

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

AUDIT REPORT

OF

COUNTY RECORDER

LAKE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

01/07/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Untimely Remittances.....	4
Bank Account Reconciliations	5
Fee and Cash Book.....	5
Exit Conference.....	6
Official Response	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Recorder	Michael A. Brown Michelle R. Fajman	01-01-09 to 12-31-09 01-30-10 to 12-31-12
President of the County Council	Larry Blanchard Thomas O'Donnell	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the Board of County Commissioners	Roosevelt Allen, Jr. Frances DuPey	01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Recorder for the period from January 1, 2009 to December 31, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Lake County for the year 2009.

STATE BOARD OF ACCOUNTS

July 7, 2010

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Controls for receipts generated by the Recorder' office had the following deficiencies:

1. Receipts are not written for all collections from customers.
2. A reconciliation of receipts issued to the cash collected is not performed to determine if any discrepancies between cash and receipts exist.
3. Transactions posted to the computerized Fee and Cash Book, are obtained from the recorded document rather than from the receipt issued.
4. Collections are adjusted to agree to the Fee and Cash Book totals by withholding or adding in money, instead of depositing amount on hand and investigating any differences. When the collections were over, the amounts were withheld and used to offset when the collections were short instead of being deposited at the time of collection.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

The recorder may demand his fees before entering and recording an instrument (IC 36-2-11-6). When the recorder has received an instrument for record, he may return it to the person who presented it only after the fee for recording the instrument has been paid (IC 36-2-11-7). (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 8)

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

UNTIMELY REMITTANCES

The Recorder's office did not remit monthly collections to the County Auditor on a timely basis. During 2009, remittances were made up to 36 days after the end of the month.

IC 36-2-7-10 (a) states in part: "The county recorder shall tax and collect the fees prescribed by this section for recording, filing, copying, and other services the recorder renders, and shall pay them into the county treasury at the end of each calendar month."

IC 36-2-8-3 states: "A county officer and his deputies and other employees are entitled to payment only after the officer has reported all fees collected by his office and paid them into the county treasury."

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

The Recorder does not reconcile the Fee and Cash Book to the bank balance. The Fee and Cash Book does not include a cumulative cash balance, which would allow for a reconciliation to be performed. The Recorder's office attempts to determine a cash balance based on the bank balance, adjusted for outstanding checks and outstanding accounts receivable. A similar comment appeared in previous reports.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

FEE AND CASH BOOK

As stated in prior reports, the Recorder's office uses a computerized Fee and Cash Book to post all receipts by type. However, the Fee and Cash Book maintains a cumulative total of receipts for the current day only. The Fee and Cash Book does not include disbursements for the month or maintain a running cash balance as required. The next days' receipt balance starts at zero. In addition, this form currently in use was not approved.

The Recorder permits certain entities to have documents recorded and allows them to pay at a later date, thus accruing accounts receivable balance. The fees for these services, as shown on the daily cash sheet, are not posted to the Fee and Cash Book on the date collected. Rather, the fees are posted to the Fee and Cash book on the initial date of the charge. Therefore, differences between actual collections and what is recorded in the Fee and Cash book exist.

The Fee and Cash Book should be totaled and footed at the close of each day and the receipts verified with the cash drawer. The amount of such receipts should also agree with the deposit to be made on the following business day. At the close of each calendar month the receipts should be accumulated and monthly totals entered at the foot of each column. The monthly totals should agree with the depository balance at the close of the month, considering the deposit of any fees received on the last day of the month, and will represent the amount to be paid into the county treasury. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2010, with Michael A. Brown, former Recorder. The official concurred with our audit findings.

The contents of this report were discussed on July 13, 2010, with Michelle R. Fajman, Recorder, and Michael A. Troxell, Chief Deputy Recorder. The official response has been made a part of this report and may be found on page 7.



OFFICE OF THE LAKE COUNTY RECORDER

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CROWN POINT, INDIANA 46307

MICHELLE R. FAJMAN
Recorder



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August 4, 2010

Bruce Hartman
302 W. Washington Street
Room E-418
Indianapolis IN 46204

Re: Lake County Recorder
Exit Conference Official's Response

Dear Mr. Hartman,

In response to the audit results for the period of January 1, 2009 to December 31, 2009, dated July 10, 2010, I would like to make the following comments. I became the new Lake County Recorder on January 30, 2010 and have put the following changes in place.

Receipts are now written for all cash, checks and electronic funds collected from customers. Receipts are reconciled daily to determine any discrepancies. New receivables procedures have been put into place to allow timely remittance of collections to the County Auditor. Reconciliation of the bank balance to the Fee and Cash Book is performed daily. The Fee and Cash Book has a cumulative total of receipts daily and for the current month. These changes address some of the main deficiencies in the Lake County Recorder's Office from past audits by the State Board of Accounts.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle R. Fajman".

Michelle R. Fajman
Lake County Recorder

MRF/pjm

Cc: files