

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAPORTE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
06/16/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	JoEileen Winski	01-01-13 to 12-31-20
County Treasurer	Nancy Hawkins Lynne Spevak	01-01-13 to 12-31-16 01-01-17 to 12-31-20
Clerk of the Circuit Court	Lynne Spevak Kathleen A. Chroback	01-01-13 to 12-31-16 01-01-17 to 12-31-20
County Sheriff	Michael Mollenhauer John T. Boyd	01-01-11 to 12-31-14 01-01-15 to 12-31-18
County Recorder	Barbara A. Dean (Vacant) Lois Sosinski	01-01-13 to 01-05-17 01-06-17 to 01-30-17 01-31-17 to 12-31-20
County Prosecutor	Robert Szilagyi John M. Espar	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the Board of County Commissioners	Willie Milsap David Decker Richard Mrozinski	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Mark Yagelski Terry Garner Lois Sosinski Jeff Santana	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 02-08-17 02-09-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of LaPorte County (County), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

March 20, 2017

COUNTY AUDITOR
LAPORTE COUNTY

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS

**FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING -
COUNTY AUDITOR AND COUNTY TREASURER**

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to recording and processing property taxes. One person in the County Auditor's office reconciled property taxes and one person in the County Treasurer's office reconciled property taxes; however, neither person retained documents supporting their reconciliation. Neither office could explain the transactions and adjustments made to the County Auditor's Funds Ledger and the County Treasurer's Cash Book related to property taxes.
2. Financial close and reporting: The County did not have controls in place to ensure that the records were closed and properly reported at year end. Because the records were not properly closed, errors occurred. The County's accounting software did not prevent the manual entry of the date. In January 2014, receipts and checks were issued with a December 2013 date, even after receipts and checks had already been issued with a 2014 date.
3. Monitoring of Controls: The County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal control.
4. Preparation of Financial Statement: The County had not identified risks to the preparation of a reliable financial statement and, as a result, failed to design effective controls over the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Report and the financial statement. There were no controls to prevent, or detect and correct, material misstatements. In addition, management of the County had not established a process for final review of the financial statement after compilation.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

Cause

Management of the County had not established a proper system of internal control. Additionally, management had not conducted a risk assessment related to the County's financial transactions and reporting.

Effect

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

Views of Responsible Officials

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

FINDING 2014-002 - ERRORS IN FINANCIAL REPORTING

Condition

Due to the lack of controls referenced in Finding 2014-001 above, there were numerous errors in the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which is the source for the County's Annual Financial Report (AFR) and financial statement. The AFR and financial statement did not properly reflect the County's financial activity as follows:

1. The Local Health Maint Fund 13, Other Donation Funds, Jail Bond Reduction fund, Co. Liability Insurance/Reimbursement fund, I 94 US Route 421 TIF (2) fund, Settlement Funds fund, Sup Ct #4 Transfer Fees fund, Neil Thompson Scholarship Investment fund, Recycled Road fund, Family Court Grant 13, Treasurer Cash Book fund, and Clerk Cash Book fund were not reported.
2. The Excess Tax fund receipts were overstated by \$6,486,075.
3. The Inmate Trust fund's beginning cash and investment balance was overstated by \$89,946 and receipts were understated by that amount.

Audit adjustments were proposed, accepted by the County, and made to the financial statement that appears in this report.

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

The County did not provide supporting documentation for a material amount of disbursements. They could not locate 856 claims with total disbursements of \$1,783,908, which included the documentation to support the checks issued and amounts recorded to the ledger. These claims were processed on February 20, 2014, and March 7, 2014, but the boxes which contained these claims and supporting documentation could not be located. Due to the lack of supporting documentation for a material amount of disbursements, sufficient competent evidential matter over disbursements could not be obtained. The County's records did not permit the application of other audit procedures to ascertain if the disbursements within the financial statement were fairly stated.

The Settlement Fund, essentially a clearing account for the County's property taxes collected by the County Treasurer and distributed by the County Auditor, had receipts with no supporting documentation and did not have a zero balance after settlement. The ledger included six receipts totaling \$7,411,611, which were classified as taxes collected for the December settlement. However, those receipts were not included on the County Treasurer's Certificate of Tax Collections, County Form No. 49TC (Certificate of Tax Collections). There were two adjustments posted to the Settlement Fund totaling \$475,932 for which there was no supporting documentation. Also, \$579,106 collected for Conservancy Districts on the December settlement could not be verified on the County Auditor's ledger.

The Excess Tax fund was established to account for the taxpayer's portion of a tax or special assessment payment that exceeded the amount actually due. Excess tax was reported on the Certificate of Tax Collections; however, there were two receipts with no supporting documentation. There were also two adjustments totaling \$8,511,429 which did not have supporting documentation and were not included on the Certificate of Tax Collections.

Due to the material errors noted above, the records presented did not provide sufficient information to substantiate the receipts, disbursements, and ending cash and investments balance of the Settlement Fund and Excess Tax funds, or the accuracy or correctness of the transactions reported for those funds on the County's financial statement. Accordingly, the financial statement opinion for the Settlement Fund and Excess Tax fund was modified.

Criteria

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."

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."

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 6-1.1-26-6(b) states:

"Not less frequently than at the time of each semiannual settlement, the county treasurer shall prepare duplicate schedules of all excess payments received. The schedules shall contain the name on the tax duplicate, the amount of excess paid, and the taxing district. The county treasurer shall deliver one (1) copy of the schedule to the county auditor. Within fifteen (15) days after receiving the schedule, the county auditor shall review the schedule, and if the county auditor concurs with the schedule, the county auditor shall notify the county treasurer that the notice required under subsection (d) may be sent. The county auditor shall preserve the schedule, and if a refund is subsequently made, he shall note on the schedule and notify the county treasurer of the date and amount of the refund. In addition, when money is transferred from the surplus tax fund to the county general fund under subsection (c), the county auditor shall note the date and amount of the transfer on the schedule."

Cause

The County did not implement adequate controls, as referenced in Finding 2014-001 above, to ensure that financial transactions and reporting of those transactions was accurate and complete.

Effect

Numerous errors were identified in financial recording and reporting which led to material misstatements, resulting in a modified opinion on the financial statement.

Views of Responsible Officials

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

**FINDING 2014-003 - 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). One employee in the County Auditor's office prepared the SEFA without controls to ensure its accuracy before submission.

The SEFA presented for audit contained the following errors:

1. Six grants were not included, which understated the federal expenditures by \$112,958 as follows:
 - a. Department of Health and Human Services grant expenditures of \$8,040.
 - b. Department of Justice grant expenditures of \$35,824.
 - c. Environment Protection Agency grant expenditures of \$9,026.

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

- d. Department of Transportation grant expenditures of \$33,488.
 - e. Department of Commerce grant expenditures of \$18,796.
 - f. Department of Homeland Security grant expenditures of \$7,784.
2. Child Support Enforcement program expenditures were overstated by \$31,455.
 3. Department of Transportation program expenditures were understated by \$2,271.
 4. Department of Homeland Security program expenditures were understated by \$4,878.
 5. Department of Agriculture program noncash assistance was understated by \$2,016.
 6. Amounts of Loans Outstanding were overstated by \$1,051,727.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

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

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

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

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

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

Cause

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

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 2014-007 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. There were no controls to ensure that the proper time and effort documentation was maintained. The controls to determine if expenditures complied with the Allowable Cost/Cost Principles requirements were not effective.

County Prosecutor

Semiannual certifications were not maintained for employees that worked solely on a single federal award. Personnel activity reports or equivalent documentation were not maintained for employees that worked on a federal program and a non-federal program.

Clerk of the Circuit Court

Telephone and postage costs of \$3,089.07 were reimbursed to the Clerk of the Circuit Court, but were also included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement program.

County Auditor

The Cost Allocation Plan for indirect costs contained errors that resulted in overpayments to the County totaling \$18,725.

Context

County Prosecutor

None of the appropriate time and effort supporting documentation was maintained for 2014.

Clerk of the Circuit Court

The costs for telephone and postage were included in every Monthly Expense Claim for 2014.

County Auditor

Two errors were found within the seven areas tested. These errors were isolated instances.

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. . . ."

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

OMB Circular A-87, Attachment A, Section C, part 1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . .

- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . ."

OMB Circular A-87, Attachment C, Section A, part 1 **states:**

"Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

COUNTY AUDITOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Questioned Costs

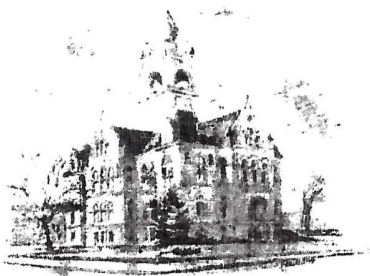
Questioned costs totaling \$18,725 were identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

Views of Responsible Officials

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



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

CORRECTIVE ACTION PLAN

To Whom It May Concern:

The operations of the County Auditor continues to be a learning experience and as such, duties are constantly evolving and changing as well as improving.

FINDING 2014-001

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

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The County has reallocated duties among current staff, the Chief Deputy Auditor and Auditor. Supporting documentation for the reconciliation of property taxes is retained in the Auditor's office.

Claims are presented to the Board of Commissioners at their bimonthly meetings. There are claims processed for the two week period between the Commissioner's second monthly meeting and the end of December (end of the year) that normally are approved and paid at the first meeting of the new year. This current procedure allows for the funds allocated for that period (year) to be used instead of using budgeted funds in the new year.

A Resolution will be presented to the Board of Commissioners to approve claims through the end of the year with the approval reviewed in January or before.

An Internal Control Ordinance has been passed by the Board of Commissioners and will be distributed to all departments. It will require action on the part of each department and will be monitored by the Auditor's office.

The financial statement is reconciled and reviewed weekly by the financial team including the Chief Deputy Auditor and Auditor. All transfers are approved and signed by the Auditor.

Having experienced a theft within the former Auditor's term of office and spending 2.5 years with the FBI in my office because of the theft, this Auditor is very aware of internal controls and cross checks within the department.

Anticipated Completion Date:

Immediate

FINDING 2014-002

Contact Person Responsible for Corrective Action: Jo Eileen Winski
Contact Phone Number: 219-326-6808 ext 2226

Views of Responsible Official:

Concur with finding

Description of Corrective Action Plan:

The named funds and inequities have been determined and investigated.

Records are now kept in a dry, secured building within the County's complex. Staff changes have been made and cross trained. The Settlement Fund now has a new number and is now an "in and out" fund. SBOA codes have now been updated to include all funds. The Settlement fund is used to distribute tax revenues only and maintains a zero balance most of the year.

Settlement is now performed by the Auditor, Chief Deputy Auditor, Grant/Excise Deputy and Tax Deputy.

Anticipated Completion Date:

Immediate

FINDING 2014-003

Contact Person Responsible for Corrective Action: Jo Eileen Winski
Contact Phone Number: 219-326-6808 ext 2226

Views of Responsible Official:

Concur

Description of Corrective Action Plan:

Audit adjustments have been made as proposed by the SBOA. Staff changes have been made and cross training is taking place. County has initiated an improved recording keeping system using excel spread sheets as well as financial software already in use.

Anticipated Completion Date:

Immediate

FINDING 2014-007

Contact Person Responsible for Corrective Action: Jo Eileen Winski
Contact Phone Number: 219-326-6808 ext 2226

Views of Responsible Official:

Concur with finding


Description of Corrective Action Plan:

Auditor will insist when reviewing the County's Cost Allocation plan that the vendor explain all entries in depth. County believes that some costs were included in the plan and should not have been.

County accepts the recommendation by the SBOA and has established controls and segregation of duties related to the grant agreement and allowable costs/cost principles for compliancy. Staff changes have been made.

Anticipated Completion Date:

Immediate



Jo Eileen Winski
Auditor

3/9/2017

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn
Lp Co Pioneer Cemetery Comm	\$ 3,033
Payroll Deductions Fund	639,710
Center Twp. Poor Relief	91
Regional Planner	156,421
Court Reform Grant 13	22,290

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 unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

APPROPRIATIONS

The records presented for audit indicated the following funds with expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended
General Fund	\$ 137,813
Local Rd & St	166,171
Regional Planner	22,990
Sheriffs Pension Fee Fund	32,735

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

LOCAL APPROPRIATIONS

Due to the nature of the funds, the Department of Local Government Finance does not require approval of additional appropriations for certain local funds. These require only the approval of the County Council. The following funds received budgets that were approved by the County Council; however, expenditures exceeded the approved budgets by the amounts indicated below:

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Excess Amount Expended
County Option Dog Tax	\$ 2,103
County Drug Free Comm. Fund	74,482
Ditch Maintenance Fund	49,332
Community Corrections Building	1,060
Jury Fee Fund	34,314
Adult Protective Services	9,343

The County also expended \$1,563 from the Vehicle Inspection Fund without a budget approved by the County Council.

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

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

ENCUMBRANCES

The County routinely transferred or "rolled-over" the unused portion of any budget at the end of a calendar year into the new calendar year without proper encumbrances to substantiate the increased appropriation. The following funds "rolled over" a budget without properly encumbering for the amounts indicated below:

Fund	Amount Not Properly Encumbered
Local Emerg Plan & Right to Know	\$ 118,346
Real Estate Endorsement Fee	190,940
Supplemental Public Defender	308,700
Vehicle Inspection Fund	1,970
D.U.I. Enforcement	83
Co Elected Officials Training	12,231
JSC Residents Ed Fund	10,699
Dorothy S Crowley Juv Ser Cntr	6,644
Pros. Pretrial Div. & Deferral	183,428
KIDC Project TIF	94,965
400 N & 950 W Project #2	147,367
Friends of the Barns	18,746
JSC Elect Monitor & Home Deten	49,873
Prosec. Victim Advocate Grant	(4,338)
Adult Protective Services	(12,040)
Juv. Service Cntr State Grants	30,710
Co. Hlth Environmental Fund	59,287

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

Only the amount required to meet the balance due on a contract or purchase order may be carried forward; the amount remaining in the appropriation account shall revert to fund from which appropriated. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

PAYROLL COMPLIANCE

Employees' compensation, hours, and leave time were reported to the County Auditor's office by the departments' payroll clerks for payroll processing on the Friday prior to the pay date, which is on the following Friday. Salaried employees were paid for 1/26th of the approved salary ordinance amount beginning on the first Friday of the calendar year irrespective of the number of days worked prior to that first Friday.

In several other instances, the County did not follow its ordinance and policy.

1. The County had an ordinance which established salaries. The ordinance did not state the salary for a part-time or a full-time deputy prosecutor. In the County Council minutes, the Council approved a deputy prosecutor to be moved from a part-time position to a full-time position, but did not specify a salary.
2. In the ordinance described above, each department that offered part-time/seasonal positions listed a total budget for those positions. The ordinance did not specify a salary or a rate of pay for those positions. The employee's wage was determined not by the Council, but by the department head up to a maximum of \$10.80 per hour.
3. In the County's Employment Handbook of Policies and Procedures, it is stated that only full-time employees are eligible to receive benefits. As defined in this Handbook, full-time employees are scheduled to work on average 37.5 hours per week or more. There were multiple employees who were considered part-time employees but received benefits reserved for full-time employees.

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

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

RIVERBOAT FUNDS

The County passed Ordinance 2002-03 and Ordinance 2013-15, both of which stated that 50 percent of all riverboat funds shall immediately be placed, or shall be paid immediately, into the LaPorte County Emergency Reserve Fund. The County passed Ordinance 2016-7 which amended the LaPorte County Emergency Reserve Fund to the Rainy Day Fund. These ordinances were not in compliance with Indiana Code 4-33-12-6(e)(1) for riverboat gambling admission taxes or Indiana Code 36-1-8-5.1(b) for rainy day funds.

Indiana Code 4-33-12-6(e) states in part:

"Money paid to a unit of local government under subsection (b), (c), or (d):

- (1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both; . . ."

Indiana Code 36-1-8-5.1(b) states:

"An ordinance or a resolution adopted under this section must specify the following:

- (1) The purposes of the rainy day fund.
- (2) The sources of funding for the rainy day fund, which may include the following:
 - (A) Unused and unencumbered funds under:
 - (i) section 5 of this chapter;
 - (ii) IC 6-3.5-1.1-21.1;
 - (iii) IC 6-3.5-6-17.3; or
 - (iv) IC 6-3.5-7-17.3.

COUNTY AUDITOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(B) Any other funding source:

- (i) specified in the ordinance or resolution adopted under this section; and
- (ii) not otherwise prohibited by law."

TAXABLE ECONOMIC DEVELOPMENT REVENUE BONDS

The County entered into a trust indenture in 2010 for the Lifplex Executive Park which required semiannual interest payments beginning February 1, 2011. The County failed to make the required interest payments totaling \$253,556 from 2011 through 2014. The County made its first interest payment of \$70,000 on June 29, 2015, for the August 1, 2015 due date.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with Andrea Smith, Chief Deputy County Auditor; Richard Mrozinski, President of the Board of County Commissioners; Randall Novak, Vice President of the County Council; and Douglas L. Biege, Attorney for the Board of County Commissioners.

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COUNTY TREASURER
LAPORTE COUNTY

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS

**FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING -
COUNTY AUDITOR AND COUNTY TREASURER**

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

1. Lack of Segregation of Duties: The County had not separated incompatible activities related to recording and processing property taxes. One person in the County Auditor's office reconciled property taxes and one person in the County Treasurer's office reconciled property taxes; however, neither person retained documents supporting their reconciliation. Neither office could explain the transactions and adjustments made to the County Auditor's Funds Ledger and the County Treasurer's Cash Book related to property taxes.
2. Financial close and reporting: The County did not have controls in place to ensure that the records were closed and properly reported at year end. Because the records were not properly closed, errors occurred. The County's accounting software did not prevent the manual entry of the date. In January 2014, receipts and checks were issued with a December 2013 date, even after receipts and checks had already been issued with a 2014 date.
3. Monitoring of Controls: The County had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the County to monitor and assess the quality of the system of internal control.
4. Preparation of Financial Statement: The County had not identified risks to the preparation of a reliable financial statement and, as a result, failed to design effective controls over the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which is the source for the Annual Financial Report and the financial statement. There were no controls to prevent, or detect and correct, material misstatements. In addition, management of the County had not established a process for final review of the financial statement after compilation.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

Cause

Management of the County had not established a proper system of internal control. Additionally, management had not conducted a risk assessment related to the County's financial transactions and reporting.

Effect

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

Views of Responsible Officials

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

FINDING 2014-002 - ERRORS IN FINANCIAL REPORTING

Condition

Due to the lack of controls referenced in Finding 2014-001 above, there were numerous errors in the input of financial information entered into the Indiana Gateway for Government Units financial reporting system, which is the source for the County's Annual Financial Report (AFR) and financial statement. The AFR and financial statement did not properly reflect the County's financial activity as follows:

1. The Local Health Maint Fund 13, Other Donation Funds, Jail Bond Reduction fund, Co. Liability Insurance/Reimbursement fund, I 94 US Route 421 TIF (2) fund, Settlement Funds fund, Sup Ct #4 Transfer Fees fund, Neil Thompson Scholarship Investment fund, Recycled Road fund, Family Court Grant 13, Treasurer Cash Book fund, and Clerk Cash Book fund were not reported.
2. The Excess Tax fund receipts were overstated by \$6,486,075.
3. The Inmate Trust fund's beginning cash and investment balance was overstated by \$89,946 and receipts were understated by that amount.

Audit adjustments were proposed, accepted by the County, and made to the financial statement that appears in this report.

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

The County did not provide supporting documentation for a material amount of disbursements. They could not locate 856 claims with total disbursements of \$1,783,908, which included the documentation to support the checks issued and amounts recorded to the ledger. These claims were processed on February 20, 2014, and March 7, 2014, but the boxes which contained these claims and supporting documentation could not be located. Due to the lack of supporting documentation for a material amount of disbursements, sufficient competent evidential matter over disbursements could not be obtained. The County's records did not permit the application of other audit procedures to ascertain if the disbursements within the financial statement were fairly stated.

The Settlement Fund, essentially a clearing account for the County's property taxes collected by the County Treasurer and distributed by the County Auditor, had receipts with no supporting documentation and did not have a zero balance after settlement. The ledger included six receipts totaling \$7,411,611, which were classified as taxes collected for the December settlement. However, those receipts were not included on the County Treasurer's Certificate of Tax Collections, County Form No. 49TC (Certificate of Tax Collections). There were two adjustments posted to the Settlement Fund totaling \$475,932 for which there was no supporting documentation. Also, \$579,106 collected for Conservancy Districts on the December settlement could not be verified on the County Auditor's ledger.

The Excess Tax fund was established to account for the taxpayer's portion of a tax or special assessment payment that exceeded the amount actually due. Excess tax was reported on the Certificate of Tax Collections; however, there were two receipts with no supporting documentation. There were also two adjustments totaling \$8,511,429 which did not have supporting documentation and were not included on the Certificate of Tax Collections.

Due to the material errors noted above, the records presented did not provide sufficient information to substantiate the receipts, disbursements, and ending cash and investments balance of the Settlement Fund and Excess Tax funds, or the accuracy or correctness of the transactions reported for those funds on the County's financial statement. Accordingly, the financial statement opinion for the Settlement Fund and Excess Tax fund was modified.

Criteria

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."

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."

COUNTY TREASURER
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Indiana Code 6-1.1-26-6(b) states:

"Not less frequently than at the time of each semiannual settlement, the county treasurer shall prepare duplicate schedules of all excess payments received. The schedules shall contain the name on the tax duplicate, the amount of excess paid, and the taxing district. The county treasurer shall deliver one (1) copy of the schedule to the county auditor. Within fifteen (15) days after receiving the schedule, the county auditor shall review the schedule, and if the county auditor concurs with the schedule, the county auditor shall notify the county treasurer that the notice required under subsection (d) may be sent. The county auditor shall preserve the schedule, and if a refund is subsequently made, he shall note on the schedule and notify the county treasurer of the date and amount of the refund. In addition, when money is transferred from the surplus tax fund to the county general fund under subsection (c), the county auditor shall note the date and amount of the transfer on the schedule."

Cause

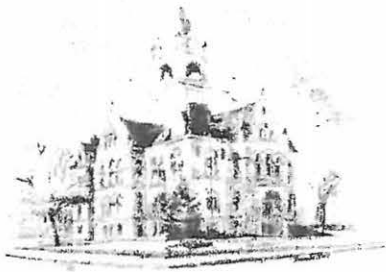
The County did not implement adequate controls, as referenced in Finding 2014-001 above, to ensure that financial transactions and reporting of those transactions was accurate and complete.

Effect

Numerous errors were identified in financial recording and reporting which led to material misstatements, resulting in a modified opinion on the financial statement.

Views of Responsible Officials

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



*LaPorte County Treasurer
Lynne F. Spevak
555 Michigan Avenue, Suite 102
LaPorte, IN 46350-3491*

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Lynne F. Spevak
Contact Phone Number: (219) 325-5575

View of Responsible Official

Description of Corrective Action Plan:

The new Treasurer will be developing and implementing new procedures. This finding has not been corrected. The finding was communicated to us during the most recent audit which was completed in 2016.

Anticipated Completion Date. The Treasurer will be working with the County Auditor to understand our deficiencies in internal controls.

FINDING 2014-002

Contact Person Responsible for Corrective Action: Lynne F. Spevak
Contact Phone Number: (219) 325-5575

Views of Responsible Official

Description of Corrective Action Plan: The findings were communicated to us during the most recent audit which was completed in 2016. Daily balancing should adjust any audit errors.

Anticipated Completion Date: December 31, 2017

Lynne F. Spevak
La Porte County Treasurer
March 17, 2017

COUNTY TREASURER
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with Lynne Spevak, County Treasurer, and Mike Mauer, Chief Deputy County Treasurer.

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CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS

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

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk).

1. Lack of Segregation of Duties: The Clerk had not separated incompatible activities related to bank reconciliations, receipts, and disbursements.
 - a. One employee from the Clerk's office in LaPorte took the daily collections to the depository, recorded receipts and disbursements, and completed the monthly bank reconciliations for the Odyssey accounting software. One employee from the Clerk's office in Michigan City took the daily collections to the depository and recorded the receipts and disbursements for the Odyssey accounting software. There was no segregation of duties, such as an oversight, review, or approval process over the bank reconciliations and receipts and disbursements transactions.
 - b. The Clerk had not established effective controls to accurately reconcile the Indiana Support Enforcement Tracking System (ISETS) ledger balance to the depository balance. The monthly reconciliations were performed without review and contained miscellaneous reconciling items that had no supporting documentation, including some from 2013.
 - c. One employee at both of the Clerk's offices receipted daily collections, reconciled daily collections, and made the deposits for ISETS. A daily book balance report listing both offices' collections was not compared to the supporting documentation of the actual deposits with the bank. One employee issued all ISETS disbursements for both offices with no oversight or review.
2. Monitoring of Controls: The Clerk had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the Clerk to monitor and assess the quality of the system of internal control.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

Cause

Management of the Clerk had not established a proper system of internal control. An evaluation of the Clerk's system of internal control had not been conducted and management had not conducted a risk assessment related to the Clerk's financial transactions and reporting.

Effect

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

Views of Responsible Officials

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

FINDING 2014-006 - ACTIVITIES ALLOWED OR UNALLOWED AND CASH MANAGEMENT

Federal Agency: Department of Health and Human Services

Federal Program: Child Support Enforcement

CFDA Number: 93.563

Federal Award Number and Year (or Other Identifying Number): FY2014

Pass-Through Entity: Indiana Department of Child Services

Condition

The County Clerk of the Circuit Court's (Clerk) office did not properly maintain records to support the implementation of controls in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. An effective internal control system was not in place at the County Prosecutor's (Prosecutor) office in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Activities Allowed or Unallowed - Clerk

For one of the six accounts payable vouchers tested, the County could not provide documentation that would have demonstrated that the internal controls were implemented correctly.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Cash Management - Prosecutor

The Monthly Expense Claims were prepared by the Title IV-D Executive Liaison. There was no documented review before submission.

Context

The lack of documentation available to verify the operation of controls over Activities Allowable or Unallowed was an isolated problem in the Clerk's office.

The lack of a control system over Cash Management in the Prosecutor's office was a systemic problem.

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

Management of the Clerk's office had not maintained all documentation relating to controls for all claims. Management of the Prosecutor's office had not developed a system of internal controls that segregated key functions.

Effect

The failure to maintain documentation of controls over the Activities Allowed or Unallowed compliance requirement or to establish an effective internal control system over the Cash Management compliance requirement placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management maintain supporting documentation of the internal controls over the Activities Allowed or Unallowed compliance requirement and establish controls, including segregation of duties, related to the grant agreement and Cash Management compliance requirement.

Views of Responsible Officials

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

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-007 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. There were no controls to ensure that the proper time and effort documentation was maintained. The controls to determine if expenditures complied with the Allowable Cost/Cost Principles requirements were not effective.

County Prosecutor

Semiannual certifications were not maintained for employees that worked solely on a single federal award. Personnel activity reports or equivalent documentation were not maintained for employees that worked on a federal program and a non-federal program.

Clerk of the Circuit Court

Telephone and postage costs of \$3,089.07 were reimbursed to the Clerk of the Circuit Court, but were also included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement program.

County Auditor

The Cost Allocation Plan for indirect costs contained errors that resulted in overpayments to the County totaling \$18,725.

Context

County Prosecutor

None of the appropriate time and effort supporting documentation was maintained for 2014.

Clerk of the Circuit Court

The costs for telephone and postage were included in every Monthly Expense Claim for 2014.

County Auditor

Two errors were found within the seven areas tested. These errors were isolated instances.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

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. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(c) More than one Federal award,

(d) A Federal award and a non-Federal award, . . ."

OMB Circular A-87, Attachment A, Section C, part 1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . .

(f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . ."

OMB Circular A-87, Attachment C, Section A, part 1 **states:**

"Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

Questioned costs totaling \$18,725 were identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

Views of Responsible Officials

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

FINDING 2014-008 - REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

County Prosecutor

There were no controls for the County Prosecutor to ensure that required reports were accurate prior to submission.

Clerk of the Circuit Court

The controls for the Clerk of the Circuit Court (Clerk) were not effective in ensuring that required reports were accurate prior to submission.

Three Quarterly Incentive Expenditure reports were overreported and one report was underreported for 2014. The net effect for 2014 was overreporting of expenditures by \$2,998. The Indiana Department of Child Services notified the Clerk's office of the discrepancies and instructed the office to submit the corrections in 2015. The Clerk made the corrections in the second quarter of 2015.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

There was no documentation that the Clerk's office submitted the Quarterly Incentive Balance reports for 2014.

Context

County Prosecutor

The lack of effective controls was a systemic problem. There were no controls during the audit period.

Clerk of the Circuit Court

The lack of effective controls was a systemic problem. All of the Quarterly Incentive Expenditure reports were incorrect for 2014. None of the Quarterly Incentive Balance reports were submitted for 2014.

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. . . ."

45 CFR 92.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Reporting requirements.

Views of Responsible Officials

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



Kathleen A. Chroback, Clerk

Chief Deputy
Roberta Hartz

LaPorte Circuit Court

(219) 326-6808, Ext. 2385

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

CORRECTIVE ACTION PLAN

FINDING 2014-004

Fiscal year in which finding initially occurred: 2014

Contact Person Responsible for Corrective Action: Kathleen A. Chroback

Contact Phone Number: (219) 326-6808 X2385

Description of Corrective Action Plan:

1. a. We have one bookkeeper at both locations. We have since made changes as to reviewing and the approval process at both locations.

b. The finding has not been totally corrected. The finding was communicated to us during the most recent audit which was completed in November 2016 and we have not had time to develop and implement new procedures to address this issue.

c. Changes have been made since this finding. The support clerk checks the balance daily with the actual deposits made at the bank for both Clerks Offices. The daily collection is reconciled by the Clerk and again the following day by the chief deputy. The deposit for ISETS is made by the bookkeeper. The supporting documentation is checked the following morning to the actual deposit by both the support clerk and the bookkeeper.

2. This finding was communicated to us during the most recent audit which was completed in November 2016 and we have not had time to develop and implement new procedures to address this issue.

Anticipated Completion Date:

Correction of a and c have been made in the first quarter of 2017.

Anticipated correction date of b is in the second quarter of 2017.

Anticipated correction date of No. 2 is in the second quarter of 2017.

FINDING 2014-006

Fiscal year in which finding initially occurred: 2014

Contact Person Responsible for Corrective Action: Kathleen A. Chroback

Contact Phone Number: (219) 326-6808 x2385

Description of Corrective Action Plan:

This finding was communicated to us during the most recent audit which was completed in November 2016. We will have all documents as paid out on all activities over Allowable and Unallowable expenditures.

Anticipated Completion Date:
Correction of this finding will be in the second quarter of 2017.

FINDING 2014-007

Fiscal year in which finding initially occurred: 2014
Contact Person Responsible for Corrective Action: Kathleen A. Chroback
Contact Phone Number: (219) 326-6808 x2385

Description of Corrective Action Plan:
This finding was communicated to us during the most recent audit which was completed in November 2016 and we have not had time to develop and implement new procedures to address this issue. We will be meeting with the Auditor in the near future to discuss this matter.

Anticipated Completion Date:
Correction of this finding will be as soon as we have had the opportunity to meet with the Auditor and determine how the reporting should be handled as these costs are accrued by the Clerk.

FINDING 2014-008

Fiscal year in which finding initially occurred: 2014
Contact Person Responsible for Corrective Action: Kathleen A. Chroback
Contact Phone Number: (219) 326-6808 x2385

Description of Corrective Action Plan:
The monthly Reports were processed. However, the Quarterly Report was not submitted in 2014 but was submitted in 2015.

Anticipated Completion Date:
This finding has since been corrected.



(Signature)


(Title)


(Date)

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
AUDIT RESULT AND COMMENT

OFFICIAL BOND

The Clerk of the Circuit Court did not obtain an individual Surety Bond during the audit period, nor did the County Council approve an ordinance authorizing the purchase of a blanket bond or a crime insurance policy.

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).
..."

CLERK OF THE CIRCUIT COURT
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with Kathleen A. Chroback, Clerk of the Circuit Court; Lynne Spevak, County Treasurer and former Clerk of the Circuit Court; and Marie A. Wiltfong, Deputy Clerk of Child Support.

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COUNTY SHERIFF
LAPORTE COUNTY

COUNTY SHERIFF
LAPORTE COUNTY
FEDERAL FINDING

FINDING 2014-005 - FINANCIAL TRANSACTIONS AND REPORTING - COUNTY SHERIFF

Condition

There were several deficiencies in the internal control system of the County related to financial transactions and reporting of the County Sheriff's Department (Sheriff).

1. Lack of Segregation of Duties: The Sheriff had not separated incompatible activities related to receipts and disbursements for the Sheriff's Commissary Fund and the Inmate Trust fund. One employee was primarily responsible for the receipts and disbursements transactions.
2. Monitoring of Controls: The Sheriff had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the Sheriff to monitor and assess the quality of the system of internal control.
3. Preparation of Financial Statement: There were no controls in place to ensure that an accurate Supplemental Annual Report was prepared by the Sheriff for inclusion in the County's Annual Financial Report or financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

COUNTY SHERIFF
LAPORTE COUNTY
FEDERAL FINDING
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . . Accurate and timely recording of transactions. . . ."

Cause

Management of the Sheriff had not established a proper system of internal control. An evaluation of the Sheriff's system of internal control had not been conducted and management had not conducted a risk assessment related to the Sheriff's financial transactions and reporting.

Effect

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

Views of Responsible Officials

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



JOHN T. BOYD

La Porte County Sheriff

Chief Deputy
RONALD C. HEEG

Major
HEATH A. HAFERKAMP

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

CORRECTIVE ACTION PLAN

FINDING 2014-005

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

Description of Corrective Action Plan:

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

Anticipated Completion Date: March 03th, 2017

(Signature)

(Title)

(Date)

·COURT OFFICES·

LA PORTE CIRCUIT COURT · LA PORTE, IN 46350 · OFFICE PHONE: (219) 326-6808
SUPERIOR COURT · MICHIGAN CITY, IN 46350 · OFFICE PHONE: (219) 872-2161

COUNTY SHERIFF
LAPORTE COUNTY
AUDIT RESULT AND COMMENT

SHERIFF FUNDS

The Inmate Trust Fund and Sheriff's Commissary Fund and the funds' respective bank accounts were maintained by the Administrative Assistant. Commissions from the vending companies used for inmate commissary were electronically deposited into the Inmate Trust Fund bank account. Receipts were not generated at the time of the deposit. The commissions were then transferred by check to the Sheriff's Commissary Fund bank account and receipted into the Sheriff's Commissary Fund ledger at that time. Vending commission receipts should not be deposited into the Inmate Trust Fund bank account, but should instead be deposited directly into the Sheriff's Commissary Fund bank account and appropriately accounted for in the Sheriff's Commissary Fund ledger.

In addition, as of December 31, 2014, the balance of the detailed Inmate Trust register of \$11,364 did not reconcile with the Inmate Trust Fund ledger balance of \$45,728, or the Inmate Trust bank balance of \$44,070.

All financial transaction pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with John T. Boyd, County Sheriff; Ronald C. Heeg, Chief Deputy; and Heath A. Haferkamp, Major.

COUNTY PROSECUTOR
LAPORTE COUNTY

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS

FINDING 2014-006 - ACTIVITIES ALLOWED OR UNALLOWED AND CASH MANAGEMENT

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

The Clerk of the Circuit Court's (Clerk) office did not properly maintain records to support the implementation of controls in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. An effective internal control system was not in place at the County Prosecutor's (Prosecutor) office in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Activities Allowed or Unallowed - Clerk

For one of the six accounts payable vouchers tested, the County could not provide documentation that would have demonstrated that the internal controls were implemented correctly.

Cash Management - Prosecutor

The Monthly Expense Claims were prepared by the Title IV-D Executive Liaison. There was no documented review before submission.

Context

The lack of documentation available to verify the operation of controls over Activities Allowable or Unallowed was an isolated problem in the Clerk's office.

The lack of a control system over Cash Management in the Prosecutor's office was a systemic problem.

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

Management of the Clerk's office did not maintain all documentation relating to controls for all claims. Management of the Prosecutor's office did not develop a system of internal controls that segregated key functions.

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Effect

The failure to maintain documentation of controls over the Activities Allowed or Unallowed compliance requirement or to establish an effective internal control system over the Cash Management compliance requirement placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management maintain supporting documentation of the internal controls over the Activities Allowed or Unallowed compliance requirement and establish controls, including segregation of duties, related to the grant agreement and Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2014-007 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. There were no controls to ensure that the proper time and effort documentation was maintained. The controls to determine if expenditures complied with the Allowable Cost/Cost Principles requirements were not effective.

County Prosecutor

Semiannual certifications were not maintained for employees that worked solely on a single federal award. Personnel activity reports or equivalent documentation were not maintained for employees that worked on a federal program and a non-federal program.

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

Clerk of the Circuit Court

Telephone and postage costs of \$3,089.07 were reimbursed to the Clerk of the Circuit Court, but were also included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement program.

County Auditor

The Cost Allocation Plan for indirect costs contained errors that resulted in overpayments to the County totaling \$18,725.

Context

County Prosecutor

None of the appropriate time and effort supporting documentation was maintained for 2014.

Clerk of the Circuit Court

The costs for telephone and postage were included in every Monthly Expense Claim for 2014.

County Auditor

Two errors were found within the seven areas tested. These errors were isolated instances.

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. . . ."

OMB Circular A-87, Attachment B, section 8h, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . ."

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

(a) More than one Federal award,

(b) A Federal award and a non-Federal award, . . ."

OMB Circular A-87, Attachment A, Section C, part 1, states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . .

(f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . ."

OMB Circular A-87, Attachment C, Section A, part 1, states:

"Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

Questioned costs totaling \$18,725 were identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

Views of Responsible Officials

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

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-008 - REPORTING

Federal Agency: Department of Health and Human Services
Federal Program: Child Support Enforcement
CFDA Number: 93.563
Federal Award Number and Year (or Other Identifying Number): FY2014
Pass-Through Entity: Indiana Department of Child Services

Condition

An effective internal control system was not in place at the County in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

County Prosecutor

There were no controls for the County Prosecutor to ensure that required reports were accurate prior to submission.

Clerk of the Circuit Court

The controls for the Clerk of the Circuit were not effective in ensuring that required reports were accurate prior to submission.

Three Quarterly Incentive Expenditure reports were overreported and one report was underreported for 2014. The net effect for 2014 was overreporting of expenditures by \$2,998. The Indiana Department of Child Services notified the Clerk's office of the discrepancies and instructed the office to submit the corrections in 2015. The Clerk made the corrections in the second quarter of 2015.

There was no documentation that the Clerk's office submitted the Quarterly Incentive Balance reports for 2014.

Context

County Prosecutor

The lack of effective controls was a systemic problem. There were no controls during the audit period.

Clerk of the Circuit Court

The lack of effective controls was a systemic problem. All of the Quarterly Incentive Expenditure reports were incorrect for 2014. None of the Quarterly Incentive Balance reports were submitted for 2014.

COUNTY PROSECUTOR
LAPORTE COUNTY
FEDERAL FINDINGS
(Continued)

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. . . ."

45 CFR 92.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the County's management establish controls to ensure compliance with the grant agreement and the Reporting requirements.

Views of Responsible Officials

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



JOHN M. ESPAR PROSECUTING ATTORNEY

32ND JUDICIAL CIRCUIT ~ LA PORTE COUNTY, INDIANA

CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Person Responsible for Corrective Action: Barry F. McDonnell
Contact Phone Number: (219) 874-5611 ext. 7827

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

A Deputy Prosecuting Attorney will review the Monthly Expense Claims prepared by the IV-D Executive Liaison. Upon approval of the accuracy of the Claims the Deputy will mark the Claims with his initials to indicate he performed the review.

Anticipated Completion Date: The Corrective Action Plan is already being utilized.

FINDING 2014-007

Contact Person Responsible for Corrective Action: Not applicable.
Contact Phone Number:

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

A Corrective Action Plan is unnecessary, because the statute no longer requires semi-annual certification.

Anticipated Completion Date:

Not applicable.

Child Support Division
300 Washington Street, Suite 20 ~ Michigan City, Indiana 46360-3311
Facsimile (219) 873-3017 ~ Telephone (219) 874-5611 Ext. 7810

Website: www.laportecountyprosecutor.org ~ Email: karmstrong@laportecounty.org

FINDING 2014-008

Contact Person Responsible for Corrective Action: Kristina E. Armstrong
Contact Phone Number: (219) 874-5611 ext. 7810

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

A Deputy Prosecuting Attorney will review the required reports prepared by the IV-D Executive Liaison or other support staff. Upon approval of the accuracy of the required reports the Deputy will mark them with his initials to indicate he performed the review.

Anticipated Completion Date: The Corrective Action Plan is already being utilized.

March 7, 2017
(Date)

COUNTY PROSECUTOR
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with Kristina Armstrong, Deputy County Prosecutor.

COUNTY COUNCIL
LAPORTE COUNTY

COUNTY COUNCIL
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

LOCAL APPROPRIATIONS

Due to the nature of the funds, the Department of Local Government Finance does not require approval of additional appropriations for certain local funds. These require only the approval of the County Council. The following funds received budgets that were approved by the County Council; however, expenditures exceeded the approved budgets by the amounts indicated below:

Fund	Excess Amount Expended
County Option Dog Tax	\$ 2,103
County Drug Free Comm. Fund	74,482
Ditch Maintenance Fund	49,332
Community Corrections Building	1,060
Jury Fee Fund	34,314
Adult Protective Services	9,343

The County also expended \$1,563 from the Vehicle Inspection Fund without a budget approved by the County Council.

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

Indiana Code 36-2-5-2(b) states: "The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law."

ENCUMBRANCES

The County routinely transferred or "rolled-over" the unused portion of any budget at the end of a calendar year into the new calendar year without proper encumbrances to substantiate the increased appropriation. The following funds "rolled over" a budget without properly encumbering for the amounts indicated below:

Fund	Amount Not Properly Encumbered
Local Emerg Plan & Right to Know	\$ 118,346
Real Estate Endorsement Fee	190,940
Supplemental Public Defender	308,700
Vehicle Inspection Fund	1,970
D.U.I. Enforcement	83
Co Elected Officials Training	12,231
JSC Residents Ed Fund	10,699
Dorothy S Crowley Juv Ser Cntr	6,644

COUNTY COUNCIL
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Amount Not Properly Encumbered
Pros. Pretrial Div. & Deferral	183,428
KIDC Project TIF	94,965
400 N & 950 W Project #2	147,367
Friends of the Barns	18,746
JSC Elect Monitor & Home Deten	49,873
Prosec. Victim Advocate Grant	(4,338)
Adult Protective Services	(12,040)
Juv. Service Cntr State Grants	30,710
Co. Hlth Environmental Fund	59,287

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

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

Only the amount required to meet the balance due on a contract or purchase order may be carried forward; the amount remaining in the appropriation account shall revert to fund from which appropriated. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 9)

PAYROLL COMPLIANCE

Employees' compensation, hours, and leave time were reported to the County Auditor's office by the departments' payroll clerks for payroll processing on the Friday prior to the pay date, which is on the following Friday. Salaried employees were paid for 1/26th of the approved salary ordinance amount beginning on the first Friday of the calendar year irrespective of the number of days worked prior to that first Friday.

In several other instances, the County did not follow its ordinance and policy.

1. The County had an ordinance which established salaries. The ordinance did not state the salary for a part-time or a full-time deputy prosecutor. In the County Council minutes, the Council approved a deputy prosecutor to be moved from a part-time position to a full-time position, but did not specify a salary.

COUNTY COUNCIL
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. In the ordinance described above, each department that offered part-time/seasonal positions listed a total budget for those positions. The ordinance did not specify a salary or a rate of pay for those positions. The employee's wage was determined not by the Council, but by the department head up to a maximum of \$10.80 per hour.
3. In the County's Employment Handbook of Policies and Procedures, it is stated that only full-time employees are eligible to receive benefits. As defined in this Handbook, full-time employees are scheduled to work on average 37.5 hours per week or more. There were multiple employees who were considered part-time employees but received benefits reserved for full-time employees.

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

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

RIVERBOAT FUNDS

The County passed Ordinance 2002-03 and Ordinance 2013-15, both of which stated that 50 percent of all riverboat funds shall immediately be placed, or shall be paid immediately, into the LaPorte County Emergency Reserve Fund. The County passed Ordinance 2016-7 which amended the LaPorte County Emergency Reserve Fund to the Rainy Day Fund. These ordinances were not in compliance with Indiana Code 4-33-12-6(e)(1) for riverboat gambling admission taxes or Indiana Code 36-1-8-5.1(b) for rainy day funds.

Indiana Code 4-33-12-6(e) states in part:

"Money paid to a unit of local government under subsection (b), (c), or (d):

- (1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both; . . ."

Indiana Code 36-1-8-5.1(b) states:

"An ordinance or a resolution adopted under this section must specify the following:

- (1) The purposes of the rainy day fund.
- (2) The sources of funding for the rainy day fund, which may include the following:

COUNTY COUNCIL
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(A) Unused and unencumbered funds under:

- (i) section 5 of this chapter;
- (ii) IC 6-3.5-1.1-21.1;
- (iii) IC 6-3.5-6-17.3; or
- (iv) IC 6-3.5-7-17.3.

(B) Any other funding source:

- (i) specified in the ordinance or resolution adopted under this section; and
- (ii) not otherwise prohibited by law."

TAXABLE ECONOMIC DEVELOPMENT REVENUE BONDS

The County entered into a trust indenture in 2010 for the Lifeplex Executive Park, which required semiannual interest payments beginning February 1, 2011. The County failed to make the required interest payments totaling \$253,556 from 2011 through 2014. The County made its first interest payment of \$70,000 on June 29, 2015, for the August 1, 2015, due date.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

OFFICIAL BOND

The Clerk of the Circuit Court did not obtain an individual Surety Bond during the audit period, nor did the County Council approve an ordinance authorizing the purchase of a blanket bond or a crime insurance policy.

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).
..."

COUNTY COUNCIL
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2017, with Andrea Smith, Chief County Deputy Auditor; Randall Novak, Vice President of the County Council; and Douglas L. Biege, Attorney for the Board of County Commissioners.