

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
07/24/2019



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                                     | <u>Official</u>                        | <u>Term</u>                                  |
|---|--|--|
| County Auditor                                    | John Petalas                           | 01-01-15 to 12-31-22                         |
| County Treasurer                                  | Peggy Holinga Katona                   | 01-01-15 to 12-31-22                         |
| Clerk of the Circuit Court                        | Michael A. Brown<br>Lorenzo Arredondo  | 01-01-15 to 12-04-18<br>12-05-18 to 12-31-22 |
| County Sheriff                                    | Oscar Martinez, Jr.                    | 09-16-17 to 12-31-22                         |
| County Recorder                                   | Michael B. Brown                       | 01-01-17 to 12-31-20                         |
| President of the Board of<br>County Commissioners | Kyle W. Allen, Sr.<br>Michael C. Repay | 01-01-18 to 12-31-18<br>01-01-19 to 12-31-19 |
| President of the<br>County Council                | David Hamm<br>Ted F. Bilski, II        | 01-01-18 to 12-31-18<br>01-01-19 to 12-31-19 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

This report is supplemental to our audit report of Lake County (County), for the period from January 1, 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 Finding, identified in the above referenced audit report, is 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 Finding 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

June 18, 2019

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CLERK OF THE CIRCUIT COURT  
LAKE COUNTY

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
FEDERAL FINDING

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

*Condition*

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

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

The Clerk of the Circuit Court's office had multiple offices and divisions. The divisions generally had a Division Manager, a Bookkeeper, and clerks. Each month, the Division Manager's prepared bank reconciliations were sent to the main Clerk of the Circuit Court's office (Crown Point). No documented review of the bank reconciliations were performed. The checks were prepared, posted, signed, and mailed by one individual without an oversight or review process. In May 2018, the Clerk of the Circuit Court's office migrated to a new software system and began to use one combined bank reconciliation.

The Clerk of the Circuit Court did not have a proper system of internal controls in place to ensure that the accounting record balances were reconciled with the bank depository balances at least monthly as required by Indiana Code. The Clerk of the Circuit Court's combined bank account had not been reconciled since July 2018 due to various issues with the new software system. Additional audit procedures were performed and determined that the cash and investment balance reported in the financial statement was materially correct.

2. **Control Activities - Receipts:** A system of internal controls was in place for the receipting process; however, the control was not effective in detecting the new software system's use of duplicate receipt numbers. Through inquiry with the new software system company, unique identifiers for receipt pools by location were not set up for the Clerk of the Circuit Court, which resulted in the issuance of the duplicated receipt numbers across the various offices and divisions. Therefore, the Clerk of the Circuit Court could potentially have up to four receipts with the same number that were issued on different dates.
3. **Monitoring of Controls:** The Clerk of the Circuit Court had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Clerk of the Circuit Court to monitor and assess the quality of the system of internal control.
4. **Preparing Financial Statement:** An effective system of internal controls over financial reporting would have involved the identification and analysis of the risks of material misstatement to the County's audited financial statement and a determination of how those identified risks should be managed.

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

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

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

*Context*

The lack of internal controls over financial transactions and reporting for the Clerk of the Circuit Court was a systemic issue throughout the audit period. Reconciliation of the combined bank account and new software system ledger were completed for May, June, and July 2018, but were not completed from August through December 2018.

Due to the lack of effective controls, the Clerk fund's receipts and disbursements were overstated by \$12,391,702 and \$12,398,465, respectively, in the County's financial statement.

Audit adjustments were proposed, approved 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. . . ."

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

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

*Cause*

Management of the Clerk of the Circuit Court had not established a proper system of internal control that segregated key functions and would have ensured accurate monthly bank reconcilements. Management also had not conducted a risk assessment related to the Clerk of the Circuit Court's financial transactions and reporting.

*Effect*

The failure to provide accurate and complete bank reconcilements could have prevented the determination of whether or not the Cash and Investment balance (financial position) of the Clerk fund for the County was fairly presented. The failure to establish controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk of the Circuit Court at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Recommendation*

We recommended that the Clerk of the Circuit Court establish a system of internal controls related to financial transactions and reporting, as well as to ensure that depository reconcilements will be accurately performed on a timely basis.

*Views of Responsible Officials*

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



## HON. LORENZO ARREDONDO

CLERK LAKE CIRCUIT/SUPERIOR COURT  
2293 NORTH MAIN STREET  
CROWN POINT, INDIANA 46307

PHONE: (219) 755-3460

FAX: (219) 755-3520



### CORRECTIVE ACTION PLAN

#### SECTION II – FINANCIAL FINDINGS

##### ***FINDING 2018-001***

#### **Fiscal year in which the finding initially occurred: 2017-2**

Contact Person Responsible for Corrective Action: Joseph A. Gomeztagle, Rebecca Dowling  
Contact Phone Number: 219-755-3067

#### **We concur with the findings in-part.**

Views of Responsible Official: Hon. Lorenzo Arredondo

In January 2019, the newly elected Lake County Clerk's, first order of business was to review the State Board Of Accounts (SBOA) of the Lake County Clerks' Office past audits and the most current audits' findings with corrective actions. The second order of business was to request an immediate audit from SBOA.

#### Description of Corrective Action Plan:

Condition: In response to the insufficiencies which created several weaknesses in internal controls over disbursing, recording, and accounting for the financial activities of the Clerk of the Circuit Court, we concur with the findings and agree to immediately take corrective actions.

1. Lack of Segregation of Duties: The Clerk of the Circuit Courts office has 12 divisions. Each division is comprised of division manager, a bookkeeper, and clerks.

***RESPONSE AND CORRECTIVE ACTION PLAN: The Lack of Segregation of Duties is currently being addressed and these controls will be put into place in 2019. We will have necessary documentation, Standard Operating Procedures (SOP), to address the segregation of duties for each of the 12 Divisions including Crown Point. The SOP will compensate controls to mitigate the risk. The SOP will be incorporated into the satellite offices in Hammond, Gary, and East Chicago to be in compliance.***

2. Control Activities – Receipts: Although a system of control was in place for the receipting process the controls were not effective in detecting the new software system's (Odyssey) use of

duplicating receipt numbers. Per, The Lake County Clerk of the Circuit Court, Odyssey addressed the issue; In May 5, 2019

**RESPONSE AND CORRECTIVE ACTION PLAN: Attach is an e-mail from the new system Odyssey to address this issue.**

**All of the receipt pools will now be YYYY-SSSS-XX. The YYYY will be the year, the SSSS is the sequential counter that will restart at 1 each year and the XX is the suffix. The suffix will now be as follows:**

**CP = Crown Point**

**EC = East Chicago**

**EF = E Filing**

**E Pay = E Pay**

**G = Gary**

**H = Hammond**

**So, if you see receipt 2019-12345-CP and 2019-13245-EC, you'll know one was issued by a cashiering station at Crown Point and the other from East Chicago.**

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

**RESPONSE AND CORRECTIVE ACTION PLAN: In May 2019, the corrective plan for the Lack of Segregation of Duties is currently being addressed and these controls will be put into place in 2019. We will have necessary documentation, Standard Operating Procedures (SOP), to address the segregation of duties and provide effective internal controls over financial reporting, and for the Preparation of Financial Statement (Annual Carr/Supplemental Report), by the Clerk of the Circuit Court to monitor and assess the quality of the system. In addition to the satellite offices in Hammond, Gary, and East Chicago will be incorporated in the SOP to be in compliance with the segregation of duties.**

4. Preparing Financial Statement: Effective internal control over financial reporting would involve the identification and analysis of the risks of material misstatement to the County's audited financial statement and a determination how those identified risk should be managed.

**RESPONSE AND CORRECTIVE ACTION PLAN: After further review with the SBOA and the Clerks' Office it was determined that the change from Court View System to Odyssey caused a onetime discrepancy that was corrected thru the system. Application of Odyssey will address the majority of these issues.**

**Corrective Action Plan. In May 2019, the corrective plan for the Lack of Segregation of Duties is currently being addressed and these controls will be put into place in 2019. We will have necessary documentation, Standard Operating Procedures (SOP), to address the segregation of duties and provide effective internal controls over financial reporting, and for the Preparation of Financial Statement (Annual Carr/Supplemental Report), by the Clerk of the Circuit Court to monitor and assess the quality of the system. In addition to the satellite offices**

***in Hammond, Gary, and East Chicago will be incorporated in the SOP to be in compliance with the segregation of duties.***

The Clerk of the Circuit Court did not have adequate internal controls over financial reporting to facilitate the preparation of accurate and complete financial reports to be included in the Country's Annual Financial Report (AFR) and financial statement. The Clerk fund included in the financial statement included all receipts and disbursements of the Clerk of the Circuit Court's office.

**Context**

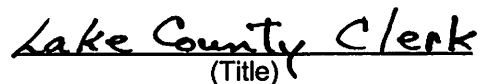
The lack of internal controls over financial transactions and reporting for the Clerk of the Circuit Court was a systemic issue throughout the audit period. Reconciliation of the combined bank account and through December 2018 were attempted, but not complete.

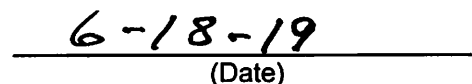
***RESPONSE AND CORRECTIVE ACTION PLAN: In May of 2019, the initiative was to reconcile the Lake County Clerks combined bank account, which was not reconciled since July 2018. As of June 2019, Bank reconciliation from July 2018 to November 2018 is complete and December to be completed in July 2019 to assure that the cash and investment balance report in the financial statement meet the SBOA performance to be materially correct.***

The Lake County Clerk of the Circuit Court

Anticipated Completion Date: On or before December 2019.

  
(Signature)

  
(Title)

  
(Date)

## Rebecca Dowling

---

**From:** Strickland, Gaye Lynn  
**Sent:** Tuesday, May 28, 2019 1:23 PM  
**To:** Gomeztagle, Joseph A; Rebecca Dowling; Anastasia Koutouvas  
**Subject:** Receipt Pools

FYI... When you were here you asked me to change your receipt pools so that there was not a duplication of receipt numbers.

All of the receipt pools will now be YYYY-SSSS-XX. The YYYY will be the year, the SSSS is the sequential counter that will restart at 1 each year and the XX is the suffix. The suffix will now be as follows:

CP = Crown Point  
EC = East Chicago  
EF = E Filing  
EPay = E Pay  
G = Gary  
H = Hammond

So if you see receipt 2019-12345-CP and 2019-13245-EC, you'll know one was issued by a cashiering station at Crown Point and the other from East Chicago.

Sorry for the delay in making this update. I hadn't made a good note of it and it just hit me talking about another county!

*Gaye Lynn*

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

The same comment also appeared in twelve prior reports, including the three most recent Reports B47575, B49219, and B51083.

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

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

In May 2018, the Clerk of the Circuit Court converted to a new software system, as well as consolidated to maintain one bank account for all divisions. For the conversion to the new software system, the divisions ceased using the old bank accounts and transferred the operating cash and investment balances to the new combined bank account. A balance remained in the old bank accounts to cover the checks written prior to May 21, 2018, that had not been cashed (outstanding checks).

Additionally, there were the following deficiencies at the various Clerk of the Circuit Court's divisions described as follows:

***Crown Point Civil***

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL, which was the official record. As of December 31, 2018, the reconciled bank balance was \$5,384 in excess of the manual Cash Book balance. No attempt was made to research this variance. At December 31, 2018, the bank balance was \$1,968 in excess of the outstanding check listing.

***Crown Point Traffic***

Until June 2018, an excel spreadsheet (commercially purchased software) was maintained and used to reconcile to the adjusted bank balance instead of the ABL, which was the official record. This spreadsheet was prepared by the Traffic Division Bookkeeper from daily receipts and disbursements generated by Court View and from the related bank activity (deposits, credits, and withdrawals). No spreadsheet was provided for audit for December 2018. As of December 31, 2018, the adjusted bank balance was \$15,418 less than the ledger balance (ABL) after adjusting for the investments. At December 31, 2018, the outstanding check listing was \$18,295 in excess of the bank balance (not including investment amounts), resulting in a cash short. No attempt was made to research this difference.

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

***East Chicago***

The reconciled bank balance for the Clerk of the Circuit Court's exceeded the ABL by \$103,613 as of December 31, 2018. Incorrect recording of an investment from "total monies on deposit" in 2009 accounted for \$100,000 of the difference. The remaining \$3,613 is the amount the bank balance exceeded the outstanding check listing and represents an accumulation of many years of uncorrected errors. A December 2018 reconciliation was not presented for audit.

Furthermore, the last reconciliation performed as of May 31, 2018, included a net adjustment amount of \$1,999. Virtually all of these adjustments were due to credit card transactions in the bank, but were not recorded in the records, or vice versa. The adjustments included transactions from 2011 to 2018, which were carried on the monthly bank reconcilements and were not resolved or posted to the records.

***Gary***

A manual Cash Book/Ledger (County Form 46) was maintained and used to reconcile to the adjusted bank balance instead of the ABL, which was the official record. As of December 31, 2018, the adjusted bank balance was \$162,956 greater than the ledger balance (ABL). No attempt was made to research the difference. A December 2018 reconciliation was not presented for audit. At December 31, 2018, the bank balance was \$171,749 in excess of the outstanding check listing (not including investment amounts).

***Hammond***

The Clerk of the Circuit Court's office in Hammond included three Divisions: Civil, Small Claims, and Traffic. The bank reconcilements of the three divisions included reconciling items that have existed for a number of years. These reconciling items could not be verified to supporting documentation, as no detailed listing of the composition of the reconciling items was maintained.

The Hammond office performed reconcilements to the ABLs for each division; however, unidentified reconciling items with no documentation resulted in various cash shorts and longs. The Small Claims Division's bank balance was \$2,149 less than the outstanding check listing, resulting in a cash short; the Civil Division's bank balance was \$14,741 in excess of the outstanding check listing, resulting in a cash long; and the Traffic Division's reconciled bank balance was \$6,670 in excess of the outstanding check listing, resulting in cash long.

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

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

**BOND FORFEITURES**

The same comment also appeared in seven prior Reports, including the three most recent Reports B47575, B49219, and B51083.

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

The Hammond Traffic Division's open items case listing included approximately 419 older cash bonds held in Trust by the Clerk of the Circuit Court's office at December 31, 2018. The cash bonds on hand, received between the years of 2002 to 2012 for criminal defendants, totaled approximately \$229,318.

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days or more than three hundred sixty-five (365) days after the defendant's failure to appear and issue a warrant for the defendant's arrest.

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

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

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

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

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and

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

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

CLERK OF THE CIRCUIT COURT  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2019, with Lorenzo Arredondo, Clerk of the Circuit Court; Michael A. Brown, former Clerk of the Circuit Court; Rebecca Dowling, Financial Director; Nikki Angel, Executive Chief Deputy; and Joseph A. Gomeztagle, Clerk Finance.

The contents of this report were discussed on June 18, 2019, with John Petalas, County Auditor; Michael C. Repay, President of the Board of County Commissioners; Jane Dudley, Chief Deputy County Auditor; Mathew N. Fetch, Board of County Commissioners' Attorney; John Dull, Assistant Board of County Commissioners' Attorney; Ajaz Mohammed, Assistant Financial Administrator; Larry Blanchard, Board of County Commissioners' Finance; and Scott Schmal, Finance Director.

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COUNTY AUDITOR  
LAKE COUNTY

COUNTY AUDITOR  
LAKE COUNTY  
AUDIT RESULT AND COMMENT

**ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES**

The same comment also appeared in six prior reports, including the three most recent Reports B47575, B49219, and B51083.

On September 13, 2017, the County adopted Ordinance 1412C, which addressed the specific types of expenses that can be paid in advance of Board of County Commissioners' allowance in accordance with Indiana Code.

The County Auditor's office submitted an Accounts Payable by Fund for Due Date Report (LC130) to the Board of County Commissioners' office prior to issuing checks for payment of accounts payable vouchers. Once the report had two County Commissioner's signatures (one of the County Commissioner's signatures would be stamped by a Board of County Commissioners' office employee), the County Auditor's office processed and posted the accounts payable vouchers and issued the checks. However, the accounts payable vouchers listed on the LC130 were not presented for approval by the Board of County Commissioners at the next meeting, nor were they included in the official Accounts Payable Voucher Register or docket as required by statute.

Beginning in 2019, the County Auditor's office began processing Accounts Payable Vouchers and issuing checks daily. The Board of County Commissioners' approval at the next meeting following the preapproved payment of the expense was not obtained.

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

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

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

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

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

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

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

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

. . .

COUNTY AUDITOR  
LAKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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

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

Indiana Code 36-2-6-4.5 states:

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

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

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

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

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

COUNTY AUDITOR  
LAKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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

COUNTY AUDITOR  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2019, with John Petalas, County Auditor; Michael C. Repay, President of the Board of County Commissioners; Jane Dudley, Chief Deputy County Auditor; Mathew N. Fetch, Board of County Commissioners' Attorney; John Dull, Assistant Board of County Commissioners' Attorney; Ajaz Mohammed, Assistant Financial Administrator; Larry Blanchard, Board of County Commissioners' Finance; and Scott Schmal, Finance Director.

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COUNTY SHERIFF  
LAKE COUNTY

COUNTY SHERIFF  
LAKE COUNTY  
AUDIT RESULT AND COMMENT

**CIVIL DIVISION SOFTWARE SYSTEM**

The same comment also appeared in the prior Report B51083.

The Sheriff's Civil Division utilized software that incorrectly posted checks to the Cash Book in the wrong month. For example, checks that were dated January 2019 were posted back to the December 2018 Cash Book. In addition, the software system did not provide a beginning or ending Cash Book balance and deleted voided items instead of reversing the original entry.

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 publication, 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 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. . . ."



July 16, 2019

Paul D. Joyce  
State Examiner  
State Board of Accounts  
302 W Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

### OFFICIAL RESPONSE TO AUDIT FINDINGS

**Finding: Civil Division Software System**

**Report Period: 1/1/2018 to 12/31/18**

**Contact Person: Dennis M. Eaton**

**Contact Person Information: (219)545-5929 [deaton@lakecountysheriff.com](mailto:deaton@lakecountysheriff.com)**

**Issue: As per the Audit Results and Comments - The Sheriff's Civil Division utilized software that incorrectly posted checks to the Cash Book in the wrong month. For example, checks that were dated January 2019 were posted back to the December 2018 Cash Book. In addition, the software system did not provide a beginning or ending Cash Book balance and deleted voided items instead of reversing the original entry.**

**View of Responsible Official: We are in complete agreement that the software is not adequate for the level of record keeping involved in such a large division.**

**There are multiple steps involved in such a large change with a government entity. A cursory investigation took place to determine an approximate cost and this was included in the 2020 Lake County Sheriff's budget. There was no way to move forward without funding.**

**The Civil Division software has many different responsibilities. It has to have a warrant system, a receipting aspect, a cash book utility, and a check register and reconciliation component. We have recognized the many shortcomings in the current system and want to make sure that a new system meets or exceeds our requirements. We have met with software developers to determine if all of our wants are possible and have been told that they are within reach. Currently we are in the process of**

determining who can best meet our needs. Once a software provider is chosen we will basically have to adhere to their timeline. The software will need to be developed, staff will need to be trained, and beginning numbers will need to be determined. In addition, the chosen software will have to be approved by the County's technology department. Although we would like to be able to provide an end date for this undertaking, we acknowledge that this is not something that can be hurried.

We recognize and share your concerns about the software. However, we would like to stress that the shortcomings that have been addressed by the State Board of Accounts are being monitored and corrected on an ongoing basis. An outside independent certified public accountant reconciles the software with the bank account and deposits are approved by supervisors and made to the bank daily.

This is a major undertaking for the Civil Division and we completely understand the importance of implementing it in a timely and correct manner.

COUNTY SHERIFF  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2019, with Oscar Martinez, Jr., County Sheriff; William Paterson, Chief of Police; Michael Zenk, County Jail Warden; Melanie Dillon, Supervisor Bookkeeping; John Gruszka, Commander; Peter Papageorgakis, Commissary Bookkeeper; Richard Jacobson, Commissary; John Kopack, Attorney for the County Sheriff; Donald J. Smith, CPA Consultant; and Michelle Dumbsky, Accounting Consultant.

The contents of this report were discussed on June 18, 2019, with John Petalas, County Auditor; Michael C. Repay, President of the Board of County Commissioners; Jane Dudley, Chief Deputy County Auditor; Mathew N. Fetch, Board of County Commissioners' Attorney; John Dull, Assistant Board of County Commissioners' Attorney; Ajaz Mohammed, Assistant Financial Administrator; Larry Blanchard, Board of County Commissioners' Finance; and Scott Schmal, Finance Director.

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COUNTY RECORDER  
LAKE COUNTY

COUNTY RECORDER  
LAKE COUNTY  
AUDIT RESULT AND COMMENT

***BANK ACCOUNT RECONCILIATION AND REMITTANCES***

A similar comment also appeared in ten of the twelve prior reports, including the three most recent Reports B47575, B49219, and B51083.

The County Recorder failed to perform monthly reconciliations of the Fee and Cash Book to the depository balance as required by Indiana Code. A safeguard was not in place to ensure that all monies were timely and accurately remitted to the County. Additional audit procedures were performed and determined there was an excess cash balance totaling \$58,760 that was not remitted to the County.

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

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

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

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

COUNTY RECORDER  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2019, with Regina M. Pimentel, Chief Deputy.

The contents of this report were discussed on June 18, 2019, with John Petalas, County Auditor; Michael C. Repay, President of the Board of County Commissioners; Jane Dudley, Chief Deputy County Auditor; Mathew N. Fetch, Board of County Commissioners' Attorney; John Dull, Assistant Board of County Commissioners' Attorney; Ajaz Mohammed, Assistant Financial Administrator; Larry Blanchard, Board of County Commissioners' Finance; and Scott Schmal, Finance Director.

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BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY

BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY  
AUDIT RESULT AND COMMENT

**ACCOUNTS PAYABLE VOUCHERS DEFICIENCIES**

The same comment also appeared in six prior reports, including the three most recent Reports B47575, B49219, and B51083.

On September 13, 2017, the County adopted Ordinance 1412C, which addressed the specific types of expenses that can be paid in advance of Board of County Commissioners' allowance in accordance with Indiana Code.

The County Auditor's office submitted an Accounts Payable by Fund for Due Date Report (LC130) to the Board of County Commissioners' office prior to issuing checks for payment of accounts payable vouchers. Once the report had two County Commissioner's signatures (one of the County Commissioner's signatures would be stamped by a Board of County Commissioners' office employee), the County Auditor's office processed and posted the accounts payable vouchers and issued the checks. However, the accounts payable vouchers listed on the LC130 were not presented for approval by the Board of County Commissioners at the next meeting, nor were they included in the official Accounts Payable Voucher Register or docket as required by statute.

Beginning in 2019, the County Auditor's office began processing Accounts Payable Vouchers and issuing checks daily. The Board of County Commissioners' approval at the next meeting following the preapproved payment of the expense was not obtained.

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

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

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

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

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

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

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

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

. . .

BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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

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

Indiana Code 36-2-6-4.5 states:

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

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

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
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BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

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BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY  
EXIT CONFERENCE

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