

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
01/25/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	John E. Petalas	01-01-15 to 12-31-18
County Treasurer	Peggy Holinga Katona	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	01-01-15 to 12-31-18
County Recorder	Michael B. Brown	01-01-13 to 12-31-16
President of the Board of County Commissioners	Roosevelt Allen, Jr. Gerry Scheub	01-01-15 to 12-31-15 01-01-16 to 12-31-16
President of the County Council	Ted Bilski	01-01-15 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, 2015 to December 31, 2015. 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 2015-001 - 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 with the prior audited ending cash and investment balances for six funds. The variances totaling \$24,529 were caused by prior approved adjustments that were not made to the County's records which affected the beginning cash and investment balances.
2. The financial statement receipts were understated by \$13,664,018. This was caused by errors and not properly including all funds in the County's AFR.
3. The financial statement disbursements were understated by \$13,266,304. This was caused by errors and not properly including all funds in the County's AFR.
4. The financial statement ending cash and investment balance was understated by \$422,248. The understatement was caused by the 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 pre-numbered 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 pre-numbered form. The County failed to implement effective controls to ensure that the sequence number entered mirrored the pre-numbered form. The County ledger contained 37 instances in which the same sequence number was used on 2 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 2015-002 - 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 overstated by \$779,691. Federal expenditures were understated \$340,227 in total for seven grants; and were overstated \$1,119,918 in total for five 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).

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA 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 2015-003 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND 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; however, a corresponding entry was not posted to the County Auditor's funds ledger. 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 indicates 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, payments by credit card, electronic check timing differences, and bank errors.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

The cumulative cash short and cash long at December 31, 2012, 2013, 2014, and 2015 were as follows:

Description	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Cash Short	\$ 538,136.20	\$ 48,472.24	\$ 48,455.84	\$ 49,107.15
Cash Long	150,436.29	154,459.90	162,309.26	159,353.58
Unsubstantiated Adjustment	-	481,694.42	240,847.21	240,847.21
Net (Short)/Long	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>	<u>\$ (126,993.79)</u>	<u>\$ (130,600.78)</u>

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2015. 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.

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

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

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

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CORRECTIVE ACTION PLAN

FINDING NO. 2015-001

**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 has identified the deficiencies as they relate to financial transactions and reporting. The County had differences in the annual financial reports and will take steps to correct the prior erroneous entries with the aid of the SBOA.

Time of Completion: December, 2016

 11/10/16

Michael Wieser
Finance Director

JOHN E. PETALAS
AUDITOR



Auditor Lake County

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

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CORRECTIVE ACTION PLAN

FINDING NO. 2015-002

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 has identified the errors in the SEFA report and will be implementing a system that will include an independent grant coordinator who will compile all grant information and present this information to members of the Lake County Auditor's Office staff, explaining in detail all information contained in the report. The Auditor's staff will document said presentation and have the proper supervisor provide assistance to the employee responsible during the entry of information into the SEFA schedule

Time of Completion: January 2017


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 2015-003

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 has identified the error and presented the SBOA auditors with the information. A corrective entry will be made to balance the records.
In the future, the Quietus Worksheet provided by the Auditor of State will be used to prevent this issue from reoccurring.


John Petalas, Auditor OG

11-28-16
Date


Peggy Holinga Katona, Treasurer

11-28-16
Date

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

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, 2015:

Fund	Amount Overdrawn
Adult Probation Administrative	\$ 4,244
Sheriff Sale Administration	246,860
Insurance	21,200
County Innkeepers Tax	184,347
VOCA - Victims of Crime Act	11,895

In addition, the Commissioner's Tax Certificate Sale fund, which was combined with other funds on the financial statement, had an overdrawn cash balance at December 31, 2015, of \$340,610.

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 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 \$106,490, reported \$1,826,150 in receipts, and \$2,273,251 in disbursements, resulting in an ending balance of (\$340,610).

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 \$106,490, 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 Commissioners' Tax Sale Certificate fund received \$1,826,150 in receipts from two Commissioners Sales in 2015. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2015. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$1,126,000 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, 2014, and 2015 were as follows:

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	2010	2011	2012	2013	2014	2015
Auditor's Tax Incentive Fund	\$ 100,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000	350,000	300,000
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000	100,000
Treasurer's Incentive Fund	100,000	240,000	240,000	240,000	240,000	240,000
Non-reverting Self Ins Fund	-	-	-	-	500,000	250,000
Total Transfers received	<u>\$ 400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>	<u>\$ 1,126,000</u>

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

The 2015 disbursements and December 31, 2015, cash balances of the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive Fund	\$ 368,612	\$ 166,242
Commissioner's Incentive Fund	317,710	218,655
Recorder's Incentive Fund **	267,136	120,614
Treasurer's Incentive Fund	<u>342,861</u>	<u>384,830</u>
Totals	<u>\$ 1,296,319</u>	<u>\$ 890,341</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 2015 was \$890,341.

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 and 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 were 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 and 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 section 6.1 of 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(e) of this chapter.
- (2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) Third, to a separate 'tax sale surplus fund.'
- (b) For any tract or item of real property for which a tax sale certificate is sold under section 6.1 of this chapter, if taxes or special assessments, or both, become due on the tract or item of real property during the period of redemption specified under IC 6-1.1-25-4, the county treasurer may pay the taxes or special assessments, or both on the tract or item of real property from the tax sale surplus held in the name of the taxpayer, if any, after the taxes or special assessments become due.
- (c) 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.
- (d) Unless the redemption period specified under IC 6-1.1-25 has been extended under federal bankruptcy law, 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 (c) 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)

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 not 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 \$32,932,759 were paid in 2015 prior to proper Board of County Commissioners' approval.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 prior Reports.

3. Payments totaling \$338,402 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."

Payments totaling \$205,230 were made to another vendor for the execution of the County Treasurer's Tax Sales, based solely upon receipts posted to the records. Per the contract with this vendor: "The County shall pay Consultant monthly based on the submission by Consultant to the County of itemized claims for services rendered and fees incurred by Consultant."

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 Fees - SRI Inc. fund and remitted to the vendor without adjusting for any cancellations.

4. Payroll taxes and other payroll withholding payments were made through bank wire transfers. The payroll department did not assign a check number on the claims. The check number listed in the GL256 report was their vendor number.

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:

(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

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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 pre-approved 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.

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)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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, 2015 balance of the settlement fund was \$247,805 and the December 31, 2015 balance of the Settlement fund was \$544,628.

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 or that funds were incorrectly deposited into the settlement fund that should be posted to another fund. The county was advised to research the balances in the settlement fund.

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

"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
- (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)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

AUDITOR'S INELIGIBLE DEDUCTIONS FUND

For 2015, the Auditor's Ineligible Deductions fund receipted \$1,894,752 of collections for ineligible deductions, and disbursed \$921,346. An analysis to determine if the net receipts exceeded \$100,000 within the calendar year was not performed in order to comply with Indiana Code 6-1.1-36-17(c). Without the analysis completed, we could not determine if all disbursements posted to the Auditor's Ineligible Deduction fund were allowable.

Amounts paid to vendors from the Auditor's Ineligible Deduction fund exceeded the amounts allowed per the contracts by \$17,807. Another vendor was paid from both the General and Auditor's Ineligible Deduction funds. The payments to this vendor exceeded the approved contract amount by \$12,722.

Indiana Code 6-1.1-36-17(c) states:

"Each county auditor shall establish a nonreverting fund. Upon collection of the adjustment in tax due (and any interest and penalties on that amount) after the termination of a deduction or credit as specified in subsection (b), the county treasurer shall deposit that amount:

(1) in the nonreverting fund, if the county contains a consolidated city; or

(2) if the county does not contain a consolidated city:

(A) in the nonreverting fund, to the extent that the amount collected, after deducting the direct cost of any contract, including contract related expenses, under which the contractor is required to identify homestead deduction eligibility, does not cause the total amount deposited in the nonreverting fund under this subsection for the year during which the amount is collected to exceed one hundred thousand dollars (\$100,000); or

(B) in the county general fund, to the extent that the amount collected exceeds the amount that may be deposited in the nonreverting fund under clause (A)."

It is our position that this does not restrict the balance amount that may be carried forward. The restriction is placed on the amount of receipts that may be **deposited** in the auditor's ineligible deductions fund for a calendar year.

In a memo regarding Changes affecting the 1 % Tax Cap and Homestead Deduction Non-Reverting Fund, dated June 20, 2013 the Department of Local Government Finance stated in part: ". . . there is a limitation on receipts to be deposited in the fund each year for counties that do not contain a consolidated city. In order to properly deposit and comply with this limit, if applicable, the county should review the receipt amount for the calendar year each time a deposit to the non-reverting fund is to be made. The annual receipt amount net of contract costs to identify homestead deduction eligibility must not exceed \$100,000. Any additional collections in a calendar year must be deposited into the county general fund. As the effective date for this statutory change is July 1, 2013, at the point in time after June 30, 2013 that this net receipt amount equals \$100,000 for the year, any additional collections that calendar year must be deposited into the county general fund"

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Because costs that are to be netted against the annual receipts may occur throughout the year we will not take audit exception if before year end a final calculation to determine the receipts net of appropriate costs occurs. This may result in a transfer from the auditors ineligible deduction fund to the county general fund if the net receipts for the year exceed \$100,000. (The County Bulletin and Uniform Compliance Guidelines, January 2014)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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 2015-003 - INTERNAL CONTROLS AND COMPLIANCE OVER TREASURER'S DAILY BALANCE OF CASH AND DEPOSITORIES AND 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; however, a corresponding entry was not posted to the County Auditor's funds ledger. 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 indicates 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, payments by credit card, electronic check timing differences, and bank errors.

The cumulative cash short and cash long at December 31, 2012, 2013, 2014, and 2015 were as follows:

Description	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015
Cash Short	\$ 538,136.20	\$ 48,472.24	\$ 48,455.84	\$ 49,107.15
Cash Long	150,436.29	154,459.90	162,309.26	159,353.58
Unsubstantiated Adjustment	-	481,694.42	240,847.21	240,847.21
Net (Short)/Long	<u>\$ (387,699.91)</u>	<u>\$ (375,706.76)</u>	<u>\$ (126,993.79)</u>	<u>\$ (130,600.78)</u>

The cumulative cash short noted above, while large, is not material to the financial statement at December 31, 2015. 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.

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 2015-003

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 has identified the error and presented the SBOA auditors with the information. A corrective entry will be made to balance the records.
In the future, the Quietus Worksheet provided by the Auditor of State will be used to prevent this issue from reoccurring.


John Petalas, Auditor OG

11-28-16
Date


Peggy Holinga Katona, Treasurer

11-28-16
Date

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

For 2015, 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 for \$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
AUDIT RESULTS AND COMMENTS
(Continued)

PERSONAL PROPERTY TAX COLLECTION FEES

In accordance with Indiana Code 6-1.1-23-1.5, the County Treasurer's office may collect a reasonable collection fee on delinquent personal property taxes. A collection services contract was signed with three separate attorneys for 2014 and 2015. The collection fee for the delinquent accounts was established by contract to be 15 percent of the total amount secured from the indebtedness. During a review of the collection of the delinquent personal property payments in 2014 and 2015, it was noted that the collection fee of 15 percent was not consistently applied to all accounts. Of the 20 payments reviewed, four of the accounts were assessed a different collection fee ranging from 45 to 20 percent.

In 2016, only one of the attorneys remained under a collection services agreement contract. The county only assessed the collection fee to the accounts that had been assigned to the attorney still under contract. We reviewed ten additional payments in 2016 and two of the ten payments had a collection fee assessed of 18 percent and one had a collection fee assessed at 18 percent instead of the 15 percent established, while the remaining had no collection fee assessed.

Indiana code 6-1.1-23-1.5 states:

"(a) A county treasurer may enter into a contract, subject to the approval of the county executive, for services that the county treasurer considers necessary for:

- (1) the administration of this chapter; or
- (2) the collection of delinquent personal property taxes.

(b) If delinquent personal property taxes are collected under a contract entered into under this section, the county treasurer may collect from the person owing the delinquent taxes a reasonable collection fee."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

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.

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CLERK OF THE CIRCUIT COURT
LAKE COUNTY

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING

FINDING 2015-004 - 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 2015 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, 2015, as well as their receipts and disbursements for 2015 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 2015 financial statement was \$11,981,729; the audited cash and investments balance as of December 31, 2015, was \$13,108,091. The \$1,126,362 understatement of the ending cash and investments balance was the result of the

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

beginning cash and investment balance not agreeing with the prior year's ending balance by \$704,780. In addition, the reported receipts and disbursements were understated by \$469,696 and \$48,114, respectively, for the year.

Identified errors that contributed to the differences were due to not reporting the prior audited ending balances as the beginning balances for 2015 and the activity of the court ordered investments. The audit adjustments were included in the variances noted in Finding 2015-001 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 2015-004

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,

A handwritten signature in black ink that reads "Michael A. Brown".

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, 2015, the reconciled bank balance was \$7,263 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.

Crown Point Small Claims

The detail of items held in trust "Open Items Case Listing" at December 31, 2015, was \$20,499 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, 2015. 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 is prepared by the Traffic Division Bookkeeper from daily receipts and disbursements generated by Court View and from the related bank activity (deposits, credits, and withdrawals). As of December 31, 2015, the adjusted bank balance (and the Excel spreadsheet) was \$75,954 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 \$77,312 at December 31, 2014. No attempt was made to research this difference.

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

East Chicago

The reconciled bank balance for the East Chicago Clerk of the Circuit Court's office exceeded the ABL by \$102,419, as of December 31, 2015. Incorrect recording of an investment from "total monies on deposit" in 2009 accounted for \$100,000 of the difference. The remaining \$2,419 was not identified and was an accumulation of many years of uncorrected errors. Also, included in the reconciliation was a net adjustment amount of \$1,006. 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 2015 which were carried on the monthly bank reconciliations and were not 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, 2015, the reconciled bank balance was \$5,468 less than the manual Cash Book balance. This was an increase of \$486 from December 31, 2014. 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, 2015. No attempt was made to research this difference. In addition, the detail of items held in trust "Open Items Case Listing" at December 31, 2015, was \$181,533 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 \$14,912 in excess of the ABL; and the Traffic reconciled bank balance was \$3,047 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 reconcile 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 380 older cash bonds held in Trust by the Clerk of the Circuit Court's office at December 31, 2015. The cash bonds on hand, received between the years of 2002 to 2009 for criminal defendants, totaled \$207,790.

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

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

(2) any amount collected in satisfaction of the judgment.

(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.

In addition, cash receipts were not always deposited intact (in the same form as the collections). Four of six receipts tested in the Crown Point Civil division were classified improperly as cash instead of checks. Twenty percent of the receipts tested for the Crown Point Traffic Division were also not deposited intact.

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)

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

OFFICIAL BOND

As noted in prior reports, 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 2015-005 - 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 constituted material weaknesses.

1. Lack of Segregation of Duties: The County Sheriff's Department had not separated incompatible 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 could have enabled material misstatements or irregularities to remain undetected.

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 2015-005" 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.

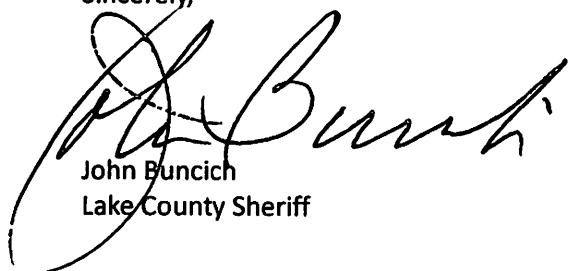
Also appended to this response, is a discussion of current procedures utilized within the Lake County Drug Task Force (LCDTF). We acknowledge that while performing the vital function of the suppression of illegal drug trafficking, the LCDTF is required to follow criminal law and Federal grant restrictions, 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 black ink, appearing to read "John Buncich", written in a cursive style. The signature is positioned above the typed name and title.

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 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, 2015, the subsidiary records were \$258,459 less than the inmate trust control ledger.

A similar comment appeared in prior Reports.

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 in the electronic Cash Book. Checks were handwritten and were recorded individually in 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 \$202,231 as of December 31, 2015.

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 \$202,231 difference, \$199,998 was due to timing issues between the Cash Book and the Check Register for 2015. There remains an unresolved difference of \$2,232 from December 31, 2014, and prior.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

As the electronic Cash Book is not used properly and is 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:

"(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. . . ."

Indiana Code 32-34-1-26(a) states: "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."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 prior audit reports, the 2015 County Sheriff's \$30,000 Surety Bond was insufficient per the Indiana Code. Due to the receipts activity of this department, the County Sheriff should have been bonded for \$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 \$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.

No repayments of the loan occurred during 2015. The County Council approved Resolution #15-118 which extended the loan until May 30, 2016. The County Council then approved Resolution #16-44 which extended the loan until December 31, 2016.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 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. . . ."

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."



JOHN BUNCICH
LAKE COUNTY SHERIFF
LAKE COUNTY, INDIANA

December 5, 2016

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

COUNTY SHERIFF
LAKE COUNTY
CORRECTIVE ACTION PLAN

FINDING 2015-State

Contact Person Responsible for Corrective Action:
Contact Phone Number:

The Lake County Indiana Sheriff's Department understands the importance of the Indiana State Board of Accounts mission in promoting transparency, integrity, efficiency, and accounting regulations. We appreciate the input of the auditors assigned to our examination. Although we take the auditors' comments and related reports seriously, we respectfully disagree with some of their observations. At this time we would also like to note that many of the issues that occur are because of the unavailability of any approved standardized computer software of which we are aware. Everyday office software, such as Excel, is deemed unacceptable due to its ability to be edited.

Description of Corrective Action Plan:

Inmate Trust Records

Indiana Code 36-8-10-22 is being followed. The jail does hold, in trust separately for each inmate, any money received for said inmate. The jail also maintains separate records for each inmate's receipts and disbursements.

The department is in agreement that there are excess funds in the Inmate Trust Account. As the SBOA stated, a similar comment appeared in prior audits. As noted previously, this

excess first occurred in a prior administration. There is no way to know of what exactly these funds encompass. Where as we would assume the majority of these funds are old unrequested inmate funds, there could also be unrecovered commissions. No prior administration records are currently available to pursue this answer.

The department is now trying to establish the exact excess amount in the account. As inmate accounts are utilized twenty-four hours a day, seven days a week, it is very hard to determine an exact amount at a particular point. To our knowledge the SBOA is using two reports to reconcile the actual inmate accounts to the bank reconciliation. The Active Inmate Bank report and the Inactive Inmate Bank report do not encompass the entirety of the monies in the Inmate Trust account. The Inmate Trust account also consists of eight (8) sub-accounts (dental; medical; prescription; indigent; medical shoes; property damage; wristbands; fair share; and court order) whose balances do not appear on either of the aforementioned reports. These sub-accounts deal with the debt repayments from the inmates. We have determined there is also a timing issue in the reports the SBOA used. The date of deposit used by the jail staff, the bank, and Keefe system will not always agree due to time of day, weekends, and holidays.

We do understand the importance of reconciling the inmate monies. The payments that occur on site at the jail are reconciled daily by comparing the daily print out of inmate accounts credited to the actual bank deposit. Electronic payments are made off site through the Keefe system via internet, kiosk, or telephone, twenty-four hours a day-seven days a week. Keefe deposits the money electronically into the Inmate Trust bank account and automatically credits the inmate's individual accounts.

The inmate Trust bank account is reconciled monthly by a second department within the jail. This reconciliation includes the register of the Inmate's Trust account and the bank statement. This reconciliation is also repeated off campus at a Certified Public Accountant's office on a monthly basis.

Condition of Records – Civil Division

The Civil Division is currently maintaining the required Cash Book electronically through computer software. The Division also maintains a Check Register utilizing an Excel program. The Division will search/acquire new software that meets the SBOA guidelines. Concurrently entries will be made in a timely matter and a supervisor will implement daily oversight.

The electronic cash book replaced a handwritten cash book under a prior administration. As noted by the SBOA the numbers were not properly transferred at that time there is no way to determine of what the \$2,232 overage of cash balance consists.

Unclaimed Property-Civil Division

The Civil Division will employ the online training available by the Indiana Attorney General's Office in regards to unclaimed property. It will then commence the procedures to remit any funds currently abandoned.

Official Bond

The County has been made aware of this deficiency. The decision for change remains under County control.

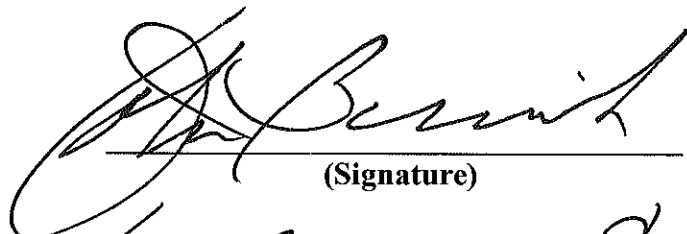
Sheriff Temporary Loan Replacement

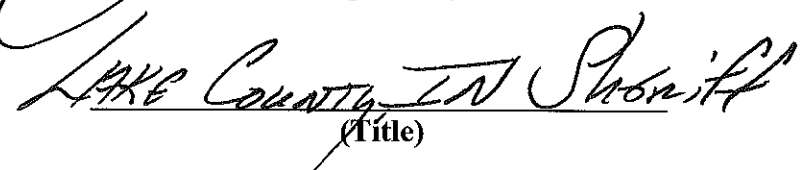
The County is the controlling agency for loan replacement. The Sheriff's Department has no authority in this situation.

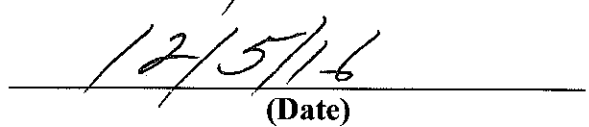
Bank Account Reconciliation – Animal Control

The Animal Control Department will begin using a form or software that is compliant with the Lake County's Form 358. This will include a daily reconciliation of all incoming and outgoing transactions utilizing receipts. The Form 358 will then be utilized to reconcile against the Animal Control bank account monthly with oversight.

Anticipated Completion Date:



(Signature)


(Title)


(Date)

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) had 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. Check collections received were recorded to the Fee and Cash Book (record); however, receipts were not always issued, and some of the issued receipts did not agree to the records.

Each document recorded was 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 received, errors are made and not detected resulting in mail collection receipts being cash long or cash short.

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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 does not list cash balances enabling a reconciliation to be performed. Therefore, no safeguard is 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 totaling \$16,299 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 2015-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-08-UN-18-0002,
B-11-UN-18-0002,
B-13-UC-18-0016
B-14-UC-18-0016,
B-15-UC-18-0016

The Procurement issue is a repeat finding from the immediate prior year; Finding 2014-006.

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 and Suspension and Debarment compliance requirement.

The Department's procedure was to maintain a "Bidder's List" to recap all of the submitted data about a projects procurement status and a checklist that contained a line item for checking for suspended and debarred vendors. It was determined that the Department's procedures were not effective since project files did not contain a completed "Bidder's List" or checklist.

The Department failed to comply with the purchasing policy approved by the Board of County Commissioners (Commissioner). According to the Commissioner's procurement policy, any contractual obligations must be approved by the Board of 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 quotes, were not retained for audit.

Context

Of the 18 vendors tested within four drawdown requests; there were eight instances of noncompliance with the Commissioner's procurement policy. Sixteen of the 18 vendor project folders tested did not include a quote/bidder's listing. Six of the 18 vendor project folders tested did not include the checklist noting that the Suspension and Debarment requirements were completed. This was a systemic problem as a majority of the procurement and suspension and debarment documentation tested was not retained for audit for certain types of projects.

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)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

2 CFR 200.318(a) states:

"The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.319(a) states in part:

"All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. . . ."

2 CFR 200.320(b) states in part:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

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:

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

- (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 in accordance with a retention schedule or with the written consent of the administration."

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 related to the Commissioner's procurement policy. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the Department. Due to the lack of quote/bidder's listing and Suspension and Debarment checklist, we were unable to determine compliance for these requirements.

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 compliance requirement noted above.

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 2015-007 - PROGRAM INCOME AND REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218

Federal Award Numbers and Years (or Other Identifying Numbers): B-08-UN-18-0002,
B-11-UN-18-0002,
B-13-UC-18-0016,
B-14-UC-18-0016

The Reporting issue is a repeat finding from the immediate prior year; Finding 2014-007.

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 Program Income and Reporting compliance requirements.

The Department did not have policies or procedures in place to ensure that NSP program income receipts were recorded in both the County's accounting system and the DRGR (Disaster Recovery Grant Reporting) system for Housing and Urban Development (HUD).

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

Context

There were only two NSP program income receipts; however, the total receipted was \$262,520 for the two sold NSP homes. These two receipts were the majority of the program income.

This is isolated to only the HUD 60002, Section 3 Summary Report annual performance reporting requirements. The Financial Reports for the Community Development Block Grant had a documented control.

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 Program Income and Reporting compliance requirements.

COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

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 the Program Income and Reporting 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**

2293 N. Main Street • Crown Point, In 46307
Tel. (219) 755-3225 • Fax (219) 736-5925
econdev@lakecountyin.com

Executive Director
Timothy A. Brown

November 14, 2016

Redevelopment
Commission
Members:

Corrective Action Plan

President
Randy Palmateer

Finding 2015-006

Vice President
Jamal Washington

Fiscal year in which the finding initially occurred: 2015

Federal Agency: HUD

Contact Person Responsible for Corrective Action: Timothy A. Brown

Secretary
John Brezik

Title of Contact Person: Executive Director

Phone Number: (219) 755-3225

Treasurer
Deborah Trevino

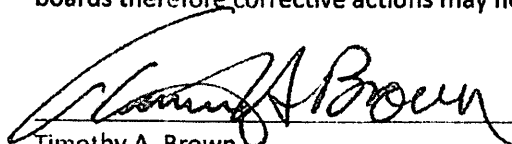
Corrective Action Plan:

Members
Gerry Scheub
Tom Bainbridge

The 16 sub-grantee communities that use LCCEDD CDBG funds use their own bidding and contracting documents. LCCEDD staff will work with each community to amend their bidding tabulations that will indicate that contractor Suspension and Debarment has been checked. Further, minutes of the bid opening signed by the sub-grantee official will be submitted to LCCEDD prior to granting a project notice to proceed.

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.

The sub-grantee bidding document changes will commence with the next round of community CDBG projects set for the spring of 2017 and completed no later than July 30th, 2017. The purchasing policy changes require a few hearings with three different boards therefore corrective actions may not be completed until August of 2017.


Timothy A. Brown
Executive Director



**LAKE COUNTY
COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT**

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Executive Director
Timothy A. Brown

November 14, 2016

Redevelopment
Commission
Members:

Corrective Action Plan

President
Randy Palmateer

Finding 2015-007

Vice President
Jamal Washington

Fiscal year in which the finding initially occurred: 2015

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:

Members
Gerry Scheub
Tom Bainbridge

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 made therefore no timeline is necessary.

LCCEDD will create a policy on NSP program income that will incorporate a process to check that all income is properly reported and documented with the County Auditor and DRGR with HUD. This policy will be created and part of the overall department policies and guideline changes that are anticipated to be completed by August of 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 \$106,490, reported \$1,826,150 in receipts, and \$2,273,251 in disbursements, resulting in an ending balance of (\$340,610).

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 \$106,490, 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 Commissioners' Tax Sale Certificate fund received \$1,826,150 in receipts from two Commissioners Sales in 2015. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2015. Funds were disbursed for professional services, advertising, appraisals, and other tax sale related expenses. In addition, \$1,126,000 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, 2014, and 2015 were as follows:

Fund	2010	2011	2012	2013	2014	2015
Auditor's Tax Incentive Fund	\$ 100,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000
Commissioner's Incentive Fund	100,000	250,000	300,000	250,000	350,000	300,000
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000	100,000
Treasurer's Incentive Fund	100,000	240,000	240,000	240,000	240,000	240,000
Non-reverting Self Ins Fund	-	-	-	-	500,000	250,000
Total Transfers received	<u>\$ 400,000</u>	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>	<u>\$ 1,126,000</u>

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

The 2015 disbursements and December 31, 2015, cash balances of the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive Fund	\$ 368,612	\$ 166,242
Commissioner's Incentive Fund	317,710	218,655
Recorder's Incentive Fund **	267,136	120,614
Treasurer's Incentive Fund	<u>342,861</u>	<u>384,830</u>
Totals	<u>\$ 1,296,319</u>	<u>\$ 890,341</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 2015 was \$890,341.

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 and 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 were 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 and 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 section 6.1 of this chapter, the purchaser as 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(e) 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) For any tract or item of real property for which a tax sale certificate is sold under section 6.1 of this chapter, if taxes or special assessments, or both, become due on the tract or item of real property during the period of redemption specified under IC 6-1.1-25-4, the county treasurer may pay the taxed or special assessments, or both on the tract or item of real property from the tax sale surplus held in the name of the taxpayer, if any, after the taxes or special assessments become due.

(c) 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.

(d) Unless the redemption period specified under IC 6-1.1-25 has been extended under federal bankruptcy law, 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 (c) 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)

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

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

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 \$32,932,759 were paid in 2015 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 prior Reports.

3. Payments totaling \$338,402 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."

Payments totaling \$205,230 were made to another vendor for the execution of the County Treasurer's Tax Sales, based solely upon receipts posted to the records. Per the contract with this vendor: "The County shall pay Consultant monthly based on the submission by Consultant to the County of itemized claims for services rendered and fees incurred by Consultant."

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 Fees - SRI Inc. fund and remitted to the vendor without adjusting for any cancellations.

4. Payroll taxes and other payroll withholding payments were made through bank wire transfers. The payroll department did not assign a check number on the claims. The check number listed in the GL256 report was their vendor number.

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

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:

- (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 pre-approved 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)

BOARD OF COUNTY COMMISSIONERS
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AUDIT RESULTS AND COMMENTS
(Continued)

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.

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)



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.

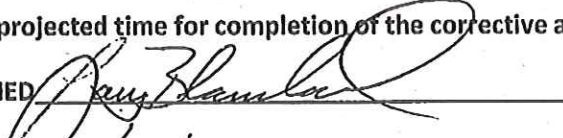
Comment 2, Accounts Payable Voucher Deficiencies # 6; Manual and EFT's were approved by Commissioners after payments were made.

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 Probation Administrative fund and not repaid by the end of the budget year. No repayment occurred during 2015, nor was an extension granted.

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.