

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
LAPORTE COUNTY, INDIANA  
January 1, 2016 to December 31, 2016



**FILED**  
09/29/2017



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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<br>Lynne Spevak                 | 01-01-13 to 12-31-16<br>01-01-17 to 12-31-20                         |
| Clerk of the Circuit Court                        | Lynne Spevak<br>Kathleen A. Chroback          | 01-01-13 to 12-31-16<br>01-01-17 to 12-31-20                         |
| County Sheriff                                    | John T. Boyd                                  | 01-01-15 to 12-31-18   |
| County Recorder                                   | Barbara A. Dean<br>(Vacant)<br>Lois Sosinski  | 01-01-13 to 01-05-17<br>01-06-17 to 01-30-17<br>01-31-17 to 12-31-20 |
| County Prosecutor                                 | John M. Espar                                 | 01-01-15 to 12-31-18   |
| President of the Board of<br>County Commissioners | David Decker<br>Richard Mrozinski             | 01-01-16 to 12-31-16<br>01-01-17 to 12-31-17                         |
| President of the<br>County Council                | Terry Garner<br>Lois Sosinski<br>Jeff Santana | 01-01-16 to 12-31-16<br>01-01-17 to 02-08-17<br>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, 2016 to December 31, 2016. 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/](http://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

August 15, 2017

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COUNTY AUDITOR  
LAPORTE COUNTY

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING

***FINDING 2016-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of finding number 2015-002 from the immediate prior year.

*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.

*Context*

The lack of internal controls was a systemic issue, occurring throughout the audit period. As a result, the SEFA presented for audit contained the following errors:

1. Two grants were not included, which understated federal expenditures by \$31,148 as follows:
  - a. Beach Monitoring and Notification Program Implementation Grants expenditures of \$8,937.
  - b. Public Health Emergency Preparedness expenditures of \$22,211.
2. The National School Lunch Program commodities of \$1,763 were not included.
3. The Juvenile Accountability Block Grants expenditures were understated by \$1,500.
4. The Highway Planning and Construction grants expenditures were overstated by \$9,984.
5. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements expenditures were overstated by \$22,211.
6. The Child Support Enforcement program expenditures were understated by \$69,326.
7. The Boating Safety Financial Assistance grant expenditures were overstated by \$2,992.
8. Amounts of Loans Outstanding were overstated by \$1,233,721.

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

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING  
(Continued)

*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. . . ."

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING  
(Continued)

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

*Cause*

The County 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 *Context*.

*Recommendation*

We recommended that the County's management establish controls, including segregation of duties, which would have ensured accurate reporting of the SEFA.

*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

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Joie Winski, Auditor  
Contact Phone Number: 219-326-6808 ext 2226

Views of Responsible Official:

Agree

Description of Corrective Action Plan:

The County Auditor will appoint one staff member to monitor grants and prepare the SEFA which will then be reviewed and signed by the Chief Deputy Auditor and/or the Auditor.

The grant schedule will be in Excel format and contain all pertinent information including but not limited to: the grant name, CFDA number, county fund number, Federal agency, county department receiving the grant, department staff member responsible for the grant, recipient, sub recipient, pass through agency, amount of grant, etc. and any other information available and critical to maintaining compliance of the grant.

Anticipated Completion Date:

This will be implemented immediately and ongoing.

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
La Porte County Auditor  
(Title)

\_\_\_\_\_  
8/3/2017  
(Date)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

The County Auditor did not have controls in place to ensure that the financial records were closed and properly reported at year end. Because the records were not properly closed, errors occurred in posting 2016 transactions. The County Auditor's accounting software did not prevent the manual entry of the date. In January 2016, receipts and checks were issued with a December 2015 date, after receipts and checks had already been issued with a 2016 date.

The Indiana State Board of Accounts (SBOA) is required under IC 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide 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 the 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 the 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."

All financial transactions 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 County Auditors of Indiana, Chapter 1)

**APPROPRIATIONS**

The records presented for audit indicated that the Lp Co Pioneer Cemetery Comm and the Sheriffs Pension Fee Fund had expenditures in excess of budgeted appropriations of \$39,097 and \$93,600, respectively.

Additional appropriations were approved by the Council, but were not approved by the Department of Local Government Finance.

The same comment also appeared in prior Report B48300.

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 6-1.1-18-5 states in part:

". . . (e) After the public hearing, the proper officers of the political subdivision shall file a certified copy of their final proposal and any other relevant information to the department of local government finance.

(f) When the department of local government finance receives a certified copy of a proposal for an additional appropriation under subsection (e), the department shall determine whether sufficient funds are available or will be available for the proposal. The determination shall be made in writing and sent to the political subdivision not more than fifteen (15) days after the department of local government finance receives the proposal. . . ."

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**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 County expended \$199,209 and \$58,205 from the Co. User Fee Fund and Local Health Maint Fund, respectively, without a budget approved by the County Council.

The same comment also appeared in prior Report B48300.

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 did "roll-over" a budget without proper encumbrances by the amounts indicated below:

| Fund                           | Amount<br>Rolled-Over |
|--------------------------------|-----------------------|
| Real Estate Endorsement Fee    | \$ 36,716             |
| Recorder's Record Perpetuation | 20,100                |
| JSC Residents Ed Fund          | 15,412                |
| Pros. Pretrial Div. & Deferral | 56,828                |
| Local Health Maint Fund        | 12,435                |

A similar Audit Result and Comment was in the prior audit Report B48300.

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.

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Only the amount required to meet the balance due on a contractor 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 1/26<sup>th</sup> 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. 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 30 hours per week or more. There were multiple employees who were considered part-time employees, but received benefits reserved for full-time employees.
2. 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.
3. 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.

The same comment also appeared in prior Report B48300.

Indiana Code 5-7-3-1 states in part: "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.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

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)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**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.

A similar Audit Result and Comment was in prior audit Report B48300.

Indiana Code 4-33-12-9(a) states in part:

"Money paid to a unit of local government under subsection 6 or 8 of this chapter:

- (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 6-3.6-9-15
  - (B) Any other funding source:
    - (i) specified in the ordinance or resolution adopted under this section; and
    - (ii) not otherwise prohibited by law."

COUNTY AUDITOR  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2017, with JoEileen Winski, County Auditor; Kristie Deckard, Deputy County Auditor; Richard Mrozinski, President of the Board of County Commissioners; Vidya Kora, County Commissioner; Jeff Santana, President of the County Council; Cary Kirkham, County Council member; John Sullivan, County Council member; Mike Mollenhauer, County Council member; Douglas L. Biege, County Commissioners Attorney; and Shaw R. Friedman, County Council Attorney.

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
FEDERAL FINDINGS

***FINDING 2016-002***

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding:*

This is a repeat of finding number 2015-004 from the immediate prior year.

*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 cash and investment balances, receipts, and disbursements.
  - a. One employee from the Clerk's office in LaPorte took the daily collections to the depository, recorded the 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 reconcile the Indiana Support Enforcement Tracking System (ISETS) ledger balance to the depository balance. The monthly reconciliations were performed through June 2016 without review and contained miscellaneous reconciling items that had no supporting documentation, including some from 2013. Monthly reconciliations after June 2016 were not completed.
  - c. One employee at both of the Clerk's offices receipted in daily collections, reconciled daily collections, and made the deposits for ISETS. A daily book balance report that listed 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.
  - d. One employee completed the Clerk's Supplemental Annual Financial Report. Bank transactions rather than ledger transactions were reported to the County Auditor for inclusion in the County's Annual Financial Report (AFR). The AFR, which contained these errors, was the basis for the financial statement presented of audit. Audit adjustments were proposed, accepted by the County, and made to the financial statement.
  - e. The Clerk had not established effective controls to ensure that supporting documentation that would have substantiated payroll disbursements was retained. The Clerk did not retain time records of all Clerk's office employees for 2016 payroll disbursements.
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.

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

*Context*

The lack of internal controls and the noncompliance were systemic issues, occurring throughout the audit period.

*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:

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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. . . ."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1).

Indiana Code 5-15-6-4(a) states: "Except as provided in subsection (b), no records shall be destroyed, removed, or transferred from any office until a period of at least three (3) years shall have elapsed from the date on which the records were filed, nor even after that time if the records are in frequent use by the officer having charge of the office."

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 County Auditors of Indiana, Chapter 1)

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

*Cause*

The Clerk had not established a proper system of internal control.

*Effect*

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

*Recommendation*

We recommended that the Clerk establish effective controls, including segregation of duties, to ensure that monthly reconciliements are performed and ensure the accuracy of the financial transactions reported in 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.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-003**

Subject: Child Support Enforcement - 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): FY2016  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Qualified Opinion

*Repeat Finding*

This is a repeat of finding number 2015-007 from the immediate prior year.

*Condition*

An effective internal control system was not in place at the Clerk of the Circuit Court's (Clerk) office to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The controls to ensure that expenditures were for allowable costs were not effective.

The Clerk failed to comply with the Allowable Costs/Cost Principles compliance requirement. Costs of \$3,204 for telephone and postage were reimbursed to the Clerk; however, those costs were also included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement grant.

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

In addition, numerous Clerk employees worked on Child Support Enforcement activities and their payroll and related expenses were claimed for reimbursement; however, the source documents for payroll and the related benefits were not presented for audit. Because the costs were not properly documented, it could not be determined if payroll and related benefits of \$88,034 charged to the Child Support Enforcement program complied with the Allowable Costs/Cost Principles compliance requirement.

*Context*

The lack of controls, the noncompliance, and the failure to retain supporting documentation were systemic issues. The costs for telephone and postage were included in every Monthly Expense Claim for 2016. Payroll source documents for 2016 for all employees of the Clerk's office were not provided for audit.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.420 states:

"This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II. Basic Considerations of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§ 200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in § 200.403 Factors affecting allowability of costs must be applied in determining allowability. See also § 200.102 Exceptions."

2 CFR 200.402 states: "*Total cost.* The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards . . .

- (g) Be adequately documented. . . ."

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The County had not established an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement. Additionally, the County had not developed a system of internal controls to ensure that supporting documentation was maintained and made available for audit relating to the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

Additionally, the failure to establish an effective internal control system that would have ensured that supporting documentation was retained and available for audit prevented the determination of the County's compliance with the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Questioned costs of \$91,238 were identified. Costs that were included twice in reimbursements were \$3,204. Undocumented payroll and related benefits were \$88,034.

*Recommendation*

We recommended that the County's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement. Additionally, we recommended that the County's management establish controls to ensure that supporting documentation was maintained and made available for audit relating to the Allowable Costs/Cost Principles.

*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 2016-002***

Fiscal year in which finding initially occurred: 2016

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 the 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 June 2017 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 deposits 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. We have not had time to develop and implement new procedures on the rest of this finding.

d. This finding has now been corrected. The Bookkeeper is now using Odyssey figures and not bank transactions. This includes now running daily cash balance report January-December and using beginning balance, receipts, disbursements and ending balance total to complete reports for Odyssey checking accounts.

e. This finding was communicated to us during the most recent audit which was completed in June 2017. We have since made changes to the control of time records for all Clerk's employees beginning in 2017.

2. This finding was communicated to us during the most recent audit which was completed in June 2017. We have since made changes. The Clerk now reviews and signs Reports of Collections and Monthly Reports. The Clerk reviews disbursements of support fees paid to the County.

**Anticipated Completion Date:**

Correction of a, c, d and e have been made in the second quarter of 2017

Anticipated correction date for part of c and all of b is in the fourth quarter of 2017

***FINDING 2016-003***

Fiscal year in which finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Kathleen A. Chrobak

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 June 2017. We have since made corrective changes to ensure compliance with the requirements related to the grant agreement in the second quarter of 2017. We have not had time to develop and implement new procedures related to documentation and compliance with Allowable Costs/Cost Principles.

**Anticipated Completion Date:**

Correction of this Finding will be in the fourth quarter of 2017.

Kathleen A. Chrobak  
(Signature)

Grant Clerk  
(Title)

8/14/2017  
(Date)

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2017, with Kathleen A. Chroback, Clerk of the Circuit Court, and Marie A. Wilfong, Deputy Child Support.

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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 County expended \$199,209 and \$58,205 from the Co. User Fee Fund and Local Health Maint Fund, respectively, without a budget approved by the County Council.

The same comment also appeared in prior Report B48300.

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 did "roll-over" a budget without proper encumbrances by the amounts indicated below:

| <u>Fund</u>                    | <u>Amount<br/>Rolled-Over</u> |
|--------------------------------|-------------------------------|
| Real Estate Endorsement Fee    | \$ 36,716                     |
| Recorder's Record Perpetuation | 20,100                        |
| JSC Residents Ed Fund          | 15,412                        |
| Pros. Pretrial Div. & Deferral | 56,828                        |
| Local Health Maint Fund        | 12,435                        |

A similar Audit Result and Comment was in the prior audit Report B48300.

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.

COUNTY COUNCIL  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Only the amount required to meet the balance due on a contractor 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 1/26<sup>th</sup> 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. 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 30 hours per week or more. There were multiple employees who were considered part-time employees, but received benefits reserved for full-time employees.
2. 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.
3. 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.

The same comment also appeared in prior Report B48300.

Indiana Code 5-7-3-1 states in part: "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.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

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)

COUNTY COUNCIL  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**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.

A similar Audit Result and Comment was in prior audit Report B48300.

Indiana Code 4-33-12-9(a) states in part:

"Money paid to a unit of local government under subsection 6 or 8 of this chapter:

- (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 6-3.6-9-15
  - (B) Any other funding source:
    - (i) specified in the ordinance or resolution adopted under this section; and
    - (ii) not otherwise prohibited by law."

COUNTY COUNCIL  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2017, with JoEileen Winski, County Auditor; Kristie Deckard, Deputy County Auditor; Richard Mrozinski, President of the Board of County Commissioners; Vidya Kora, County Commissioner; Jeff Santana, President of the County Council; Cary Kirkham, County Council member; John Sullivan, County Council member; Mike Mollenhauer, County Council member; Douglas L. Biege, County Commissioners Attorney; and Shaw R. Friedman, County Council Attorney.