

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
12/21/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Transmittal Letter	4
County Auditor:	
Federal Findings:	
Finding 2016-001:	
Financial Transactions and Reporting	6-7
Finding 2016-002:	
Treasurer's Daily Balance of Cash and Depositories and Auditor's Funds Ledger	8-9
Corrective Action Plan	10
Audit Results and Comments:	
Overdrawn Cash Balances	11
Accounts Payable Vouchers Deficiencies	11-13
Salary Ordinance	14
Commissioner's Tax Sale Distribution	14-16
Auditor Settlement Funds	16-17
Auditor's Ineligible Deductions Fund	17-18
Exit Conference	19
County Treasurer:	
Federal Finding:	
Finding 2016-002:	
Treasurer's Daily Balance of Cash and Depositories and Auditor's Funds Ledger	22-23
Corrective Action Plan	24-25
Exit Conference	26
Clerk of the Circuit Court:	
Federal Finding:	
Finding 2016-003:	
Financial Transactions and Reporting - Clerk of the Circuit Court	28-30
Corrective Action Plan	31
Audit Results and Comments:	
Bank Account Reconciliations	32-33
Credit Card Transactions - Internal Controls	34-35
Bond Forfeitures	35-36
Official Bond	36-37
Official Response	38
Exit Conference	39
County Sheriff:	
Federal Finding:	
Finding 2016-004:	
Financial Transactions - Sheriff - Civil Division	42-44
Corrective Action Plan	45-46

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Overdrawn Cash Balance	47
Internal Controls - Inmate Trust, Commissary, Lake County Drug Task Force.....	47-48
Inmate Trust Records.....	48
Deposits - Civil Division.....	49
Unclaimed Property - Civil Division.....	49
Official Bond.....	50-51
Sheriff Temporary Loan Repayment.....	51-52
Bank Account Reconciliations - Animal Control.....	52
Official Response.....	53-65
Exit Conference	66
County Recorder:	
Audit Results and Comments:	
Fee and Cash Book	68
Bank Account Reconciliations and Remittances	69
Overdrawn Cash Balance	69
Exit Conference	70
Parks and Recreation Department:	
Federal Findings:	
Finding 2016-005:	
Great Lakes Program - Suspension and Debarment	72-73
Finding 2016-006:	
Great Lakes Program - Reporting	73-74
Corrective Action Plan	75
Exit Conference	76
Board of County Commissioners:	
Audit Results and Comments:	
Accounts Payable Vouchers Deficiencies.....	78-80
Commissioner's Tax Sale Distribution	80-82
Official Response.....	83-87
Exit Conference	88
County Council:	
Audit Results and Comments:	
Accounts Payable Vouchers Deficiencies.....	90-92
Salary Ordinance	92
Exit Conference	93

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	John Petalas	01-01-15 to 12-31-18
County Treasurer	Peggy Holinga Katona	01-01-15 to 12-31-18
Clerk of the Circuit Court	Michael A. Brown	01-01-15 to 12-31-18
County Sheriff	John Buncich Matt Eaton (acting) Oscar Martinez, Jr.	01-01-15 to 08-24-17 08-25-17 to 09-15-17 09-16-17 to 12-31-18
County Recorder	Michael B. Brown	01-01-13 to 12-31-20
President of the Board of County Commissioners	Gerry Scheub Michael C. Repay	01-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the County Council	Ted F. Bilski, II	01-01-16 to 12-31-17
President of the Parks and Recreation Board	Jim Tonkovich Chris Dilts	01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

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

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

September 26, 2017

COUNTY AUDITOR
LAKE COUNTY

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of Finding 2015-001 from the immediate prior year.

Condition

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

The County had not identified risks to the preparation of the financial statement to prevent, or detect and correct, material misstatements. The County Auditor entered financial information into the Indiana Gateway for Government Units financial reporting system (Gateway), which is the source of the Annual Financial Report (AFR) and financial statement.

A system of internal controls, including the proper segregation of incompatible duties was not designed and implemented by the County. The financial information was gathered and entered into Gateway by one employee in the County Auditor's office without an oversight or review process to prevent or detect errors. In addition, the County Auditor's office did not have procedures in place to ensure that the financial information provided by outside departments that were not included in the County Auditor's financial records was accurate and complete.

In addition, the County issued receipts in batches on pre-numbered forms. At the beginning of each day, the employee who entered receipt information had to enter a beginning sequence number for that day. That sequence number became the receipt number in the County's ledger. The sequence number should have mirrored the receipt number on the pre-numbered form. The County failed to implement effective controls to ensure that the sequence number entered mirrored the pre-numbered form. The County ledger contained 14 instances in which the same sequence number was used on two different days.

Context

The lack of internal controls, including a proper segregation of duties, was a systemic problem 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:

"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 AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

An integral part of the control activity component is segregation of duties. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators.

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

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

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 be 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.

Recommendation

We recommended that the County design and implement a proper system of internal controls including a proper segregation of incompatible duties and periodic monitoring of internal control procedures.

Views of Responsible Officials

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

COUNTY AUDITOR
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Treasurer's Daily Balance of Cash and Depositories and Auditor's Funds Ledger
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-003 from the immediate prior year.

Condition

The County Treasurer's office maintained the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflected the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day. The County Treasurer's office did not have an effective system of controls in place designed to prevent or detect errors associated with the cash reconciliation.

As part of the monthly reconciliation process, the County Auditor's office compared the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2014, the County Auditor's office reconciliation and the funds ledger balance agreed. However, there were immaterial reconciling items that did not have the proper supporting documentation to substantiate the amount. As of August 31, 2017, the immaterial reconciling item between the County Auditor's and County Treasurer's offices had not been resolved.

Context

The lack of effective internal controls was a systemic problem 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:

"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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

COUNTY AUDITOR
LAKE 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 an effective system of internal controls.

Effect

The failure to establish effective controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County Auditor's and Treasurer's offices work together to resolve the variance in the County Treasurer's Cash Book "Funds Ledger - Cash" and establish an effective system of controls to prevent and detect future errors.

Views of Responsible Officials

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



Auditor Lake County

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



CORRECTIVE ACTION PLAN

FINDING 2016-002

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

Views of Responsible Official: We concur with the finding, see corrective action plan.

Description of Corrective Action Plan:

At this time the Treasurer and the Auditor have come to an agreement on how to adjust the Cash book to resolve the discrepancy which has been evident since 2013.
This error was first discovered in 2013, since then new internal control procedures have been implemented at the settlement to prevent this from occurring again.
These controls have been effective for the last 5 tax settlements.

Anticipated Completion Date: 12/31/17

 OG

(Signature)

AUDITOR

(Title)

9-25-17

(Date)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at December 31, 2016:

Fund	Amount Overdrawn
Recorder's Incentive (Combined and reported as part of Recorder's Records Perpetuation)	\$ 1,224
Adult Probation Administrative	16,946
Sheriff Sale Administration	57,348
Insurance	35,886
County Innkeepers Tax	184,347
Auditor's Tax Incentive	50,435

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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)

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The accounts payable vouchers reviewed included the following deficiencies:

1. In 2016, the County disbursed funds before approval by the Board of County Commissioners at a public meeting and the Accounts Payable Vouchers that support manual checks and EFTs (white claims) were not included on the official Accounts Payable Voucher Register or docket approved by the Board of County Commissioners at a public meeting. The County's codified ordinances did not include an ordinance authorizing the County Auditor to pay accounts payable vouchers prior to the Board of County Commissioner's approval.

In response to the comment in the prior reports, on February 14, 2017, the County Council adopted Ordinance 1405C which addressed prepayments of EFTs and other disbursements. After Ordinance 1405C was adopted, Accounts Payable Vouchers for prepaid items did contain two Commissioners' signatures before the disbursement was made and ratified at the next Board of County Commissioners' meeting.

However, Ordinance 1405C does not address specific types of expenses that can be prepaid in accordance with Indiana Code. In addition, the Board of County Commissioners approved a blanket ratification of prepaid claims as documented in the Commissioner's minutes. The Commissioners received listings in the Commissioner meeting agenda packet of those prepaid claims previously signed by two Commissioners. The blanket ratification did not provide enough detail (dollar amount of total, docket number, and date) to follow through to the correct detailed listing of prepaid items. The detailed list of prepaid accounts payable vouchers was not signed by the Board of County Commissioners nor were prepaid accounts payable vouchers included in the official Accounts Payable Voucher Register or docket.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

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

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(e) states:

"Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law."

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

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

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

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

Indiana Code 36-2-6-4.5 states:

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

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

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance or service agreements.
- (8) Leases or rental agreements.
- (9) Bond or coupon payments.
- (10) Payroll.
- (11) State or federal taxes.
- (12) Expenses that must be paid because of emergency circumstances.
- (13) Expenses described in an ordinance.

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

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

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

SALARY ORDINANCE

It could not be determined if the E911 employees' salaries complied with the 2016 salary ordinance. These employees were paid within a range of salaries but the range of salaries was not included in the ordinance. The salary ordinance only contained the maximum for the employees' salary range.

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)

COMMISSIONER'S TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale, were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees - SRI, Inc. fund, and the Treasurer's Tax Sale fund and presented as the Tax Sale Fees fund on the financial statement.

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of (\$340,610), nothing was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years.

The Commissioner's Tax Certificate Sale fund had a beginning balance of (\$340,610), reported \$1,989,016 in receipts and \$1,478,894 in disbursements, resulting in an ending balance of \$169,512. The fund received \$1,989,016 in receipts from two Commissioners Sales in 2016. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2016. Funds were disbursed for professional services, advertising, and other tax sale related expenses. In addition, \$223,770 was transferred from this fund to three incentive funds as an allocation of payroll costs attributed to the tax sale. The maximum amounts transferred were determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the Commissioners' Tax Sale. Direct costs of the tax sale may be paid from the proceeds from the sale; however, only the actual costs incurred may be reimbursed. The transfers, based upon direction received from the County Council during 2011, 2012, 2013, 2014, 2015, and 2016 were as follows:

Fund	2011	2012	2013	2014	2015	2016
Auditor's Tax Incentive	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 78,667
Comm Incentive Fund	250,000	300,000	250,000	350,000	300,000	65,104
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000	-
Treasurer's Incentive	240,000	240,000	240,000	240,000	240,000	80,000
Non-reverting Self Ins. Fund	-	-	-	500,000	250,000	-
Total transfers	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>	<u>\$ 1,126,000</u>	<u>\$ 223,770</u>

** Combined with and reported as part of the Recorder's Record Perpetuation fund on the Financial Statement

The 2016 disbursements and December 31, 2016, cash balances of the incentive funds were as follows:

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive	\$ 295,344	\$ (50,435)
Comm Incentive Fund	239,856	43,903
Recorder's Incentive Fund **	121,838	(1,224)
Treasurer's Incentive	406,297	137,200
Totals	<u>\$ 1,063,335</u>	<u>\$ 129,443</u>

** Combined with and reported as part of the Recorder's Record Perpetuation fund on the Financial Statement

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in all of the incentive funds at the end of 2016 totaled \$129,443.

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

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

"(a) When a certificate of sale is sold under section 6.1 of this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

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

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

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(c) The:

- (1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or
- (2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property;

may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(d) Unless the redemption period specified under IC 6-1.1-25 has been extended under federal bankruptcy law, an amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (c) if it is claimed more than three (3) years after the date of its receipt. . . ."

The same comment also appeared in five prior Reports, including the three most recent Reports B45011, B47573, and B47575.

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, January 2011)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, January 2012)

AUDITOR SETTLEMENT FUNDS

The Settlement fund did not have a zero balance before or after the reconciliation of the settlement of tax collections. The January 1, 2016, balance of the Settlement fund was \$544,628 and the December 31, 2016, balance of the Settlement fund was \$216,264.

The Settlement fund is an agency fund that is used to account for the tax collections certified by the Treasurer. Those certified collections are receipted into the Settlement fund to be distributed by the County to the appropriate taxing units. Before and after the settlement process, the fund balance should be zero. Balances remaining in the Settlement fund could indicate that not all certified collections have been distributed to the appropriate taxing units or that funds were incorrectly deposited into the Settlement fund that should be recorded to another fund. The County was advised to research the balances in the Settlement fund.

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

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

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) prepare a certificate of settlement on the form prescribed by the state board of accounts; and
- (2) deliver the certificate of settlement to the county treasurer at least two (2) days before each semi-annual meeting."

Indiana Code 6-1.1-27-2 states:

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

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

AUDITOR'S INELIGIBLE DEDUCTIONS FUND

For 2016, the Auditors Ineligible Deductions fund receipted \$1,130,468 of collections for ineligible deductions and disbursed \$619,021, which netted to \$511,447 deposits to the fund, which exceeded the \$100,000 allowed by statute per calendar year. An analysis to determine if the net receipts exceeded \$100,000 within the calendar year was not performed by the County Auditor in order to ensure compliance with Indiana Code 6-1.1-36-17(d).

Indiana Code 6-1.1-36-17(d) effective July 1, 2016 and Indiana Code 6-1.1-36-17(c) effective January 1, 2017 state:

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

- (1) in the nonreverting fund, if the county contains a consolidated city; or
- (2) if the county does not contain a consolidated city:
 - (A) in the nonreverting fund, to the extent that the amount collected, after deducting the direct cost of any contract, including contract related expenses, under which the contractor is required to identify homestead deduction eligibility, does not cause the total amount deposited in the nonreverting fund under this subsection for the year during which the amount is collected to exceed one hundred thousand dollars (\$100,000); or
 - (B) in the county general fund, to the extent that the amount collected exceeds the amount that may be deposited in the nonreverting fund under clause (A)."

It is our position that this does not restrict the balance amount that may be carried forward. The restriction is placed on the amount of receipts that may be deposited in the Auditors Ineligible Deductions fund for a calendar year.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In a memo regarding Changes affecting the 1 percent Tax Cap and Homestead Deduction Non-Reverting Fund, dated June 20, 2013, the Department of Local Government Finance stated in part:

". . . there is a limitation on receipts to be deposited in the fund each year for counties that do not contain a consolidated city. In order to properly deposit and comply with this limit, if applicable, the county should review the receipt amount for the calendar year each time a deposit to the non-reverting fund is to be made. The annual receipt amount net of contract costs to identify homestead deduction eligibility must not exceed \$100,000. Any additional collections in a calendar year must be deposited into the county general fund. As the effective date for this statutory change is July 1, 2013, at the point in time after June 30, 2013 that this net receipt amount equals \$100,000 for the year, any additional collections that calendar year must be deposited into the county general fund".

The same comment also appeared in the prior Report B47575.

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

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; and Michael T. Wieser, County Auditor's Director of Finance.

The contents of this report were discussed on September 26, 2017, with Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; Larry Blanchard, Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

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COUNTY TREASURER
LAKE COUNTY

COUNTY TREASURER
LAKE COUNTY
FEDERAL FINDING

FINDING 2016-002

Subject: Treasurer's Daily Balance of Cash and Depositories and Auditor's Funds Ledger
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-003 from the immediate prior year.

Condition

The County Treasurer's office maintained the Treasurer's Daily Balance of Cash and Depositories (Cash Book). The Cash Book reflected the daily receipts and disbursements, the total amount of cash and investments, and a proof of the financial condition of the office at the close of each day. The County Treasurer's office did not have an effective system of controls in place designed to prevent or detect errors associated with the cash reconciliation.

As part of the monthly reconciliation process, the County Auditor's office compared the County Auditor's funds ledger balance to the County Treasurer's calculated Funds Ledger line per the Cash Book. As of December 31, 2014, the County Auditor's office reconciliation and the funds ledger balance agreed. However, there were immaterial reconciling items that did not have the proper supporting documentation to substantiate the amount. As of August 31, 2017, the immaterial reconciling item between the County Auditor's and County Treasurer's offices had not been resolved.

Context

The lack of effective internal controls was a systemic problem 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:

"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 TREASURER
LAKE COUNTY
FEDERAL FINDING
(Continued)

An integral part of the control activity component is segregation of duties. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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 an effective system of internal controls.

Effect

The failure to establish effective controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the County Auditor's and Treasurer's offices work together to resolve the variance in the County Treasurer's Cash Book "Funds Ledger - Cash" and establish an effective system of controls to prevent and detect future errors.

Views of Responsible Officials

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



Treasurer Lake County

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



CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Peggy Holinga Katona
Contact Phone Number: 755-3769

Views Of Responsible Official:

Settlement of 2011 (Provisional tax bills since no tax bills were available) was overpaid by the Auditor's Finance Department. The procedure to balance with the Lake County Treasurer's cash was bypassed by the Finance Department. The Auditor's Finance Department never balanced the settlement quietus' with the Treasurer's Accounting Department cash totals. The quietus' were not presented to the Treasurer's Accounting Department until after the settlement checks were issued. The Auditor's Finance Department was told by the Treasurer's Accounting Department that the settlement was overpaid and the Auditor's Finance Department agreed there was an overpayment in the TIF allocation for two major cities.

From that point forward the Auditor's Finance Department attempted multiple corrections for the next four years to no avail. Every correction turned out to be erroneous that made the initial shortage more blurred.

The joint efforts between the Treasurer and Auditor have brought in outside accountants to review the situation and they came up with no solution.

Prior to and since this time of 2011 the Treasurer's daily cash sheet has been in balance. I know that this is a Lawson Accounting System error. There is no cash missing whatsoever. Myself or my people cannot come up with an adjusting entry on the Treasurer's side to correct the Auditor's error.

Description of Corrective Action Plan:

I feel that this started off as an Auditor's Finance Department error and that any type of correction plan should come from that department. We do not have the ability to make adjustments or corrections on the Treasurer's system.

Our Corrective Action Plan is to wait until the Auditor's Finance Department can make a correcting entry into the Lawson Accounting System since there is actually **no cash missing**.

Anticipated Completion Date:

Unknown

Peggy Holinga Katona
Lake County Treasurer
September 22, 2017

COUNTY TREASURER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Peggy Holinga Katona, County Treasurer; Larry Cak, Chief Deputy County Treasurer; and Priscilla Kirrin, Bookkeeping Supervisor.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Kyle W. Allen, County Commissioner; Larry Blanchard, County Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
FEDERAL FINDING

FINDING 2016-003

Subject: Financial Transactions and Reporting - Clerk of the Circuit Court
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of Finding 2015-004 from the immediate prior year.

Condition

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

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

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

2. **Monitoring of Controls:** The Clerk of the Circuit Court had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Clerk of the Circuit Court to monitor and assess the quality of the system of internal control.

3. **Preparing Financial Statement:** Effective internal control over financial reporting involved the identification and analysis of the risks of material misstatement to the County's audited financial statement and then determining how those identified risks should be managed.

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

One individual was responsible for the collection and calculation of the total receipts, disbursements, and balances from the Clerk of the Circuit Court's multiple offices and divisions. A proper system of oversight or review was not in place to ensure the financial information gathered was accurate and supported by the Clerk of the Circuit Court's records.

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

Context

The lack of internal controls over financial transactions and reporting for the Clerk of the Circuit Court was a systemic problem 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:

"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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators.

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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

Cause

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

Effect

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

Recommendation

We recommended that the Clerk of the Circuit Court design and implement a proper system of internal controls, including segregation of incompatible duties and periodic monitoring of internal control procedures. Internal controls should be developed in a way to prevent, or detect the recording, or reporting of incorrect information.

Views of Responsible Officials

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



MICHAEL A. BROWN
CLERK LAKE CIRCUIT/SUPERIOR COURT
CHILD SUPPORT DIVISION
2293 North Main Street
Crown Point, Indiana 46307



CORRECTIVE ACTION PLAN

September 19, 2017

FINDING 2016-003

Contact Person Responsible for Corrective Action: Rebecca Dowling

Contact Phone Number: 219-755-3067

Views of Responsible Official: We concur with the finding.

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

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

Anticipated Completion Date: September 19, 2017

Sincerely,

A handwritten signature in black ink that reads "Michael A. Brown". The signature is written in a cursive style.

Michael A. Brown

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

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

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

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

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

Crown Point Civil

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. As of December 31, 2016, the reconciled bank balance was \$6,845 in excess of the manual Cash Book balance. No attempt was made to research this variance, due in part to the issues in reconciling credit card transactions.

Crown Point Small Claims

The detail of items held in trust "Open Items Case Listing" at December 31, 2016, was \$1,541 less than the ABL, which was the official record. No attempt was made to research this difference.

Crown Point Criminal

The reconciled bank balance was \$900 in excess of the ledger balance (ABL), as of December 31, 2016. This amount remained unchanged from the previous audit.

Crown Point Traffic

An Excel (commercially purchased software) spreadsheet was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. This spreadsheet was prepared by the Traffic Division Bookkeeper from daily receipts and disbursements generated by Court View and from the related bank activity (deposits, credits, and withdrawals). As of December 31, 2016, the adjusted bank balance (and the Excel spreadsheet) was \$79,660 less than the ledger balance (ABL) after adjusting for the investments. The difference between the ABL and the unit's spreadsheet plus the investment balance was \$75,954 at December 31, 2015. No attempt was made to research this difference.

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

East Chicago

The reconciled bank balance for the East Chicago Clerk of the Circuit Court's office exceeded the ABL by \$101,065, as of December 31, 2016. Incorrect recording of an investment from "total monies on deposit" in 2009 accounted for \$100,000 of the difference. The remaining \$1,065 was not identified and was an accumulation of many years of uncorrected errors. Also, included in the reconciliation was a net adjustment amount of \$1,097. Virtually all of these adjustments were due to credit card transactions in the bank but not recorded in the records, or vice versa. The adjustments included transactions from 2011 to 2016 which were carried on the monthly bank reconciliations and were not resolved or posted to the records.

Gary

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL which was the official record. As of December 31, 2016, the reconciled bank balance was \$5,493 less than the manual Cash Book balance. This was an increase of \$25 from December 31, 2015. The change indicated that errors occurred in the current year and were not investigated or corrected.

The manual Cash Book balance was \$169,246 greater than the ABL, as of December 31, 2016. No attempt was made to research this difference. In addition, the detail of items held in trust "Open Items Case Listing" at December 31, 2016, was \$34,382 more than the ABL (Control).

Hammond

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

The Small Claims Division's reconciled bank balance was \$2,149 less than the ABL; the Civil Division's reconciled bank balance was \$16,292 in excess of the ABL; and the Traffic reconciled bank balance was \$3,758 in excess of the ABL.

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

The same comment also appeared in ten prior Reports, including the three most recent Reports B45011, B47573, and B47575.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must 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)

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

CREDIT CARD TRANSACTIONS - INTERNAL CONTROLS

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

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

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

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

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

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must 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)

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:

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

"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."

Processing controls are designed to provide reasonable assurance that data processing has been performed as intended without any omission or double-counting. Many processing controls are the same as the input controls, particularly for online or real-time processing systems, but are used during the processing phases. These controls include run-to-run totals, control-total reports, and file and operator controls, such as external and internal labels, system logs of computer operations, and limit or reasonableness tests. Domains of processing controls include:

- 1) Automated file identification and validation.
- 2) Automated functionality and calculations.
- 3) Audit trails and overrides.
- 4) Data extraction, filtering, and reporting.
- 5) Interface balancing.
- 6) Automated functionality and aging.
- 7) Duplicate checks.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

BOND FORFEITURES

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

The Hammond Traffic Division's open items case listing included 443 older cash bonds held in Trust by the Clerk of the Circuit Court's office at December 31, 2016. The cash bonds on hand, received between the years of 2002 to 2010 for criminal defendants, totaled \$240,346.

The same comment also appeared in five prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

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

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

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

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

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

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

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

OFFICIAL BOND

The Clerk of the Circuit Court's Surety Bond was made payable to the Lake County Government Center, instead of the State of Indiana.

The same comment also appeared in seven prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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

Indiana Code 5-4-1-10 states:

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



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

PHONE: (219) 755-3460

FAX: (219) 755-3520



September 28th, 2017

State Board of Accounts
302 West Washington Street Room E418
Indianapolis, IN 46204

OFFICIAL RESPONSE

Dear State Boards of Account,

The Lake County Clerk's Office has received a draft of the annual audit for the period January 1, 2016 through December 31, 2016. I am responding to specific documented audit results and findings as follows:

1. The Clerk's office has designed and put in place an internal control process that includes the lack of segregation in late 2014. We will continue to enforce and monitor that these procedures are followed daily to prevent or detect any incorrect information or recordings.
2. The preparation of the County's Annual Financial Report will be improved by double reviewing of financial reports used by each cash book. The proper reporting of the investment balances was corrected in 2013. We will have an open line of communication with the County Auditor to monitor that the correct figures that we submit are entered in the Gateway program.
3. The Clerk's office has and will continue to improve and work on the variances of each cash book bank account reconciliation that is due to past years inherited discrepancies and credit card issues.
4. The Clerk's Office believes that it is the responsibility of the Court to set the case for a bond forfeiture, and to order the Clerk to proceed with the forfeit process as stated in the IC code.
5. The Official Bond dated October 1, 2017 through December 31, 2018 has been corrected to say payable to the State of Indiana.

Sincerely,

Michael A Brown
Lake County Clerk

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Michael A. Brown, Clerk of the Circuit Court; Rebecca Dowling, Financial Manager; Anastasia Koutouvas, Assistant Financial Manager; Sylvia Brown, Chief Deputy Clerk of the Circuit Court; and Wanda Epps, Personnel Director.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor, Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; Larry Blanchard, County Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

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COUNTY SHERIFF
LAKE COUNTY

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDING

FINDING 2016-004

Subject: Financial Transactions - Sheriff - Civil Division
Audit Finding: Material Weakness, Modified Opinion

Repeat Finding

This is a partial repeat of Finding 2015-005 from the immediate prior audit year.

Condition

There were several deficiencies that constituted material weaknesses in the internal control system of the County Sheriff's department related to financial transactions and reporting:

1. **Lack of Segregation of Duties:** The County Sheriff's department had not separated incompatible activities related to receipts and disbursements and cash and investment balances. In the Civil Division, one employee receipted and disbursed funds, reconciled the monthly bank statements to the respective ledgers, and posted transactions to the ledgers.
2. **Lack of Supporting Documentation:** To substantiate the disbursements reported in the County's financial statement for the Sheriff fund, a sample of disbursements was selected for testing to ensure the existence, occurrence, accuracy, and completeness of the posted transactions. However, all records were not provided for audit to support the disbursement amount reported in the County's financial statement for the Sheriff fund. Sufficient, competent, evidential matter was not provided, which limited the scope of our audit.

The Civil Division also maintained a Check Register, the equivalent of a personal checking account register, in which the Civil Division recorded deposits and check amounts as well as computed a cash and investment balance. The Check Register was prepared using an excel worksheet and could have been altered without providing an audit trail. The Check Register balance was used to reconcile to the depository balance. The 2016 Check Register and bank reconciliations were not provided for audit, thus limiting the ability to verify the beginning and ending cash and investment balances for the Sheriff fund reported in the County's financial statement.

Context

The lack of internal controls, including proper segregation of duties, was a systemic problem throughout the audit period. A representative sampling method was used to test Civil Division disbursements for the audit period. For 81 percent of disbursements sampled, sufficient, competent, evidential matter was not provided for audit. The sample error of \$4,138,871, when projected to the population as a whole, resulted in a \$13,064,144 potential material misstatement of the County's 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:

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDING
(Continued)

"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. . . ."

Indiana Code 5-15-6-3 states:

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

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

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

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

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

Cause

Management of the County Sheriff's department had not established a proper system of internal control that would have ensured the retention of the records.

Effect

Due to the County Sheriff's department's failure to provide sufficient, competent, evidential matter, it could not be determined if the disbursements or cash and investment balances of the Sheriff fund were fairly presented. This impacted the Independent Auditor's Report and resulted in a qualification of the opinion due to a scope limitation.

COUNTY SHERIFF
LAKE COUNTY
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the County Sheriff's Department establish a system of internal controls, including segregation of incompatible duties that would have ensured the retention of all records to support the transactions and balances 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.

OSCAR MARTINEZ

LAKE COUNTY SHERIFF

LAKE COUNTY, INDIANA

Corrective Action Plan

FINDING 2016-004

Contact Person Responsible for Corrective Action: Commander Ron Ladd

Contact Phone Number: 219-755-3191, 219-545-1405

Description of Corrective Action Plan:

1. Lack of Segregation of Duties: The Lake County Sheriff's office acknowledges that, in 2016, there were incompatible duties by the Civil Division personnel. However, at the beginning of 2017, job responsibilities were distributed to separate employees to alleviate the issue of having only one person involved in all duties. The Commander of the Civil Division now reviews and approves all the transactions daily. The department is currently in the process of creating job specific handbooks evaluating each duty with special attention to accountability. To take the segregation further, the Civil Division has retained an outside, independent Certified Public Accounting firm that will, in the future, perform monthly bank reconciliations. After the completion of the reconciliations internally and by an outside firm, they will then be forwarded to a higher command to be reviewed.

The Civil Division is now utilizing the state approved Lieberman Software system to record all in office receipts and disburse funds via computer printed check. We acknowledge that an Excel worksheet was utilized as a substitute check register in the past, but this issue has now been resolved and most of the 2016 transactions are within the, state approved, Lieberman Software which contains a check register with bank reconciliation abilities. There are issues on how to record direct deposits from the state and bank, as there is a question on how to handle payments that did not come directly through the department and were not part of the deposit prepared through the software system. This is now being investigated with Lieberman Software.

We acknowledge the 2016 bank reconciliations were not provided as they had not been prepared. That matter is also currently being resolved. As of 2017, the bank reconciliations have been completed against the check register through 2016. We are currently in the process of reconciling to the software.

2. Lack of Supporting Documentation: Audit sampling is the application of an audit procedure to less than 100% of the items within an account for the purpose of evaluating some characteristic of the balance. A sampling method for audit purposes is dependent upon the particular items to be sampled, the size of the universe under examination, and the risk of assessing control risk too high.

Sampling risk arises from the possibility that, when a test of controls is restricted to a sample, the auditor's conclusions may be different from the conclusions he would reach if the tests were applied in the same way to all items in the class of transactions.

Therefore, we adamantly disagree that there exists the potential material misstatement of \$13,064,144.

We also disagree with the State Board of Account's inclusion of Indiana Code 5-16-6-3 in the audit report. There is no evidence of any unauthorized destruction of financial records. In fact, we believe that there is paperwork readily available that would have clarified any questions in regards to disbursement amounts, but new employees were unsure about exactly what was at question. A detailed record is kept of all disbursements from sales revenue and is noted by case number and recorded on each check. Employees are now being educated on the SBOA's expectations and the division's responsibility of proof. They are reorganizing their filing system and have been advised, for future auditor requests, to err on the side of providing more information to reduce the chance of this issue in the future.

In summary, the Civil Division has been working diligently with the software company, the bank, and an outside independent Certified Public Accounting firm to bring job functions and policies up-to-date ensuring transparency and accuracy.



Lake County Sheriff

September 22nd, 2017

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The financial statement in the Financial Statement and Federal Single Audit Report included the Sheriff Sale Administration fund with an overdrawn cash balance at December 31, 2016 of \$57,348.

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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 Counties of Indiana, Chapter 1)

INTERNAL CONTROLS - INMATE TRUST, COMMISSARY, LAKE COUNTY DRUG TASK FORCE

The County Sheriff's Department had multiple offices and divisions. Those divisions with a lack of segregation of duties included Inmate Trust, Commissary, and the Lake County Drug Task Force. In the Inmate Trust and Lake County Drug Task Force divisions, one employee receipted and disbursed funds, reconciled the monthly bank statements to the respective ledgers, and posted transactions to the ledgers. For the Commissary division, one employee disbursed funds, reconciled to the bank statements, and posted transactions to the ledger.

A similar comment appeared in three prior Reports B45011, B47573, and B47575.

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. . . ."

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

INMATE TRUST RECORDS

The County Sheriff's department did not maintain an accurate subsidiary ledger of individual inmate trust fund receipts, disbursements, and balances. The reconciled bank balance of the Inmate Trust fund agreed with the inmate trust control ledger, but the total of all subsidiary records did not agree with the trust control ledger. At December 31, 2016, the subsidiary records were \$286,834 less than the inmate trust control ledger.

The same comment also appeared in seven prior Reports, including the three most recent Reports B45011, B47573, and B47575.

Indiana Code 36-8-10-22 states:

"(a) This section applies to any county that operates a county jail.

(b) The sheriff shall hold in trust separately for each inmate any money received from that inmate or from another person on behalf of that inmate.

(c) If the inmate or the inmate's legal guardian requests a disbursement from the inmate's trust fund, the sheriff may make a disbursement for the personal benefit of the inmate, including but not limited to a disbursement to the county jail commissary.

(d) Upon discharge or release of an inmate from the county jail, the sheriff shall pay to that inmate or the inmate's legal guardian any balance remaining in his trust fund.

(e) If an inmate is found guilty of intentionally destroying or losing county property after a hearing conducted under IC 11-11-5-5, the sheriff may disburse from the inmate's trust fund or commissary account sums of money as reimbursement to the county for the inmate's intentional destruction or loss of county property, including but not limited to clothing, bedding, and other nondisposable items issued by the county to the inmate. Before disbursing money under this subsection, the sheriff shall adopt rules to administer this procedure.

(f) The sheriff shall maintain a record of each trust fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must 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
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPOSITS - CIVIL DIVISION

Deposit tickets completed by the County Sheriff's Civil Division on the day of receipt were compared with deposit slips printed by the bank which indicated the actual date of deposit for the months of July 2016 through December 2016. Receipts were deposited later than the next business day in 76 percent of the deposits tested. In July, the average number of days between collection and deposit was three days and in December, the average number of days between collection and deposit increased to fourteen days.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

UNCLAIMED PROPERTY - CIVIL DIVISION

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

The same comment also appeared in eleven prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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

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

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

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

"A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

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

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The 2016 County Sheriff's \$30,000 Surety Bond was insufficient per the Indiana Code. Due to the receipts activity of this department, the County Sheriff should have been bonded for \$300,000 per Indiana Code.

The same comment also appeared in three prior Reports B45011, B47573, and B47575.

Indiana Code 5-4-1-18 Version a, effective until July 1, 2016, states in part:

"(a) Except as provided in subsection (b), the following individuals shall file and maintain in place an individual surety bond during each year that the individual serves as an officer, employee, or contractor: . . .

(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 that:

(1) is endorsed to include faithful performance to cover the faithful performance of; and

(2) includes aggregate coverage sufficient to provide coverage amounts specified for;

all employees, commission members, and persons acting on behalf of the local government unit, including the officers, employees, and contractors described in subsection (a) who are required to file a bond under this chapter. . . .

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

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

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

Indiana Code 5-4-1-18 Version b, effective July 1, 2016, states in part:

"(a) Except as provided in subsections (b), (c), and (d), the following individuals shall file and maintain in place an individual surety bond during each year that the individual serves as an officer, employee, or contractor: . . .

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

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond that:

- (1) is endorsed to include faithful performance to cover the faithful performance of; and
- (2) includes aggregate coverage sufficient to provide coverage amounts specified for; all employees, commission members, and persons acting on behalf of the local government unit, including the officers, employees, and contractors described in subsection (a) who are required to file a bond under this chapter. . . .

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

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

SHERIFF TEMPORARY LOAN REPAYMENT

A temporary loan of \$128,000 was approved by the County Council on January 14, 2014, from the Sheriff Federal Forfeiture fund (combined with, and reported as, the State Fines and Forfeitures fund on the financial statement) to the Sheriff's Towing & Franchise fund. No repayments were made on this loan in 2014. The County Council did not approve an extension for the temporary loan until Resolution #15-84 was passed on June 9, 2015. The loan was extended through December 31, 2015. No repayments were made on this loan in 2015.

The County Council approved Resolution #15-118 which extended the loan until May 30, 2016. The County Council then approved Resolution #16-44 which extended the loan until December 31, 2016. During 2016, a total of \$67,000 was repaid on this loan, leaving an outstanding balance of \$61,000 as of December 31, 2016. No repayments were made on this loan in 2017 as of September 13, 2017.

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

"(a) . . .

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

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

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

BANK ACCOUNT RECONCILIATIONS - ANIMAL CONTROL

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

The same comment also appeared in three prior Reports B45011, B47573, and B47575.

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

OSCAR MARTINEZ

LAKE COUNTY SHERIFF

LAKE COUNTY, INDIANA

October 5th, 2017

Paul Joyce
State Examiner
Indiana State Board of Accounts
302 West Washington St
Room E 418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE 2016 Lake County Sheriff Audit Results

Dear Paul Joyce,

We are formally responding to and commenting on the results of the 2016 State Board of Accounts Audit of the Lake County Sheriff's Department. We would like to add as a general comment that Sheriff Oscar Martinez officially took office on September 16, 2017.

Overdrawn Cash Balance – We agree that the balance of the Sheriff's Sale Administration Fund was overdrawn in the amount of \$57,348 on December 31st, 2016 however, this balance was brought out of the negative in 2017. In 2016, four police officer positions were funded through this account, which put the account in the negative due to lack of revenue to support four positions. To correct this issue, three police officer positions were moved from the account. The account has enough revenue to support two police officer positions.

Internal controls – Inmate Trust, Commissary, Lake County Drug Task Force – To correct the issue of lack of segregation of duties, the Lake County Sheriff's Department has implemented a policy that all reconciliations will be checked for accuracy by a command level officer in a different division. The second officer will also check to be sure all supporting documentation is kept and is available for review.

- The Inmate Trust Fund will be reconciled internally and externally by a private CPA and then checked for accuracy by the Commander of the Civil Division or the Deputy Chief of Police.
- The Commissary Fund will be reconciled internally and externally with a private CPA and then checked for accuracy by the Commander of the Civil Division or the Deputy Chief of Police.
- The Lake County Drug Task Force funds will be reconciled internally and then checked for accuracy by the Commander of the Staff Services Division.

Inmate Trust Records – On September 28, 2017, Commander Gruszka of the Lake County Sheriff's Department contacted Eliana Meza of the Keefe Commissary Network to help explain the reason for the Inmate Trust Fund General Ledger having an overage of \$286,834 when

compared to the total of all inmate subsidiary records. The Lake County Sheriff's Department utilizes Keefe Commissary Network software to manage its Inmate Trust Fund and Lake County Jail Commissary Fund.

Commander Gruszka presented Eliana Meza with the documents provided to the State Board of Accounts. The documents included two reports which were generated on December 31, 2016 by Corporal Richard Jacobson of the Lake County Jail. These reports were the Balance Report-Active Only and the Balance Report-Inactive Only. The Balance Report-Active Only indicated a total fund amount of \$47,443.62. The Balance Report-Inactive Only indicated a total fund amount of \$256,908.43. When both reports are combined together, they have a total balance of \$304,352.05.

Commander Gruszka informed Eliana Meza that State Board of Accounts is given a copy of the Inmate Trust General Ledger Summary Report at the beginning of their audit. On December 31, 2016, the Inmate Trust General Ledger Summary Report had an End Balance of \$591,185.58. The difference between the Inmate Trust General Ledger Summary Report and the Balance Report-Active Only and the Balance Report-Inactive Only reports is \$286,833.53. The State Board of Accounts indicated that the subsidiary records were **\$286,834** less than the trust control ledger.

Eliana Meza informed Commander Gruszka that those reports would never match. She stated that a more representative comparison report for the Balance Report-Active Only and the Balance Report-Inactive Only reports would be the General Ledger Report for Account "RES_ACCT". RES_ACCT is an abbreviation for Residency Account. When the Residency Account report was generated for 2016, the account had an end balance of **\$304,352.05**. When the balance of the General Ledger Report for the Residency Account is compared to the total balance for the Balance Report-Active Only and the Balance Report-Inactive Only reports, the two reports both match with a total balance of **\$304,352.05**.

Keefe Commissary Network recommended generating the Inmate Trust Bank's Cash Balance vs. Claims on Cash report for the State Board of Accounts. When this report was run for the end of 2016, it indicated that the cash balance and claims on cash were equal. (see exhibit C)

Deposits – Civil Division – The Department agrees that during the audit period of 2016, timely deposits were not made, but beginning in January 2017, the policy was enacted requiring daily bank deposits. Therefore, the reported issue has been corrected.

Unclaimed Property – Civil Division – The Department agrees that there has been an account located with a balance of \$11,601.00. The department cannot remit the money to the Indiana Attorney General's Office until the source and cause of the account can be determined. The Department is currently investigating the source of this account and upon discovery, the Department will ensure the funds are properly transferred to the appropriate agency/account.

Official Bond – The department agrees that in 2016 the former Sheriff held a surety bond in the amount of \$30,000 which is \$270,000 less than the mandated \$300,000. Sheriff Martinez is

currently in the process of securing a surety bond in the amount of the required \$300,000. (see exhibit A)

Sheriff Temporary Loan Repayment – The Department agrees that the *former* Sheriff, took a temporary loan in the amount of \$128,000 from the Sheriff's Federal Forfeiture fund to the Sheriff's Towing & Franchise fund but only repaid \$67,000 of the \$128,000. The current Sheriff has identified \$16,179.90 of funds in the Sheriff's Towing & Franchise fund and is in the process of transferring it. The Sheriff is also working with the Lake County Council to identify a source to repay the remaining \$44,820.10. (see exhibit B)

Bank Account Reconciliations – Animal Control – The Sheriff's Animal Control bank account is no longer required. The Fund is being reconciled for a period of two months, then action will be brought to the Lake County Council to request the account be closed and the remaining balance returned to the general fund from where it originated.



Sheriff Oscar Martinez Jr.



Check One
 THE OHIO CASUALTY INSURANCE COMPANY
 WEST AMERICAN INSURANCE COMPANY
 AMERICAN FIRE & CASUALTY COMPANY

APPLICATION FOR PUBLIC OFFICIAL BOND

136 NORTH THIRD STREET, HAMILTON, OHIO 45025

IF BOND IS \$10,000 OR LESS, COMPLETE O-N-L-Y THE FIRST 7 QUESTIONS

- Name of Applicant Oscar Martinez Social Security No [REDACTED] Age
 Address [REDACTED]
- Amount of bond \$ \$300,000 Effective Date 09/16/2017
- To whom payable State of Indiana
(Exact Name of City, Village, Township, County, Board or other political body)
- Position of applicant Lake County Sheriff
- Were you elected or appointed? Appointed to fill vacancy in office Give Date 09/16/2017
- Term of office begins 09/16/2017 Ends 12/31/2017
- Will premium be paid annually? Yes or for term in advance?

IF BOND IS OVER \$10,000, ALSO ANSWER FOLLOWING QUESTIONS AND SIGN

- Did you hold this office during preceding term? No
- Name of your last employer Lake County Sheriff's Department
- Real estate in your name \$ \$250,000 Other property \$ \$600,000 Total Debts \$ \$150,000

11. If you will employ deputies, give names and describe bonds which they will furnish you:

Deputy's Name	Amt. of Bond	Name of Surety	Expiration Date
<u>On File - Lake County</u>	<u>\$ 15,000.00 per empl.</u>	<u>CNA Insurance</u>	<u>12/31/2017</u>
	\$		
	\$		
	\$		

12. Give names of banks that have been designated by the proper authority as depositories for public funds coming into your hands, and how deposits are secured:

Name and Location of Bank	Amount of Deposit	How Secured
<u>People's Bank (Sheriff's Commissary Account) 855 Stillwater Parkway Crown Point, IN 46307</u>	<u>\$ N/A</u>	<u>N/A</u>
	\$	
	\$	
	\$	

In consideration of the execution by The Ohio Casualty Insurance Company or West American Insurance Company or American Fire & Casualty Company of the bond herein applied for, I agree to pay the company's usual premium in advance while such bond or any continuation thereof remains in force; and I further agree to indemnify and keep indemnified the Company and hold and save it harmless from any and all liability, loss, cost, charges or expenses of whatever kind or nature, including reasonable attorney fees, which the Company shall at any time sustain or incur by reason or in consequence of having executed this bond or any continuation or renewal thereof; and to pay over, reimburse, and make good to the Company all sums of money which the Company shall pay on account of the execution of said bond or any continuation or renewal thereof; and I hereby waive any homestead or other exemption to which I may be entitled under the laws of any state of the United States or of the United States of America.

DISCLOSURE TO APPLICANT: You are hereby notified that an investigative consumer report MAY be obtained by the Company. Upon written request additional information as to the nature and scope of the report, if one is made will be provided.

Dated 09/28/2017

WITNESS:

John M. Kopack, Sheriff's Attorney

Oscar Martinez, Sheriff (Seal)
 (Applicant sign here)

Agent Murray S. Weber

Location Fort Wayne, IN 46804



OSCAR MARTINEZ LAKE COUNTY SHERIFF

LAKE COUNTY, INDIANA

To: Karen Jones
Auditor Finance Department
From: Melanie Dillon
Sheriff Bookkeeping Department

Re: Payment on Temporary Loan for account **181 0500** Sheriff's Fed Forf
Date: **28-Sep-17**

Per Resolution # 14-15 Temporary Loan of **\$128,000.00** from fund 181 0500 Sheriff's Fed Forf to fund 290 0500 Sheriff's Towing & Franchise Fee

The following represents payments from 290 0500 Sheriff's Towing & Franchise to 181 Sheriff's Fed Fort Fund as per agreement.

Please make the journal entry of \$16,171.00 from 290 0500 Towing & Franchise Fee to 181 0500 Sheriff's Fed Forf Fund, which represents 1st payment

Please find Resolution attached.

Loan Amount

	\$ 128,000.00	Due and Owing
Payments	\$ (60,000.00)	11/29/2016
	\$ (7,000.00)	12/29/2016
	\$ (16,179.90)	
	\$ 44,820.10	Balance

EXHIBIT B

LAKE COUNTY JAIL

12/31/2016

All inactive inmate balances as of 12-31-9999 generated on 12/31/2016.

<u>INMATE ID</u>	<u>LAST NAME</u>	<u>FIRST NAME</u>	<u>BLOCK</u>	<u>TIER</u>	<u>CELL</u>	<u>TOTAL FUNDS</u>	<u>SPENDING BALANCE</u>	<u>ENCUMBERED FUNDS</u>	<u>DEBT BALANCE</u>	<u>ACTIVE?</u>
1411761						0.58	0.58	0.00	0.00	No
1104134						38.00	38.00	0.00	0.00	No
1302221						0.08	0.08	0.00	0.00	No
1400184						0.01	0.01	0.00	0.00	No
1310247						98.36	98.36	0.00	0.00	No
1209594						0.80	0.80	0.00	6.80	No
1503028						0.96	0.96	0.00	0.00	No
1610281						0.01	0.01	0.00	0.00	No
1306965						1.97	1.97	0.00	4.98	No
1312436						20.30	20.30	0.00	0.00	No
1502797						0.10	0.10	0.00	0.00	No
1504117						16.00	9.32	0.00	0.00	No
1405598						47.42	47.42	0.00	0.00	No
1600542						0.11	0.11	0.00	0.00	No
1109849						14.50	14.50	0.00	0.00	No
1311876						6.91	6.91	0.00	0.00	No
1604024						0.01	0.01	0.00	0.00	No
1305899						68.40	68.40	0.00	0.00	No
1113507						1.35	1.35	0.00	0.00	No
1602094						53.92	53.92	0.00	0.00	No
1611061						17.54	17.54	0.00	0.00	No
1210797						9.44	9.44	0.00	0.00	No
1312502						24.00	24.00	0.00	0.00	No
1505622						23.37	23.37	0.00	0.00	No
1500664						32.10	32.10	0.00	0.00	No
1507387						4.15	4.15	0.00	0.00	No
1202854						34.00	34.00	0.00	0.00	No
1410465						130.72	130.72	0.00	0.00	No
1501490						61.00	61.00	0.00	0.00	No
1110123						18.00	18.00	0.00	0.00	No
1306443						0.01	0.01	0.00	0.00	No
1309116						11.00	11.00	0.00	0.00	No
1113481						1.74	1.74	0.00	0.00	No

Grand Total: Inmate Count: 16,393

256,908.43

256,722.28

186.15

6,977.96

EXHIBIT C

LAKE COUNTY JAIL

All active inmate balances as of 12-31-9999 generated on 12/31/2016.

<u>INMATE ID</u>	<u>LAST NAME</u>	<u>FIRST NAME</u>	<u>BLOCK</u>	<u>TIER</u>	<u>CELL</u>	<u>TOTAL FUNDS</u>	<u>ACTIVE?</u>
1307804				X	05	0.00	Yes
1606196						0.00	Yes
1605747				M3	3B	0.84	Yes
1605963				VBPD		0.48	Yes
1601283				M1	1E	0.00	Yes
1608471				P1	2	0.00	Yes
1609231				P1	7	0.00	Yes
1212640						28.00	Yes
14ECI1730						0.00	Yes
1610077				ZDPD		5.09	Yes
1502544				M	0004	0.00	Yes
1509870				M1	1E	0.00	Yes
1301396				X	04	0.00	Yes
1603484				P1	2	25.00	Yes
1610210						0.00	Yes
1313325				X	01	0.00	Yes
16H00302				CITY	01	0.00	Yes
1308032				X	23	0.00	Yes
1406857				X	231A	0.00	Yes
13ECI0064				BSEC	B13	0.00	Yes
16H01851				CITY	16	0.00	Yes
12ECI0753				CSEC	C19	0.00	Yes
1605655				M3	3SD	3.09	Yes
16H00849						0.00	Yes
1503380						0.21	Yes
1400130				X	07	0.00	Yes
1607006						0.00	Yes
1311353				X	01	0.00	Yes
1312489				X	01	0.00	Yes
1307181				X	02	0.00	Yes
1607059						0.00	Yes
16H00093				CITY	20	0.00	Yes
16H00712				CITY	06	0.00	Yes
1304871				X	07	0.00	Yes
1600138				P1	7	0.00	Yes
1211048						0.00	Yes
1603565				M5	5B1	0.00	Yes
16H00696				CITY	05	0.00	Yes
1503604				X	04	0.00	Yes

Grand Total: Inmate Count: 7,188 47,443.62

Cash Balance vs Claims on Cash for LAKE COUNTY JAIL as of 12/31/2016

CASH

CLEARING ACCT FOR CASH ACTIVITIES	CASH CLEARING	Assets	-\$2,055,375.16
			-\$2,055,375.16

CLAIMS ON CASH

CLEARING ACCT FOR COMMISSARY ACTIVITIES	COMMISSARY CLRG	Liabilities	\$9,302.82
COLLECTED FUNDS FOR COURT ORDER PAYMENTS	COURT ORDER COL	Liabilities	-\$126.74
COLLECTED FUNDS FOR DENTAL SERVICES	DENTAL COL	Liabilities	-\$8.30
COLLECTED FUNDS FOR OLD INDIGENT CHARGES	INDIGENT COL	Liabilities	-\$74.10
COLLECTED FUNDS FOR PRESCRIPTION CHARGES	PRESCRIPTN COL	Liabilities	-\$25.76
COLLECTED FUNDS FOR PROPERTY DAMAGE	PROP DAMAGE COL	Liabilities	-\$233.72
COLLECTED MEDICAL FUNDS	MEDICAL COL	Liabilities	-\$717.46
DUE TO COMMISSARY VENDOR	COMMISSARY	Liabilities	-\$82,910.22
DUE TO INMATES - ACTIVE	RES ACCT ACTIVE	Liabilities	-\$36,326.52
DUE TO INMATES - INACTIVE	RES ACCT INACTV	Liabilities	-\$268,025.53
EARNED ON COMMISSARY BANK	COMM INTEREST	Liabilities	-\$4,394.28
FUNDS COLLECTED FOR FAIR SHARE PAYMENTS	FAIR SHARE COL	Liabilities	-\$293.31
FUNDS COLLECTED FOR WRIST BAND VIOLATIONS	WRIST BAND COL	Liabilities	-\$84.51
FUNDS REPAID FOR CHARGEBACKS	CHARGEBACK COL	Liabilities	-\$1,310.73
INMATE TRANSFER FUNDS COLLECTED	INMATE TFR COL	Liabilities	\$288.67
MISCELLANEOUS COMMISSION FUNDS	COMM MISC	Liabilities	-\$14,506.52
			-\$399,446.21

OTHER

ADJUSTMENT TO BANK	BANK ADJUSTMENT	X - Expenses	-\$2,071.57
CHECK BOOK ACCT FOR BANK:COMM BANK	COMM BANK	Assets	\$18,900.80
CHECKS PRIOR TO TO KEEFE CONVERSION	PRIOR CHECKS	Assets	\$71,037.18
CYBERSUITE	CYBERSUITE	Assets	\$1,249,429.16
DEBT REMAINING FOR MEDICAL CHARGES	MEDICAL DUE	Assets	\$42,088.41
DEBT REMAINING FOR WRIST BAND VIOLATIONS	WRIST BAND DUE	Assets	\$1,591.90
DEPOSITS PRIOR TO KEEFE CONVERSION	PRIOR DEPOSITS	Liabilities	-\$47,670.62
FUNDS DUE FOR CHARGEBACKS	CHARGEBACK DUE	Assets	\$549.27
FUNDS DUE FOR DENTAL SERVICES	DENTAL DUE	Assets	\$9,077.95
FUNDS DUE FOR FAIR SHARE PAYMENTS	FAIR SHARE DUE	Assets	\$2,219.46
FUNDS DUE FOR OLD INDIGENT CHARGES	INDIGENT DUE	Assets	\$32,984.85
FUNDS DUE FOR PRESCRIPTION CHARGES	PRESCRIPTN DUE	Assets	\$10,733.93
FUNDS DUE FOR PROPERTY DAMAGES	PROP DAMAGE DUE	Assets	\$10,079.47
FUNDS DUE TO TRANSFER TO ANOTHER ACCT	INMATE TFR DUE	Assets	\$39.52
INMATE BALANCE FORWARD AT CONVERSION	BALANCE FWD	Assets	-\$224,283.14
INMATE BANK	BANK	Assets	\$591,185.58
MEDICAL SHOE MONEY	MED SHOES	Liabilities	\$211.63
OVER SHORT ACCT FOR CASH ACTIVITIES	CASH OVER SHORT	Liabilities	\$102.00
PCS AUTO REFUNDS	PCS AUTOREFNDS	Liabilities	\$580.04
PHONE PURCHASES	PHONE PURCHASES	Liabilities	\$13,218.32
REMAINING DEBT FOR OLD PROCESSING FEES	PROCESSING DUE	Assets	\$34,277.90
TELMATE	TELMATE	Assets	\$784,177.99
			\$2,598,460.03

OTHER - RCV

DUE ACCOUNT FOR 'INP' EVENT	INP_DUE	Assets	\$4.00
OFFSET ACCOUNT FOR CHARGEBACKS	CHARGEBACK OFS	Assets	-\$549.27
OFFSET ACCOUNT FOR DENTAL SERVICES	DENTAL OFS	Assets	-\$9,077.95
OFFSET ACCOUNT FOR FAIR SHARE PAYMENTS	FAIR SHARE OFS	Assets	-\$2,219.46

OFFSET ACCOUNT FOR INMATE TRANSFER FUNDS	INMATE TFR OFS	Assets	-\$39.52
OFFSET ACCOUNT FOR MEDICAL DEBT	MEDICAL OFS	Assets	-\$42,088.41
OFFSET ACCOUNT FOR OLD INDIGENT CHARGES	INDIGENT OFS	Assets	-\$32,984.85
OFFSET ACCOUNT FOR PRESCRIPTIONS	PRESCRIPTN OFS	Assets	-\$10,733.93
OFFSET ACCOUNT FOR PROCESSING FEES	PROCESSING OFS	Assets	-\$34,277.90
OFFSET ACCOUNT FOR PROPERTY DAMAGES	PROP DAMAGE OFS	Assets	-\$10,079.47
OFFSET ACCOUNT FOR WRIST BAND VIOLATIONS	WRIST BAND OFS	Assets	-\$1,591.90
			-\$143,638.66
			\$0.00

LAKE COUNTY JAIL

General Ledger Report for Account "RES_ACGT"
 Friday, September 29, 2017 @09:07

For the Duration of the Year 2016

MONTH	ACCT EVENT	DEBIT	CREDIT	TOTAL
				Begin Balance: 312893.97
January	<DENTAL>	274.22	0.00	
January	<INDIGENT>	133.69	9.25	
January	<MEDICAL>	1340.25	0.00	
January	<PRESCRIPTION>	87.93	0.00	
January	<PROP DAMAGE>	250.94	0.00	
January	DEPCA	0.00	413.43	
January	DEPMO	0.00	23317.36	
January	PHONE PURCHASE	37376.66	0.00	
January	TELMATEDEP	0.00	92444.98	
January	DEPCHK	0.00	2358.72	
January	EPR	50815.98	0.00	
January	ERF	0.00	2692.75	
January	TRANSFER IN	0.00	81.79	
January	WDRAWAL CHK	27336.77	1384.18	
January	<TRANSFER OUT>	81.79	0.00	
January	<WRIST BAND>	98.66	0.00	
January	BAL FWD	25.00	25.00	
January	ZERO REL	0.00	0.00	
		117821.89	122727.46	4905.57
February	<DENTAL>	132.97	0.00	
February	<INDIGENT>	137.33	0.01	
February	<MEDICAL>	4411.38	3040.04	
February	<PRESCRIPTION>	382.60	321.38	
February	<PROP DAMAGE>	298.95	0.00	
February	<TRANSFER OUT>	50.00	0.00	
February	DEPCHK	0.00	2079.89	
February	DEPMO	0.00	33472.01	
February	EPR	63590.03	0.00	
February	ERF	0.00	3214.66	
February	PHONE PURCHASE	48438.31	0.00	
February	TELMATEDEP	0.00	122099.24	
February	TRANSFER IN	0.00	50.00	
February	WDRAWAL CHK	44812.70	1473.29	
February	<WRIST BAND>	71.81	0.00	
February	BAL FWD	0.00	0.00	
February	DEPCA	0.00	277.07	
February	ZERO REL	0.00	0.00	
February	<COURT ORDER>	130.00	0.00	
February	<CHARGEBACK>	1060.25	0.00	
		163516.33	166027.59	2511.26
March	<CHARGEBACK>	163.93	0.00	
March	<DENTAL>	47.39	0.00	
March	<INDIGENT>	161.22	0.00	
March	<MEDICAL>	940.60	63.47	
March	<PROP DAMAGE>	210.73	2.83	
March	<TRANSFER OUT>	64.62	0.00	
March	<WRIST BAND>	131.95	0.00	
March	BAL FWD	1420.27	1420.27	
March	DEPMO	0.00	28069.60	
March	EPR	66497.48	0.00	
March	ERF	0.00	4006.38	
March	PHONE PURCHASE	51779.66	0.00	
March	TELMATEDEP	0.00	121768.44	
March	TRANSFER IN	0.00	64.62	
March	WDRAWAL CHK	45066.33	3421.39	
March	ZERO REL	0.00	0.00	
March	<PRESCRIPTION>	28.78	0.00	
March	DEPCHK	0.00	3182.50	
March	DEPCA	0.00	130.00	
		166512.96	162129.50	-4383.46
April	<INDIGENT>	85.99	0.00	
April	<MEDICAL>	1113.77	20.00	
April	<PROP DAMAGE>	139.92	0.00	
April	DEPCA	0.00	497.36	
April	DEPCHK	0.00	3410.41	
April	DEPMO	0.00	28891.51	
April	EPR	58592.16	0.00	
April	ERF	0.00	2574.43	

LAKE COUNTY JAIL

General Ledger Report for Account "RES_ACCT"
Friday, September 29, 2017 09:07

For the Duration of the Year 2016

MONTH	ACCT EVENT	DEBIT	CREDIT	TOTAL
April	PHONE PURCHASE	45276.39	0.00	
April	TELMATEDEP	0.00	118802.21	
April	WDRAWAL CHK	48919.45	2542.54	
April	ZERO REL	0.00	0.00	
April	<DENTAL>	18.63	0.00	
April	<PRESCRIPTION>	51.35	0.00	
April	<WRIST BAND>	84.51	0.00	
April	TRANSFER IN	0.00	0.00	
April	<CHARGEBACK>	16.55	0.00	
April	BAL FWD	0.00	0.00	
April	<COURT ORDER>	40.00	0.00	
		154336.72	156738.46	2399.74
May	<MEDICAL>	1225.43	33.61	
May	<PRESCRIPTION>	79.69	0.00	
May	PHONE PURCHASE	38581.86	0.00	
May	TELMATEDEP	0.00	102482.90	
May	<DENTAL>	17.75	0.00	
May	<INDIGENT>	123.64	3.91	
May	BAL FWD	0.00	0.00	
May	DEPCHK	0.00	1126.97	
May	DEPMO	0.00	29845.00	
May	EPR	49643.03	0.00	
May	ERF	0.00	1253.52	
May	TRANSFER IN	0.00	245.00	
May	WDRAWAL CHK	42328.44	1517.23	
May	ZERO REL	0.00	0.00	
May	<PROP DAMAGE>	122.72	0.00	
May	<TRANSFER OUT>	224.25	0.00	
May	DEPCA	0.00	741.12	
May	<WRIST BAND>	35.34	0.00	
May	<COURT ORDER>	20.00	0.00	
May	WO INDIGENT	6.00	0.00	
May	WRITE OFF DEP	0.00	6.00	
		132408.15	137255.26	4847.11
June	<INDIGENT>	144.20	0.00	
June	<MEDICAL>	886.78	35.31	
June	DEPCHK	0.00	7664.75	
June	DEPMO	0.00	29699.62	
June	EPR	60821.32	0.00	
June	ERF	0.00	2759.83	
June	PHONE PURCHASE	37732.91	0.00	
June	TELMATEDEP	0.00	92142.58	
June	WDRAWAL CHK	32585.83	6911.69	
June	ZERO REL	0.00	0.00	
June	<PRESCRIPTION>	55.15	0.00	
June	<PROP DAMAGE>	140.64	0.00	
June	<WRIST BAND>	79.93	0.00	
June	BAL FWD	150.00	150.00	
June	<DENTAL>	4.03	0.00	
June	TRANSFER IN	0.00	45.00	
June	<TRANSFER OUT>	20.00	0.00	
June	DEPCA	0.00	2629.00	
		132620.79	142037.78	9416.99
July	<DENTAL>	6.00	0.00	
July	<INDIGENT>	118.16	8.00	
July	<MEDICAL>	782.69	0.00	
July	<PRESCRIPTION>	29.55	0.00	
July	DEPMO	0.00	24241.58	
July	EPR	49463.02	0.00	
July	ERF	0.00	2006.23	
July	PHONE PURCHASE	37959.08	0.00	
July	TELMATEDEP	0.00	94277.52	
July	WDRAWAL CHK	37071.50	651.57	
July	<PROP DAMAGE>	104.56	0.00	
July	DEPCA	0.00	779.00	
July	ZERO REL	0.00	0.00	
July	DEPCHK	0.00	1469.18	
July	TRANSFER IN	0.00	70.00	
July	BAL FWD	0.00	0.00	
July	<WRIST BAND>	6.28	0.00	
July	<PROCESSING F>	1.48	1.48	

LAKE COUNTY JAIL

General Ledger Report for Account "RES_ACCT"
Friday, September 29, 2017 @09:07

For the Duration of the Year 2016

MONTH	ACCT EVENT	DEBIT	CREDIT	TOTAL
July	<TRANSFER OUT>	50.00	10.00	
		125592.32	123514.56	-2077.76
August	<DENTAL>	0.59	0.00	
August	<MEDICAL>	742.12	0.00	
August	<PROP DAMAGE>	95.27	0.00	
August	BAL FWD	0.00	0.00	
August	DEPCA	0.00	1242.31	
August	DEPCHK	0.00	2333.25	
August	DEPMO	0.00	29682.40	
August	EPR	57761.48	0.00	
August	ERF	0.00	2744.97	
August	PHONE PURCHASE	36532.42	0.00	
August	TELMATEDEP	0.00	88645.43	
August	WDRAWAL CHK	32232.33	226.22	
August	ZERO REL	0.00	0.00	
August	<INDIGENT>	106.17	6.00	
August	<PRESCRIPTION>	26.79	0.00	
August	<WRIST BAND>	51.19	0.00	
August	MED SHOES	25.00	0.00	
		127573.36	124880.58	-2692.78
September	<INDIGENT>	86.41	0.00	
September	<MEDICAL>	801.50	15.00	
September	<PROP DAMAGE>	140.87	0.00	
September	BAL FWD	0.00	0.00	
September	DEPMO	0.00	25873.66	
September	EPR	50333.93	0.00	
September	ERF	0.00	3466.85	
September	PHONE PURCHASE	35353.96	0.00	
September	TELMATEDEP	0.00	90812.97	
September	WDRAWAL CHK	33648.40	3856.25	
September	ZERO REL	0.00	0.00	
September	<PRESCRIPTION>	36.26	0.00	
September	DEPCHK	0.00	2394.13	
September	MED SHOES	25.00	0.00	
September	<WRIST BAND>	19.93	0.00	
September	ATTNY GEN	29432.53	5.31	
September	BAD DEPOSIT	190.46	190.46	
September	TRANSFER IN	45.00	96.00	
September	DEPCA	0.00	410.64	
September	<DENTAL>	2.87	0.00	
September	<TRANSFER OUT>	50.00	0.00	
		150167.12	127121.27	-23045.85
October	<MEDICAL>	930.17	7.67	
October	<PRESCRIPTION>	33.47	0.00	
October	PHONE PURCHASE	37065.86	0.00	
October	TELMATEDEP	0.00	120248.81	
October	<INDIGENT>	161.78	5.00	
October	<COURT ORDER>	28.40	0.00	
October	<PROP DAMAGE>	131.80	0.00	
October	BAL FWD	58.10	58.10	
October	DEPMO	0.00	27679.43	
October	EPR	61724.78	0.00	
October	ERF	0.00	3769.44	
October	WDRAWAL CHK	41716.27	311.20	
October	ZERO REL	0.00	0.00	
October	DEPCHK	0.00	2203.49	
October	TRANSFER IN	0.00	250.00	
October	<TRANSFER OUT>	243.28	0.00	
October	DEPCA	0.00	501.00	
October	<DENTAL>	0.58	0.00	
		142094.49	155034.14	12939.65
November	<MEDICAL>	821.50	40.97	
November	BAL FWD	0.00	0.00	
November	DEPMO	0.00	26083.52	
November	EPR	57393.70	0.00	
November	ERF	0.00	3630.01	
November	PHONE PURCHASE	37480.31	0.01	
November	TELMATEDEP	0.00	87285.04	
November	TRANSFER IN	0.00	100.00	

LAKE COUNTY JAIL

General Ledger Report for Account "RES_ACCT"
 Friday, September 29, 2017 09:07

For the Duration of the Year 2016

MONTH	ACCT EVENT	DEBIT	CREDIT	TOTAL
November	WDRAWAL CHK	58130.25	15259.73	
November	ZERO REL	0.00	0.00	
November	<DENTAL>	11.64	0.00	
November	<INDIGENT>	124.61	0.54	
November	<PRESCRIPTION>	46.43	0.00	
November	<PROP DAMAGE>	142.51	0.00	
November	DEBIT CARD	0.01	0.01	
November	DEPCA	0.00	184.52	
November	DEPCHK	0.00	5804.10	
November	<TRANSFER OUT>	100.00	0.00	
November	BAD DEPOSIT	50.00	0.00	
		154300.96	138388.45	-15912.51
December	<DENTAL>	8.30	0.00	
December	<INDIGENT>	74.10	0.00	
December	<MEDICAL>	717.46	0.00	
December	<PRESCRIPTION>	25.76	0.00	
December	DEPCA	0.00	10356.00	
December	DEPCHK	0.00	1827.22	
December	DEPMO	0.00	22385.81	
December	EPR	41012.26	0.00	
December	ERF	0.00	2332.37	
December	PHONE PURCHASE	28899.58	0.00	
December	TELMATEDEP	0.00	64533.41	
December	WDRAWAL CHK	28531.55	329.35	
December	ZERO REL	0.00	0.00	
December	<PROP DAMAGE>	81.80	0.20	
December	BAL FWD	0.00	0.00	
December	<TRANSFER OUT>	155.00	0.00	
December	BAD DEPOSIT	0.00	50.00	
December	WO MEDICAL	10.00	0.00	
December	WO WRISTBANDS	1.47	0.00	
December	WRITE OFF DEP	0.00	11.47	
December	MANUAL TAX REF	0.00	96.57	
December	TRANSFER IN	0.00	105.00	
		99517.28	102067.40	2550.12
Totals For Year:		1666464.37	1657922.45	-8541.92
				End Balance: 304352.05

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Oscar Martinez, Jr., County Sheriff; William Paterson, Chief of Police; Ronald Ladd, Commander Civil Division; Melanie Dillon, Supervisor Bookkeeping; John Gruszka, Commander; Barbara Papageorgakis, Clerk; Donald J. Smith, CPA Consultant; and Michelle Dumbsky, Accounting Consultant.

The contents of this report were provided by certified mail on September 25, 2017, to John Buncich, former County Sheriff.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; Larry Blanchard, County Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

COUNTY RECORDER
LAKE COUNTY

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

FEE AND CASH BOOK

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

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

The same comment also appeared in ten prior Reports, including the three most recent Reports B45011, B47573, and B47575.

The Fee and Cash Book should be totaled and footed at the close of each day and the receipts verified with the cash drawer. The amount of such receipts should also agree with the deposit to be made on the following business day. At the close of each calendar month the receipts should be accumulated and monthly totals entered at the foot of each column. The monthly totals should agree with the depository balance at the close of the month, considering the deposit of any fees received on the last day of the month, and will represent the amount to be paid into the county treasury. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 8)

The official records and forms required to be used by the county recorder fall in the following two categories:

- (a) Those prescribed by the State Board of Accounts and computerized records approved for use by the county.
- (b) Those prescribed by statute, where the wording of the record or form is specified in the statute or has been designed pursuant to statute.

(Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 6)

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS AND REMITTANCES

The County Recorder did not perform monthly reconciliations of the Fee and Cash Book to the depository balance as required by Indiana Code. The Fee and Cash Book did not list cash balances enabling a reconciliation to be performed. Therefore, no safeguard was in place to ensure that all monies were timely and accurately remitted to the County. Due to these issues, there was an excess cash balance of \$35,807 that was not remitted to the County.

The same comment also appeared in the prior nine Reports, including the three most recent Reports B45011, B47573, and B47575.

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

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

"The county recorder shall tax and collect the fees prescribed by this section for recording, filing, copying, and other services the recorder renders, and shall pay them into the county treasury at the end of each calendar month. The fees prescribed and collected under this section supersede all other recording fees required by law to be charged for services rendered by the county recorder."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must 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 County Recorders of Indiana, Chapter 1)

OVERDRAWN CASH BALANCE

The financial statement in the Financial Statement and Federal Single Audit Report included the Recorder's Incentive (combined and reported as Recorder's Records Perpetuation) fund with an overdrawn cash balance at December 31, 2016 of \$1,224.

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

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 Recorders of Indiana, Chapter 1)

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Michael B. Brown, County Recorder; and Regina M. Pimentel, Chief Deputy.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; Larry Blanchard, County Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS

FINDING 2016-005

Subject: Great Lakes Program - Suspension and Debarment
Federal Agency: Environmental Protection Agency
Federal Program: Great Lakes Program
CFDA Number: 66.469
Federal Award Number and Year (or Other Identifying Number): A305-6-186
Pass-Through Entity: Indiana Department of Environmental Management
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

The County, including its Department of Parks and Recreation, had not established an effective internal control system related to the grant agreement and the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The County, including the Department of Parks and Recreation, did not have a Suspension and Debarment policy or procedures in place to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

This is a systemic problem as the County does not have a suspension and debarment policy in place. All three vendors paid from the grant were not verified.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CRF 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls to ensure compliance with the Suspension and Debarment requirements of the Procurement and Suspension and Debarment 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 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 and comply with the Procurement and Suspension and Debarment 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 2016-006

Subject: Great Lakes Program - Reporting
Federal Agency: Environmental Protection Agency
Federal Program: Great Lakes Program
CFDA Number: 66.469
Federal Award Number and Year (or Other Identifying Number): A305-6-186
Pass-Through Entity: Indiana Department of Environmental Management
Compliance Requirement: Reporting
Audit Finding: Material Weakness

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.

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
FEDERAL FINDINGS
(Continued)

One employee at the County's Department of Parks and Recreation completed and submitted the quarterly Itemization of Invoice Expenditures and Grant Program Progress reports without a proper system of oversight or review.

Context

This was a systemic problem as there was not a proper system of oversight or review for all quarterly reports.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Reporting requirement.

Effect

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 establish controls related to the grant agreement and Reporting compliance requirement.

Views of Responsible Officials

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



8411 E. Lincoln Hwy. • Crown Point, IN 46307

219.769.7275 • Fax: 219.945.0452

CORRECTIVE ACTION PLAN

Bellaboo's
219-963-2070

Buckley Homestead
219-696-0769

Cedar Creek
219-365-2902

Deep River
219-947-1958

Deep River Waterpark
219-947-7850

Gibson Woods
219-844-3188

Grand Kankakee Marsh
219-552-0033

Lake Etta
219-944-9601
Banquets - 219-949-6533

Lemon Lake
219-663-7627

Oak Ridge Prairie
219-884-7238

Stoney Run
219-996-6500

Three Rivers
219-962-7810

Turkey Creek G.C.
219-980-8101
Pro Shop - 219-980-5170
Banquets - 219-887-3550

Reservations - 219-769-7275

Finding 2016-005

Contact Person Responsible for Corrective Action: **Mindy Gallo**
Contact Phone Number: **219-945-0543**

Views of Responsible Official: **We concur with the finding.**

Description of Corrective Action Plan:

The Lake County Parks and Recreation Board will adopt a policy by January, 2018 in response to 2016-005.

Anticipated Completion Date: **January, 2018**



Jim Basala, CEO

September 19, 2017

Established: June 1, 1968

"A Natural Place For Fun"

PARKS AND RECREATION DEPARTMENT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Jim Basala, Chief Executive Officer; Robert Nickovich, former Chief Executive Officer; Chris Landgrave, Chief Operating Officer; Chris Dilts, President of the Board of Parks and Recreation; and Lawrence Turnquist, Board of Parks and Recreation member.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; Larry Blanchard, County Commissioner's Finance; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The accounts payable vouchers reviewed included the following deficiencies:

1. In 2016, the County disbursed funds before approval by the Board of County Commissioners at a public meeting and the Accounts Payable Vouchers that support manual checks and EFTs (white claims) were not included on the official Accounts Payable Voucher Register or docket approved by the Board of County Commissioners at a public meeting. The County's codified ordinances did not include an ordinance authorizing the County Auditor to pay accounts payable vouchers prior to the Board of County Commissioner's approval.

In response to the comment in the prior reports, on February 14, 2017, the County Council adopted Ordinance 1405C which addressed prepayments of EFTs and other disbursements. After Ordinance 1405C was adopted, Accounts Payable Vouchers for prepaid items did contain two Commissioners' signatures before the disbursement was made and ratified at the next Board of County Commissioners' meeting.

However, Ordinance 1405C does not address specific types of expenses that can be prepaid in accordance with Indiana Code. In addition, the Board of County Commissioners approved a blanket ratification of prepaid claims as documented in the Commissioner's minutes. The Commissioners received listings in the Commissioner meeting agenda packet of those prepaid claims previously signed by two Commissioners. The blanket ratification did not provide enough detail (dollar amount of total, docket number, and date) to follow through to the correct detailed listing of prepaid items. The detailed list of prepaid accounts payable vouchers was not signed by the Board of County Commissioners nor were prepaid accounts payable vouchers included in the official Accounts Payable Voucher Register or docket.

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

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

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

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

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(e) states:

"Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law."

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

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

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

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

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

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

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

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

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance or service agreements.
- (8) Leases or rental agreements.
- (9) Bond or coupon payments.
- (10) Payroll.
- (11) State or federal taxes.
- (12) Expenses that must be paid because of emergency circumstances.
- (13) Expenses described in an ordinance.

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

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

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

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

COMMISSIONER'S TAX SALE DISTRIBUTION

Proceeds from the sale of tax certificates at the Commissioners' Tax Sale, were recorded in the Commissioner's Tax Certificate Sale fund. This fund was combined with the Tax Sale Fees - SRI, Inc. fund, and the Treasurer's Tax Sale fund and presented as the Tax Sale Fees fund on the financial statement.

The Tax Sale Fees fund, from the Uniform Chart of Accounts, is a clearing fund used to account for the direct costs due a vendor contracted to assist in the Commissioners' Tax Sale. A clearing account should not have an ending balance. From the beginning balance of (\$340,610), nothing was disbursed to be applied to the property tax, special assessments, and penalties for the properties related to the tax sale certificates sold in prior years.

The Commissioner's Tax Certificate Sale fund had a beginning balance of (\$340,610), reported \$1,989,016 in receipts and \$1,478,894 in disbursements, resulting in an ending balance of \$169,512. The fund received \$1,989,016 in receipts from two Commissioners Sales in 2016. Of those proceeds, no amount was applied to property taxes, special assessments, and penalties for the properties related to the tax certificates sold in 2016. Funds were disbursed for professional services, advertising, and other tax sale related expenses. In addition, \$223,770 was transferred from this fund to three incentive funds as an allocation of payroll costs attributed to the tax sale. The maximum amounts transferred were determined by Ordinance 1333A established in 2011 as the estimated cost of payroll for the commissioners' tax sale. Direct costs of the tax sale may be paid from the proceeds from the sale; however, only the actual costs incurred may be reimbursed. The transfers, based upon direction received from the County Council during 2011, 2012, 2013, 2014, 2015, and 2016 were as follows:

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

Fund	2011	2012	2013	2014	2015	2016
Auditor's Tax Incentive	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 78,667
Comm Incentive Fund	250,000	300,000	250,000	350,000	300,000	65,104
Recorder's Incentive Fund **	100,000	100,000	100,000	100,000	100,000	-
Treasurer's Incentive	240,000	240,000	240,000	240,000	240,000	80,000
Non-reverting Self Ins. Fund	-	-	-	500,000	250,000	-
Total transfers	<u>\$ 826,000</u>	<u>\$ 876,000</u>	<u>\$ 826,000</u>	<u>\$ 1,426,000</u>	<u>\$ 1,126,000</u>	<u>\$ 223,770</u>

** Combined with and reported as part of the Recorder's Record Perpetuation fund on the Financial Statement

The 2016 disbursements and December 31, 2016, cash balances of the incentive funds were as follows:

Fund	Disbursements	Cash Balance
Auditor's Tax Incentive	\$ 295,344	\$ (50,435)
Comm Incentive Fund	239,856	43,903
Recorder's Incentive Fund **	121,838	(1,224)
Treasurer's Incentive	406,297	137,200
Totals	<u>\$ 1,063,335</u>	<u>\$ 129,443</u>

** Combined with and reported as part of the Recorder's Record Perpetuation fund on the Financial Statement

The ending balances in the incentive funds further support the determination that the transferred amounts exceeded the actual direct payroll costs incurred. The balance in all of the incentive funds at the end of 2016 totaled \$129,443.

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

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

"(a) When a certificate of sale is sold under section 6.1 of this chapter, the purchaser at the sale shall immediately pay the amount of the bid to the county treasurer. The county treasurer shall apply the payment in the following manner:

- (1) First, to the taxes, special assessments, penalties, and costs described in section 5(e) of this chapter.

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

(2) Second, to other delinquent property taxes in the manner provided in IC 6-1.1-23-5(b).

(3) Third, to a separate 'tax sale surplus fund.'

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

(c) The:

(1) owner of record of the real property at the time the tax deed is issued who is divested of ownership by the issuance of a tax deed; or

(2) purchaser of the certificate or the purchaser's assignee, upon redemption of the tract or item of real property;

may file a verified claim for money that is deposited in the tax sale surplus fund. If the claim is approved by the county auditor and the county treasurer, the county auditor shall issue a warrant to the claimant for the amount due.

(d) Unless the redemption period specified under IC 6-1.1-25 has been extended under federal bankruptcy law, an amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (c) if it is claimed more than three (3) years after the date of its receipt. . . ."

The same comment also appeared in five prior Reports, including the three most recent Reports B45011, B47573, and B47575.

All counties must implement the use of the new chart of accounts by January 1, 2012. (The County Bulletin and Uniform Compliance Guidelines, January 2011)

The deadline has been extended to January 1, 2013. (The County Bulletin and Uniform Compliance Guidelines, January 2012)



Kyle W. Allen, Sr.

**THE BOARD OF COMMISSIONERS
OF THE COUNTY OF LAKE**

October 4, 2017

Paul Joyce
State Examiner
State Board of Accounts
302 W. Washington, 4th Floor-Rm. 418
Indianapolis, IN 46402

RE: 2016 Audit

Dear Mr. Joyce:

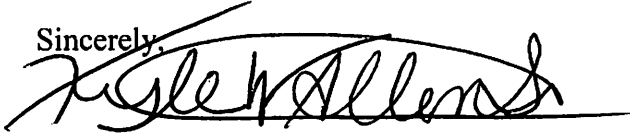
The Commissioners are responding to several comments in the 2016 audit. The Board of Commissioners responses are as follows:

1. On page 23 - Specific Expenses - Accounts Payable Deficiencies:
 - a) The Lake County Council enacted Ordinance 1412C in accordance with I.C. 36-2-6-4.5 (see attached).
 - b) That on October 2, 2017 the Commissioners approved the Auditor following the Ordinance via the attached letter.
2. On page 25 - Salary Ordinance for 911 - Revisions to the 911 Salary Ordinance were approved by the Lake County Council at its October 10, 2017 meeting. This modification is the salary range.
3. On page 40 - Sheriff Bond - the new Sheriff bond is now \$300,000. This bond was accepted and approved by the Board of Commissioners at its October 11, 2017 meeting and will be recorded with the Lake County Recorder.

4. On Page 47 - Clerk Bond - the Clerk bond is now made payable to the State of Indiana. This bond will be accepted and approved by the Board of Commissioner at its October 11, 2017 meeting and then recorded with the Lake County Recorder.

Thank you in advance for your attention and the opportunity to respond to the comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Kyle W. Allen, Sr.", written over a horizontal line.

Kyle W. Allen, Sr.
Lake County Board of Commissioners
1st District

ORDINANCE NO. 1412C

ORDINANCE ALLOWING FOR THE PRE-APPROVED
PAYMENT OF CLAIMS FOR LAKE COUNTY, INDIANA

WHEREAS, pursuant to I.C. 36-2-3.5-5, the County Council shall adopt ordinances to promote efficient County Government; and

WHEREAS, pursuant to I.C. 36-2-5-2(b), the County Council shall appropriate money to be paid out of the County Treasury, and money may be paid from the County Treasury only under appropriation made by the County Council, except as otherwise provided as law; and

WHEREAS, Lake County's fiscal officer, the Lake County Auditor, receives a wide variety of claims and other expenses which need to be paid prior to a regularly scheduled meeting of the Lake County Board of Commissioners at which time the Commissioners review and allow claims for payment; and

WHEREAS, the County is desirous of making payment on certain claims before a regularly scheduled meeting of the Lake County Board of Commissioners; and

WHEREAS, pursuant to I.C. 36-2-6-4.5 the County Council may adopt an ordinance allowing certain money to be disbursed for lawful County purposes, notwithstanding I.C. 5-11-10, so long as there is prior written approval by the Lake County Board of Commissioners, having jurisdiction over allowance of the claim.

NOW, THEREFORE, it is ordained by the Lake County Council, that the following Ordinance Allowing for the Pre-approved Payment of Claims for Lake County is adopted as follows:

SECTION I. PRE-APPROVED CLAIMS.

1. Allowable Claims.

Notwithstanding I.C. 5-11-10, with the prior written approval of the Lake County Board of Commissioners, having jurisdiction over the allowance of claims, the County Auditor may make claim payments in advance of Board allowance for the following kinds of expenses:

- A. Property or services purchased or leased from the United States Government, its agencies, or its political subdivision;
- B. License or permit fees;
- C. Insurance premiums;
- D. Utility payments or utility connection charges;
- E. General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced;



**THE BOARD OF COMMISSIONERS
OF THE COUNTY OF LAKE**



2293 North Main Street
Crown Point, Indiana 46307
Phone: (219) 755-3200
Fax: (219) 755-3064

Kyle W. Allen, Sr., First District
Jerry Tippy, Second District
Michael C. Repay, Third District

October 2, 2017

Auditor John Petalas
2293 N. Main Street
Crown Point, In 46307


RE: Ordinance No: 1412C

Dear Auditor Petalas:


Attached is an Ordinance Allowing for the Pre-Approved Payment of Claims for Lake County, Indiana. This letter shall serve as the Board of Commissioners approval to permit the Auditor to pay the expenses listed in the ordinance before the claim has been placed on the accounts payable voucher and approved by the Board of Commissioners.

Implementing this action will removed one of the audit objections in the last State Board of Accounts audit.


Sincerely,


Kyle W. Allen, Sr.
Commissioner, 1st District

Sincerely,


Jerry Tippy
Commissioner, 2nd District

Sincerely,


Michael C. Repay
Commissioners, 3rd District

JSD/sh

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2017, with Kyle W. Allen, County Commissioner; and Larry Blanchard, Commissioner's Finance.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Ted F. Bilski, II, President of the County Council; and Dante Randelli, County Council's Director of Finance.

COUNTY COUNCIL
LAKE COUNTY

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES

The accounts payable vouchers reviewed included the following deficiencies:

1. In 2016, the County disbursed funds before approval by the Board of County Commissioners at a public meeting and the Accounts Payable Vouchers that support manual checks and EFTs (white claims) were not included on the official Accounts Payable Voucher Register or docket approved by the Board of County Commissioners at a public meeting. The County's codified ordinances did not include an ordinance authorizing the County Auditor to pay accounts payable vouchers prior to the Board of County Commissioner's approval.

In response to the comment in the prior reports, on February 14, 2017, the County Council adopted Ordinance 1405C which addressed prepayments of EFTs and other disbursements. After Ordinance 1405C was adopted, Accounts Payable Vouchers for prepaid items did contain two Commissioners' signatures before the disbursement was made and ratified at the next Board of County Commissioners' meeting.

However, Ordinance 1405C does not address specific types of expenses that can be prepaid in accordance with Indiana Code. In addition, the Board of County Commissioners approved a blanket ratification of prepaid claims as documented in the Commissioner's minutes. The Commissioners received listings in the Commissioner meeting agenda packet of those prepaid claims previously signed by two Commissioners. The blanket ratification did not provide enough detail (dollar amount of total, docket number, and date) to follow through to the correct detailed listing of prepaid items. The detailed list of prepaid accounts payable vouchers was not signed by the Board of County Commissioners nor were prepaid accounts payable vouchers included in the official Accounts Payable Voucher Register or docket.

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

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

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

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

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(e) states:

"Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law."

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

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

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

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

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

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs where advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance or service agreements.
- (8) Leases or rental agreements.
- (9) Bond or coupon payments.
- (10) Payroll.
- (11) State or federal taxes.
- (12) Expenses that must be paid because of emergency circumstances.
- (13) Expenses described in an ordinance.

COUNTY COUNCIL
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

Prior to submission to the board of county commissioners, all claims or vouchers must be entered in claim number order in the Accounts Payable Register, General Form No. 364 (1996). This is a loose leaf form and contains columns to show the date each claim or voucher was filed, the claim or voucher number, the name of the claimant, the office, department or fund, the amount of the claim or voucher, the amount allowed and the warrant number. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

The same comment also appeared in four prior Reports, including the three most recent Reports B45011, B47573, and B47575.

To properly account for the remittance of payroll deductions, it is recommended that each electronic transfer be supported by an Accounts Payable Voucher Form No. 17; that there be firmly attached thereto remittance reports and other documents supporting the electronic transfer; and that the claim or voucher be filed in an orderly manner for reference and audit purposes. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8)

SALARY ORDINANCE

It could not be determined if the E911 employees' salaries complied with the 2016 salary ordinance. These employees were paid within a range of salaries but the range of salaries was not included in the ordinance. The salary ordinance only contained the maximum for the employees' salary range.

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)

COUNTY COUNCIL
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2017, with Ted F. Bilski, II, President of the County Council; and Dante Randelli, Council's Director of Finance.

The contents of this report were discussed on September 26, 2017, with John Petalas, County Auditor; Jane Dudley, Chief Deputy County Auditor; Michael T. Wieser, County Auditor's Director of Finance; Larry Cak, Chief Deputy County Treasurer; Kyle W. Allen, County Commissioner; and Larry Blanchard, County Commissioner's Finance.