

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
LAPORTE COUNTY, INDIANA  
January 1, 2017 to December 31, 2017



**FILED**  
11/07/2018



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	JoEileen Winski	01-01-17 to 12-31-20
County Treasurer	Lynne Spevak	01-01-17 to 12-31-20
Clerk of the Circuit Court	Kathleen A. Chroback	01-01-17 to 12-31-20
County Sheriff	John T. Boyd	01-01-15 to 12-31-18
County Recorder	Barbara A. Dean (Vacant) Lois Sosinski	01-01-17 to 01-05-17 01-06-17 to 01-30-17 01-31-17 to 12-31-20
County Prosecutor	John M. Espar	01-01-15 to 12-31-18
President of the Board of County Commissioners	Richard Mrozinski	01-01-17 to 12-31-18
President of the County Council	Lois Sosinski Jeff Santana Randy Novak	01-01-17 to 02-08-17 02-09-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of LaPorte County (County), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the County, which provides our opinions on the County's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

September 25, 2018

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COUNTY AUDITOR  
LAPORTE COUNTY

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDINGS

***FINDING 2017-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

*Condition*

The County did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. One employee prepared the information for the federal awards without a system of oversight or review to detect and correct the errors before submission.

*Context*

Due to lack of controls, the following errors occurred and were not detected or corrected:

1. The Highway Planning and Construction (County Wide Bridge Inspection Grant) federal expenditures of \$88,312 were omitted.
2. The Beach Monitoring and Notification Program Implementation Grants federal expenditures of \$7,789 were omitted.
3. The Child Support Enforcement federal expenditures were understated by \$103,818 and \$5,345 for the Pros Title IV-D General Fund and the Clerk Title IV-D General Fund programs, respectively.
4. The Child Support Enforcement federal expenditures for the incentive programs were overstated by \$74,653 in total.
5. The Social Services Block Grant federal expenditures were overstated by \$263,399.

Adjustments were proposed, approved by the County, and made to the SEFA.

*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 AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.510(b) states:

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

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

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the County establish a system of internal controls to ensure that federal expenditures will be properly reported on the SEFA.

*Views of Responsible Officials*

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

**FINDING 2017-002**

Subject: Financial Transactions and Reporting - County Auditor  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The County Auditor had not implemented effective internal controls over the preparation of the financial statement. The County Auditor prepared and submitted the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system, which was used to generate the County's financial statement. The County's financial statement was submitted without a proper review to ensure all offices of the County were properly reflected in the financial statement.

*Context*

The lack of effective controls affected the preparation of the financial statement. Beginning cash and investment balances, receipts, disbursements, and ending cash and investment balances were not included in the financial statement for 2017, as follows:

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-30-17
Inmate Trust Fund	\$ 36,702	\$ 696,071	\$ 703,294	\$ 29,479
Sheriff's Commissary Fund	78,565	242,250	242,108	78,707
Neil Thompson Scholarship Fund	16,724	8,898	4,000	21,622
Neil Thompson Scholarship Investment	67,407	224	-	67,631
Community Corrections Commisary Fund	50,711	68,526	49,049	70,188
Community Corrections Resident Fund	6,322	8,626	7,076	7,872
Treasurer Cash Book	3,913,007	6,470,432	3,913,007	6,470,432
Clerk Cash Book	2,788,128	8,742,392	8,759,269	2,771,251
Totals	<u>\$ 6,957,566</u>	<u>\$ 16,237,419</u>	<u>\$ 13,677,803</u>	<u>\$ 9,517,182</u>

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

*Criteria*

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

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

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; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the County had not established a proper system of internal controls related to the preparation of the financial statement.

*Effect*

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

*Recommendation*

We recommended that County establish a system of internal controls related to the preparation of the financial statement.

*Views of Responsible Officials*

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



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

CORRECTIVE ACTION PLAN

***FINDING 2017-001***

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

Views of Responsible Official: Concur

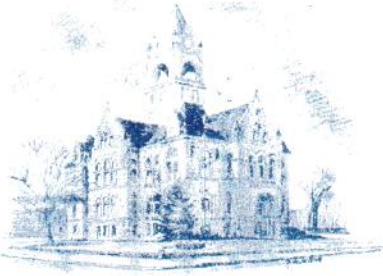
Description of Corrective Action Plan:

When reporting on the SEFA, going forward, we will use the disbursement amounts for advance grants and receipt amounts for reimbursable grants.

We do have a proper review in place for 2018.

Anticipated Completion Date: Present

*Joie Winski*  
\_\_\_\_\_  
(Signature)  
*Auditor*  
\_\_\_\_\_  
(Title)  
*9/10/2018*  
\_\_\_\_\_  
(Date)



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

**FINDING 2017-002**

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

Views of Responsible Official: Concur

Description of Corrective Action Plan:

Going forward, the auditor will include the CAR reports provided by various departments in the financial statement in Gateway. The financial statement will be reviewed extensively before submitting to Gateway.

Anticipated Completion Date: Present

*Joie Winski*  
\_\_\_\_\_  
(Signature)  
*Auditor*  
\_\_\_\_\_  
(Title)  
*9/10/2018*  
\_\_\_\_\_  
(Date)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**PAYROLL COMPLIANCE**

A similar comment also appeared in prior Reports B48269, B48300, and B48844, entitled *PAYROLL COMPLIANCE*, and B45345, entitled *INTERNAL CONTROLS AND COMPLIANCE OVER PAYROLL*.

Employees' compensation, hours, and leave time were reported to the County Auditor's office by the departments' payroll clerks for payroll processing on the Friday prior to the pay date, which is on the following Friday. The work hours reported for the second week of the pay period for salaried employees were approved prior to the work being performed, and the employees were paid based upon these hours.

In the County's Employment Handbook of Policies and Procedures, it is stated that only full-time employees are eligible to receive benefits. As defined in this Handbook, full-time employees are scheduled to work on average 30 hours per week or more. A part-time deputy prosecutor received benefits reserved for full-time employees.

Each department that offered part-time/seasonal positions listed a total budget for those positions. The employee's wage was determined not by the County Council, but by the department head up to a maximum of \$13 per hour.

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

Indiana Code 36-2-8-4 states: "A county officer or deputy or employee of a county officer is entitled to payment for services only after the officer, deputy or employee has rendered those services."

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

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)

Indiana Code 36-2-5-3(a) states:

"The county fiscal body shall fix the compensation of officers, deputies, and other employees whose compensation is payable from the county general fund, county highway fund, county health fund, county park and recreation fund, aviation fund, or any other fund from which the county auditor issues warrants for compensation. This includes the power to:

- (1) fix the number of officers, deputies and employees;
- (2) describe and classify positions and services;
- (3) adopt schedules of compensation; and
- (4) hire or contract with persons to assist in the development of schedules of compensation."

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

**BACKDATING RECEIPTS AND DISBURSEMENTS**

A similar comment also appeared in prior Reports B48269, entitled *FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR and COUNTY TREASURER*; B48300, entitled *FINANCIAL TRANSACTIONS AND REPORTING - COUNTY AUDITOR*; and B48844, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

The County Auditor did not have controls in place to ensure that the financial records were closed and properly reported at year end. The County's accounting software did not prevent the manual entry of the date. In January 2017, receipts and checks were issued with a December 2016 date, after receipts and checks had already been issued with a 2017 date.

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

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. . . ."

**ENCUMBRANCES**

The same comment also appeared in prior Reports B45345, B48269, B48300, and B48844.

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

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund Name	Amount
JSC Residents Ed Fund	\$ 15,296
Pros. Pretrial Div. & Deferral	23,287
Local Health Maint Fund	15,559

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

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

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

COUNTY AUDITOR  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2018, with JoEileen Winski, County Auditor; Kristie Deckard, Deputy County Auditor; Vidya Kora, County Commissioner; Connie Gramarossa, County Commissioner; Douglas L. Biege, County Commissioner Attorney; and Amber Puff, County Council Attorney.

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
FEDERAL FINDINGS

***FINDING 2017-003***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

*Condition*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting of the Clerk of the Circuit Court (Clerk). There was a lack of segregation of duties, as the Clerk had not separated incompatible activities related to cash and investments, receipts, and disbursements.

1. One employee from the LaPorte Clerk's office took the daily collections to the depository, recorded the receipts, made necessary adjustments, and completed the monthly bank reconciliations for the Odyssey accounting software. There was no segregation of duties, such as an oversight, review, or approval process.
2. The Clerk had not established effective controls to reconcile the Indiana Support Enforcement Tracking System (ISETS) ledger balance to the depository balance. No monthly reconciliations were completed for 2017. The last reconciliation completed by the Clerk for ISETS dated back to December 31, 2016; however, it contained two adjustments for \$45,550 and \$17,500 that dated back to 2008 and 2010, respectively, with no supporting documentation. The reconciling items of \$45,550 from 2008 were for checks that were issued twice from the ISETS system. Due to various undocumented reconciling items, it is possible that the ISETS bank balance could become overdrawn. The Indiana Department of Child Services conducted a Quality Assurance Review and gave the Clerk's office a schedule in which to have the ISETS bank reconciliations completed. The Clerk's office is in the process of preparing the reconciliations for the ISETS system.
3. One employee issued all ISETS disbursements for both the LaPorte and Michigan City offices with no oversight or review.
4. One employee completed the Clerk's Supplemental Annual Financial Report without oversight or review. The ISETS bank transactions, rather than recorded ledger transactions, were reported to the County Auditor for inclusion in the County's Annual Financial Report (AFR). The AFR was the basis for the financial statement presented for audit.

*Context*

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

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

*Criteria*

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

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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; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

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

*Cause*

The Clerk had not established a proper system of internal control that segregated key functions.

*Effect*

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

*Recommendation*

We recommended that the Clerk establish a system of internal controls, including segregation of duties, to ensure that monthly reconciliations are performed and to ensure the accuracy of the financial transactions reported in the County's financial statement.

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

*Views of Responsible Officials*

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

**FINDING 2017-004**

Subject: Child Support Enforcement- Allowable Costs/Cost Principles, Reporting  
Federal Agency: Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Federal Award Number and Year (or Other Identifying Number): FY 2017  
Compliance Requirements: Allowable Costs/Cost Principles, Reporting  
Pass-Through Entity: Indiana Department of Child Services  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Findings*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the Clerk of the Circuit Court's (Clerk) office in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles and Reporting compliance requirements.

The Clerk failed to comply with the allowable costs and reporting requirements for the personal services amounts reported on the Monthly Reimbursement Claim for Title IV-D Expenditures. The Clerk's office inaccurately calculated the employee's gross pay and fringe benefits during the audit period.

In addition, costs for telephone, copy services, and postage were reimbursed to the Clerk; however, those costs were also included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement programs.

These errors resulted in known questioned costs of \$27,357. When the sample errors described above were projected to the population, additional likely errors of \$35,523 were identified.

Three part-time employees were paid entirely out of the Clerk's Incentive fund. There was no supporting documentation for the time spent on child support program activities. These errors resulted in known questioned costs of \$27,432.

In March 2018, the Indiana Department of Child Services conducted a Quality Assurance Review of the Clerk's child support enforcement procedures for the first quarter of 2017. Their review reported some of the issues described above.

*Context*

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

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

*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 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following.  
. . . :

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

The County had not developed a system of internal controls that would have ensured compliance with the allowable costs and reporting requirements.

*Effect*

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

*Questioned Costs*

Known questioned costs of \$54,789 were identified as detailed in the *Condition*.

*Recommendation*

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

*Views of Responsible Officials*

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



**Kathleen A. Chroback, Clerk**

*Chief Deputy*  
Roberta Hartz

**LaPorte Circuit Court**

(219) 326-6808, Ext. 2385

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

**CORRECTIVE ACTION PLAN**

***FINDING 2017-003***

Fiscal Year in which finding initially occurred: 2016

Contact Person Responsible for Corrective Action: Kathleen A. Chroback

Contact Phone Number: (219) 326-6808x2385

Description of Corrective Action Plan:

- 1) We concur with the finding. We are in the process of developing a corrective plan for this finding in that another employee will review and/or approve receipt transactions.
- 2) We concur with this finding. A schedule for reconciling the year 2017 ISETS ledger was submitted to the Indiana Department of Child Services during our review. We are in the process of completing the reconciliation of the year 2017 in accordance to the schedule that was submitted to the Indiana Department of Child Services.
- 3) This finding was communicated to us during the most recent audit which was completed in August 2018. We are in the process of implementing a new procedure to address the issue of oversight or review in both the La Porte Office and the Michigan City office.
- 4) This finding was communicated to us during the most recent audit which was completed in August 2018. We are in the process of implementing a corrective plan for oversight and review of the Clerk's Supplemental Annual Financial Report. We are also in the processing of correcting the ISETS bank reporting to the County Auditor for inclusion in the County's Annual Financial Report (AFR).

Anticipated Completion date for these findings is in the 4<sup>th</sup> Quarter of 2018.

Kathleen A. Chroback  
(Signature)

Circuit Court Clerk  
(Title)

9-12-2018  
(Date)



**Kathleen A. Chroback, Clerk**

*Chief Deputy*  
Roberta Hartz

**LaPorte Circuit Court**

(219) 326-8808, Ext. 2385

CIRCUIT COURT DIVISION  
COURTHOUSE  
813 LINCOLNWAY, SUITE 105  
LAPORTE, IN 46350-3492  
(219) 326-8808  
Ext. 2236 & 2259

**CORRECTIVE ACTION PLAN**

***FINDING 2017-004***

Contact Person Responsible for Corrective Action: Kathleen A. Chroback  
Contact Phone Number: (219) 326-6808x2385

**Description of Corrective Action Plan:**

The internal control system which includes the segregation of duties in order to comply with requirements related to the grant and the Allowable Cost/Cost Principles and Reporting requirement was corrected in May/June 2018.

The compliance with the allowable cost/cost principle and reporting compliance requirements as pertains the personal services ie: gross pay and fringe benefits will be implemented in the 1<sup>st</sup> quarter of 2019 in accordance with the submitted 2019 budget.

Costs for telephone, copy services and postage will no longer be included in the Cost Allocation Plan for indirect costs of the Child Support Enforcement grant. A corrective plan for telephone and postage costs was implemented in the 3<sup>rd</sup> quarter of 2017. The copy services will be corrected in the 4<sup>th</sup> quarter of 2018.

A corrective action plan is in place for the documentation of the part time employees pay from the Incentive Fund. Documentation of part time employees for time spent on IV-D activities was corrected in the 3<sup>rd</sup> quarter of 2018 after the Quality Assurance Review conducted by the Indiana Department of Child Services in March 2018.

Kathleen A. Chroback  
(Signature)

Circuit Court Clerk  
(Title)

9-12-2018  
(Date)

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2018, with JoEileen Winski, County Auditor; Kristie Deckard, Deputy County Auditor; Vidya Kora, County Commissioner; Connie Gramarossa, County Commissioner; Douglas L. Biege, County Commissioner Attorney; Kathleen A. Chroback, Clerk of the Circuit Court; and Amber Puff, County Council Attorney.

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COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDING

***FINDING 2017-005***

Subject: Highway Planning and Construction Cluster - Period of Performance

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES#1382604, DES#1382219,  
DES#1400571, DES#1383479,  
DES#1400774, DES#1592337,  
DES#1401027, DES#1592335,  
DES#1592336, DES#1592338,  
DES#1500346, DES#1401042,  
DES#1601868

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirement: Period of Performance

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 period of performance requirements.

The County had not designed or implemented adequate internal controls to ensure that the Local Public Agency (LPA) requests were submitted within the period of performance allowed by the federal grantor agency. The LPA had 90 days after the project end date to receive reimbursement from the grantor agency. The Employee in Responsible Charge (ERC) was to oversee compliance with the period of performance requirements; however, procedures were not designed and implemented to ensure that LPA requests were submitted within the period of performance.

*Context*

The lack of controls was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDING  
(Continued)

"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*

The County had not developed a system of internal controls that would have ensured compliance with the period of performance requirements.

*Effect*

The failure to establish an effective internal control system placed the County at risk of non-compliance with the grant agreement and the period of performance requirements. Noncompliance with the grant agreement and these requirements 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 related to the grant agreement and the Period of Performance compliance requirement.

*Views of Responsible Officials*

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

# La Porte County Highway Department

Telephone: (219) 362-2051  
 Fax: (219) 362-4221



1805 W. 5<sup>th</sup> Street  
 La Porte, Indiana 46350

## CORRECTIVE ACTION PLAN

### **FINDING 2017-005**

Contact Person Responsible for Corrective Action: Jerry Sullivan  
 Contact Phone Number: 219-221-1787

#### Views of Responsible Official:

The responsible official took over the Highway Planning and Construction Cluster in May of 2018 and established a plan that would ensure proper and timely reimbursement (LPA requests), of FHWA grant funds.

#### Description of Corrective Action Plan:

The LPA has created a spread sheet (see below) to track the county paid invoices with information shown.

INDOT Project Reimbursement						
Des #/Phase	Project Description	Paid Date/Amount/PO	PO or CK NUM	Grant Match	Apply for Reimbursement	INDOT PO End Date
1382219/ROW	400 N Johnson Road	5/10/18-\$500.00	CK267179	80-20	6/20/2018	9/18/2020
1382219/ CE	400 N Johnson Road	5/14/18 \$17,600.00	CK 268719	80-20	7/9/2018	9/18/2020

An employee, within the auditors, office is copied as the vouchers are submitted to INDOT for reimbursement. This employee can thus verify reimbursement to the county from INDOT.

Jerry Jay Sullivan PE.  
 County Engineer

PH 219.362.2051 EXT 6506  
 JGSULLIVAN@LAPORTECOUNTY.ORG

CELL 219.221.1787

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
EXIT CONFERENCE

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COUNTY COUNCIL  
LAPORTE COUNTY

COUNTY COUNCIL  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**PAYROLL COMPLIANCE**

A similar comment also appeared in prior Reports B48269, B48300, and B48844, entitled *PAYROLL COMPLIANCE*, and B45345, entitled *INTERNAL CONTROLS AND COMPLIANCE OVER PAYROLL*.

Employees' compensation, hours, and leave time were reported to the County Auditor's office by the departments' payroll clerks for payroll processing on the Friday prior to the pay date, which is on the following Friday. The work hours reported for the second week of the pay period for salaried employees were approved prior to the work being performed, and the employees were paid based upon these hours.

In the County's Employment Handbook of Policies and Procedures, it is stated that only full-time employees are eligible to receive benefits. As defined in this Handbook, full-time employees are scheduled to work on average 30 hours per week or more. A part-time deputy prosecutor received benefits reserved for full-time employees.

Each department that offered part-time/seasonal positions listed a total budget for those positions. The employee's wage was determined not by the County Council, but by the department head up to a maximum of \$13 per hour.

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

Indiana Code 36-2-8-4 states: "A county officer or deputy or employee of a county officer is entitled to payment for services only after the officer, deputy or employee has rendered those services."

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

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)

Indiana Code 36-2-5-3(a) states:

"The county fiscal body shall fix the compensation of officers, deputies, and other employees whose compensation is payable from the county general fund, county highway fund, county health fund, county park and recreation fund, aviation fund, or any other fund from which the county auditor issues warrants for compensation. This includes the power to:

- (1) fix the number of officers, deputies and employees;
- (2) describe and classify positions and services;
- (3) adopt schedules of compensation; and
- (4) hire or contract with persons to assist in the development of schedules of compensation."

COUNTY COUNCIL  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

**ENCUMBRANCES**

The same comment also appeared in prior Reports B45345, B48269, B48300, and B48844.

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

Fund Name	Amount
JSC Residents Ed Fund	\$ 15,296
Pros. Pretrial Div. & Deferral	23,287
Local Health Maint Fund	15,559

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

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

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

COUNTY COUNCIL  
LAPORTE COUNTY  
EXIT CONFERENCE

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BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY

BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROL STANDARDS - ADOPTION AND TRAINING***

The County adopted internal control standards and procedures on December 21, 2016; however, there is no documentation to support that any personnel whose official duties include receiving, processing, and depositing disbursing County funds received training concerning these internal control standards and procedures.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY  
EXIT CONFERENCE

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