

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAPORTE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
09/11/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	JoEileen Winski	01-01-13 to 12-31-16
County Treasurer	Nancy Hawkins	01-01-13 to 12-31-16
Clerk of the Circuit Court	Lynne Spevak	01-01-13 to 12-31-16
County Sheriff	Michael Mollenhauer John Boyd	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Barbara Dean	01-01-13 to 12-31-16
President of the Board of County Commissioners	Willie Milsap David Decker	01-01-13 to 12-31-14 01-01-15 to 12-31-15
President of the County Council	Mark Yagelski	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of LaPorte County (County), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

March 31, 2015

COUNTY AUDITOR
LAPORTE COUNTY

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the County related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

The County has not established effective controls to allow for the proper reporting of the County's financial transactions. There is not adequate segregation of duties related to the recording, processing, and disbursing of property and excise taxes; timely posting and recording of departmental collections; recording of noncyclical disbursements; and recording of adjustments; including no oversight, review, or approval process.

The County has not established effective controls related to recording of adjustments. The County Auditor was unaware of adjustments that were recorded to the County Auditor's Funds Ledger and their effect on the records and the financial statement.

The County has not established effective controls to accurately reconcile the County Auditor's Funds Ledger, which is used to prepare the financial statement, to the County Treasurer's Cash Book, which is reconciled with the depository balances. Controls were also not established to reconcile excise tax funds held by the County Auditor to monthly state collection reports or to the amounts distributed during each six month settlement period.

The County has not established effective controls for the approval of vendor invoices prior to the disbursement for those amounts due. Written approval of the department head and the County Auditor is not made until the date or after the date of disbursement.

The County has not established effective controls for the approval of self-insurance claims made by a private corporation hired to disburse health insurance payments. The County has allowed the private corporation to initiate and withdrawal funds from a County bank account without specific authorization from the County.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

***FINDING 2013-002 - ERRORS IN FINANCIAL TRANSACTIONS,
FINANCIAL REPORTING, AND RECONCILEMENTS***

The County Auditor's Funds Ledger, which was used to prepare the financial statement, did not agree with the County Treasurer's Cash Book, which was reconciled with the depository balances. The County Auditor's Funds Ledger included various adjustments to the Settlement fund totaling \$1,263,800 which were not adequately identified or documented; therefore, we were unable to verify the validity of the adjustments or the accuracy of the cash and investment balance reported as of December 31, 2013.

Supplemental Annual Reports of certain departments of the County, which summarize cash balances, receipts, and disbursements for the calendar year, were either not provided by the departments or were not included within the financial statement prepared by the County Auditor. Audit adjustments to reflect the transactions and cash and investment balances of the departments were proposed, accepted by the County Auditor, and made to the financial statement that appears in this report.

The Settlement fund, which is essentially a clearing account that should have a zero balance after settlement, reported large year-end balances for many years. These balances fluctuated significantly over the years between a positive balance of \$1,034,036 and a negative balance of \$13,709,584. The balances have not reconciled to the depository balances and numerous errors have gone uncorrected within this fund. The unreconciled difference at December 31, 2013, was \$6,575,495 after an adjustment of \$7,134,089 for a disbursement made from this fund in error and a \$2,110,257 adjustment to lower the cash balance to reconcile a property tax settlement. The accounting records did not permit the identification of the remaining difference.

Excise tax funds held by the County Auditor did not agree with the monthly state collection reports or with the amounts distributed during each six month settlement period. The balance of the Excise Fund was \$26,686,029 at December 31, 2013; however, only approximately \$20,810,010 should have been on hand for the next settlement period. The unreconciled difference at December 31, 2013, after an adjustment of \$7,134,089 for a disbursement that should have been recorded in this fund, is \$1,258,070. The accounting records did not permit the identification of the remaining difference.

Due to the material errors noted above, the records presented did not provide sufficient information to substantiate the receipts, disbursements, and ending balance of the Settlement fund, or the accuracy or correctness of the transactions reported for the Settlement fund on the County's financial statement. Accordingly, we qualified the opinion of the financial statement for the Settlement fund regarding its receipts, disbursements, and ending cash and investment balance.

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

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 6-6-5-10(c) states in part:

". . . The county auditor shall determine the total amount of excise taxes collected for each taxing district in the county and the amount so collected (and the distributions received under section 9.5 of this chapter) shall be apportioned and distributed among the respective funds of the taxing units in the same manner and at the same time as property taxes are apportioned and distributed (subject to adjustment as provided in IC 36-8-19-7.5) . . ."

FINDING 2013-003 - INTERNAL CONTROL AND COMPLIANCE OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The County should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

The County's SEFA included the following errors:

The SEFA did not include 8 programs with federal expenditures totaling \$134,415. In addition, one program's expenditures were overstated by \$123,196 and three others were understated by \$22,840 in total.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

FINDING 2013-006 - INTERNAL CONTROLS OVER CHILD SUPPORT ENFORCEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number: 2013
Pass-Through Entity: Indiana Department of Child Services

Management has not established an effective internal control system to ensure the reliability and accuracy of data used in determining the indirect costs that are charged to the program. The County hired an outside consultant to prepare their indirect cost allocation plan. This consultant requests financial and other pertinent information from the County to complete the cost allocation plan. This plan determines the amount of indirect costs that the County is eligible to receive. The consultant also submits the plan to the Indiana Department of Child Services for the reimbursement of the indirect costs for the County. Evidence that the County reviewed the indirect cost allocation plan prepared by the consultant was not provided.

The failure to establish an effective internal control system places the County at risk of noncompliance with the grant agreement and the compliance requirements related to the program. A lack of an internal control system could also allow the misuse and mismanagement of federal funds and assets by not having proper oversight and reviews.

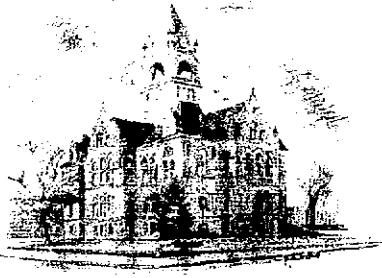
An internal control system should be designed and operate effectively to provide reasonable assurance that noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the County.

We recommended that the County establish internal controls to ensure the reliability and accuracy of the data used in determining the amount of indirect costs that the County is eligible to receive.



*LaPorte County Auditor
Joie Winski
555 Michigan Avenue, Suite 205
LaPorte, IN 46350-3490*

CORRECTIVE ACTION PLAN

FINDING 2013-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Auditor Joie Winski
Contact Phone Number: 219-326-6808 extension 2226

Description of Corrective Action Plan:

Several procedural changes have been made in the Auditor's Office to insure that all funds are recorded, processed and disbursed correctly and efficiently. Excise tax is accounted for through EFT's, reconciled with the Treasurer, kept in a separate account and disbursed twice a year. The Excise funds are monitored on a monthly basis with the Treasurer. The Auditor will oversee all transactions including the review of all disbursements and adjustments to funds.

Measures were taken to prepare the monthly Financial Statement and reconcile it with the Treasurer's Cash Book. At my request, the Commissioner's agreed to hire Cender and Company to assist the Treasurer's in balancing her Cash Book. The Cash Book is now balanced for the first time in over 4 years.

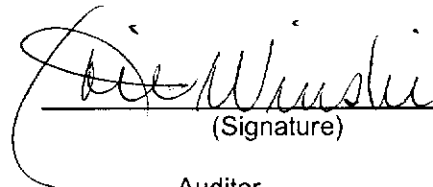
Steps have been taken to assure that the Auditor receives vendor invoices prior to the disbursement of the payment. Department Heads/Elected Officials now submit purchase orders prior to purchase or travel. Checks are not issued until the merchandise is received and proof of that is given to the auditor and travel is complete with proof of attendance submitted.

The HR Department has been contacted with regard to the self-insurance claims and payments being made without authorization. The Auditor will take back that responsibility if necessary and will work with HR to determine an acceptable solution.

The Auditor's Office does not handle any cash or checks. Funds are recorded and then sent to the Treasurer's office to be deposited by that office.

Anticipated Completion Date:

Immediate and ongoing

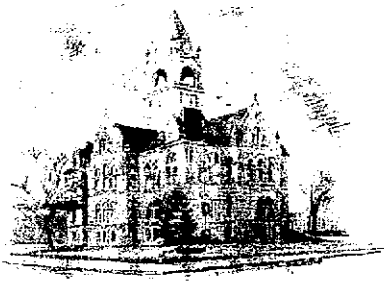


(Signature)

Auditor

(Title)

March 26, 2015



*LaPorte County Auditor
Joie Winski
555 Michigan Avenue, Suite 205
LaPorte, IN 46350-3490*

CORRECTIVE ACTION PLAN

FINDING 2013-002 ERRORS IN FINANCIAL TRANSACTIONS, FINANCIAL REPORTING, AND RECONCILEMENTS

Contact Person Responsible for Corrective Action: Joie Winski
Contact Phone Number: 219-326-6808 extension 2226

Description of Corrective Action Plan:

A reallocation of duties has been with regard to the monthly funds ledger and comparison to the treasurer's financial ledger. The Auditor's Funds Ledger is now compared to the Treasurer's Monthly Report on a monthly basis and the Funds Ledger and Treasurer's Cash Book are also compared on a monthly basis.

Supplemental reports have now been provided to all Department Heads and Elected Official prior to the completion of the Annual Report.

A new Settlement Fund has been established for disbursements only. The Settlement Fund will have a zero balance after the November 2014 Settlement is completed. All disbursement funds will have a zero balance after disbursement of funds on a monthly, bi annually or quarterly basis, depending on the fund. This includes CAGIT, FIT, CEDIT along with Settlement. Although errors may seem to have gone undetected, I am going back to 2005 researching ledgers to find the root of the problem. I hope to find the answer to why there was an adjustment made to the Settlement Fund originally.

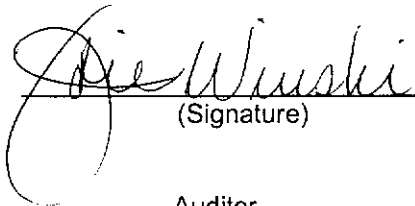
Excise Funds are reconciled to the Treasurer's report on a monthly basis.

Upon my request to the Commissioner's, Cender and Company was contracted with at the beginning of 2013 to assist the Treasurer's Office in balancing the Cash Book. This is the first time in over 4 years that the Cash Book has been in balance.

Again, staff changes have been made to insure accurate reporting.

Anticipated Completion Date:

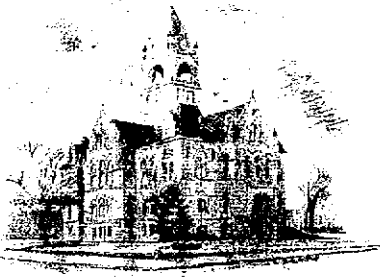
Immediate and ongoing



(Signature)

Auditor
(Title)

March 26, 2015



*LaPorte County Auditor
Joie Winski
555 Michigan Avenue, Suite 205
LaPorte, IN 46350-3490*

CORRECTIVE ACTION PLAN

FINDING 2013-003 INTERNAL CONTROL AND COMPLIANCE OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

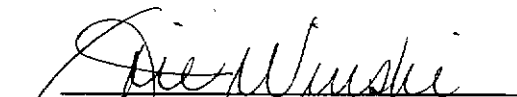
Contact Person Responsible for Corrective Action: Joie Winski
Contact Phone Number: 219-326-6808 extension 2226

Description of Corrective Action Plan:

The Auditor's Office is compiling a new list of Federal Awards in compliance with Federal and State guidelines. Staff changes have been made to oversee the proper receipting, recording, disbursements and accounting of funds and grants and accurate record keeping.

Anticipated Completion Date:

Immediate and ongoing

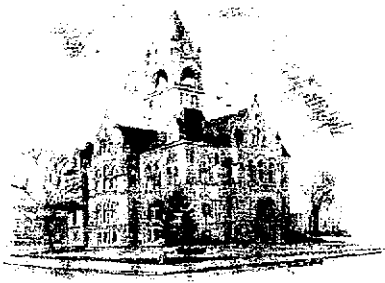


(Signature)

Auditor

(Title)

March 26, 2015



*LaPorte County Auditor
Joie Winski
555 Michigan Avenue, Suite 205
LaPorte, IN 46350-3490*

CORRECTIVE ACTION PLAN

FINDING 2013-006-INTERNAL CONTROLS – CHILD SUPPORT ENFORCEMENT

Contact Person Responsible for Corrective Action: Auditor Joie Winski,
Contact Phone Number: 219-326-6808 extension 2226

Description of Corrective Action Plan:

The Auditor now meets with Maximus, the vendor for IV D /Child Support Collection and goes over their numbers for accuracy. All information given to Maximus is provided directly from the Auditor's office. The Auditor signs off on their submitted documents. Proof will be attached to this audit in the future.

Anticipated Completion Date:

Immediate and ongoing.

Joie Winski

(Signature)
Auditor

(Title)
3/26/2015

(Date)

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

SETTLEMENT FUND

The financial statement presented for the County includes a Settlement fund used to record property taxes and CEDIT distributions received by the County Auditor from the County Treasurer and State of Indiana, respectively, and then distributed to local units of government.

At January 1, 2013, this fund had a negative cash balance of \$2,207,881; at December 31, 2013, the negative cash balance was \$13,709,584. The December 31, 2013 negative cash balance is attributable to the following:

1. A disbursement of \$7,134,089 to the State of Indiana for excise taxes due that should have been paid from the Excise Fund.
2. Net erroneous CAGIT receipts and subsequent corrections of \$2,117.
3. A net negative adjustment of \$1,263,800 to balance the County Auditor's Funds Ledger to the Treasurer's Cash Book and depository balances.
4. A \$2,110,257 disbursement adjustment to balance the amount of property taxes received from the County Treasurer to the amount distributed to local units of government.
5. Numerous cumulative errors that have gone uncorrected dating back to 2005.

The Settlement fund has not netted to a zero balance in the past nine years. A negative balance could indicate that local units were overpaid their tax settlements.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

APPROPRIATIONS

The records presented for audit indicated 2013 expenditures in excess of budgeted appropriations of \$530,270 and \$48,547, for the General and Regional Planner funds, respectively.

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

LOCAL APPROPRIATIONS

Due to the nature of the funds, the Department of Local Government Finance does not require the submission for approval of certain local funds for additional appropriation. These require only the approval of the County Council. Minutes of County Council meetings indicate that the County Council passed Ordinance 2012-05 approving the appropriations for various local fund appropriations. No record of this Ordinance has been retained by the County. Based on the appropriations entered into the records, the following funds' disbursements exceeded the adopted budget for the calendar year 2013 by the amounts indicated below:

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund Name	Disbursements in Excess of Appropriation
Local Emerg Plan & Right To Know	\$ 38,417
County Corrections Fund	89,054
Real Estate Endorsement Fee	31,580
Vehicle Inspection Fund	2,366
County User Fee Fund	349,739
Suppl Juvenile Circuit Court	4,000
Prosecutor Pretrial Div & Deferral	285,425
JSC Elect Monitor & Home Detention	12,423

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

Indiana Code 36-2-5-2(b) states:

"The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

ENCUMBRANCES

The County routinely transfers the unused portion of any budget at the end of a calendar year into the new calendar year without proper encumbrances to substantiate the increased appropriation.

Appropriations may be carried forward to the following year if any of the following conditions exist:

1. A lawful contract has been entered into with a vendor or contractor on or before December 31 and all or a part of the contract has not been paid.
2. A purchase order has been issued on or before December 31, entered as an encumbrance against an existing appropriation, and is unpaid as of December 31.
3. Proceeds of a bond issue have been duly appropriated and remain unexpended as of December 31.
4. Appropriations which are obligated by a contract or agreement executed on or before December 31, between the County and any federal or state agency, such as a criminal justice planning grant, local road and street project, or federal grant requiring local matching funds.

Only the amount required to meet the balance due on a contract or purchase order may be carried forward; the amount remaining in the appropriation account shall revert to fund from which appropriated. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

PAYROLL FUND

The financial statement presented for the County includes the Payroll fund which has an overdrawn cash balance of \$11,742 at December 31, 2013. This fund was also overdrawn \$10,436 at December 31, 2012. The 2013 increase in the overdrawn amount is attributed to \$1,306 in bank fees charged to this fund. The Payroll fund is a clearing account for payroll only; bank fees or other operating costs should be disbursed from the proper appropriation of the General fund. Since the inception of the bank account the fees have totaled \$20,433, which contributed to the prior overdrawn cash balance. Other errors in previous years were not identified.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

EXCISE TAX RECONCILIATION AND DISTRIBUTION

The County Treasurer and County Auditor are to complete an "Excise Tax Reconciliation at Settlement" form prior to each settlement. This reconciles the amount of taxes certified for settlement from the County Treasurer to the amounts to be distributed by the County Auditor. It also includes amounts received from the Bureau of Motor Vehicles that will be distributed in the following six month settlement period. The County Treasurer does not certify this form because excise taxes are not recorded separately in the Cash Book. The reconciliation was not performed in 2013 and excise taxes were not distributed.

At January 1, 2013, the cash balance of the Excise Fund was \$18,234,030; at December 31, 2013, the cash balance was \$26,686,029. During 2013, the County paid excise tax to only the State of Indiana in the amount of \$3,545,495. No distributions of excise taxes were made to local units of government despite there being two settlements and distributions of property taxes during the year.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

Indiana Code 6-6-5-10 states in part:

"The county auditor shall determine the total amount of excise taxes collected for each taxing district in the county and the amount so collected shall be apportioned and distributed among the respective funds of the taxing units at the same time as property taxes are apportioned and distributed."

CREDIT CARD USAGE

On December 18, 2013, the Board of County Commissioners adopted Resolution 2013-13, a credit card policy, which states, in part:

". . .Section 2: The Board of Commissioners of LaPorte County shall designate a bank or credit card company as the sole issuer of credit cards to all LaPorte County Departments and offices.

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Section 3: A Department Head may apply to the Commissioner's Office for issuance of a credit card in the name of such department or office, and such department shall pay the annual fee for its issuance, if any. . .

Section 7: The credit card may be used for any purchase for which there is an existing appropriation at the time of use.

Prior to December 18, 2013, the County did not have a formal written credit card policy adopted by the Commissioners; however, historically, numerous credit cards were issued in the County's name and were used by various departments throughout the County.

The County Auditor provided a list of credit cards she had accumulated through correspondence with department heads and review of credit card statements which showed the County has at least 38 credit cards. Some departments have only one credit card (Health Department), while others have multiple cards (Police, Building Maintenance, Circuit Court, Animal Control, Community Corrections, Board of County Commissioners). As of the date of this report, the Board of County Commissioners do not have a list of departments and offices holding credit cards, and none of the department heads have applied to the Board of County Commissioners for issuance of a card in accordance with Section 3 above.

Several credit card claims for payment from various departments were reviewed during the audit. Some of the issues noted were as follows:

1. Late fees and interest were incurred and paid for a credit card used by the Commissioners.
2. Fuel is charged to credit cards, but receipts used to support the charges did not include any identification as to whether the vehicle was County owned.
3. Gift cards were purchased by a former Commissioner for retirement gifts using a County credit card. There was no indication of the intended recipients of the gift cards.
4. Numerous charges made for hotel stays were supported by an emailed hotel confirmation rather than the actual hotel invoice.
5. Charges made at local restaurants do not include a description of the business nature of the meals.
6. Not all monthly statements from cards in possession of the Circuit Court Judge were remitted to the County Auditor. According to the Circuit Court Judge, the statements he did not remit to the County Auditor included purchases that he was unable to support with a detailed invoice, and therefore, he took personal responsibility for the payment of those charges. In reviewing the statements provided by the Circuit Court Judge, we were unable to determine if all the charges were County related expenses since itemized invoices were not provided for our review. As of June 26, 2014, the Judge paid the balance owed, closed the account and surrendered his credit card to the County Auditor.
7. We noted instances where the County Auditor did not record the credit card expenses to the proper appropriation account. For example, calendars, refreshments, and monthly cell phone charges were recorded to the Capital Outlay/Equipment appropriation.

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Another County official, whose spouse also works for his department, had his spouse escort him to most conferences. On some of the registrations, he designated that she is attending as a guest, not as an employee attending the conference; however, the County paid for meals included on the credit cards for both parties.

The County Auditor abides by the County travel policy when paying the travel expenses charged on the credit card. Several employees have to provide a personal check to accompany the check issued to the credit card company for expenses incurred in excess of the travel policy, as the checks are mailed directly to the credit card company by the County Auditor. There is one exception, the check made payable to the credit card company for the County Sheriff's Department's credit cards are returned to the County Sheriff's Office. For internal control purposes, checks issued by the County Auditor should be mailed directly to the vendor.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS

On December 20, 2013, the County paid \$500,000 in total to two vendors for fuel that was received and/or delivered in 2014.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PROPERTY TAXES, CEDIT, CAGIT - RECONCILIATION OF SUBSIDIARY LEDGERS

Reconcilements of the subsidiary records to the control accounts for property taxes, CEDIT, and CAGIT received and distributed were not performed during the audit period. Numerous errors have gone undetected and/or uncorrected over several years leaving unidentified balances and deficits of cash throughout the years.

The Settlement fund has not reported a zero balance after settlement of property taxes for the past nine years. During this time period the cash balance has fluctuated between positive and negative amounts in excess of \$1,000,000.

CEDIT received from the State of Indiana to be distributed to local units of government are receipted into the Settlement fund rather than a separate fund. Attempts to reconcile the amount received from the State of Indiana to the amounts distributed to local units of government for 2013 were unsuccessful.

CAGIT received from the State of Indiana to be distributed to local units of government are receipted into a separate fund on the records of the County. The January 1, 2013 cash balance of this fund was \$512,805; the December 31, 2013 cash balance of this fund was \$3,602,390. This ending cash balance represents the undistributed shares owed to Laporte County government.

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 Auditors of Indiana, Chapter 14)

SUPPORTING DOCUMENTATION FOR SETTLEMENTS

Supporting documentation to validate the property tax settlements completed in 2013 were not made available for audit. The property tax settlements completed in 2013 were for the reconciliation of 2010 Payable 2011 and 2011 Payable 2012 property tax years.

Due to the lack of supporting information, we could not verify the proper accounting for the receipt of property taxes, the transfer of funds from the County Treasurer to the County Auditor, or the accuracy of the distributions made to local units of government during 2013.

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OVERDRAWN CASH BALANCES

The financial statement included the following funds with overdrawn cash balances at December 31, 2013:

Fund Name	Overdrawn Cash Balance
General	\$ 28,472,236
LaPorte County Pioneer Cemetery Comm	13,996
Payroll	11,742
Payroll Deductions Fund	660,416
Settlement	13,709,584
Community Corrections Fund	32,952
Center Township Poor Relief	91
Regional Planner	109,473

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

INTERNAL CONTROLS AND COMPLIANCE OVER PAYROLL

We noted deficiencies in the internal control system of the County related to payroll processing. Controls have not been established which would allow management and those charged with governance to detect and prevent errors or omissions of payroll expenditures, or to prevent noncompliance with state statutes.

Employees' compensation, hours, and leave time are to be reported by the department payroll clerks to the County Auditor's Office for payroll processing by the Friday prior to the pay date, which is on the following Friday. Salaried employees are paid for 1/26th of the approved salary ordinance amount beginning on the first Friday of the calendar year irrespective of the number of days worked prior to that first Friday. Hourly employees are paid on Friday for actual hours worked for one week and for an estimate of hours worked for one week. This pay also cannot reflect leave time used for the period covered.

Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance . . ."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

SALARY ORDINANCE SUPPORTING DOCUMENTATION

An approved salary ordinance, or other appropriate documentation, listing hourly and part time employee compensation was not made available for audit.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

ANNUAL REPORT

The 2013 electronic Annual Report did not include all the financial activity of all departments and capital assets of the County. The financial activity of the County Treasurer, County Sheriff, and Clerk of the Circuit Court were not included in the Annual Report.

Additionally, the capital asset schedule in the gateway system failed to include the capital assets for the Community Corrections facility completed in 2013. The omission of these assets resulted in the gateway system schedule being materially understated by \$5,166,403.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."



*LaPorte County Auditor
Joie Winski
555 Michigan Avenue, Suite 205
LaPorte, IN 46350-3490*

March 26, 2015

Ladies and Gentlemen of the State Board of Accounts:

While I understand that the State Board of Accounts must report their Annual Audit findings accurately, I find the current (2013) findings to be unduly harsh and critical of my administration of my office. The report failed to mention *any* of the myriad of corrective procedures that I have instituted since Day 1.

I was elected to find a solution to the years of problems the Auditor's office was experiencing, not to prolong them. My second day in office, I uncovered thousands of dollars in missing money. At that point I realized that several years of accounting records were in disarray and immediately called the State Board of Accounts to assist me with an audit of the County's financial records.

My second week in office, corrections were made to over \$6,000,000 of misallocated funds. To compound all of this, years of tax bills had not been sent, not collected and the Treasurer's Cash Book was not reconciled in over 3 years. I was the driving force, working closely with the County Commissioner's, in bringing in an outside accounting firm, Cender & Company, to assist the Treasurer and her office with reconciling the books in accordance with State Board compliance guidelines. Previous Annual Reports cite the Treasurer not reconciling with the Auditor's funds. I made staff changes and we now balance monthly.

I issued a new directive to all County departments early in 2013 with the receipting of money. The Auditor's office no longer handles any money or takes any money to the Treasurer for deposit. It is now the department's responsibility to take their money to the Treasurer on the same day. It is up to the Treasurer's Office to ensure that the money and checks are secure.

A new credit card policy has been adopted by the County Commissioner's. We now have one credit card number with one invoice that is sent directly to the Auditor for payment. Departments must still provide documentation for all charges and must submit purchase orders prior to the expenditure.

We have "cleaned up" the County's funds ledger, asking and having the County Council for the removal of dormant funds and reallocating these funds to the General Fund.

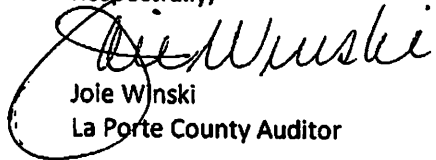
In the first 16 months of my administration, I have normalized the tax billing for La Porte County. The County has now joined the other 91 counties around the state in issuing bills in April with a 2 part payment – May 10th and November 10th.

Staff responsibilities have been reassigned to account for past discrepancies. The separation of jobs has taken place and no one person has complete control over specific tasks. Accountability and control is now in place.

Excise taxes are now recorded properly, disbursed timely and reconciled with the Treasurer routinely. The Auditor's is also reconciled monthly to the Treasurer's Cash book. This change took place in June of 2013.

I will continue to make needed changes and adjustments in the office to effectively control and manage office operations as warranted.

Respectfully,

A handwritten signature in black ink, appearing to read "Joie Winski". The signature is written in a cursive style with a large, looping initial "J".

Joie Winski
La Porte County Auditor

COUNTY AUDITOR
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2015, with JoEileen Winski, County Auditor, and Andrea M. Smith, Chief Deputy Auditor.

The contents of this report were discussed on March 31, 2015, with Matthew Bernacchi, Vice President of the County Council; David Decker, President of the Board of County Commissioners; and Shaw Friedman, County Attorney.

COUNTY TREASURER
LAPORTE COUNTY

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the County related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. The County has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

The County has not established effective controls to allow for the proper reporting of the County's financial transactions. There is not adequate segregation of duties related to the recording, processing, and disbursing of property and excise taxes; timely posting and recording of departmental collections; recording of noncyclical disbursements; and recording of adjustments; including no oversight, review, or approval process.

The County has not established effective controls related to recording of adjustments. The County Auditor was unaware of adjustments that were recorded to the County Auditor's Funds Ledger and their effect on the records and the financial statement.

The County has not established effective controls to accurately reconcile the County Auditor's Funds Ledger, which is used to prepare the financial statement, to the County Treasurer's Cash Book, which is reconciled with the depository balances. Controls were also not established to reconcile excise tax funds held by the County Auditor to monthly state collection reports or to the amounts distributed during each six month settlement period.

The County has not established effective controls for the approval of vendor invoices prior to the disbursement for those amounts due. Written approval of the department head and the County Auditor is not made until the date or after the date of disbursement.

The County has not established effective controls for the approval of self-insurance claims made by a private corporation hired to disburse health insurance payments. The County has allowed the private corporation to initiate and withdrawal funds from a County bank account without specific authorization from the County.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

***FINDING 2013-002 - ERRORS IN FINANCIAL TRANSACTIONS,
FINANCIAL REPORTING, AND RECONCILEMENTS***

The County Auditor's Funds Ledger, which was used to prepare the financial statement, did not agree with the County Treasurer's Cash Book, which was reconciled with the depository balances. The County Auditor's Funds Ledger included various adjustments to the Settlement fund totaling \$1,263,800 which were not adequately identified or documented; therefore, we were unable to verify the validity of the adjustments or the accuracy of the cash and investment balance reported as of December 31, 2013.

Supplemental Annual Reports of certain departments of the County, which summarize cash balances, receipts, and disbursements for the calendar year, were either not provided by the departments or were not included within the financial statement prepared by the County Auditor. Audit adjustments to reflect the transactions and cash and investment balances of the departments were proposed, accepted by the County Auditor, and made to the financial statement that appears in this report.

The Settlement fund, which is essentially a clearing account that should have a zero balance after settlement, reported large year-end balances for many years. These balances fluctuated significantly over the years between a positive balance of \$1,034,036 and a negative balance of \$13,709,584. The balances have not reconciled to the depository balances and numerous errors have gone uncorrected within this fund. The unreconciled difference at December 31, 2013, was \$6,575,495 after an adjustment of \$7,134,089 for a disbursement made from this fund in error and a \$2,110,257 adjustment to lower the cash balance to reconcile a property tax settlement. The accounting records did not permit the identification of the remaining difference.

Excise tax funds held by the County Auditor did not agree with the monthly state collection reports or with the amounts distributed during each six month settlement period. The balance of the Excise Fund was \$26,686,029 at December 31, 2013; however, only approximately \$20,810,010 should have been on hand for the next settlement period. The unreconciled difference at December 31, 2013, after an adjustment of \$7,134,089 for a disbursement that should have been recorded in this fund, is \$1,258,070. The accounting records did not permit the identification of the remaining difference.

Due to the material errors noted above, the records presented did not provide sufficient information to substantiate the receipts, disbursements, and ending balance of the Settlement fund, or the accuracy or correctness of the transactions reported for the Settlement fund on the County's financial statement. Accordingly, we qualified the opinion of the financial statement for the Settlement fund regarding its receipts, disbursements, and ending cash and investment balance.

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

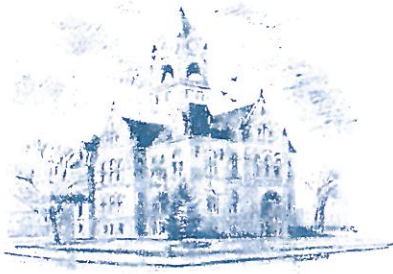
Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 6-6-5-10(c) states in part:

" . . . The county auditor shall determine the total amount of excise taxes collected for each taxing district in the county and the amount so collected (and the distributions received under section 9.5 of this chapter) shall be apportioned and distributed among the respective funds of the taxing units in the same manner and at the same time as property taxes are apportioned and distributed (subject to adjustment as provided in IC 36-8-19-7.5) . . ."



*LaPorte County Treasurer
Nancy Hawkins
555 Michigan Avenue, Suite 102
LaPorte, IN 46350-3491*

CORRECTIVE ACTION PLAN

FINDING 2013-001-INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Nancy Hawkins
Phone: 219-326-6808, ext. 2489

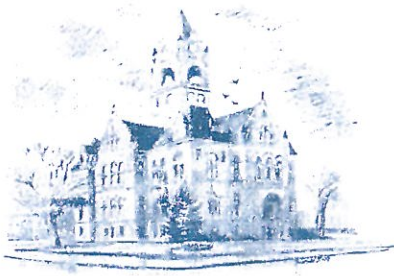
Due to the fact that this Audit is for the year 2013, procedures have been in place almost two years to manage risk in the timely posting and recording of departmental collections.

The Treasurer's Office works with a designated person in the Auditor's Office to reconcile the Cash Book and Depository Balances to the Funds Ledger. Beginning immediately, that reconciliation will be directed to the Auditor for her approval rather than her designee. In that way, she will be aware of any adjustments that need to be made to her records. Additionally, she will receive details of the adjustment so that she can determine the correct fund that will be impacted.

The approval of vendor invoices prior to payment lies with the Auditor. However, the Treasurer's Office will work with the Auditor and the Human Resources Office to determine if the current procedure for health insurance payments is dictated by the contract. If so, we will work to have the Commissioners modify the contract to allow for the payment of insurance claims to be initiated by the County and not by the insurance company.

Anticipated Completion Date: 3/31/15 for the first two items; Insurance contract will dictate completion of third item.

Nancy Hawkins
Nancy Hawkins
Treasurer
March 31, 2015



*LaPorte County Treasurer
Nancy Hawkins
555 Michigan Avenue, Suite 102
LaPorte, IN 46350-3491*

CORRECTIVE ACTION PLAN

FINDING 2013-002-ERRORS IN FINANCIAL TRANSACTIONS, FINANCIAL REPORTING AND RECONCILEMENTS

Contact Person: Nancy Hawkins
Phone: 219-326-6808, ext. 2489

The Treasurer's Office will begin immediately to work directly with the Auditor on any adjustments that may need to be made to the Funds Ledger. We will provide detail for each transaction so that the Auditor can determine which fund is impacted by the adjustment and can make notations providing an audit trail for each adjustment.

A Year End Cash Book Balance Report will be provided to the Auditor after the close of business on December 31 of each year. The Cash Book will be closed on the last business day of the year and no further adjustments will be made to that year's cash transactions.

Although the Settlement Process rests mainly in the hands of the Auditor, The Treasurer's Office will provide as much detail as possible when moving the Collection Monies to the Auditor's Settlement Fund for disbursement.

Anticipated Completion Date: 3/31/15 for the first item; the last two items will be initiated at the two settlement periods for 2015 and at year end 2015.

Nancy Hawkins
Treasurer
March 31, 2015

COUNTY TREASURER
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

EXCISE TAX RECONCILIATION AND DISTRIBUTION

The County Treasurer and County Auditor are to complete an "Excise Tax Reconciliation at Settlement" form prior to each settlement. This reconciles the amount of taxes certified for settlement from the County Treasurer to the amounts to be distributed by the County Auditor. It also includes amounts received from the Bureau of Motor Vehicles that will be distributed in the following six month settlement period. The County Treasurer does not certify this form because excise taxes are not recorded separately in the Cash Book. The reconciliation was not performed in 2013 and excise taxes were not distributed.

At January 1, 2013, the cash balance of the Excise Fund was \$18,234,030; at December 31, 2013, the cash balance was \$26,686,029. During 2013, the County paid excise tax to only the State of Indiana in the amount of \$3,545,495. No distributions of excise taxes were made to local units of government despite there being two settlements and distributions of property taxes during the year.

At the time of each semiannual tax settlement the county treasurer shall report such tax collections, together with the auto rental excise tax and aircraft license excise tax collections discussed in this section, on County Form No. 49TC, County Treasurer's Certificate of Tax Collections, and the total shown by the auditor's records shall be verified with the treasurer's certificate before distribution is made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

Indiana Code 6-6-5-10 states in part:

"The county auditor shall determine the total amount of excise taxes collected for each taxing district in the county and the amount so collected shall be apportioned and distributed among the respective funds of the taxing units at the same time as property taxes are apportioned and distributed."

SUPPORTING DOCUMENTATION FOR SETTLEMENTS

Supporting documentation to validate the property tax settlements completed in 2013 were not made available for audit. The property tax settlements completed in 2013 were for the reconciliation of 2010 Payable 2011 and 2011 Payable 2012 property tax years.

Due to the lack of supporting information, we could not verify the proper accounting for the receipt of property taxes, the transfer of funds from the County Treasurer to the County Auditor, or the accuracy of the distributions made to local units of government during 2013.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY TREASURER
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2015, with Nancy Hawkins, County Treasurer; Mike Maurer, Chief Deputy Treasurer; Matthew Bernacchi, Vice President of the County Council; David Decker, President of the Board of County Commissioners; and Shaw Friedman, County Attorney.

COUNTY SHERIFF
LAPORTE COUNTY

COUNTY SHERIFF
LAPORTE COUNTY
FEDERAL FINDING

***FINDING 2013-004 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING - COUNTY SHERIFF***

We noted several deficiencies in the internal control system of the County Sheriff's Department related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the County Sheriff's Department to reduce risks to the achievement of financial reporting objectives. The County Sheriff's Department has not separated incompatible activities related to receipts, disbursements, and reconciling the bank to the ledger for the Michigan City Civil Office, the Commissary, and the Inmate Trust Office. For each of the County Sheriff's Department bank accounts, one employee is primarily responsible for all of these activities. The failure to establish these controls could enable misstatements or irregularities to remain undetected.
2. **Monitoring of Controls:** An evaluation of the County Sheriff's Department system of internal control has not been conducted. The failure to monitor the internal control system places the County Sheriff's Department at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Effective internal controls over financial reporting requires the County Sheriff's Department to monitor and assess the quality of the system of internal control.
3. **Preparing Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed. There were no controls in place to ensure that an accurate Supplemental Annual Report is prepared by the County Sheriff's Department for inclusion in the financial statement of the County.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)



JOHN T. BOYD
LaPorte County Sheriff

Chief Deputy
RONALD C. HEEG

Major
JAMES T. SOSINSKI

809 State Street, Suite 202 A
LaPorte, IN 46350-3387
Phone: (219) 326-7700
(219) 879-3530
FAX: (219) 324-6205
Jail: (219) 362-6548
(219) 878-9132

CORRECTIVE ACTION PLAN

FINDING 2013-004-INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – SHERIFF

Contact Person Responsible for Corrective Action: John T. Boyd, Sheriff
Contact Phone Number (219)326-7700

Description of Corrective Action Plan:

The LaPorte County Sheriff's Office, effective immediately, will began having civil clerks from the LaPorte Civil Office, conduct audits with the clerk that handles the commissary and inmate trust accounts, and conduct audits for the Michigan City Civil clerk. Thus creating controls that involve multiple employees, to create a check and balance system.

Anticipated Completion Date: March 26th, 2015

A handwritten signature in black ink, appearing to read "John T. Boyd", written over a horizontal line.

(Signature)

The word "Sheriff" written in a cursive, handwritten style in black ink.

(Title)

3-26-2015

(Date)

• COURT OFFICES •

LAPORTE CIRCUIT COURT • LAPORTE, IN 46350 • OFFICE PHONE: (219) 326-6808
SUPERIOR COURT • MICHIGAN CITY, IN 46360 • OFFICE PHONE: (219) 872-2161

COUNTY SHERIFF
LAPORTE COUNTY
AUDIT RESULT AND COMMENT

SHERIFF FUNDS AND CASH BOOK

The Inmate Trust and Commissary Funds as well as the funds' respective bank accounts are maintained by the Administrative Assistant. The Inmate Trust Fund bank account electronically receipts vending companies' commissions. Vending commission receipts should not be deposited into the Inmate Trust Fund bank account but should instead be deposited directly into the Commissary bank account and appropriately accounted for in the Commissary Fund ledger.

We also found that as of December 31, 2013, the detailed Inmate Trust register balance of \$18,843 did not reconcile with the Inmate Trust Fund ledger balance of \$9,862, or the Inmate Trust account balance of \$49,144. Upon review, we found that the electronically deposited commission receipts were not always recorded in the Inmate Trust Fund ledger which may partially explain the differences. However, nothing was provided for audit to explain the unidentified amounts needed to reconcile.

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 Counties of Indiana, Chapter 1)



JOHN T. BOYD
LaPorte County Sheriff

Chief Deputy
RONALD C. HEEG

Major
JAMES T. SOSINSKI

809 State Street, Suite 202 A
LaPorte, IN 46350-3387
Phone: (219) 326-7700
(219) 879-3530
FAX: (219) 324-6205
Jail: (219) 362-6548
(219) 878-9132

CORRECTIVE ACTION PLAN

SHERIFF FUNDS AND CASH BOOK

Contact Person Responsible for Corrective Action: John T. Boyd, Sheriff
Contact Phone Number: (219)326-7700

Description of Corrective Action Plan:

In order to correct this discrepancy, a few actions have been put into place. First, an accountant has been hired to determine the discrepancy. The accountant is performing the bank reconciliations for the Inmate Trust Fund account. The accountant is also in the process of sending all unclaimed checks to the State of Indiana for Indiana Unclaimed. Secondly, the accountant has suggested that items such as commissary purchases, medical co-pays and restitution be kept in a separate ledger for Accruals instead of combined with the Cash ledger for the Inmate Trust Fund account. The Accrual ledger will show the items that have been deducted from an inmate's trust fund account but have not yet been removed from the actual Inmate Trust Fund bank account by check payment. (ie: Medical Co-pays are deducted from the Inmate Trust Fund Account and a check is written to the Treasurer for deposit into the General Fund. These check payments occur on the 10th of the month following the charges.)

In summary, the difference between the ending bank balance and the ending ledger balance is most likely a combination of outstanding, uncashed checks issued to inmates and the total of the monthly commissary purchases, inmate medical co-pays, and inmate restitution collected over the previous month but not paid out to the Treasurer yet.

Anticipated Completion Date: March 26th, 2015

(Signature)

(Title)

(Date)

COUNTY SHERIFF
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2015, with John Boyd, County Sheriff, and Ron Heeg, Chief Deputy.

The contents of this report were discussed on March 31, 2015, with Matthew Bernacchi, Vice President of the County Council; David Decker, President of the Board of County Commissioners; and Shaw Friedman, County Attorney.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDING

***FINDING 2013-005 - INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS - CLERK OF THE CIRCUIT COURT***

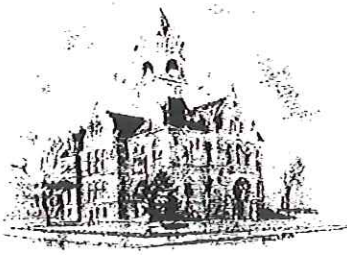
We noted significant deficiencies in the internal control system of the Clerk of the Circuit Court's Office related to financial transactions:

1. The Clerk of the Circuit Court, which has two offices (LaPorte and Michigan City), has not established effective controls to accurately and timely reconcile the Clerk of the Circuit Court's Indiana Support Enforcement Tracking System (ISETS) ledger balance to the depository balance.
2. The Clerk of the Circuit Court has not effectively established controls over the receipting process for the ISETS. The ISETS requires that all batches are reviewed and approved by another party before the batch is downloaded or accepted into the ISETS. For the LaPorte Office of the Clerk of the Circuit Court, child support collections are receipted, balanced, and deposited to the bank. The batch reports are then reviewed and certified off site by the Child Support Clerk in the Michigan City Office via the ISETS without a comparison of the supporting documentation or of the actual deposits to bank.
3. The Clerk of the Circuit Court receives and disburses child support payments using the computer software ISETS which is provided by the State of Indiana. Monthly bank reconciliations of the ISETS ledger to the depository balances were not all completed in 2013. The ISETS bank account has not been reconciled since April 2013.

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

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)



Lynne F. Spevak, Clerk

Chief Deputy
Vicki Ewart

LaPorte Circuit Court

(219) 326-6808, Ext. 2465

CIRCUIT COURT DIVISION
COURTHOUSE
813 LINCOLNWAY, SUITE 105
LAPORTE, IN 46350-3492
(219) 326-6808
Ext. 2236 & 2259

CORRECTIVE ACTION PLAN

**FINDING 2013-005-INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL TRANSACTIONS –
COUNTY CLERK**

Contact Person Responsible for Corrective Action: Lynne F. Spevak
Contact Phone Number: 219-326-6808 Ext 2465

Description of Corrective Action Plan:

La Porte County Clerk's Office has been on ISETS since 1995 and has three original employees from that time and one from the IV-D office. The staff is well versed with ISETS.

Findings 1. The Clerk is responsible for reconciling ISETS on a monthly basis and will balance to the current month. Currently all checks are cleared in check recon on a monthly basis and deposit slips marked off on the bank statement.

Findings 2. The La Porte office practice of having the Michigan City office approve the La Porte Batch or vice versa has been in effect since 2007. This is the first time that we are told that this practice was improperly executed. ISETS will print the combined report of all batches the following morning. The bookkeeper adds the La Porte and Michigan City approved batches from the previous night and approves the release of the checks. On-line banking will show deposits from both the La Porte Office and the Michigan City office on a daily basis.

Anticipated Completion Date:

The Clerk's will balance the La Porte office ISETS batch unless out of the office that day and that will require Michigan City to balance the batch so checks may be released the following day. The Clerk will also balance a Michigan City batch if only one ISETS staff is working that day.

The Clerk will have all months reconciled by June 1, 2015


(Signature)

Clerk of La Porte Circuit Court
(Title)

March 26, 2015
(Date)

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2015, with Lynne Spevak, Clerk of the Circuit Court.

The contents of this report were discussed on March 31, 2015, with Matthew Bernacchi, Vice President of the County Council; David Decker, President of the Board of County Commissioners; and Shaw Friedman, County Attorney.

COUNTY RECORDER
LAPORTE COUNTY

COUNTY RECORDER
LAPORTE COUNTY
AUDIT RESULT AND COMMENT

RECORDER'S RECORD PERPETUATION FUND

The County disbursed \$227,852 in 2013 and \$257,370 in 2014, from the Recorder's Recorder Perpetuation Fund for salaries, wages, and benefits of the elected recorder, chief deputy, first deputy, second deputy, and clerks that had been paid from the General fund in previous years. The disbursements that do not pertain to the perpetuation (preservation of records or improvement of record keeping systems and equipment) of the Recorder's Office records should be made from the General fund.

Indiana Code 36-2-7-10(d) states in part:

" . . . the county recorder may use any money in this fund without appropriation for: (1) the preservation of records; and (2) the improvement of record keeping systems and equipment; within the control of the county recorder."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 9)

COUNTY RECORDER
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2015, with Barbara Dean, County Recorder, and Angie Rose, County Recorder Chief Deputy.

The contents of this report were discussed on March 31, 2015, with Matthew Bernacchi, Vice President of the County Council; David Decker, President of the Board of County Commissioners; and Shaw Friedman, County Attorney.