

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY CONVENTION AND VISITORS BUREAU

LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
04/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President/CEO	Speros A. Batistatos	01-01-11 to 12-31-15
Treasurer	Robert Forster Steve Teibel Robert Forster Matthew Schuffert	01-01-11 to 12-31-11 01-01-12 to 05-17-12 05-18-12 to 12-31-14 01-01-15 to 12-31-15
Chief Financial Officer	Janis Flutka Cathy Svetanoff	01-01-11 to 08-31-15 09-01-15 to 12-31-15
Chairman of the Board of Directors	Victor DeMeyer	01-01-11 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE COUNTY CONVENTION
AND VISITORS BUREAU, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Lake County Convention and Visitors Bureau (Bureau), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Bureau. It should be read in conjunction with our Financial Statements Examination Report of the Bureau, which provides our opinion on the Bureau's financial statements. This report may be found at www.in.gov/sboa/.

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

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

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

December 17, 2015

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXAMINATION RESULTS AND COMMENTS

CREDIT CARD NONCOMPLIANCE

The Bureau's Policy 2005-10-6 states in part:

- "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 Chief Financial Officer or Treasurer. . .
6. The Chief Financial Officer shall maintain a 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 issued and returned and any other information deemed necessary by the Treasurer."

The Bureau currently has eighteen credit cards in circulation. The individuals charged by the Board of Directors with the issuance and governance of the cards, do not do so. A log is not maintained to track the use of the cards. The cards remain with the individual employees at all times.

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 Special Districts, Chapter 10)

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TRAVEL CLAIMS

The Bureau's travel policy per Resolution 2006-05-19 states in part:

"05.150 I. An original detailed cash receipt or detailed credit card charge slip must be submitted for all meal and entertainment expenses. Business meals and entertainment expenses must include:

1. The names of individuals present, their titles and company affiliation;
2. The name and location of where the meal or event took place;
3. The exact amount and date of the expenses; and,
4. The specific business topic discussed."

Four of the twelve travel claims tested did not have proper details as required by the Bureau's policy.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

INTERNAL CONTROLS

Internal controls over the disbursing, recording, and accounting for the financial activities were insufficient for payroll.

The County Auditor's Office previously processed payroll for the Bureau. In 2012, the Bureau began processing the payroll in-house. Although the Chief Financial Officer stated that she reviewed the payroll calculations prior to payment, evidence of a review or approval process was not noted. Additionally, many employee time records were not signed by the appropriate management to document review and approval although there is a place on the form for the signature.

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 Special Districts, Chapter 10)

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BONDS

The Bureau's official bonds (surety bonds) and crime policy could not be located as recorded at the County Recorder's Office.

Indiana Code 5-4-1-5.1 states in part:

"(b) Every elected or appointed officer, official, deputy, employee, or contractor of a political subdivision who is required by section 18 of this chapter to file an official bond for the faithful performance of duty, except the county recorder and deputies and employees of the recorder, shall file the bond with the fiscal officer of the political subdivision and in the office of the county recorder in the county of residence of the officer, official, deputy, or employee . . . "

INDIANA

South Shore

Convention & Visitors Authority

January 5, 2016

OFFICIAL RESPONSE

Mr. Paul Joyce, State Examiner
State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

VIA Email: Idavid@sboa.in.gov

Dear Mr. Joyce:

The Indiana State Board of Accounts recently completed an examination for the fiscal years 2011-2014. The auditors noted four (4) specific comments. We would like to address those comments and outline organizational actions that will be implemented immediately.

1) CREDIT CARD NON-COMPLIANCE

The Lake County Convention and Visitors Bureau d/b/a South Shore Convention & Visitors Authority has updated its internal travel policy via Board resolution 2016-01-01, which will be voted on at its January 28, 2016 meeting. The resolution requires a log to track the use of the cards and to restrict the number physically held by individual employees. Of the eighteen (18) credit cards, seven (7) individuals will retain access to his/her card on an ongoing basis. This decision was based upon the position held within the organization and the ongoing need to conduct business for the Bureau as directed by Indiana Code § 6-9-2-1. All remaining employees will be required to check out his/her credit card for use in conjunction with Bureau business. The Accounting Office will maintain and store credit cards when not in use by employees.

2) TRAVEL CLAIMS

The auditors noted that four (4) of twelve (12) travel claims did not note a proper detailed explanation as required by the Bureau's travel policy. Even though all detail receipts were attached in compliance with IC 5-11-10-1.6, these travel claims, while documenting the information, fell short of clearly explaining to an independent third party the nature for which the funds were used. The brief descriptions could be easily expounded upon further investigation. All funds were used for a legitimate business purpose. Compliance will be based on:

Resolution 2006-05-19, Section I. Meals and Entertainment:

An original detailed cash receipt or detailed credit card charge slip must be submitted for all meal and entertainment expenses. Business meals and entertainment expenses must include:

- i. The names of individuals present, their titles and company affiliation;
- ii. The name and location of where the meal or event took place;

- iii. The exact amount and date of the expense; and
- iv. The specific business topic discussed.

If the information becomes too cumbersome to attach or include on the claim, it will be noted on the claim that additional information is available upon request.

3) INTERNAL CONTROLS

As stated in the examination comments, the Chief Financial Officer should review and document the approval of payroll after it is prepared by the payroll department. The Chief Financial Officer previously did so, but did not document the process with a written acknowledgement. The payroll department prepares the payroll, it is then reviewed by the CFO, and then submitted by the CFO to ADP for the final steps of payroll processing. ADP confirms receipt of the payroll via email titled "Payroll Processed Alert". The CFO uses this email to document the payroll process, and the document includes the signature of the CFO and date. This document is kept with payroll files in the payroll department.

4) OFFICIAL BONDS

The Bureau has documentation of the 2015 official bond being recorded with the Lake County Recorder's Office. With the change in staff in this area, the Bureau is committed to recording the official bond annually. With a new treasurer for 2016, the Bureau is awaiting the new bond issuance by our insurance company and will record this document immediately after receipt.

CRIME COVERAGE POLICY

Similar to official bonds, the Bureau will file the crime coverage liability policy information with the Lake County Recorder's Office. We are awaiting a new policy issuance document from our insurance agent. The Bureau understands and recognizes the importance of having both documents on file in the Recorder's Office.

It is my hope that this letter adequately addresses the comments made during our exit interview. The Lake County Convention and Visitors Bureau is pleased to issue this official response to the State Board of Accounts on behalf of the examination completed for fiscal years 2011, 2012, 2013, and 2014.

Sincerely,



Speros A. Batistatos, FCDME
President/CEO

cc: Victor DeMeyer, Chairman
Robert Forster, Member
John Kiernan, Member

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2015, with Speros A. Batistatos, President/CEO; Victor DeMeyer, Chairman of the Board of Directors; Robert Forster, former Treasurer; Cathy Svetanoff, Chief Financial Officer; and Janis Flutka, retired Chief Financial Officer.