

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT

LAKE COUNTY, INDIANA

January 1, 2011 to December 31, 2013



**FILED**  
08/30/2017



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Examination Results and Comments:	
Credit Card Usage .....	4
Undocumented Expenses Charged to Credit Cards .....	4-5
Meal Expenses in Excess of Policy .....	5
Undocumented Expenses Paid from Accounts Payable Vouchers.....	6
Funds Donated to Outside Organizations .....	6
Vendor Invoice Not Itemized .....	6-7
Penalties, Interest, and Late Fees.....	7
Contracts .....	7
Appropriations.....	7
Salary Not in Accordance with Ordinance.....	7-8
Wage and Tax Statements (Federal Form W-2) .....	7-8
Exit Conference.....	9
Official Response .....	10-11

## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jeffrey A. Langbehn	01-01-11 to 09-03-14
Acting Executive Director	Jeanette Romano	09-04-14 to 05-04-15
Executive Director	John Minear	05-05-15 to 12-31-17
Controller	John E. Petalas	01-01-11 to 12-31-17
Chairman of the Board	Gerry Scheub	01-01-11 to 02-01-12
	Rick Niemeyer	02-02-12 to 01-16-13
	David Hamm	01-17-13 to 01-14-15
	Jerry Herzog	01-15-15 to 01-14-16
	Chrissy Barron	01-15-16 to 01-14-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE COUNTY SOLID WASTE  
MANAGEMENT DISTRICT, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Lake County Solid Waste Management District (District), for the period of January 1, 2011 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

February 19, 2015

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS

***CREDIT CARD USAGE***

As stated in prior Report B39995, the District held credit cards in the name of four different employees during the period examined. A formal policy governing the use of credit cards had not been adopted by the District Board.

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

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

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

***UNDOCUMENTED EXPENSES CHARGED TO CREDIT CARDS***

*Disbursements Lacking Itemized Vendor Invoices*

As stated in prior Report B39995, officials paid accounts payable vouchers for District credit cards which lacked itemized vendor invoices. Officials noted the type of purchase for most items beside each purchase on the credit card statement; however, some purchases were not specified.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-10-1.6(c) states in part:

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

- (1) there is a fully itemized invoice or bill for the claim . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

***MEAL EXPENSES IN EXCESS OF POLICY***

The Board established a travel policy for the district in Resolution 94-2. Per the policy, the Board authorized reimbursements for travel as follows:

"Actual meals expenses up to:

- (a) 7.00/person for breakfast
- (b) \$10/person for lunch
- (c) \$20/person for dinner"

The resolution also stated:

"Should deviation from the above limits be unavoidable and necessary, notification of and request for said deviation shall be immediately given to the Chairman or in his/her absence, the Vice-Chairman, or, in his/her absence, such other member of the Board as the Chairman shall designate, who shall have the authority to permit the temporary deviation, so long as said expense be brought before the Board as a claim separate from those pre-approved claims under Resolution 94-2."

Meals were included on the credit cards while in travel status, which exceeded the policy. Per review of the Board minutes, none of these claims were separately identified for approval. Furthermore, there was not any evidence that the Board Chairman or his/her designee had authorized the excesses.

The Resolution also provides a limit of \$125 per night on lodging. Invoices examined showed that employees and officials exceeded this limit.

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

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**UNDOCUMENTED EXPENSES PAID FROM ACCOUNTS PAYABLE VOUCHERS**

*Undocumented Disbursements*

Checks were drawn for some accounts payable vouchers that lacked itemized vendor invoices. In all cases the checks were to reimburse the former Executive Director for expenses he paid based on his personal credit card or based upon a note attached to the claim denoting the expense and amounts.

Indiana Code 5-11-10-1.6(c) states in part:

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

(1) there is a fully itemized invoice or bill for the claim . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**FUNDS DONATED TO OUTSIDE ORGANIZATIONS**

In 2011, the District donated \$2,500 to the American Cancer Society as a Silver Sponsor for the Hope Water Station.

In 2014, the District donated \$250 to Habitat for Humanity for an "Apprentice Sponsorship level" "Veteran Build Breakfast," which included a table for eight.

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**VENDOR INVOICE NOT ITEMIZED**

As stated in the prior Report B39995, invoices for services provided by a financial consultant did not provide adequate documentation of dates and hours worked or services provided. The District was invoiced twice a year for "Budget Detail and other projects as needed" at a rate of \$150 per hour. The total amount billed for the examination period was \$22,500. The District does not have a contract for services with this vendor.

Indiana Code 5-11-10-1.6(c) states in part:

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

(1) there is a fully itemized invoice or bill for the claim . . ."

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

***PENALTIES, INTEREST, AND LATE FEES***

The District paid penalties, interest, and late fees on the District credit cards, to the Internal Revenue Service, and to other vendors in the amount of \$395.62.

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 Special Districts, Chapter 1)

***CONTRACTS***

The District entered into contracts with individuals to serve as interns. All of the contracts provided for examination were dated in 2011, established an hourly rate of pay for services rendered, and stated the intern was to work no more than 32 hours per week. The contracts also stated: "The agreement is temporary and short term in nature, and shall not exceed three (3) months."

The contracts were only signed by the interns. The minutes to the District Board meetings did not indicate review and acceptance of the intern contracts. Payments disclosed work in excess of the 32 hours per week and work beyond the 3 month short term limitation.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 1)

***APPROPRIATIONS***

Several disbursements for similar items were not posted to the same appropriation or budget line item.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 1)

***SALARY NOT IN ACCORDANCE WITH ORDINANCE***

The District's Salary Ordinances established minimum, maximum and actual rates of pay for each position. During the examination period, certain positions were paid less than the minimum amount established by the salary ordinance.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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, Chapter 1)

***WAGE AND TAX STATEMENTS (FEDERAL FORM W-2)***

The value of the take-home vehicles were excluded from the Wage and Tax Statements -Form W-2 for 2011 and 2013.

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 1)

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2015, with John E. Petalas, Controller; Jeanette Romano, Acting Director; Clifford Duggan, Jr., Attorney for the District; Leonard White, Solid Waste Specialist; and Jerry Herzog, Chairman of the Board.

A copy of the contents of this report was mailed to Jeffrey A. Langbehn, former Executive Director.

August 10, 2017

Mr. Mike Bozymski  
State Board of Accounts  
320 W. Washington Street, E418  
Indianapolis, IN 46204

RE: Response to Lake County Solid Waste Management District Examination Results and Comments

Dear Mr. Bozymski:

Thank you for the opportunity to respond to the Indiana State Board of Accounts' Examination. Each numerical paragraph in this response corresponds to each heading found in the State's Report and Comments.

- 1) **CREDIT CARD USAGE:** The District adopted Resolution 2016-8 on January 21, 2016 establishing a policy regarding credit card usage and proper accountability consistent with State Board of Accounts guidelines.
- 2) **UNDOCUMENTED EXPENSES CHARGED TO CREDIT CARDS:** The District has developed and adopted Resolution 2016-20 titled Lake County Solid Waste Management District Compliance with the Uniform Internal Control Standards for Indiana Political Subdivisions on October 20, 2016 which provides accountability for safeguarding the District operations and resources, consistent with Indiana Statute. The outcome of the policy will be a tightening of expense accountability and authorizations consistent with recommendations included in the Audit Report.
- 3) **MEAL EXPENSES IN EXCESS OF POLICY:** The District has developed and adopted Resolution 2016-20 titled Lake County Solid Waste Management District Compliance with the Uniform Internal Control Standards for Indiana Political Subdivisions on October 20, 2016 which provides accountability for safeguarding the District operations and resources, consistent with Indiana Statute. The outcome of the policy will be a tightening of expense accountability and authorizations consistent with recommendations included in the Audit Report.
- 4) **UNDOCUMENTED EXPENSES PAID FROM ACCOUNTS PAYABLE VOUCHERS:** The District has developed and adopted Resolution 2016-20 titled Lake County Solid Waste Management District Compliance with the Uniform Internal Control Standards for Indiana Political Subdivisions on October 20, 2016 which provides accountability for safeguarding the District operations and resources, consistent with Indiana Statute. The outcome of the policy will be a tightening of expense accountability and authorizations consistent with recommendations included in the Audit Report.
- 5) **FUNDS DONATED TO OUTSIDE ORGANIZATIONS:** The District has discontinued contributions to outside organizations.
- 6) **VENDOR INVOICE NOT ITEMIZED:** The District requires full itemization of invoices consistent with its policy on Internal Controls. This instance was a onetime oversight and should not be repeated.

- 7) PENALTIES, INTEREST, AND LATE FEES: The District will make renewed efforts to avoid the incurrence of such fees.
- 8) CONTRACTS: The District will provide a written contract for all outside providers of services and account for the payments under the contract in a manner consistent with that contract.
- 9) APPROPRIATIONS: No response.
- 10) SALARY NOT IN ACCORDANCE WITH ORDINANCE: Salary Ordinances will be adopted or amended, if applicable, to set forth the appropriate range of compensation. All salaries will be paid within the salary ranges adopted by Ordinance.
- 11) WAGE AND TAX STATEMENTS (FEDERAL Form W-2): It has been and continues to be the policy of the District to comply with the federal guidelines as evidenced by filings in years other than those outlined in this audit finding.

Respectfully submitted,



Chrissy Barron  
Chairwoman



Jeanette Romano  
Assistant Director