

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT
LAKE COUNTY, INDIANA
January 1, 2014 to December 31, 2017



FILED
10/06/2018

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Lake County Solid Waste Management District (District), for the period from January 1, 2014 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Special District. It should be read in conjunction with our Financial Statements Audit Report of the Special District, which provides our opinion on the Special District's financial statements. This report may be found at www.in.gov/sboa/.

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

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

August 30, 2018

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS

There were deficiencies in the internal control system of the District related to financial transactions. The District had not separated incompatible activities related to cash and investments and receipts. A separation of duties for each of these areas had not been designed or implemented to prevent or detect and correct errors.

1. Cash and Investments - The reconciliation of the bank and ledger activity was prepared by one employee without an oversight or review process.
2. Receipts - Collections were received at the District's main office. Receipts were not issued at the time collections were received. Instead, collections were gathered and delivered to the District's Controller for receipting, recording, and depositing. An oversight or review process had not been designed or implemented. Furthermore, duplicate deposit slips for the Solid Waste Management fund were not retained for audit.

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. . . ."

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

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."

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2018, with Jeanette Romano, Executive Director; John E. Petalas, Controller; and Clifford Duggan, Director of Business Operations.