

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
01/25/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Transmittal Letter	4
County Auditor:	
Federal Findings:	
Finding 2014-001 - Internal Controls and Compliance over Financial Transactions and Reporting	6-7
Finding 2014-002 - Preparation of the Schedule of Expenditures of Federal Awards	7-9
Finding 2014-003 - Internal Controls and Compliance over Treasurer's Daily Balance of Cash and Depositories and the Auditor's Funds Ledger	9-10
Finding 2014-010 - Allowable Costs/Cost Principles	10-11
Corrective Action Plan	12-15
Audit Results and Comments:	
Official Bonds	16
Overdrawn Cash Balances	16
Commissioner's Tax Sale Distribution	16-18
Accounts Payable Vouchers Deficiencies	19-21
Current Payment of Claims - Self-Insurance	21
Auditor Settlement Funds	21-22
Annual Report	22
Exit Conference	23
County Treasurer:	
Federal Finding:	
Finding 2014-003 - Internal Controls and Compliance over Treasurer's Daily Balance of Cash and Depositories and the Auditor's Funds Ledger	26-27
Corrective Action Plan	28
Audit Result and Comment:	
Official Bond	29
Exit Conference	30
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2014-004 - Financial Transactions and Reporting - Clerk of the Circuit Court	32-33
Corrective Action Plan	34
Audit Results and Comments:	
Bank Account Reconciliations - Internal Controls	35-36
Credit Card Transactions - Internal Controls	37
Bond Forfeitures	38-39
Receipt Issuance	39
Official Bond	39
Exit Conference	40

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
County Sheriff:	
Federal Finding:	
Finding 2014-005 - Internal Controls and Compliance over Financial Transactions and Reporting - Sheriff	42-43
Corrective Action Plan	44-53
Audit Results and Comments:	
Inmate Trust Records.....	54
Condition of Records - Civil Division.....	54-55
Unclaimed Property - Civil Division.....	55-56
Official Bond.....	56
Sheriff Temporary Loan Repayment.....	56-57
Bank Account Reconciliations - Animal Control.....	58
Exit Conference	59
County Recorder:	
Audit Results and Comments:	
Fee and Cash Book	62
Receipt Issuance.....	62-63
Bank Account Reconciliations and Remittances	63
Exit Conference	64
Community Economic Development Department:	
Federal Findings:	
Finding 2014-006 - Procurement	66-67
Finding 2014-007 - Reporting - Community Development Block Grants/ Entitlement Grants.....	68-69
Finding 2014-008 - Matching and Reporting - HOME Investment Partnerships Program.....	69-70
Finding 2014-009 - Special Tests and Provisions - Housing Quality Standards	70-72
Corrective Action Plan	73-76
Exit Conference	77
Board of County Commissioners:	
Audit Results and Comments:	
Commissioner Tax Sale Distribution.....	80-81
Accounts Payable Vouchers Deficiencies.....	82-84
Current Payment of Claims - Self Insurance.....	84
Official Response.....	85-86
Exit Conference	87
Community Corrections:	
Audit Result and Comment:	
Loan Between Community Correction Funds	90
Exit Conference	91

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Peggy Holinga Katona John E. Petalas	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Treasurer	John E. Petalas Peggy Holinga Katona	01-01-11 to 12-31-14 01-01-15 to 12-31-18
Clerk of the Circuit Court	Michael A. Brown	01-01-14 to 12-31-17
County Sheriff	John Buncich	01-01-11 to 12-31-18
County Recorder	Michael B. Brown	01-01-13 to 12-31-16
President of the Board of County Commissioners	Michael C. Repay Roosevelt Allen, Jr. Gerry Scheub	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
President of the County Council	Ted Bilski	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

This report is supplemental to our audit report of Lake County (County), for the period from January 1, 2014 to December 31, 2014. 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

November 16, 2016

COUNTY AUDITOR
LAKE COUNTY

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

There were several 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 had not identified risks to the preparation of the financial statement to prevent or detect and correct material misstatements.

The County Auditor was responsible for preparing the Annual Financial Report (AFR) and electronically submitting it to the Indiana State Board of Accounts via the Gateway system. The financial information in the AFR was used to generate the financial statement to be audited.

The information included in the AFR was gathered and entered into Gateway by one employee in the County Auditor's office without an oversight or review process to prevent or detect errors. In addition, the County Auditor's office did not have procedures in place to ensure that the financial information provided by departments not accounted for by the County Auditor was accurate and complete. The financial statement presented for audit contained the following errors:

1. The beginning cash and investment balances did not agree to the prior audited ending cash and investment balances for 11 funds. The variances totaling \$780,589 were caused by adjusting entries which affected beginning cash and investment balances, receipts, and disbursements in the County's ledgers.
2. The financial statement receipts were overstated by \$622,099. This was caused by errors and adjusting entries that changed the current year's receipts for nine funds.
3. The financial statement disbursements were overstated by \$272,298. This was caused by errors and adjusting entries that changed the current year's disbursements for six funds.
4. The financial statement ending cash and investment balance was overstated by \$1,130,390. The overstatement was caused by the numerous errors and adjustments that occurred with the beginning cash and investment balances, the receipts, and the disbursements addressed in the above items.

Audit adjustments were proposed, accepted by the County Auditor, and made to the financial statement.

In addition, the County issued receipts in batches on prenumbered forms. At the beginning of each day, the employee who entered receipt information had to enter a beginning sequence number for that day. That sequence number became the receipt number in the County's ledger. The sequence number should have mirrored the receipt number on the prenumbered form. The County failed to implement effective controls to ensure that the sequence number entered mirrored the prenumbered form. The County ledger contained 11 instances in which the same sequence number was used on two different days.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Criteria

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 County Auditors of Indiana, Chapter 14)

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."

Cause

Management of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

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

**FINDING 2014-002 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

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 department's reports did not reconcile to the County's financial records. The internal controls established were not effective in detecting and correcting errors.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The federal expenditures on the SEFA presented for audit were understated by \$874,703. Federal expenditures were understated \$1,875,121 in total for 11 grants; and were overstated \$1,000,418 in total for 2 grants.

Audit adjustments were proposed, accepted by the County, and made to the SEFA.

Criteria

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 County Auditors of Indiana, Chapter 14)

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:

- (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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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

FINDING 2014-003 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITOR'S FUNDS LEDGER

Condition

The County Treasurer's office was responsible for maintaining the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflected the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day.

As part of the monthly reconciliation process, the County Auditor's office compared the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2014, the County Auditor's office reconciliation and the funds ledger balance agreed. However, a reconciling item of \$240,847 did not have the proper supporting documentation to substantiate the amount. The County Treasurer's office recorded a negative quietus (receipt) in the County Treasurer's "Funds Ledger" line of the Cash Book; however, a corresponding entry was not posted to the County Auditor's funds ledger. The original negative quietus was in the amount of \$481,694. In June 2014, the County Treasurer's office posted another adjustment to the Cash Book. This adjustment reduced the difference from \$481,694 back to the original \$240,847 difference. The County Treasurer's Cash Book "Funds Ledger - Cash" line item should not have been adjusted without the proper supporting documentation and a corresponding entry in the County Auditor's funds ledger.

In addition, cash short or cash long entries were recorded in the Cash Book which indicated a difference between the ending balance of the taxes, other sources, funds, and investments when compared to the ending depository balances. Various cash short and cash long entry explanations during the year included voided transactions, payment by credit card, electronic check timing differences, and bank errors.

The cumulative cash short and cash long at December 31, 2011, 2012, 2013, and 2014, was as follows:

Description	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Cash Short	\$ 609,747.45	\$ 538,136.20	\$ 48,472.24	\$ 48,455.84
Cash Long	147,075.89	150,436.29	154,459.90	162,309.26
Unsubstantiated Adjustment	-	-	481,694.42	240,847.21
Net (Short)/Long	<u>\$ (462,671.56)</u>	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>	<u>\$ (126,993.79)</u>

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2014. As of August 31, 2016, the reconciling item totaling \$240,847 between the County Auditor's and County Treasurer's office had not been resolved.

Criteria

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 County Treasurers of Indiana, Chapter 10)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

Cause

Management of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2014-010 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other identifying Number): Indirect Costs 2014

Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Condition

Management had not established an effective internal control system to ensure the reliability and accuracy of data used in determining the indirect cost allocation plan used to charge indirect costs to the program.

The County hired an outside consultant to prepare their indirect cost allocation plan. This consultant requested financial and other pertinent information from the County to complete the cost allocation plan. This plan determined the amount of indirect costs that the County was eligible to receive.

The consultant also submitted the plan to the Indiana Department of Child Services for the reimbursement of the indirect costs for the County. Documentation that the County reviewed the indirect cost allocation plan report information prepared by the consultant was not provided.

Context

Indirect costs presented on the Schedule of Expenditures of Federal Awards were \$1,074,409, which is 26 percent of the \$4,135,759 total of federal expenditures for the Child Support Enforcement program. There was no documentation that the indirect cost allocation plan was reviewed for accuracy.

Criteria

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. . . ."

Cause

The County failed to establish a proper internal control structure to ensure compliance with requirements associated with the Allowable Costs/Costs Principles compliance requirement.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and Allowable Costs/Costs Principles compliance requirement.

Views of Responsible Officials

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

JOHN E. PETALAS
AUDITOR



Auditor Lake County

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2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

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CORRECTIVE ACTION PLAN

FINDING NO. 2014-001

INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL
TRANSACTIONS AND REPORTING

Auditee Contact Person: Michael Wieser
Title of Contact Person: Finance Director

Phone Number: (219) 755-3129

Description of Corrective Action Plan:

The County is aware of the deficiencies identified in the 2014 audit. The County is working to implement controls to resolve the issues that were addressed concerning financial transactions and reporting.

 11/10/16

Michael Wieser
Finance Director

JOHN E. PETALAS
AUDITOR



Auditor Lake County

LAKE COUNTY GOVERNMENT CENTER
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CROWN POINT, INDIANA 46307

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CORRECTIVE ACTION PLAN

FINDING NO. 2014-002


PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS

Auditee Contact Person: Michael Wieser
Title of Contact Person: Finance Director

Phone Number: (219) 755-3129

Description of Corrective Action Plan:

The County is aware of the deficiencies identified in the 2014 audit. The County is working to implement controls to resolve the issues that were addressed concerning completeness and accuracy of the federal awards schedule

 11/10/16
Michael Wieser
Finance Director



JOHN PETALAS
Auditor

PEGGY HOLINGA KATONA
TREASURER

Auditor Lake County Treasurer Lake County

Lake County Government Center
2293 N Main Street
Crown Point, IN 46307

CORRECTIVE ACTION PLAN

FINDING 2014-003

INTERNAL CONROLS AND COMPLIANCE OVER TREASURERS DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITORS FUND LEDGER

Contact Person Responsible for Corrective Action: Michael Wieser
Contact Phone Number: (219) 755-3129

Description of Corrective Action Plan:
We concur with the finding. The County is working to determine the best solution to resolve the issue.

John Petalas, Auditor OG

11-28-16

Date

Peggy Holinga Katona, Treasurer

11-28-16

Date

JOHN E. PETALAS
AUDITOR



Auditor Lake County

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CORRECTIVE ACTION PLAN

FINDING NO. 2014-010 ALLOWABLE COSTS/COSTS PRINCIPLES

Auditee Contact Person: Michael Wieser
Title of Contact Person: Finance Director

Phone Number: (219) 755-3129

Description of Corrective Action Plan:

The County is prepared to establish controls related to the grant agreement and Allowable Costs/Costs Principles compliance requirement. The consultant that prepares and presents the information will meet with the appropriate personnel (finance director and supervisor of finance) to audit the report. The consultant will be required to produce the documentation used to compile the report and all will verify the accuracy of this information prior to reporting. All this will be documented in a manner acceptable to the State Board of Accounts.

Michael Wieser
Finance Director
Lake County Auditor's Office

11/16/16

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS

As noted in prior Report B45011, the County Auditor's \$15,000 Surety Bond was insufficient per the Indiana Code.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) . . . County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. . . ."

OVERDRAWN CASH BALANCES

The financial statement in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
Sheriff Sale Administration	\$ 322,208
Insurance	8,558
County Innkeepers Tax	184,347
Violence Intervention Program	2,570
Employee Benefit Accruals	1,460,307

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)

COMMISSIONER'S TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees - SRI, Inc. fund, and the Treasurer's Tax Sale fund and presented as the Tax Sale Fees fund on the financial statement. The Commissioner's Tax Certificate Sale fund had a beginning balance of \$837,942, reported \$1,547,608 in receipts, and \$2,279,060 in disbursements, resulting in an ending balance of \$106,490.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due to a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of \$837,942, nothing was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years.

The Commissioner's Tax Sale Certificate fund received \$1,547,608 in receipts from two Commissioners Sales in 2014. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2014. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$1,426,000 was transferred from the Commissioners Tax Sale fund to four incentive funds as an allocation of payroll costs attributed to the tax sale and to the Non-reverting Self Ins Fund. The amounts transferred were determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale may be paid from the proceeds from the sale; however, only the actual costs incurred may be reimbursed. The transfers, based upon direction received from the County Council during 2010, 2011, 2012, 2013, and 2014 were as follows:

Fund	2010	2011	2012	2013	2014
Auditor's Tax Incentive Fund	\$ 100,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000	350,000
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000
Treasurer's Incentive Fund	100,000	240,000	240,000	240,000	240,000
Non-reverting Self Ins Fund	-	-	-	-	500,000
Total Transfers received	<u>\$ 400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>

** Combined with and reported as Recorder's Records Perpetuation on the Financial Statement.

The 2014 disbursements and the December 31, 2014 cash balances of the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive Fund	\$ 297,011	\$ 298,854
Commissioner's Incentive Fund	691,582	236,365
Recorder's Incentive Fund **	93,459	292,703
Treasurer's Incentive Fund	181,098	487,691
Totals	<u>\$ 1,263,150</u>	<u>\$ 1,315,613</u>

** Combined with and reported as Recorder's Records Perpetuation on the Financial statement.

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in the incentive funds at the end of 2014 was \$1,315,613.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Ordinance 1333A also states that 40 percent of the net proceeds, up to \$1,000,000, are to be deposited into the Commissioners' Tax Sale fund. Only the net proceeds above the \$1,000,000 are to be distributed to the appropriate units of government where the respective tax certificate properties are located. Indiana Statute does not allow for this allocation as only direct costs, property tax, special assessments, and penalties are to be paid. Any amount received in excess of those disbursements allowed by statute, should be deposited into the Tax Sale Surplus fund; not retained in the Tax Sale Fees fund. In addition, although not separately identified in the receipts from the Commissioners' Tax Sale, disbursements from the Commissioner's Tax Sale Certificate fund were made for the redemption of properties. Accounting for the redemption of properties should be in the Tax Sale Redemption fund.

Indiana Code 6-1.1-24-6.4 states in part:

"(a) When a certificate of sale is sold under this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(f) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).
- (3) Third, to a separate 'tax sale surplus fund.'

(b) The:

- (1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property; may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(c) An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is claimed more than three (3) years after the date of its receipt . . ."

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The accounts payable vouchers reviewed included the following deficiencies:

1. The County made some payments through bank electronic funds transfers (EFT). These payments included: debt payments, park land purchases, and payments to the Indiana Pension Retirement System (INPRS). The Commissioners did not sign the accounts payable vouchers (claims for payment) prior to the actual bank EFT.
2. The County also made some payments by issuing manual checks. The Commissioners did sign the accounts payable vouchers prior to the issuance of the manual checks. At the next Commissioners' meeting, the manual checks and payments by EFT were approved after the payments had been made. The meeting minutes reflected this approval with the wording "to approve and make a matter of public record the Claims and Docket and ordered same for Auditor to include white claims for the review of Claims and Docket." A detailed listing of the approved manual checks and payments by EFT on an accounts payable voucher register was not retained for audit. Bank wire transfer payments of \$32,469,505 were paid in 2014 prior to proper Board of County Commissioners' approval.

The County's codified ordinances did not include an ordinance authorizing the County Auditor to pay accounts payable vouchers prior to the Board of County Commissioners' approval.

A similar comment appeared in the prior audit report.

3. Payments totaling \$222,760 were made to a vendor for the execution of the County Treasurer's Tax Sales based solely upon receipts posted to the records. Per the contract with the vendor: "The Service Fee shall be collected by the County on all parcels included on the Certified List and remitted to the vendor upon collection and receipt of an invoice for the Service Fees from the vendor."

When a tax sale property cancellation occurred, a full refund was provided to the purchaser, which included the service fee collected. However, the tax sale fees were receipted into the Tax Sale Fee - SRI, Inc. fund and remitted to the vendor without adjusting for any cancellations.

4. Payments were made to a third party administrator for the self-insurance administrative fees without supporting documentation. A white claim was provided by the vendor with the dollar amount completed and the claim was paid from that information.
5. Payroll taxes and other payroll withholding payments were made through bank wire transfers. The payroll department started preparing accounts payable vouchers (claims for payment) after the prior audit (November, 2014). The department did not assign a claim number to these vouchers.

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

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

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

- (1) there is a fully itemized invoice or bill for the claim; . . .
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-2-6-4 states in part:

". . . (b) Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or court orders him to do so. . . .

(c) The county executive may allow a claim if the claim:

- (1) complies with IC 5-11-10-1.6; and
- (2) is placed on the claim docket by the auditor at least five (5) days before the meeting at which the executive is to consider the claim. . . ."

Indiana Code 36-2-6-4.5 states in part:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes under this section.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance for the following kinds of expenses if the county executive has adopted an ordinance under subsection (a): . . .

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the county auditor.

(d) The county executive or the county board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

A claim or voucher, to be properly itemized, must show kind of service, where performed, dates service rendered, by whom rendered, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc.

The Attorney General held in Official Opinion No. 13 (1968) that the attachment of a properly itemized and certified invoice to the front side of a prescribed claim form, in lieu of manual completion of the front side of the claim form, is consistent with the provisions of IC 5-11-10-1. In view of the foregoing opinion certified invoices may be used subject to the following conditions:

1. Invoice is fully itemized, in the manner described on the prescribed Accounts Payable Voucher Form.
2. Invoice is firmly attached to and becomes a permanent part of the prescribed claim and is processed in the same manner as other claims.

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

CURRENT PAYMENT OF CLAIMS - SELF-INSURANCE

During 2014, the County was self-insured for employee health insurance benefits. The healthcare claims were not paid timely. They were held up to two and one-half months before payments were released. As of December 31, 2014, the County had outstanding insurance claims of approximately \$5,337,809.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

AUDITOR SETTLEMENT FUNDS

The Settlement fund did not have a zero balance before, or after, the reconciliation of the settlement of tax collections. The January 1, 2014 balance of the Settlement fund was \$1,038,228 and the December 31, 2014 balance of the settlement fund was \$247,805.

The settlement fund is an agency fund that is used to account for the tax collections certified by the Treasurer. Those certified collections are receipted into the settlement fund to be distributed by the county to the appropriate taxing units. Before and after the settlement process, the fund balance should be zero. Balances remaining in the settlement fund could indicate that not all certified collections have been distributed to the appropriate taxing units.

Indiana Code 6-1.1-27-1(a) states in part:

"On or before June 20th and December 20th of each year, the county auditor and the county treasurer shall meet in the office of the county auditor. Before each semi-annual meeting, the county auditor shall complete an audit of the county treasurer's monthly reports required under IC 36-2-10-16. In addition, the county auditor shall:

- (1) prepare a certificate of settlement on the form prescribed by the state board of accounts; and

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) deliver the certificate of settlement to the county treasurer at least two (2) days before each semi-annual meeting."

Indiana Code 6-1.1-27-2 states:

"At each semi-annual meeting required under section 1 of this chapter, the county treasurer shall make a settlement with the county auditor for the amount of taxes and special assessments which the county treasurer has collected. At each semi-annual meeting, the county treasurer shall also certify to the county auditor, under oath and on the form prescribed by the state board of accounts, the correctness of:

- (1) the credits for cash collected for each taxing unit appearing on the tax duplicate; and
- (2) any other amounts collected by the county treasurer as required by law."

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 Auditors of Indiana, Chapter 14)

ANNUAL REPORT

The capital assets reported in the 2014 electronic Annual Report did not agree with the detail of capital assets maintained by the County as of December 31, 2014. The reporting errors resulted in the schedule being understated by \$16,538,104. The understatement was the result of the omission of the E-911 Project construction in progress.

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."

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

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COUNTY TREASURER
LAKE COUNTY

COUNTY TREASURER
LAKE COUNTY
FEDERAL FINDING

FINDING 2014-003 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITOR'S FUNDS LEDGER

Condition

The County Treasurer's office was responsible for maintaining the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflected the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day.

As part of the monthly reconciliation process, the County Auditor's office compared the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2014, the County Auditor's office reconciliation and the funds ledger balance agreed. However, a reconciling item of \$240,847 did not have the proper supporting documentation to substantiate the amount. The County Treasurer's office recorded a negative quietus (receipt) in the County Treasurer's "Funds Ledger" line of the Cash Book; however, a corresponding entry was not posted to the County Auditor's funds ledger. The original negative quietus was in the amount of \$481,694. In June 2014, the County Treasurer's office posted another adjustment to the Cash Book. This adjustment reduced the difference from \$481,694 back to the original \$240,847 difference. The County Treasurer's Cash Book "Funds Ledger - Cash" line item should not have been adjusted without the proper supporting documentation and a corresponding entry in the County Auditor's funds ledger.

In addition, cash short or cash long entries were recorded in the Cash Book which indicated a difference between the ending balance of the taxes, other sources, funds, and investments when compared to the ending depository balances. Various cash short and cash long entry explanations during the year included voided transactions, payment by credit card, electronic check timing differences, and bank errors.

The cumulative cash short and cash long at December 31, 2011, 2012, 2013, and 2014, was as follows:

Description	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Cash Short	\$ 609,747.45	\$ 538,136.20	\$ 48,472.24	\$ 48,455.84
Cash Long	147,075.89	150,436.29	154,459.90	162,309.26
Unsubstantiated Adjustment	-	-	481,694.42	240,847.21
Net (Short)/Long	<u>\$ (462,671.56)</u>	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>	<u>\$ (126,993.79)</u>

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2014. As of August 31, 2016, the reconciling item totaling \$240,847 between the County Auditor's and County Treasurer's office had not been resolved.

COUNTY TREASURER
LAKE COUNTY
FEDERAL FINDING
(Continued)

Criteria

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 County Treasurers of Indiana, Chapter 10)

It is important that the amounts distributed at each semiannual settlement agree with the amounts shown in the treasurer's daily balance of cash and depositories, since a settlement and distribution in excess of the amounts entered in this record will result in "cash short" on the day the settlement is made. Conversely, if the settlement and distribution is made for less than the amount shown in this record, it will result in "cash long" for that day. Therefore, every effort should be made before settlement and distribution to see that the amounts distributed for each taxing district agree with the amounts entered in the register of taxes collected and in the treasurer's daily balance of cash and depositories. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

Cause

Management of the County had not established a proper system of internal control.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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



JOHN PETALAS
Auditor

PEGGY HOLINGA KATONA
TREASURER

Auditor Lake County Treasurer Lake County

Lake County Government Center
2293 N Main Street
Crown Point, IN 46307

CORRECTIVE ACTION PLAN

FINDING 2014-003

INTERNAL CONROLS AND COMPLIANCE OVER TREASURERS DAILY BALANCE OF CASH AND DEPOSITORIES AND THE AUDITORS FUND LEDGER

Contact Person Responsible for Corrective Action: Michael Wieser
Contact Phone Number: (219) 755-3129

Description of Corrective Action Plan:
We concur with the finding. The County is working to determine the best solution to resolve the issue.

John Petalas, Auditor OG

11-28-16

Date

Peggy Holinga Katona, Treasurer

11-28-16

Date

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULT AND COMMENT

OFFICIAL BOND

For 2014, the County Treasurer's \$30,000 official bond was insufficient per the Indiana Code. Due to the receipts accounted for by this department, the County Treasurer should have been bonded at \$300,000. In addition, the official bond still referred to the official as the County Auditor; not the County Treasurer.

Furthermore, as of September 15, 2016, the County Treasurer has not been bonded for 2016.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

COUNTY TREASURER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING

**FINDING 2014-004 - FINANCIAL TRANSACTIONS AND
REPORTING - CLERK OF THE CIRCUIT COURT**

Condition

Internal controls over receipting, disbursing, recording, and accounting for the financial activities of the Clerk of the Circuit Court were insufficient. There were several deficiencies in the internal control system of the Clerk of the Circuit Court's office related to financial transactions and reporting that constituted material weaknesses:

1. Lack of Segregation of Duties: The Clerk of the Circuit Court's office had not separated incompatible activities related to receipts, disbursements, and cash and investment balances.

The Clerk of the Circuit Court's office had multiple offices and divisions. The divisions generally have a division manager, a bookkeeper, and multiple clerks. The various clerks issued receipts for amounts received and remitted the receipts and related collections to the bookkeepers, who also issued receipts for collections from the public. The bookkeepers made adjustments for receipt errors, closed and recorded the daily transactions, issued checks, prepared the bank deposit, and reconciled the bank accounts. In some divisions, the bookkeeper also took the deposit to the bank.

2. 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.

The Clerk of the Circuit Court did not have adequate internal controls over financial reporting to facilitate the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statement. The Clerk fund included in the financial statement included all receipts and disbursements of the Clerk of the Circuit Court's office, cash balances due to other governmental entities, and items held in trust for others.

The financial information provided by the Clerk of the Circuit Court to be included in the County's 2014 financial statement contained numerous errors and omissions. The Clerk of the Circuit Court had offices in multiple locations (Crown Point, East Chicago, Gary, and Hammond) and divisions (Civil, Small Claims, Criminal, and Traffic) within these locations. These offices and divisions were responsible for reporting their individual cash and investment balances as of December 31, 2014, as well as their receipts and disbursements for 2014 to the Financial Manager at the Crown Point office. The individual offices' and divisions' reports were combined by the Financial Manager and reported in total to the County Auditor for inclusion in the financial statement.

The total cash and investments reported on the 2014 financial statement was \$13,201,883; the audited cash and investments balance as of December 31, 2014, was \$12,410,045. The \$794,838 overstatement of the ending cash and investments balance was the result of the beginning cash and investment balance not agreeing with the prior year's ending balance by \$422,846. In addition, the reported receipts and disbursements were understated by \$97,461 and \$466,453, respectively, for the year.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING
(Continued)

Identified errors that contributed to the differences were due to not reporting the prior audited ending balances as the beginning balances for 2014 and the activity of the court ordered investments. The audit adjustments were included in the variances noted in Finding 2014-001 above and the County Auditor approved the proposed adjustments to the financial statement.

Criteria

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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)

Cause

Management of the Clerk of the Circuit Court had not established a proper system of internal control. Management also had not conducted a risk assessment related to the Clerk of the Circuit Court's financial transactions and reporting.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk of the Circuit Court at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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



MICHAEL A. BROWN
CLERK LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

PHONE: (219) 755-3460

FAX: (219) 755-3520



CORRECTIVE ACTION PLAN

November 10, 2016

FINDING 2014-004

Contact Person Responsible for Corrective Action: Rebecca Dowling

Contact Phone Number: 219-755-3067

Views of Responsible Official: We concur with the finding.

The corrective plan for the Lack of Segregation of Duties has been addressed and these controls were put into place in late 2014 after the same finding in the 2013 audit. This will be fully implemented starting November 10th, 2016. We will continue to monitor and enforce that these procedures will be followed daily per the State Board of Accounts manual.

The corrective plan for the Preparing Financial Statement (Annual Carr/ Supplemental Report) will be to monitor that the correct dollar amounts are reported by the County Auditor in the Gateway program. We will have an open line of communication with the Auditors Department on the checks and balances of this report.

Anticipated Completion Date: November 10, 2016

Sincerely,

Michael A. Brown

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS - INTERNAL CONTROLS

As noted in prior audit reports, the Clerk of the Circuit Court's offices (located throughout the County) used Court View (a cash management and financial software program) for many years. All financial transactions were processed through Court View which was considered the official records of the Clerk of the Circuit Court. However, only five of the Clerk of the Circuit Court's eight divisions reconciled their adjusted bank balances to Court View's Account Balance Listing (ABL) cash balance. Other divisions reconciled to a manual ledger or an excel spreadsheet (a commercially prepared software program), instead of the ABL. The three divisions that maintained a manual ledger or excel spreadsheet used the transaction activity obtained from Court View.

According to the personnel responsible for reconciling, the differences between the adjusted bank balance and the record balance were related to payments made by credit cards. There were timing differences between the credit card payments recorded in the accounting system and the deposits to the bank. Many differences on the bank reconciliations have been included as reconciling items for years without any effort to identify the cause and determine the proper method to correct the records.

In addition, the Clerk of the Circuit Court's ABL included various bond and trust control accounts that should have been supported by an "Open Items Case Listing" report. The Open Items Case Listing report detailed the amount held by the Clerk of the Circuit Court by case. The total of the Open Items Case Listing report should have agreed to the control amount in the ABL.

There were the following additional deficiencies at the various Clerk of the Circuit Court's divisions described as follows:

Crown Point Civil

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. As of December 31, 2014, the reconciled bank balance was \$8,124 in excess of the manual Cash Book balance. No attempt was made to research this variance, due in part to the issues in reconciling credit card transactions.

The detail of items held in trust "Open Items Case Listing" at December 31, 2014, was \$8,050 greater than the ABL, which was the official record. No attempt was made to research this difference.

Crown Point Small Claims

The detail of items held in trust "Open Items Case Listing" at December 31, 2014, was \$37,958 less than the ABL, which was the official record. No attempt was made to research this difference.

Crown Point Criminal

The reconciled bank balance was \$900 in excess of the ledger balance (ABL), as of December 31, 2014. This amount remained unchanged from the previous audit.

Crown Point Traffic

An Excel (commercially purchased software) spreadsheet was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. This spreadsheet was prepared by the Traffic Division Bookkeeper from daily receipts and disbursements generated by

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

Court View and from the related bank activity (deposits, credits, and withdrawals). As of December 31, 2014, the adjusted bank balance (and the Excel spreadsheet) was \$77,312 less than the ledger balance (ABL) after adjusting for the investments. The difference between the ABL and the unit's spreadsheet plus the investment balance was \$81,395 at December 31, 2013. No attempt was made to research this difference.

East Chicago

The reconciled bank balance for the East Chicago Clerk of the Circuit Court's Office exceeded the ABL by \$101,999, as of December 31, 2014. Incorrect recording of an investment from "total monies on deposit" in 2009 accounted for \$100,000 of the difference. The remaining \$1,999 was not identified and was an accumulation of many years of uncorrected errors. Also included in the reconciliation was a net adjustment amount of \$1,881. Virtually all of these adjustments are due to credit card transactions in the bank but not recorded in the records, or vice versa. The adjustments included transactions from 2011 to 2014 which have been carried on the monthly bank reconciliations and have not been resolved or posted to the records.

Gary

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. As of December 31, 2014, the reconciled bank balance was \$4,982 less than the manual Cash Book balance. This was an increase of \$522 from December 31, 2013. The change indicated that errors occurred in the current year and were not investigated or corrected.

The manual Cash Book balance was \$164,603 greater than the ABL as of December 31, 2014. No attempt was made to research this difference. In addition, the detail of items held in trust "Open Items Case Listing" at December 31, 2014, was \$79,569 less than the ABL (Control).

Hammond

The Clerk of the Circuit Court's office in Hammond included three divisions: Civil, Small Claims, and Traffic. The bank reconciliations of the three divisions included reconciling items that have existed for a number of years. These reconciling items could not be verified to supporting documentation as no detailed listing of the composition of the reconciling items was maintained. The Hammond Office performed reconciliations to the ABLs for each division; however, unidentified reconciling items with no documentation resulted in various cash shorts and longs.

The Small Claims Division's reconciled bank balance was \$2,149 less than the ABL; the Civil Division's reconciled bank balance was \$15,519 in excess of the ABL; and the Traffic reconciled bank balance was \$4,007 in excess of the ABL.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance 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 Clerks of the Circuit Courts of Indiana, Chapter 13)

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

CREDIT CARD TRANSACTIONS - INTERNAL CONTROLS

As noted in prior reports, internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient for the deposit and receipt of credit card payments in the Clerk of the Circuit Court's office. The Clerk of the Circuit Court's office allowed customers to pay court fees, traffic fines, and bonds over the internet by using credit cards. Customers inputted the cause number or ticket number and paid the amount owed. The third party electronic payment software system should have automatically recorded the customer's payment information to the Clerk of the Circuit Court's Court View computerized recordkeeping system, and also deposited the amount into the bank account. The County's Data Department developed reports for the Clerk of the Circuit Court's Bookkeepers that detailed the credit card batches, cause numbers, transaction numbers, and payment amounts. A timing delay existed between the time the transaction was recorded in Court View and when the deposit was recorded in the bank account.

Review of the bank reconciliations through the year noted numerous instances of credit card transactions deposited into the bank but not recorded in Court View. Also, many instances of transactions that were recorded in Court View without a corresponding deposit into the Clerk of the Circuit Court's bank accounts. These recording errors in the computerized accounting system by electronically generated transactions indicated weaknesses in the automated system.

When a customer overpaid or accidentally repeated the transaction on line, the Court View system could not record the overpayment or the duplicate transaction. The credit card bank deposit still occurred which made the transactions in the bank greater than the transactions in the Court View Cash Book. The credit card company occasionally reversed a payment or partial payment which made the bank deposit less than the amount recorded in Court View.

Manually reconciling the large volume of credit card transactions was a tedious and time consuming process, which lent itself to errors. The reports and information available to the Clerk of the Circuit Court's staff was insufficient to identify all differences related to credit card transactions.

The Clerk of the Circuit Court's office had not established policies or control procedures to refund overpayments. It depended primarily on the credit card company or the customer to adjust or to request refund of the overpayment. The Clerk of the Circuit Court's office had unidentified bank long amounts in several bank accounts which were believed to be due to the credit card issues described above.

Information generated in one computer application system and transferred to another computer application system must be accurate and complete. The adequate transfer of information must be recorded on reports from both systems documenting the number of items of information transferred and the accounting value totals of the information transferred. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 14)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

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

BOND FORFEITURES

Indiana Code requires the Court to forfeit the bond of a defendant who fails to appear in court. The amount of the forfeited bond shall be transferred to the state common school fund less any court fees retained by the Clerk of the Circuit Court or any amounts collected in satisfaction of a judgment. In Lake County, bonds were not forfeited; instead, warrants were issued for the defendant's arrest. If the defendant was arrested within five years, the bond was used to pay fines and fees, Court cost, and attorney fees. If the defendant was not arrested within five years, the bond was remitted to the state as unclaimed property where the defendant could potentially recover the bond amount.

The Hammond Traffic Division's open items case listing included 333 older cash bonds held in Trust by the Clerk of the Circuit Court's office at December 31, 2014. The cash bonds on hand, received between the years of 2002 to 2008 for criminal defendants, totaled \$177,320.

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

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

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

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

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

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
- (2) any amount collected in satisfaction of the judgment.

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

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

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued for the ordinance violations received from other governmental entities to the Clerk of the Circuit Court's Traffic Division were properly and timely recorded. Receipts were not issued timely; they were issued from 5 to 35 days after the governmental entity remitted their ordinance violation collections to the Clerk of the Circuit Court's Traffic Division.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Clerk of the Circuit Courts of Indiana, Chapter 13)

OFFICIAL BOND

As noted in the prior Report B45011, the Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center, instead of the State of Indiana.

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2016, with Michael A. Brown, Clerk of the Circuit Court; Rebecca Dowling, Financial Manager; and Wanda Epps, Personnel Director.

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

COUNTY SHERIFF
LAKE COUNTY

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDING

**FINDING 2014-005 - INTERNAL CONTROLS AND COMPLIANCE OVER
FINANCIAL TRANSACTIONS AND REPORTING - SHERIFF**

Condition

There were several deficiencies in the internal control system of the County Sheriff's Department related to financial transactions and reporting. The following deficiencies constitute material weaknesses.

1. Lack of Segregation of Duties: The County Sheriff's Department had not separated income-compatible activities related to receipts and disbursements.

The County Sheriff's Department had multiple offices and divisions. Those divisions with a lack of segregation of duties included Civil, Inmate Trust, Commissary, and the Lake County Drug Task Force. In the Civil, Inmate Trust, and Lake County Drug Task Force divisions, one employee was responsible for receipting and disbursing funds, reconciling the monthly bank statements to the respective ledgers, and posting transactions to the ledgers. For the Commissary division, one employee was responsible for disbursing funds, reconciling to the bank, and posting transactions to the ledger.

2. Receipt Issuance: Receipts were not issued for collections made by the Commissary division. Commissary collections were from three main sources: purchases made from Inmate Trust, commission from telephone calls, and commission from video conferences.

Criteria

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making the payment. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDING
(Continued)

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)

Cause

Management of the County Sheriff's Department had not established a proper system of internal control.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the County Sheriff's Department at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

November 17, 2016

Mr. Paul Joyce, CPA
State Board of Accounts
302 W Washington
Room E418
Indianapolis IN 46204-2765

Dear Mr. Joyce:

The Lake County Indiana Sheriff's Department acknowledges the strategic importance of the Indiana State Board of Accounts mission in promoting government transparency, integrity, efficiency, and the adherence to promulgated accounting regulations. We appreciate the input of the auditors assigned to our examination, both during the audit and at our exit interview. While we take the auditors' comments and related reports seriously, we respectfully disagree with some of their observations and/or assertions.

We note that the "Finding 2014-005" provided to this department (copy attached) does NOT have specific facts or circumstances that would allow us to focus on defined issues. Follow up telephone conversations between the auditor and Sheriff's Department staff confirmed that the finding report was "not specific".

We partially agree to the assertion that at the time of your audit there was a "Lack of Segregation of Duties" in the Civil, Inmate Trust, Commissary, and the Lake County Drug Task Force. We appreciate the opportunity to present the facts and corrective actions to be instituted.

Appended to this response are discussions of the current procedures in the Lake County Jail Commissary Account concerning the receipt and disbursement of funds. Based on the number of personnel involved, the "paper trail" utilized, and in certain circumstances command/supervisory approval via the personal approval of Sheriff John Buncich, we disagree with your assertion that this department has not established a proper system of internal control. We would like to emphasize the fact that an outside independent Certified Public Accounting firm is utilized to reconcile the Commissary Bank Account in furtherance of oversight to prevent errors, omissions, or defalcations. We also want to stress that the Lake County Sheriff's Department utilizes an outside commissary management company (Keefe), to service the commissary needs of the Lake County Jail inmates. Many of the transactions the Keefe system initiates are reviewed by multiple Sheriff personnel and utilize a paper trail and/or electronic trail that has been tested by the SBOA over the years and can be traced to the bank statements. In spite of the command oversight procedures utilized to increase internal control to negate alleged incompatible personnel functions, if this department has overlooked a procedure that could still lend itself to material misstatements or irregularities to remain undetected, we welcome specific facts and specific recommendations to resolve such issues.



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

Also appended to this response, is a discussion of current procedures utilized within the Lake County Drug Task Force (LCDTF). We acknowledge that while performing the vital function of the suppression of illegal drug trafficking, the LCDTF is required to follow criminal law and Federal grant restrictions, in addition to Indiana State Board of Accounts regulations. In an effort to address your agency's accounting assertions, we have found that although there are already stringent policies in place there are a couple of changes that will add extra layers of protection.

We acknowledge that the Lake County Sheriff's Department Civil Division did have incompatible accounting personnel functions that were discussed with the Civil Division staff and remedied yesterday. With such a small department there are times one person did intake cash, issue a receipt, input the accounting transaction, prepare the bank deposit, make the bank deposit, and reconcile the bank account. In the future, cash and accounting functions will be divided between civil division staff. In addition, the Civil Division Commander will utilize increased command oversight, including review, and/or reconciliation of daily reports to be compared to bank deposits to mitigate any remaining incompatible accounting transaction functions to bolster internal control. As with the other divisions of this department, if there are any other civil division incompatible functions or internal control deficiencies that we have not been addressed for correction, we would appreciate your specific facts and circumstances.

We are in disagreement that there exists a lack of internal control and incompatible accounting functions within the Inmate Trust division. From initial arrest all the way through the booking and incarceration processes, there are procedures and multiple jail staff utilized to protect the integrity of the inmate's financial resources and accounting for said funds. The Lake County Jail utilizes an outside vendor for the collection, receipt, recording, and deposit of inmate's funds. Part of the checks and balances utilized to safeguard inmate funds are the paper receipts and reports provided to the jail inmates themselves. There are procedures available to the inmates to resolve alleged discrepancies involving the inmate's funds as another internal control. Once again, an independent Certified Public Accounting firm is utilized to reconcile the Trust Bank Account in furtherance of oversight to prevent errors, omissions, or defalcations. If there is a specific procedure or gap in internal control you would like us to address, then please be specific so we may resolve the alleged issue.

In closing, we thank you for your diligence and the opportunity to work with you to address our accounting issues and to make improvements to the Lake County Sheriff's Department internal control procedures.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Buncich", with the initials "mb" written below it.

John Buncich
Lake County Sheriff

Attachments

Lake County Jail Commissary Fund Receipt Issuance Telmate Phone Commission

The Lake County Jail Commissary Officer receives an invoice from the Keefe Commissary Network (KCN). The KCN invoice lists the monthly Commissary Sales for products purchased by inmates for a given time period. The Commissary Officer adds each invoice to come up with a total amount. The Commissary Officer delivers the KCN invoices to the Lake County Sheriff's Department Staff Services Deputy Commander. The Staff Services Deputy Commander adds the invoices together to verify the amount.

The Staff Services Deputy Commander issues two checks from the invoices from the Inmate Trust Bank Account. The first check is issued to KCN for the total amount due listed on the KCN invoice.

The second check is issued by the Staff Services Deputy Commander to the Lake County Jail Commissary Fund in the amount of the monthly commission earned which is listed on the KCN Invoice. The check is taken to Bookkeeping. The bookkeeper prepares a Special Order to have the Commission Check deposited into the Lake County Jail Commissary Fund. The bookkeeper presents the Special Order to the Sheriff for his approval. Once the Special Order is approved, the bookkeeper gives the Commission Check and Special Order back to the Staff Services Deputy Commander.

The Staff Services Deputy Commander delivers the commission check and special order to the Lake County Jail Commissary Officer. The Lake County Jail Commissary Officer deposits the check in the Lake County Jail Commissary Fund at the bank and records the transaction in the Keefe Commissary Network.

Lake County Jail Commissary Fund Receipt Issuance Telmate Phone Commission

The Lake County Sheriff's Department's Staff Services Deputy Commander receives an invoice from Telmate LLC. The Telmate invoice lists the monthly Prepaid Sales for inmate telephone calls. The monthly prepaid sales are divided into two categories: Monthly Commission Earned by the Lake County Sheriff's Department and Amount Total for Telmate's Services.

The Staff Services Deputy Commander issues two checks from the invoice from the Inmate Trust Bank Account. The first check is issued to Telmate LLC for the total amount due listed on the Telmate invoice. The Staff Services Deputy Commander records the transaction in the Keefe Commissary Network and sends the payment to Telmate by mail.

The second check is issued by the Staff Services Deputy Commander to the Lake County Jail Commissary Fund in the amount of the monthly commission earned which is listed on the Telmate Invoice. The check is taken to Bookkeeping. The bookkeeper prepares a Special Order to have the Earned Commission Check deposited into the Lake County Jail Commissary Fund. The bookkeeper presents the Special Order to the Sheriff for his approval. Once the Special Order is approved, the bookkeeper gives the Commission Check and Special Order back to the Staff Services Deputy Commander.

The Staff Services Deputy Commander delivers the commission check and special order to the Lake County Jail Commissary Officer. The Lake County Jail Commissary Officer deposits the check in the Lake County Jail Commissary Fund at the bank and records the transaction in the Keefe Commissary Network.

Lake County Jail Commissary Fund Receipt Issuance Telmate Video Visitation & Tablet Commission

The Lake County Sheriff's Department's Staff Services Deputy Commander receives a check from Telmate LLC. The check is for commission earned from Jail Video Visitations and Jail Tablet use. The Staff Services Deputy Commander records the video visitation and tablet commission. The commission check is made payable to the Lake County Jail Commissary Fund.

The Staff Services Deputy Commander gives the commission check to the Sheriff's bookkeeper. The bookkeeper prepares a Special Order to have the Video Visitation and Tablet Commission Check deposited into the Lake County Jail Commissary Fund. The bookkeeper presents the Special Order to the Sheriff for his approval. Once the Special Order is approved, the bookkeeper gives the Commission Check and Special Order back to the Staff Services Deputy Commander.

The Staff Services Deputy Commander delivers the commission check and special order to the Lake County Jail Commissary Officer. The Lake County Jail Commissary Officer deposits the check in the Lake County Jail Commissary Fund at the bank and records the transaction in the Keefe Commissary Network.

The Staff Services Deputy Commander issues a written receipt from a receipt journal to Telmate LLC for the Video Visitation and Tablet Commissions. The written receipt is mailed to Telmate LLC along with a copy of their payment stub.



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

The current procedures relating to monies handled by the Lake County Drug Task Force (LCDTF) are as follows.

Two (2) separate bank accounts are maintained for monies held by the LCDTF. The first account (seizure account) is for monies seized during the course of investigations. The second account (forfeiture account) is for forfeiture funds from those monies or other forfeited assets.

Cash is maintained at the LCDTF for use in investigations and comes from the forfeiture account. This is generally referred to as "buy money".

Seizure Account

When the LCDTF seizes monies during an investigation that are intended for forfeiture, they are deposited into the seizure account.

Initially the seizing officer takes custody of the funds which are treated as evidence. The funds are counted and recorded and then sealed in an evidence bag. A property inventory / custody form is completed documenting all the necessary information related to the case. The funds are then secured in a safe and a separate log is maintained on all monies deposited and withdrawn from the safe.

One of four persons designated then removes the funds from the safe and transports the funds to the bank for deposit. Four persons are designated but it is usually the same individual completing this task.

The funds remain in the account pending court ordered forfeiture. Once forfeited, the funds are then withdrawn via check and transported to the Lake County Clerk's Office for deposit and dispersal as ordered by the court.

When the LCDTF receives the forfeited portion of the monies from the LC Clerks Office those funds are then deposited into the LCDTF forfeiture account.

It is usually the same person completing the aforementioned steps.

In the event that the monies are not ordered forfeited, they would be returned to the defendant from whom they were initially seized from.

All accompanying paperwork from this process is kept with and reconciled with the monthly bank statements and case files. The same person currently reconciles this account.

Forfeiture Account



JOHN BUNCICH
LAKE COUNTY SHERIFF

LAKE COUNTY, INDIANA

The monies that have been court ordered as forfeited to the LCDTF are deposited into this account. This is a two (2) signature account and all withdrawals require two (2) signatures of Four (4) persons designated.

Forfeiture funds are received from the Lake County Clerk's Office via check and deposited in the forfeiture account. This is usually done by one individual.

Currently funds from this account are being used solely for the purchase of evidence, information and services in narcotics investigations.

The LCDTF commander gives verbal approval for funds to be withdrawn and used for this purpose. Two supervisors designated then go to the bank and withdraw the "buy money" which is then secured in a safe at the LCDTF.

Buy Money

The LCDTF buy money is secured in a safe that three (3) designated supervisors have access to. A paper log / ledger and electronic spreadsheet are used to record all deposits and withdrawals of these funds. The logs contain case numbers and the purpose for which the funds are utilized. The log also documents the name of the officer requesting and receiving the funds and the name of the supervisor who disperses the funds.

In addition, a funds request form is completed and maintained which has the signatures of the officers involved with the withdrawal. These forms are kept with the Buy Money log / ledger. The LCDTF Commander completes periodic audits of the cash on hand which is documented in the ledgers.

In the event that funds are used to pay a confidential source (CS) for services or information, a separate form is completed. This form has the signature of two officers and of the CS whom was paid. This form is kept in the CS file.

Seizure Account Corrective Actions

A log of all monies collected for seizure and placed into the LCDTF safe will be created. This log will document the seizing officer, amount of money and case related

JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

information. The LCDTF will designate a separate supervisor that will maintain this log and reconcile this log with monies deposited into the seizure account on a monthly basis. The designated person will not be involved with the bank deposit process. The LCDTF Commander will conduct regular audits of this reconciliation process and maintain a separate file documenting this activity.

Forfeiture Account Corrective Actions

A form will be created for the request to withdraw funds from this account for the use of "Buy Money". The form will document the requesting supervisors, the amount of money and reflect written approval from the LCDTF Commander. Two (2) copies of this form will be made, one will be maintained by the LCDTF Commander and the other will be kept with the Buy Money deposit / dispersal records. The LCDTF Commander will conduct regular audits of this account and maintain a separate file documenting this activity.

Buy Money

The completed Buy Money request form will be copied. Copies will be maintained in the Buy Money files, corresponding case file and an additional copy will be maintained by the LCDTF Commander. The LCDTF Commander will conduct regular audits of this cash on hand and maintain a separate file documenting this activity.

From: Barick, Valerie
Sent: Wednesday, November 16, 2016 12:38 PM
Subject: Civil Division response

Mr. Donald Smith,

Currently, the Lake County Sheriff's Civil Division lacks segregation of duties in regards to receipting, depositing, disbursing, and reconciling funds received in office. Although two employees receipt funds, one person is primarily responsible for the duties listed above.

Going forward, the Lake County Sheriff's Civil Division will ensure segregation of duties by enforcing a system of checks and balances amongst it's employees. The Civil Division will have one employee prepare the deposit and another employee reconcile the monthly bank statement and cashbook. Also on a daily basis, Commander Ron Ladd will review, verify, and sign off on every deposit before it is taken to First Midwest Bank. If he is unavailable, the Civil Division Merit Supervisor will perform this task. Commander Ron Ladd will begin reviewing and signing off on the tax warrant payment report sent to the Indiana Department of Revenue and will maintain a separate file with copies of the monthly reports.

Sincerely,

Valerie A. Barick

Lake County Sheriff's Department

Civil Division

Lake County Inmate Trust Bank Deposits

When an inmate is brought into the Lake County Jail, the arresting/transporting officer collects any cash the inmate has on himself. The officer deposits the cash in the kiosk machine located in the Lake County Jail Booking Area. When the cash has been inserted, the kiosk will print a receipt as proof of the deposit transaction. The cash is stored in the kiosk and it is picked up by an armored truck company. The armored truck employees transport the cash to the bank where it is deposited. At no time does a Lake County Jail employee or Lake County Sheriff employee handle the cash.

If an inmate's friend or family member wants to deposit money into the inmate's account, they insert cash into a kiosk located in the jail lobby. The cash is stored in the kiosk and it is picked up by an armored truck company. The armored truck employees transport the cash to the bank where it is deposited. At no time does a Lake County Jail employee or Lake County Sheriff employee handle the cash.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INMATE TRUST RECORDS

Indiana Code 36-8-10-22 requires the County Sheriff of each County that operates a County jail to hold, in trust separately for each inmate, any money received from that inmate or from another person on behalf of that inmate. This statute specifically requires the County Sheriff to maintain a record of each trust fund's receipts and disbursements.

These individual inmate records were kept as a subsidiary record to the inmate trust control ledger. The reconciled bank balance of the inmate trust fund reconciled with the inmate trust control ledger, but the total of all subsidiary records did not agree with the control ledger. At December 31, 2014, the subsidiary records were \$255,836 less than the inmate trust control ledger.

A similar comment appeared in prior audits.

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)

CONDITION OF RECORDS - CIVIL DIVISION

The Civil Division of the County Sheriff's Department maintained the required Cash Book electronically through computer software. The Civil Division recorded receipts by date, receipt number, and amount, as well as checks, by check date, check number, and amount in the computer software. The Civil Division also maintained a Check Register, the equivalent of a personal checking account register, in which the Civil Division recorded deposit and check amounts. The Check Register was prepared using an excel worksheet, and could have been altered without providing an audit trail.

As the Civil Division collected funds, an electronic receipt was issued from the computer software, and automatically recorded to the electronic Cash Book. Checks were handwritten and were recorded individually to the electronic Cash Book. The electronic Cash Book replaced a prescribed handwritten Cash Book in March 2007, and was considered the official record for recording the financial transactions of the Sheriff's Civil Division.

At the time the electronic Cash Book was placed into service, the handwritten Cash Book was abandoned and the cash balances were not properly transferred to the electronic records. Because the cash balances were not correctly transferred, the electronic Cash Book was not used to reconcile the bank account. The Clerk who maintained the electronic Cash Book also maintained the Check Register, which was used as the basis for reconciling the bank account. The Clerk manually entered all transactions into the Check Register. The reconciled bank balance exceeded the electronic Cash Book balance by \$127,248 as of December 31, 2014.

While the Check Register and electronic Cash Book should mirror each other, except for the recording of a deposit which comprises many individual receipts, several timing differences were observed between the two records. These timing differences affected the cash balances of the two records, which also affected the bank reconciliations. Of the \$127,248 difference, \$124,847 was due to timing issues between the Cash Book and the Check Register for 2014. There remains an unresolved difference of \$2,401 from December 31, 2013, and prior.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

As the electronic Cash Book was not used properly and was not reconciled to the bank account, errors may not have been detected or corrected.

The County reported the activity of the Check Register in their financial statement. The Check Register did reconcile to the bank account.

Indiana Code 5-13-5-1(a) states in part:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

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)

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)

UNCLAIMED PROPERTY - CIVIL DIVISION

As stated in prior audit reports, the Civil Division of the County Sheriff's Department had \$11,601 in trust as unclaimed property for stale dated checks. The County Sheriff had not remitted this money to the Indiana Attorney General's office unclaimed property division as required by statute.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . ."

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3.
- (7) For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable. . . ."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 32-34-1-26(a) states in part: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

OFFICIAL BOND

As noted in the prior audit Report B45011, the 2014 County Sheriff's \$15,000 Surety Bond was insufficient per the Indiana Code. As of December 31, 2014, the Surety Bond increased to \$30,000; however, due to the receipts activity of this department, the County Sheriff should have been bonded at \$300,000 per Indiana Code.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond: . . .

(3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks. . . .

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. . . ."

SHERIFF TEMPORARY LOAN REPAYMENT

A temporary loan of \$280,210 was made on September 20, 2013, from the Sheriff's Pension Trust fund to the Commissary Payroll Pass-Thru fund and not repaid by December 31, 2013. In December 2013, the County Council passed Resolution #13-93 which granted a temporary loan extension until June 30, 2014.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The temporary loan was not repaid as of June 30, 2014, and had a balance due of \$52,210 as of December 31, 2014.

A temporary loan of \$128,000 was approved by the County Council on January 14, 2014, from the Sheriff Federal Forfeiture fund (combined with, and reported as, the State Fines and Forfeitures fund on the financial statement) to the Sheriff Towing & Franchise Fee fund. No repayments were made on this loan in 2014. The Council did not approve an extension for the temporary loan until Resolution #15-84 was passed on June 9, 2015. The loan was extended through December 2015.

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer or a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. . . ."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS - ANIMAL CONTROL

The Animal Control Department had a bank account that was used as a petty cash fund. They used a debit card for department disbursements and checks for appropriate refunds. A claim form was used to request reimbursement for these disbursements from the County. The Animal Control Department did not reconcile to the \$2,000 that should be accounted for in this account.

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

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

The contents of this report were discussed on November 17, 2016, with John Buncich, County Sheriff; Melanie Dillon, Bookkeeping Supervisor; Dennis Eaton, Commander; James Tatge, Captain; Jamie Harris, Deputy Commander; Lisa Holland, Grant Administrator; Anthony Ramirez, Commander; Ron Ladd, Commander; Valerie Barick, Civil Division Supervisor; Brian Marsh, Deputy Commander; John Gruszka, Deputy Commander Staff Services; Richard Jacobson, Commissary; and Michele Dumbsky, CPA, Consultant.

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COUNTY RECORDER
LAKE COUNTY

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

FEE AND CASH BOOK

The County Recorder did not use the prescribed County Recorder's Fee and Cash Book or an alternative form in lieu of the prescribed form.

The County Recorder's Fee and Cash Book (Cash Book) was a detail of receipts with cumulative monthly receipt balances by type of receipt. However, the Cash Book was not complete. The "Total Disbursements for Month to Date" and "Balance Carried Forward" columns were not used properly as required on the prescribed form. The Cash Book was maintained on a monthly basis. Each month began with a zero balance; however, the disbursement of the prior month's cash balance was not recorded in the Cash Book. The book also did not include the interest earned each month from the bank account. A control ledger (of receipts, disbursements and balances) and a check register (a listing of checks remitted to the County Auditor that included the check number, date, and amount) were also not maintained. Therefore, a complete record and audit trail of all financial activity was not maintained.

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)

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the County Recorder's records at the time the transactions occurred. We found that while check collections received were recorded to the Cash and Fee Book (record), receipts were not always issued, and some of the issued receipts did not agree to the records.

Each document recorded is assigned a document number. Collections received are posted to the Recorder's records using the document number. Daily collections received in the mail are totaled, and a receipt is issued for the total. For the mail collections, no tape or listing is maintained. Also noted were instances where the receipt issued for mail collections did not agree to the record. Without a tape or a spreadsheet to document and reconcile the mail collections receipted, errors are made and not detected resulting in mail collection receipts being cash long or cash short.

We also observed instances where the composition (cash, check, or money order) of the receipt, or payment type, was not indicated on the receipt.

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (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)

BANK ACCOUNT RECONCILIATIONS AND REMITTANCES

The County Recorder did not perform monthly reconciliations of the Fee and Cash Book to the depository balance as required by Indiana Code. The Fee and Cash Book did not list cash balances to enable a reconciliation to be performed. Therefore, no safeguard was in place to ensure that all monies were timely and accurately remitted to the County. Due to these issues, there was an excess cash balance of \$92,114 that was not remitted to the County.

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 36-2-7-10(a) states:

"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. The fees prescribed and collected under this section supersede all other recording fees required by law to be charged for services rendered by the county recorder."

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)

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2016, with Michael B. Brown, County Recorder; Regina Pimentel, Chief Deputy; and Mike Belmonte, Special Project Manager.

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS

FINDING 2014-006 - PROCUREMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-08-UN-18-0002, B-11-UN-18-0002, B-12-UC-18-0016, B-13-UC-18-0016

Condition

An effective internal control system was not in place at the County's Community Economic Development Department (Department) in order to ensure compliance with requirements related to the grant agreement and the Procurement compliance requirement.

The Department failed to comply with the purchasing policy approved by the Board of County Commissioner's (Commissioner). According to the Commissioner's procurement policy, any contractual obligations must be approved by the Commissioners after following the guidelines outlined in Indiana Code 5-22. The Department was to obtain three quotes for purchases of \$50,000 or less. Documents pertaining to procurement such as contracts and quotes were not retained for audit.

Context

Of the nine vendors tested within five drawdown requests, there were eight instances of noncompliance with the Commissioner's procurement policy because bid or quote documents and contracts were not provided for audit. This was a systemic problem as a majority of the procurement documentation was not presented for audit.

Criteria

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. . . ."

24 CFR 85.36 states in part:

"(a) *States*. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.

(b) *Procurement standards*. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The Commissioner's Order on Centralized Purchasing and Purchasing Agent states in part:

(d) Any contractual obligations under any sections of the following statute must be approved contractually by the Board of Commissioners of the County of Lake as the county executive:

- (1) Any power under IC 5-22, . . .
- (4) Any public works project under IC 36-1-12, . . .
- (i) The Board of Commissioners adopts the following policy on purchasing: . . .
 - (2) In accordance with IC 5-22-8 the purchasing agent with the approval of the Board of Commissioners shall be authorized to purchase up to \$50,000 under IC 5-22 or other purchasing laws on the open market without notices or bids if these quotes are obtained from three vendors selected and approved by the Board of Commissioners . . ."

Indiana Code 5-15-6-3(d) states:

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

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

Cause

Management had not developed a system of internal controls to ensure compliance with approved policies.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with the Procurement compliance requirement.

Views of Responsible Officials

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

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

**FINDING 2014-007 - REPORTING - COMMUNITY DEVELOPMENT
BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number: B-08-UN-18-0002, B-11-UN-18-0002, B-12-UC-18-0016, B-13-UC-18-0016

Condition

An effective internal control system was not in place at the County's Community Economic Development Department (Department) in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Department had not developed nor documented a system of internal controls for the HUD 60002, Section 3 Summary Report reporting requirements.

Context

This finding applies to only the HUD 60002, Section 3 Summary Report annual performance reporting requirements; there was a documented control over the Financial Reports for the program.

Criteria

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. . . ."

Cause

The Department failed to establish a proper internal control structure to ensure compliance with requirements associated with the Reporting compliance requirement.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the County's management establish controls related to the grant agreement and Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2014-008 - MATCHING AND REPORTING - HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239
Federal Award Numbers: M-11-UC-18-0207, M-12-UC-18-0207, M-13-UC-18-0207

Condition

An effective internal control system, which would include segregation of duties, was not in place at the County's Community Economic Development Department (Department) in order to ensure compliance with requirements related to the grant agreement and the Matching and Reporting compliance requirement.

Matching

Each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. The Department had not developed nor documented a system of internal controls to ensure that the required matching contributions were completed and the required records on matching were maintained.

Reporting

The Department had not developed nor documented a system of internal controls to ensure the required reports were completed.

Context

The Department had a lack of internal controls throughout the audit period.

Criteria

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. . . ."

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Cause

The Department failed to establish a proper internal control structure to ensure compliance with Matching and Reporting requirements.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

Auditor's Response

The match log book that was signed by the Deputy Director was not presented for audit until after the audit was completed and the exit conference was held.

FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS - HOUSING QUALITY STANDARDS

Federal Agency: Department of Housing and Urban Development

Federal Program: HOME Investment Partnerships Program

CFDA Number: 14.239

Federal Award Numbers: M-11-UC-18-0207, M-12-UC-18-0207, M-13-UC-18-0207

Condition

An effective internal control system was not in place at the County's Community Economic Development Department (Department) in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Housing Quality Standards compliance requirement.

The frequency of Housing Quality Standards inspections depends on the number of HOME Investment Partnerships (HOME) assisted units in a project. The documentation of the HOME Assisted Rental Housing Units listing that could have on-site inspections for quality standards did not identify those units on which housing quality inspections were due.

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The Department did not perform any inspections during the year to ensure that property standards were met. Also, the Department did not provide the period of affordability, period for which the non-federal entity must maintain subsidized housing, for two addresses (11 units) to determine if on-site inspections must be performed.

Context

The Department failed to identify any of the 25 units that required an on-site inspection. Of the 25 units that required on-site inspections for housing quality standards, 14 units (56 percent) did not have the inspections performed.

Criteria

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. . . ."

24 CFR 92.504(d) states in part:

"(d) *On-site inspections and financial oversight.* (1) *Inspections.* The participating jurisdiction must inspect each project at project completion and during the period of affordability to determine that the project meets the property standards of §92.251. . . .

- (ii) *Ongoing periodic inspections of HOME-assisted rental housing.* During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of §92.251 and to verify the information submitted by the owners in accordance with the requirements of §92.252. The inspections must be in accordance with the inspection procedures that the participating jurisdiction establishes to meet the inspection requirements of § 92.251.

(A) The on-site inspections must occur within 12 months after project completion and at least once every 3 years thereafter during the period of affordability. . . .

(D) . . . For projects with one-to-four HOME-assisted units, participating jurisdiction must inspect 100 percent of the HOME-assisted units and the inspectable items (site, building exterior, building systems, and common areas) for each building housing HOME-assisted units."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Housing Quality Standards inspection requirements.

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Housing Quality Standards compliance requirements.

Views of Responsible Officials

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



**LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT**

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Executive Director
Timothy A. Brown

Redevelopment
Commission
Members:

November 14, 2016

President
Randy Palmateer

Corrective Action Plan

Vice President
Jamal Washington

Finding 2014-006

Secretary
John Brezik

Fiscal year in which the finding initially occurred: 2014

Federal Agency: HUD

Treasurer
Deborah Trevino

Contact Person Responsible for Corrective Action: Timothy A. Brown

Title of Contact Person: Executive Director

Phone Number: (219) 755-3225

Members
Gerry Scheub
Tom Bainbridge

Corrective Action Plan:

The Executive Director will review with the County Council and Board of County Commissioners to prepare and provide an amended and/or updated purchasing policy applicable for the type of program being offered by LCCEDD to expedite purchases in Emergency circumstances.

Until such policy changes are effective the LCCEDD staff will implement the current Emergency Purchases Policy provided by the County.

Corrective Actions will be implemented by March of 2017.

Timothy A. Brown
Executive Director



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Treasurer
Deborah Trevino

Contact Person Responsible for Corrective Action: Timothy A. Brown

Title of Contact Person: Executive Director

Phone Number: (219) 755-3225

Members
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Tom Bainbridge

Corrective Action Plan:

The Section 3 reports were provided to HUD, in a timely manner in paper format, however the requirements was for electronic versions to be filed.

The Executive Director and Inspector-Monitor are both now part of the Spears 2 reporting program system and all Section 3 reports from 2013, 2014 and 2015 have been filed and forwarded to HUD. The Spears 2 system provides for necessary internal controls and segregation of duties.

The corrective actions have been implemented by using the Spears 2 HUD program so no timeline is necessary.

Timothy A. Brown
Executive Director



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Secretary
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Fiscal year in which the finding initially occurred: 2014

Federal Agency: HUD

Treasurer
Deborah Trevino

Contact Person Responsible for Corrective Action: Timothy A. Brown

Title of Contact Person: Executive Director

Phone Number: (219) 755-3225

Members
Gerry Scheub
Tom Bainbridge

Corrective Action Plan:

The 2014 Matching Log was created and signed by the Deputy Director, however the log did not contain any documentation as to the author of the document.

The Executive Director along with the Department Accountant will create an Annual Match Log Sheet that will indicate the creator of the Match Log and the reviewer of the Match Log with dates and signature locations. The Annual Match Log Sheet provides for necessary internal controls and segregation of duties.

Corrective Actions will be completed by January of 2017.

A handwritten signature in black ink, appearing to read "Timothy A. Brown", written over a horizontal line.

**Timothy A. Brown
Executive Director**



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November 14, 2016

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Finding 2014-009

Vice President
Jamal Washington

Fiscal year in which the finding initially occurred: 2014

Federal Agency: HUD

Secretary
John Brezik

Contact Person Responsible for Corrective Action: Timothy A. Brown

Title of Contact Person: Executive Director

Phone Number: (219) 755-3225

Treasurer
Deborah Trevino

Corrective Action Plan:

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Gerry Scheub
Tom Bainbridge

The Housing Quality Standards finding is a continuation of the August 2015 HUD Monitoring Event in finding numbers 2 and 3. LCCEDD Staff and HUD staff in Indianapolis have been working on numerous LCCEDD policy and guideline updates.

The Executive Director, with the assistance of HUD authorized Technical Assistance, is reviewing and updating all of the policies and guidelines of the Department. This review and update includes the Housing Quality Standards, inspection forms, spreadsheets indicating affordability periods and inspection due dates, and internal controls for review purposes.

Corrective Actions will be determined by the timing of the HUD authorized Technical Assistance provider. The anticipated date for completion of the TA work and the adoption of the new policies and guidelines is the end of August, 2017.

Timothy A. Brown
Executive Director

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2016, with Tim Brown, Executive Director; Anna Nunez, Accountant; Nancy Valentine, Deputy Director; and Alex Kutanovski, Attorney.

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

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BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

COMMISSIONER'S TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees - SRI, Inc. fund, and the Treasurer's Tax Sale fund and presented as the Tax Sale Fees fund on the financial statement. The Commissioner's Tax Certificate Sale fund had a beginning balance of \$837,942, reported \$1,547,608 in receipts, and \$2,279,060 in disbursements, resulting in an ending balance of \$106,490.

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of \$837,942, nothing was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years.

The Commissioner's Tax Sale Certificate fund received \$1,547,608 in receipts from two Commissioners Sales in 2014. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2014. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$1,426,000 was transferred from the Commissioners Tax Sale fund to four incentive funds as an allocation of payroll costs attributed to the tax sale and to the Non-reverting Self Ins fund. The amounts transferred were determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale may be paid from the proceeds from the sale; however, only the actual costs incurred may be reimbursed. The transfers, based upon direction received from the County Council during 2010, 2011, 2012, 2013, and 2014 were as follows:

Fund	2010	2011	2012	2013	2014
Auditor's Tax Incentive Fund	\$ 100,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000	350,000
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000
Treasurer's Incentive Fund	100,000	240,000	240,000	240,000	240,000
Non-reverting Self Ins Fund	-	-	-	-	500,000
Total Transfers received	<u>\$ 400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>

** Combined with and reported as Recorder's Records Perpetuation on the Financial Statement.

The 2014 disbursements and the December 31, 2014, cash balances of the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive Fund	\$ 297,011	\$ 298,854
Commissioner's Incentive Fund	691,582	236,365
Recorder's Incentive Fund **	93,459	292,703
Treasurer's Incentive Fund	181,098	487,691
Totals	<u>\$ 1,263,150</u>	<u>\$ 1,315,613</u>

** Combined with and reported as Recorder's Records Perpetuation on the Financial Statement.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in the incentive funds at the end of 2014 was \$1,315,613.

Ordinance 1333A also states that 40 percent of the net proceeds, up to \$1,000,000, are to be deposited into the Commissioners' Tax Sale fund. Only the net proceeds above the \$1,000,000 are to be distributed to the appropriate units of government where the respective tax certificate properties are located. Indiana Statute does not allow for this allocation as only direct costs, property tax, special assessments, and penalties are to be paid. Any amount received in excess of those disbursements allowed by statute, should be deposited into the Tax Sale Surplus fund; not retained in the Tax Sale Fees fund. In addition, although not separately identified in the receipts from the Commissioners' Tax Sale, disbursements from the Commissioner's Tax Sale Certificate fund were made for the redemption of properties. Accounting for the redemption of properties should be in the Tax Sale Redemption fund.

Indiana Code 6-1.1-24-6.4 states in part:

"(a) When a certificate of sale is sold under this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(f) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).
- (3) Third, to a separate 'tax sale surplus fund.'

(b) The:

- (3) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (4) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property; may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(c) An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is claimed more than three (3) years after the date of its receipt . . ."

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 376, page 3)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 381, page 11, Q&A #5)

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The accounts payable vouchers reviewed included the following deficiencies:

1. The County made some payments through bank electronic funds transfers (EFT). These payments included: debt payments, park land purchases, and payments to the Indiana Pension Retirement System (INPRS). The Commissioners did not sign the accounts payable vouchers (claims for payment) prior to the actual bank EFT.

The County also made some payments by issuing manual checks. The Commissioners did sign the accounts payable vouchers prior to the issuance of the manual checks. At the next Commissioners' meeting, the manual checks and payments by EFT were approved after the payments had been made. The meeting minutes reflected this approval with the wording "to approve and make a matter of public record the Claims and Docket and ordered same for Auditor to include white claims for the review of Claims and Docket." A detailed listing of the approved manual checks and payments by EFT on an accounts payable voucher register was not retained for audit. Bank wire transfer payments of \$32,469,505 were paid in 2014 prior to proper Board of County Commissioners' approval.

The County's codified ordinances did not include an ordinance authorizing the County Auditor to pay accounts payable vouchers prior to the Board of County Commissioners' approval.

A similar comment appeared in the prior audit report.

2. Payments totaling \$222,760 were made to a vendor for the execution of the County Treasurer's Tax Sales based solely upon receipts posted to the records. Per the contract with the vendor: "The Service Fee shall be collected by the County on all parcels included on the Certified List and remitted to the vendor upon collection and receipt of an invoice for the Service Fees from the vendor."

When a tax sale property cancellation occurred, a full refund was provided to the purchaser, which included the service fee collected. However, the tax sale fees were receipted into the Tax Sale Fee - SRI, Inc. fund and remitted to the vendor without adjusting for any cancellations.

3. Payments were made to a third party administrator for the self-insurance administrative fees without supporting documentation. A white claim was provided by the vendor with the dollar amount completed and the claim was paid from that information.
4. Payroll taxes and other payroll withholding payments were made through bank wire transfers. The payroll department started preparing accounts payable vouchers (claims for payment) after the prior audit (November, 2014). The department did not assign a claim number to these vouchers.

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

- ". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.
- (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) there is a fully itemized invoice or bill for the claim; . . .
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 36-2-6-4 states in part:

"(b) Except as provided in section 4.5 of this chapter, the county executive may allow a claim or order the issuance of a county warrant for payment of a claim only at a regular or special meeting of the executive. The county auditor may issue a county warrant for payment of a claim against the county only if the executive or a court orders him to do so. . . .

(c) The county executive may allow a claim if the claim:

- (1) complies with IC 5-11-10-1.6; and
- (2) is placed on the claim docket by the auditor at least five (5) days before the meeting at which the executive is to consider the claim."

Indiana Code 36-2-6-4.5 states in part:

"(a) A county executive may adopt an ordinance allowing money to be disbursed for lawful county purposes under this section.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over the allowance of claims, the county auditor may make claim payments in advance of board allowance for the following kinds of expenses if the county executive has adopted an ordinance under subsection (a): . . .

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the county auditor.

(d) The county executive or the county board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

A claim or voucher, to be properly itemized, must show kind of service, where performed, dates service rendered, by whom rendered, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Attorney General held in Official Opinion No. 13 (1968) that the attachment of a properly itemized and certified invoice to the front side of a prescribed claim form, in lieu of manual completion of the front side of the claim form, is consistent with the provisions of IC 5-11-10-1. In view of the foregoing opinion certified invoices may be used subject to the following conditions:

1. Invoice is fully itemized, in the manner described on the prescribed Accounts Payable Voucher Form.
2. Invoice is firmly attached to and becomes a permanent part of the prescribed claim and is processed in the same manner as other claims.

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

CURRENT PAYMENT OF CLAIMS - SELF-INSURANCE

During 2014, the County was self-insured for employee health insurance benefits. The healthcare claims were not paid timely. They were held up to two and one-half months before payments were released. As of December 31, 2014, the County had outstanding insurance claims of approximately \$5,337,809.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)



THE BOARD OF COMMISSIONERS OF THE COUNTY OF LAKE



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CORRECTIVE ACTION PLAN

Board of Commissioners Lake County Audit Results & Comments

Comment 1, Commissioner's Tax Sale Distribution 2015; Comments from State Board of Accounts received in an Exit Meeting on November 16, 2016 included in part that the Indiana Statute does not allow for payments from the net proceeds of a Commissioner's Tax Sale to be paid out of the Commissioner's Tax Sale Fund. State Statute states disbursements to Units should be deposited into a Tax Sale Surplus Fund and not kept in a Tax Sale Fund. In addition, redemption of property disbursements were made from the Commissioner's Tax Sale Certificate Fund. Accounting for the redemption of properties should be posted to the Tax Redemption Fund.

Commissioner's Corrective Action Plan; Commissioner's will work with the County Auditor and County Council to insure the necessary Funds are created to allow for the appropriate transfer/deposits of proceeds to take place according to State Statute.

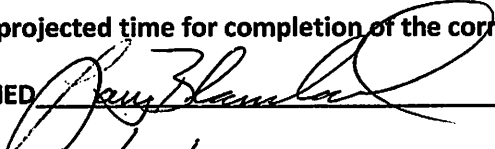
Comment 2, Accounts Payable Vouchers Deficiencies # 5; Commissioners did not sign vouchers (claims) prior to actual bank EFT.

Commissioners Corrective Action Plan; Commissioners have met with the Auditor and Treasurer and the Treasurer now requires Commissioners "signed accounts payable vouchers" as part of the paperwork required for EFT withdrawals.

Comment 2, Accounts Payable Voucher Deficiencies # 6; Manual and EFT's were approved by Commissioners after payments were made.

Commissioners Corrective Action Plan; Commissioners will petition the County Council for creation of an Ordinance authorizing the Auditor to pay "accounts payable vouchers" prior to Board of Commissioner's approval at their regular monthly meeting.

The projected time for completion of the corrective action plan is November 30, 2016.

SIGNED  _____

DATED 11/23/2016

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.

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COMMUNITY CORRECTIONS
LAKE COUNTY

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULT AND COMMENT

LOAN BETWEEN COMMUNITY CORRECTION FUNDS

A temporary loan of \$25,000 was made in the 2014 budget year from the Community Corrections fund to the Juvenile Secured Detention fund (reported as the Juvenile Probation Administrative fund on the financial statement) and not repaid by the end of the budget year.

Indiana Code 36-1-8-4, concerning temporary loans, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs."

COMMUNITY CORRECTIONS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2016, with Kellie Bittorf, Executive Director and Richard Servi, Manager Budget and Personnel.

The contents of this report were discussed on November 15, 2016, with Ted Bilski, President of the County Council; Dante Rondelli, Financial Director; and Jeanann Georgas Ficker, Grants Compliance Consultant.

The contents of this report were discussed on November 16, 2016, with John E. Petalas, County Auditor; Peggy Holinga Katona, County Treasurer; Michael C. Repay, Vice President of the Board of County Commissioners; Larry Blanchard, Commissioner's Finance; Larry Cak, Treasurer's Chief Deputy; Kathy DeGuilio-Fox, Auditor's Chief Deputy; Mike Wieser, Auditor's Director of Finance; and John Dull, Attorney of the County Commissioners.