

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAPORTE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
07/11/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
County Auditor:	
Federal Finding:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	6-8
Corrective Action Plan .....	9
Audit Results and Comments:	
Overdrawn Cash Balances .....	10
Payroll Compliance .....	10-11
Certification of Training on Internal Control Standards .....	11
Exit Conference .....	12
County Highway Department:	
Federal Findings:	
Finding 2018-003	
Highway Planning and Construction Cluster - Cash Management, Matching .....	14-15
Finding 2018-004	
Highway Planning and Construction Cluster - Period of Performance.....	15-17
Corrective Action Plan .....	18-20
Exit Conference .....	21
Clerk of the Circuit Court:	
Federal Findings:	
Finding 2018-002	
Financial Transactions and Reporting - Clerk of the Circuit Court.....	24-25
Finding 2018-005	
Child Support Enforcement - Activities Allowed or Unallowed, Cash Management, Period of Performance .....	26-27
Finding 2018-006	
Child Support Enforcement - Allowable Costs/Cost Principles, Reporting .....	27-29
Finding 2018-007	
Child Support Enforcement - Reporting .....	30-31
Corrective Action Plan.....	32-36
Exit Conference .....	37
County Council:	
Audit Result and Comment:	
Payroll Compliance .....	40
Exit Conference .....	41
Board of County Commissioners:	
Audit Result and Comment:	
Training on Internal Control Standards .....	44
Exit Conference .....	45

### 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 12-31-22
County Recorder	Lois Sosinski	01-01-17 to 12-31-20
County Prosecutor	John M. Espar John Lake	01-01-15 to 12-31-18 01-01-19 to 12-31-22
President of the Board of County Commissioners	Richard Mrozinski Vidya Kora	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the County Council	Randy Novak	01-01-18 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
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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, 2018 to December 31, 2018. 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

May 29, 2019

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COUNTY AUDITOR  
LAPORTE COUNTY

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

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 2017-001.

*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.

*Context*

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

1. The Edward Byrne Memorial Justice Assistance Grant Program federal expenditures were overstated by \$42,313.
2. The Highway Planning and Construction federal expenditures were overstated by \$588,672.
3. The State and Community Highway Safety federal expenditures were understated by \$27,041.
4. The Alcohol Impaired Driving Countermeasures Incentive Grants I federal expenditures were overstated by \$30,665.
5. The Minimum Penalties for Repeat Offenders for Driving While Intoxicated federal expenditures of \$6,949 were omitted.
6. The Beach Monitoring and Notification Program Implementation Grants federal expenditures were understated by \$4,869.
7. The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements federal expenditures were overstated by \$26,421.
8. The Child Support Enforcement federal expenditures were understated by \$55,539.
9. The Emergency Management Performance Grant federal expenditures were understated by \$42,667.

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING  
(Continued)

10. The Public Health Emergency Preparedness federal expenditures of \$18,936 were omitted.

11. The State Court Improvement Program federal expenditures of \$6,800 were omitted.

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:

"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:

COUNTY AUDITOR  
LAPORTE COUNTY  
FEDERAL FINDING  
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the 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.
- (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 an effective system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

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

*Recommendation*

We recommended that the County's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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



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

CORRECTIVE ACTION PLAN

**FINDING 2016-001**

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

Views of Responsible Official:

Agree

Description of Corrective Action Plan:

Since the amount of grants that the county receives has increased substantially, the County Auditor will restructure staff and appoint one or more staff members to monitor grants and prepare the SEFA which will then be reviewed and signed by the Chief Deputy Auditor and the Auditor and thus will allow us to detect and correct errors in the SEFA for our Annual Report going forward.

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

All grants will be monitored to detect overstated and understated values before submitting in our Gateway annual report.

Anticipated Completion Date: Immediate

This will be implemented immediately and ongoing.

  
(Signature)

La Porte County Auditor  
(Title)

5.29.2019  
(Date)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit Report of the County included the following funds with overdrawn cash balances at December 31, 2018, which were not attributed to timing of reimbursements.

Fund	Amount Overdrawn
Countywide Sign Grant	\$ 9,857
Sidewalk Improvement Grant	114,918
Johnson Rd Intersection Grant	53,801
CR 875 Bridge #18 Grant	272,254
DUI Task Force Indiana 16	27
DUI Task Force Indiana 17	490
Public Health Preparedness Gr	8,583
Homeland Security Grant 2016	459
DUI Task Force Summer Grant	63
Wayfinding Signage Grant	32,472
Operation Pull Over Grant 2018	2,213
Pub Health Prepardness Grant	6,338
DUI Task Force Indiana 18	35
Luhr Co Park Grant	92,473
Countywide Bridge Insp Grant	4,665
Child Restraint Dist Grant	4,612
Marine Patrol Grant 18	247

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)

**PAYROLL COMPLIANCE**

A similar comment also appeared in prior Reports B48269, B48300, B48844 and B51227, entitled *PAYROLL COMPLIANCE*, and B45345, entitled *INTERNAL CONTROLS AND COMPLIANCE OVER PAYROLL*.

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Employees' compensation, hours, and leave time were reported to the County Auditor's office by the departments' Payroll Clerks for payroll processing on the Friday prior to the pay date, which is on the following Friday. Salaried employees were paid for 1/26th of the approved salary ordinance amount beginning on the first Friday of the calendar year irrespective of the number of dates worked prior to that first Friday.

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

Compensation and any other payments for goods and services must 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)

***CERTIFICATION OF TRAINING ON INTERNAL CONTROL STANDARDS***

The County adopted internal control standards and procedures on December 21, 2016; however, there was no documentation to support that personnel received training concerning the internal control standards and procedures. Therefore the County's certification on Gateway was made incorrectly.

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  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2019, with JoEileen Winski, County Auditor; Randy Novak, President of the County Council; Shaw Friedman, County Commissioner Attorney; and Guy Dimartino, County Council Attorney.

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDINGS

**FINDING 2018-003**

Subject: Highway Planning and Construction Cluster - Cash Management, Matching

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#1382219, DES#1382604,  
DES#1383479, DES#1400571,  
DES#1400774, DES#1401027,  
DES#1401042, DES#1500346,  
DES#1592335, DES#1592336,  
DES#1592337, DES#1592338,  
DES#1601868

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking

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 compliance requirements listed above.

The Employee in Responsible Charge (ERC) prepared the Local Public Agency (LPA) Invoice Voucher with the required supporting documentation to receive reimbursement and to ensure that the County had met the matching percentage included in the Indiana Department of Transportation LPA contract (contract). An oversight or review process had not been established to ensure that the expenditure date was prior to the LPA Invoice Voucher and that the matching percentage was in agreement with the contract.

*Context*

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

*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*

The County's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

*Effect*

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

*Views of Responsible Officials*

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

***FINDING 2018-004***

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 Number and Year (or Other Identifying Number): DES #1592336  
Pass-Through Entity: Indiana Department of Transportation  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-005.

*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 compliance requirement.

The County had not implemented adequate internal controls to ensure that the Local Public Agency (LPA) Invoice Vouchers 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 ERC maintained a spreadsheet to track period of performance, but not all projects were included on the spreadsheet.

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

The County did not comply with the Period of Performance compliance requirement. LPA claim numbers eight and nine totaling \$41,600 and \$75,200, respectively, were not filed timely with the Indiana Department of Transportation.

*Context*

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the LPA claims identified above.

*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 200.343 states in part:

"The Federal awarding agency or pass-through entity will close-out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity. This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance.

(a) The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity. . . ."

*Cause*

The County's management had not developed a system of internal controls that would have ensured compliance with the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Period of Performance compliance requirement resulted in the loss of \$116,800 in federal funds to the County.

*Questioned Costs*

There were no questioned costs identified.

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the County's management establish controls to ensure compliance and comply with 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 2018-003***

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

Views of Responsible Official: Agree

#### Description of Corrective Action Plan

To verify that the vouchers have been submitted in a timely fashion and incorporated into the correction action spreadsheet as specified in the 2018 corrective action plan. To verify the Vouchers are accurate with regard to % matching grant, available project funds and construction phase. Vouchers must be reviewed, stamped and initialed.

Attached is an example of the spread sheet and voucher as reviewed, stamped and initialed.

Sincerely,

*Jerry Jay Sullivan P.E.*  
County Engineer

A B C D E G H I J K L M N U P

## INDOT Project Reimbursement

Des #/Phase	Project Description	Amount	PO or CK NUM	Grant Match	Apply for Reimbursement	INDOT PO End Date
1401027/PE	Otis Road Bridge	\$10,766.70	2/20/2019/CK277581	80-20	4/11/2019	
1702833/PE	Bridge 186	\$2,174.50	2/20/2019	0	0	
1383479/Ce	Bridge 18	\$16,393.40	2/20/2019/CK277582	80-20	4/11/2019	
1383479/Ce	Bridge 18	\$17,771.87	2/20/2019/CK277582	80-20	4/11/2019	
1702833/PE	Bridge 186	\$1,408.00	2/20/2019	0	0	
1500346/Bridge Inv	Bridge Inv	\$60,648.78	2/22/2019/CK277585	80-20	4/11/2019	12/1/2019
1500346/Bridge Inv	Bridge Inv	\$24,075.50	2/28/2019/CK278080	80-20	4/22/2019	12/1/2019
1702833/PE	Bridge 186	\$8,500.00	3/11/2019	0	0	
1500346/Bridge Inv	Bridge Inv	\$13,108.80	4/8/2019/CK278946	80-20		12/1/2019
1702833/PE	Bridge 186	\$1,747.60	4/22/2019	0	0	
1401027/PE	Otis Road Bridge	\$6,159.20	4/22/2019/CK279516	80-20		
1500346/Bridge Inv	Bridge Inv	\$16,386.00	5/6/2019/CK280209	80-20		12/1/2019
1401027/PE	Otis Road Bridge	\$5,556.50	5/15/2019	80-20		

# 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 2018-004**

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity: Indiana Department of Transportation  
Contact Person Responsible for Corrective Action: Jerry Sullivan  
Contact Phone Number: 219-221-1787

VIEWS of RESPONSIBLE OFFICIAL: Agree

### DESCRIPTION OF CORRECTIVE ACTION

As originally indicated in the corrective action plan for 2017 -001 corrective action began in May of 2018. However, corrective action was not fully implemented through 2018 and is expected to be complete in 2019.

Jerry Jay Sullivan Jr.  
(Signature)

County Engineer  
(Title)

5/16/2019  
(Date)

COUNTY HIGHWAY DEPARTMENT  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2019, with Jerry Sullivan, County Engineer.

The contents of this report were discussed on May 29, 2019, with JoEileen Winski, County Auditor; Randy Novak, President of the County Council; Shaw Friedman, County Commissioner Attorney; and Guy Dimartino, County Council Attorney.

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CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
FEDERAL FINDINGS

***FINDING 2018-002***

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 2017-003.

*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 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 2018. 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.

*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:

CLERK OF THE CIRCUIT COURT  
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. . . ."

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 could have 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.

*Views of Responsible Officials*

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

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

**FINDING 2018-005**

Subject: Child Support Enforcement - Activities Allowed or Unallowed,  
Cash Management, Period of Performance  
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 2018  
Compliance Requirements: Activities Allowed or Unallowed, Cash  
Management, Period of Performance  
Pass-Through Entity: Indiana Department of Child Services  
Audit Finding: Material Weakness

*Condition*

An effective internal control system 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 compliance requirements listed above.

*Monthly Expense Claims - Activities Allowed or Unallowed,  
Cash Management, and Period of Performance*

The Clerk reviewed the Monthly Expense Claims (requests) to ensure that the disbursements were for allowable activities, were paid before the date of the request, and requests for reimbursement were made within two years after the calendar quarter in which the expenditure was made. However, documentation of the Clerk's review was not always present on the requests.

*Quarterly Incentive Expenditure Reports - Activities Allowed or Unallowed*

One individual prepared the Quarterly Incentive Expenditure Report without a proper system of oversight or review to ensure that disbursements were only for allowable activities.

*Context*

The lack of controls was a systemic issue throughout the audit period. Two of the four requests prepared had no evidence of a review.

*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). . . ."

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

*Cause*

The County had not implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the County at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have allowed noncompliance with the compliance requirements and allowed misuse and mismanagement of federal funds could have resulted in the loss of federal funds to the Clerk's office.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the County's management establish controls to ensure compliance with the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2018-006**

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 2018  
Compliance Requirements: Allowable Costs/Cost Principles, Reporting  
Pass-Through Entity: Indiana Department of Child Services  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-004.

*Condition*

An effective internal control system was not in place at the Clerk of the Circuit Court's (Clerk's) office in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

The Clerk failed to comply with the compliance requirements listed above for the amounts reported as personal services on the Monthly Expense Claims. The Clerk's office inaccurately calculated the employee's gross pay and fringe benefits during the audit period.

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

These errors resulted in known questioned costs of \$8,583. When the sample errors described above were projected to the population, additional likely errors of \$16,714 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 \$18,537.

*Context*

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

*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;

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

- (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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

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 implemented a system of internal controls that would have ensured compliance with the compliance requirements listed above.

*Effect*

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

*Questioned Costs*

Known questioned costs of \$27,120 were identified, as detailed in the *Condition*.

*Recommendation*

We recommended that the County's management establish controls to ensure compliance and comply with the compliance requirements listed above.

*Views of Responsible Officials*

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

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

***FINDING 2018-007***

Subject: Child Support Enforcement - 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 2018  
Pass-Through Entity: Indiana Department of Child Services  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the Clerk of the Court's (Clerk) office in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

*Monthly Expense Claims*

The Clerk's office failed to comply with the reporting requirements under the terms of the Cooperative Agreement between the Indiana Child Support Bureau and the Clerk's office. According to the agreement, Monthly Expense Claims must be submitted electronically to the Department of Child Services (DCS) by the 10<sup>th</sup> of each month. Quarterly Incentive Expenditure reports must be submitted to DCS electronically by the 10<sup>th</sup> day following the end of a quarter.

The Clerk's office failed to submit the Monthly Expense Claims for March through November, 2018, and the Quarterly Incentive Expenditure reports for the second, third, and fourth quarters of 2018. The Clerk's office has subsequently hired a consultant to complete the required reports.

*Context*

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

*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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

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

*Questioned Costs*

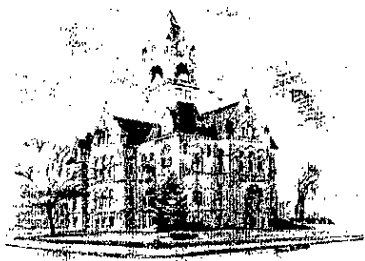
There were no questioned costs identified.

*Recommendation*

We recommended that the Clerk's management establish controls to ensure compliance and comply with the grant agreement and the 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.



## 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 2018-002***

Financial Transactions and Reporting – Clerk of the Circuit Court

Fiscal Year in which finding initially occurred: 2018

Contact Person Responsible for Corrective Action: Kathleen A. Chroback

Contact Phone Number: (219) 326-6808x2385

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

- 1) We are in the process of developing a corrective action plan for this finding in that another employee will review and approve the daily transactions each day. An additional clerk employee will verify the transactions and the printed checks against the ledger and then place them in the mail. Even though the Clerk approves the monthly bank reconciliation we are in the process of developing a corrective action plan for the Clerk to oversee the reporting.

Anticipated completion date of this finding is during the third quarter of 2019.

- 2) The Clerk has not established effective controls to reconcile the Indiana Support Enforcement Tracking System (ISETS) ledger balance to the depository balance as the 2018 reconciliation has not been completed. The County has hired the services of Cender & Company to assist in the reconciliation of the 2018 Indiana Support Enforcement Tracking System (ISETS).

Anticipated completion date of this finding is June of 2019.

- 3) A corrective action plan will be developed to oversee the ISETS disbursements by checking the register and the disbursements for each days collections. Both the La Porte and Michigan City offices are processed in the La Porte office. The disbursements will be reviewed/checked to the ledger by an additional clerk employee daily.

Anticipated completion date of this finding is in the third Quarter of 2019.

- 4) The employee completed the Clerk's Supplemental Annual Financial Report and reported the bank transactions to the County Auditor for inclusion in the County's Annual Financial Report

instead of the ledger transactions because the ISETS reconciliation was not complete for the year 2018.

Anticipated completion date of this finding is June of 2019.

Matthew A. Chrobak  
(Signature)

Wrist Court Clerk  
(Title)

May 29, 2019  
(Date)



**Kathleen A. Chroback, Clerk**

Chief Deputy  
Roberta Hartz

**LaPorte Circuit Court**

(219) 326-6808, Ext. 2385

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**CORRECTIVE ACTION PLAN**

Section III-Federal Award Findings and Questioned Costs

**FINDING 2018-005**

Subject: Child Support Enforcement – Activities Allowed or Unallowed, Cash Management, and Period Performance

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

View of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

The Clerk does review the Monthly Expense Claims (requests) and the Quarterly Incentive Expenditure Report. An oversight may have occurred in reviewing the Monthly Expense Claim(s) and the Quarterly Incentive Expenditure Report as that is the procedure that this office does adhere to.

Anticipated completion date of this finding is June of 2019.

Kathleen A. Chroback  
(Signature)

Circuit Court Clerk  
(Title)

May 29, 2019  
(Date)



**Kathleen A. Chrobak, Clerk**

Chief Deputy  
Roberta Hartz

**LaPorte Circuit Court**

(219) 326-6808, Ext. 2385

CIRCUIT COURT DIVISION  
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Ext. 2236 & 2259

**CORRECTIVE ACTION PLAN**

**FINDING 2018-006**

Subject: Child Support Enforcement-Allowable Costs/Cost Principles, Reporting

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

View of Responsible Official: We concur with this finding.

**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.

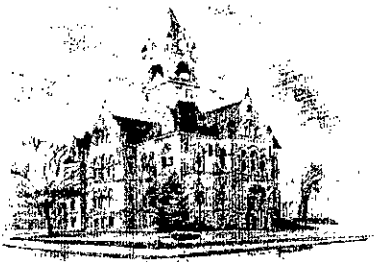
A corrective action plan is in place for the documentation of the part time employees pay from the Incentive Fund. This documentation of part time employees for time spent on IV-D activities was corrected in the 3<sup>rd</sup> quarter of 2018 after the Quality Assurance Review conducted by the Indiana Department of Child Services in March 2018. However, after approval, it has since been amended that the documentation of actual time keeping by these part-time employees should be done instead of percentage of time spent.

Anticipated completion date is during the third Quarter of 2019.

Kathleen A. Chrobak  
(Signature)

Circuit Court Clerk  
(Title)

May 29, 2019  
(Date)



**Kathleen A. Chrobak, Clerk**

Chief Deputy  
Roberta Hartz

**LaPorte Circuit Court**

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Ext. 2236 & 2259

**CORRECTIVE ACTION PLAN**

***FINDING 2018-007***

Subject: Child Support Enforcement – Reporting

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

View of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

The Clerk did not comply with the reporting requirements under the terms of the Cooperative Agreement between the Indiana Child Support Bureau and the Clerk's Office as we were instructed by the Child Support Bureau not to report the Quarterly Incentive Expenditure from March through November of 2018. Malcon, Malinowski Consulting, Inc., began the reporting for the Clerk's Office in January of 2019 and are now in the process of catching up with our back reporting.

Anticipated completion date for this finding the third Quarter of 2019.

Kathleen A. Chrobak  
(Signature)

Circuit Court Clerk  
(Title)

May 29, 2019  
(Date)

CLERK OF THE CIRCUIT COURT  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2019, with Kathleen A. Chroback, Clerk of the Circuit Court; JoEileen Winski, County Auditor; and Randy Novak, President of the County Council.

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COUNTY COUNCIL  
LAPORTE COUNTY

COUNTY COUNCIL  
LAPORTE COUNTY  
AUDIT RESULT AND COMMENT

**PAYROLL COMPLIANCE**

A similar comment also appeared in prior Reports B48269, B48300, B48844 and B51227, 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. Salaried employees were paid for 1/26th of the approved salary ordinance amount beginning on the first Friday of the calendar year irrespective of the number of dates worked prior to that first Friday.

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

Compensation and any other payments for goods and services must 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 Counties, Chapter 1)

COUNTY COUNCIL  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2019, with JoEileen Winski, County Auditor; Randy Novak, President of the County Council; Shaw Friedman, County Commissioner Attorney; and Guy Dimartino, County Council Attorney.

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BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY

BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY  
AUDIT RESULT AND COMMENT

***TRAINING ON INTERNAL CONTROL STANDARDS***

A similar comment also appeared in prior Report B45345.

The County adopted internal control standards and procedures on December 21, 2016; however, there was no documentation to support that personnel received training concerning the internal control standards and procedures. Therefore the County's certification on Indiana Gateway for Government Units financial reporting system was made incorrectly.

Indiana Code 5-11-1-27(g)(2) states: "personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BOARD OF COUNTY COMMISSIONERS  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2019, with JoEileen Winski, County Auditor; Randy Novak, President of the County Council; Shaw Friedman, County Commissioner Attorney; and Guy Dimartino, County Council Attorney.