Finding:

Condition and Context:

Recipients are required to submit FFATA (Federal Funding Accountability and Transparency Act) reporting through the FSRS (FFATA Subaward Reporting System) website to the U.S. General Services Administration. This reporting is required to be completed for each action based on subawards of \$30,000 or more that are made from the federal program. Information to be reported included the information contained within the subaward. The County did not have any policies or procedures in place related to the FFATA reporting requirements. During the audit period, the County was required to submit the FFATA reporting for one subaward that was over \$30,000. The County, however, did not submit the required report on the FSRS website.

Recommendation:

We recommended that management of the County design and implement a proper system of internal controls, to ensure that all subrecipients awarded \$30,000 or more are properly reported in accordance with FFATA reporting requirements.

Contact Person Responsible for Corrective Action: Timothy A. Brown

Contact Phone Number and Email Address: 219-755-3225 and brownta@lakecountyin.org

Views of Responsible Officials:

LCCEDD concurs with the audit finding.

Description of Corrective Action Plan:

LCCEDD staff will be preparing an amendment to the policy and procedures manual to follow the FFATA regulations for all of the department sub-recipients (social service agencies) including the CDBG partner communities. The process will include review of all sub-recipient agreements by the Deputy Director who will provide to the Fiscal Officer a copy of the approved and signed agreement. The Fiscal Officer will work with the Bookkeeper to record the agreements into the FFATA Subaward Reporting System (FSRS).

Anticipated Completion Date:

A policy and procedure amendment will be written by the end of this year and presented to the Lake County Redevelopment Commission for their January 2025 meeting for adoption.

LCCEDD staff will start reporting into FSRS all sub-recipient for FY2023 and FY2024 once the policy and procedure amendments are approved.

Sincerely,

Timothy A. Brown
Executive Director
LCCEDD

CC: LCRDC and Attorney
Usona Development

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.