

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ST. JOSEPH COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/30/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Michael J. Hamann	01-01-19 to 12-31-20
County Treasurer	Michael J. Kruk	01-01-19 to 12-31-20
Clerk of the Circuit Court	Rita L. Glenn	01-01-19 to 12-31-20
County Sheriff	William Redman	01-01-19 to 12-31-20
President of the Board of County Commissioners	Andrew T. Kostielney	01-01-19 to 12-31-20
President of the County Council	Rafael Morton	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of St. Joseph County (County), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 22, 2020

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COUNTY AUDITOR
ST. JOSEPH COUNTY

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B53013.

Condition and Context

The following funds were combined into the Interlocal Groups Health Insurance fund and had overdrawn cash balances at December 31, 2019, which were not attributed to timing of reimbursements:

<u>Fund</u>	<u>Amount Overdrawn</u>
Clay Fire Group Insurance	\$ 11,008
Southwest/Portage Fire	153,675
South Bend Transpo Insurance	44,436

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

INTERNAL CONTROLS OVER ADJUSTMENTS

Condition and Context

Internal controls over revenue and expenditure adjustments were not consistently in place at the County. Adjustments were sometimes made by one employee without evidence of an oversight or approval process to ensure the accuracy the adjustments posted to the County's ledger.

Criteria

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

COUNTY AUDITOR
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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. . . ."

COUNTY AUDITOR RECORDS DO NOT RECONCILE WITH COUNTY TREASURER RECORDS

Condition and Context

The County Auditor is required to perform a reconciliation of cash to the County Treasurer funds, this did not occur for three of the four months tested in 2019.

Criteria

At the close of each calendar month a Monthly Financial Statement, County Form No. 61 shall be prepared showing the financial transactions for the month and year-to-date, for each fund and in total.

The county treasurer is also required to independently prepare a Monthly Financial Statement on the same form and the two statements must be reconciled. If any differences exist between the records of the auditor and the treasurer, they must be identified and immediate steps taken to bring the records of the two offices into agreement.

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

ST. JOSEPH COUNTY AUDITOR

227 W. Jefferson Blvd. Second Floor
County City Building
South Bend, IN 46601
Telephone 574-235-9668
Fax 574-235-5024

Michael J. Hamann
Auditor

John H. Murphy
Chief Deputy Auditor

OFFICIAL RESPONSE

Date: September 22, 2020

To: Indiana State Board of Accounts
302 West Washington Street. Room E418
Indianapolis, IN 46204-2765

RE: St. Joseph County – Audit for the Year Ended December 31, 2019

Dear State Board of Accounts Official:

Thank you for your efforts in completing the financial statement audit of St. Joseph County for the year ending December 31, 2019. As the county transitions from the regulatory basis to the GAAP basis of accounting, we appreciate the additional audit time and effort that it takes to make this transition possible. The following is the official county response to the items discussed in your Audit Results and Comments letter.

Cash and Investments

The Treasurer's office has control over investments and the reconciliation of the primary bank account at 1st Source Bank. With respect to investments, the County Commissioners will submit a request for proposals to qualified financial institutions to assume responsibility for investing county money and recordkeeping. The investments will be in accordance with the County's investment policy and State of Indiana statutes. The financial institution will be registered with the State of Indiana Public Deposit Insurance Fund (PDIF), which was created in 1937 to protect public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. The financial institution will provide a monthly investment report which will be sent to the County Treasurer, County Auditor, Commissioners and County Council members. On at least a quarterly basis, the investment manager will meet with this same group of officials to review investment results and plan performance.

With respect to the reconciliation of the primary bank account, County officials will make bank reconciliations a priority going forward. Therefore, in the 2021 budget, the county will include the position of Senior Accountant and budget a market-rate salary for this position. The individual hired will be required to have a four-year accounting degree and a minimum of three years of accounting experience, preferably in the public sector. An individual with a CPA designation will be given preference for this position. The Senior Accountant will be a full-time position and will report to the County Treasurer and County Auditor.

Overdrawn Cash Balances – Interlocal Health Insurance Funds

At December 31, 2019, the county had overdrawn cash balances in three interlocal government health insurance funds—Clay Fire Insurance Group (\$11,008), Southwest/Portage Fire Insurance Group (\$153,675) and South Bend Transpo Insurance Group (\$44,436). A deficit cash balance can occur if actual claims and expenses paid is greater than monthly premiums received. Please note that the Southwest/Portage Fire Insurance Group left the county plan effective January 1, 2020 and paid back their deficit cash balance in full on July 1, 2020. This fund has been

closed. The Transpo Insurance Group has had favorable claims experience this year and their cash balance was \$142,918 at August 31, 2020. The Clay Fire Insurance Group still has a negative cash balance (\$19,792 at August 31, 2020) and will be reviewed closely. Last year, the Clay Fire Insurance Group made an additional premium payment of \$150,000 on December 27, 2019, but this payment was not enough to eliminate the cash deficit due to large claims in December.

The county prepares a monthly financial report for the county health insurance plan and each interlocal group health insurance plan. This report is sent to County Council members, Commissioners, insurance broker, County Auditor, Human Resources Director, interlocal group finance officers and other county officials. The county will continue to monitor cash reserves in each fund and will take the steps necessary to eliminate these deficits.

Monthly Financial Report – Form 61

At the end of each month, a Monthly Financial Statement (Form 61) shall be prepared showing the financial transactions for the month and year to date. The county has two reports in its financial system that provide this information:

- **Funds Ledger vs Financial Monthly Comparison (Attachment A)**
- **Financial Report by Fund (Attachment B)**

The Funds Ledger vs Financial Monthly Comparison report was used during 2019. The County Treasurer's office prepared the funds ledger (on the left side of the report) and the County Auditor's office prepared the Financials (on the right side of the report). The Treasurer's Finance Officer and Chief Deputy Auditor each signed the report. The Chief Deputy Auditor also emailed the report to the County Council members and Commissioners every month and posted it to Gateway. Going forward, the Treasurer's office will make sure that the amounts that they report in the Funds Ledger agree with their subsidiary records.

Beginning for the month ending September 30, 2020, the Financial Report by Fund will also be reconciled between the Treasurer's office and Auditor's office. The Treasurer's Finance Officer and Chief Deputy Auditor will each sign the report. The Chief Deputy Auditor will email the Financial Report by Fund to County Council members and Commissioners every month and will be post it to Gateway. The Treasurer's office will make sure that the amounts reported agree with their subsidiary records and will prepare new reports as needed to meet this requirement.

Revenue and Expenditure Adjustments

The adjustments of revenue and expenditure accounts may occur, for example, if a check is posted to an incorrect general ledger account. Most of the adjustments are made by the Chief Deputy Auditor and Finance Director in the County Auditor's office. Due in part to staff working from home, and paper records stored at the office, the county was not able to provide documentation of all adjustments made. Accordingly, a new **Journal Entry/PO Adjustment Form** (Attachment C) was created and distributed to all fiscal officers on July 29, 2020. This form is required for all claims, receipt, payroll, revenue estimate, purchase order and purchase order liquidation adjustments. A minimum of two people in the Auditor's office or Procurement office will be required to sign and date this form. In addition, the Finance Director will save all emails electronically for revenue and expenditure adjustments made in the Auditor's office.

Our anticipated correction dates for these issues are as follows:

Investments – January 1, 2021

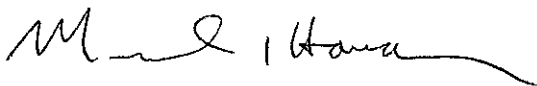
Bank Reconciliation – April 1, 2021

Overdrawn Cash Balances – Interlocal Health Insurance Funds – December 31, 2020

Monthly Financial Report – Form 61 – October 31, 2020

Revenue and Expenditure Adjustments – July 29, 2020

Thank you for your attention to this Official Response from St. Joseph County. If you should have any questions, please contact me.



Michael J. Hamann
County Auditor

COUNTY AUDITOR
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with Michael J. Hamann, County Auditor; Andrew T. Kostielney, President of the Board of County Commissioners; Rafael Morton, President of the County Council; Diana Hess, County Council member; Robert Kruszynski, County Council member; Richard J. Pfeil, County Council member; Joseph F. Canarecci, County Council member; John Murphy, Deputy County Auditor; and Michael J. Kruk, County Treasurer.

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COUNTY TREASURER
ST. JOSEPH COUNTY

COUNTY TREASURER
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

CASH AND INVESTMENTS

Condition and Context

The County Treasurer had internal controls procedures in place over the bank reconciliations; however, they were not effective. The internal controls did not ensure that the bank reconciliations reported the correct investment balance or that the cash and investment balances were reconciled to the County Auditor's fund balance. We reviewed the reconciliation between the County Treasurer's cash and investment balance and the County Auditor's fund balance and determined investments in the County Treasurer's Cash Book were overstated by \$2,509,128, and the County Treasurer's Reported Cash Collections after settlement was under reported by \$1,596,381. After making these corrections, we were left with a variance to be \$332,109 cash long.

Investments were not properly recorded in the County's official records, the investments were reported on an excel spreadsheet maintained solely by the County Treasurer. In addition, there was not effective segregation of duties for investments. The Deputy County Treasurer prepared the bank reconciliations monthly for the checking accounts, but did not reconcile with the investment register balance. In addition, the investment amount used on the County Treasurer's Cash Book was not verified to the investments per the investment register and did not agree to the investment register at year end.

Criteria

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

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

COUNTY TREASURER
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-13-6-1(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."

COUNTY TREASURER RECORDS DO NOT RECONCILE WITH COUNTY AUDITOR RECORDS

Condition and Context

The County Treasurer is required to perform a reconciliation of cash to the County Auditor's funds, this did not occur for three of the four months tested in 2019.

Criteria

The Monthly Financial Statement, Form 61, is a permanent record prepared from the treasurer's funds ledger at the close of each month. It is prepared after all postings to the ledger have been completed for the month and reflects the total receipts and disbursements and the balance for each fund for the month and for the year to date. The statement must agree with a similar statement kept by the county auditor, giving consideration to any adjustments required to reconcile the ledgers of the two offices. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)



ST. JOSEPH COUNTY

ESTABLISHED 1830

OFFICE OF THE TREASURER

MICHAEL J KRUK
Treasurer

ROBYN LUTHER
Chief Deputy Treasurer

OFFICIAL RESPONSE

September 23, 2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Audit Results & Comments, Cash & Investments - Treasurer

Please note our exceptions to specific comments made in the "Cash and Investments" section of the finding.

- A. Comment: "We reviewed the reconciliation between the Treasurer's cash and investment balance and the Auditor's fund balance and determined investments in the Treasurer's Cash book were overstated by \$2,509,128, and the Treasurer's Reported Cash Collections after settlement was underreported by \$1,596,381. After making these corrections, we were left with a variance to be \$332,109 cash long."

Response: We agree that the Treasurer's Reported Cash Collections after settlement were underreported by \$1,596,381. We agree that there was a difference of \$2,509,128 between what was reported as investments in the Auditor's fund balance and the investments on the Treasurer's cash sheet. We disagree that the Treasurer's Cash book overstated the investments. Below is a reconciliation that we submitted to the state auditor(s) on August 10.

Total Cash, per Treasurer's Cash Sheet		121,053,429.61
Difference between After Settlement Collections:		
In Fund 0001	8,456,232.70	
On Cash Sheet:		
Taxes to be Settled	4,935,866.44	
Other Collections	<u>5,116,747.23</u>	10,052,613.67
		-1,596,380.97
Difference between Treasurer's Ledger balances:		
Balance per Low	107,871,839.51	
per Cash Sheet	<u>111,000,815.94</u>	-3,128,976.43*
Difference between Fund 1000 County General:		
per Auditor's Report	20,829,931.95	
per Cash Sheet	<u>20,843,948.90</u>	-14,016.95
Difference between Fund 4912 Federal D.E.A./Sheriff:		
per Auditor's Report	64,710.61	
per Cash Sheet	<u>58,520.79</u>	6,189.82
Difference between Fund 8133 Cyber Crimes Against Children:		
per Auditor's Report	1,169.95	
per Cash Sheet	<u>2,470.60</u>	-1,300.65
Add back Funds 0002 through 0025		<u>11,941,166.14</u>
Total Cash, per Auditor's Report		<u>128,260,110.57</u>

* The bulk of this are two check registers that were run on December 31 for which we did not receive the paperwork until after that date. All entries on the cash sheet are based on some type of paperwork, i.e. quietuses, check registers, etc. The -\$3,128,976.43 consists of:

8/5 Deluxe adj.	610.20
9/5 Mis-key INDOT	- .02
9/5 Adj	4,003.99
12/31 check register	-203,068.28
12/31 check register	<u>-2,930,522.32</u>
	<u>-3,128,976.43</u>

All the numbers in the above reconciliation can be verified. Nowhere in the reconciliation is it necessary to make a \$2,509,128 adjustment in order to make our cash sheet balance with the Auditor's fund balance.

The Auditor's report consisted of \$128,260,110.57 in total funds at 12/31/19. Of that amount funds totaling \$109,632,399.49 received a pro-rated allocation of the total investments. The Auditor used \$81,873,390.32 in investments to do the allocation. However, these were the investments on the spreadsheet (which is a summary of the investment statements). What should have been used was \$84,382,518.10 in investments that was still on the cash sheet.

\$2,509,127.78 of investments was still in the investment total on the cash sheet as of 12/31/19 and had not yet transferred to the cash account. That happened the following month. Note the reconciliation for the General Fund bank account as of 12/31/19. Of the \$2,509,127.78, \$2,400,000 was in the bank on 12/31 but not on the GF ledger. It is on the reconciliation. \$100,000 had not yet been transferred to the bank so it is still in investments on the cash sheet, and 9,127.78 was received in the bank in July of 2019 and mistakenly went into interest income. It was a return of principal, so it is also still in the investment total on the cash sheet. In January \$2,500,000 moved from investments to the GF bank account on the cash sheet, and \$9,127.78 was removed from investments and netted against the January investment income.

Here is a breakdown of your unexplained cash long variance:

Investments removed from your reconciliation	2,509,127.78
A/P adjustments removed from your reconciliation	299,514.46
Difference in Treasurer Ledger – Low vs. C/S, not on your recon.	-3,128,976.43
Difference in Fund 1000 – Auditor's Report vs. C/S, not on your recon.	-14,016.95
Difference in Fund 4912 – Auditor's Report vs. C/S, not on your recon.	6,189.82
Difference in Fund 8133 – Auditor's Report vs. C/S, not on your recon.	-1,300.65
Unexplained difference in Auditor's Report noted in your recon.	<u>-2,646.60</u>
Total	<u>-332,108.57</u>

Of the amounts that make up the variance, -3,133,590.60 of the -3,128,976.43 was picked up on the Cash Sheet in January; the -14,016.95, the 6,189.82 and the -1,300.65 were also picked up on the Cash Sheet in January. The 2,509,127.78 needs to remain on the Cash Sheet. My reconciliation above shows that it is not a reconciling item that is necessary to bring the Cash Sheet and the Auditor's Report in balance. Also, for the time being the 299,514.46 needs to remain on the Cash Sheet. Of that total, 268,192.12 has been identified as Indiana taxes and 11,254.80 has been identified as Michigan taxes. 19,967.54 is unidentified. If you're saying remove it all, we will need to make an offsetting entry somewhere. As to the -2,646.60, I don't have a clue as to what that is.

B. Comment: “In addition, there was not effective segregation of duties for investments.

Response: Outlined below is how investments are accounted for in this office. The duties are divided among three (3) individuals.

1. Per IC 5-13-9-1 the County Treasurer is the only official in the county listed in that section who may make investments of any funds held. In addition, the investments are made in accordance with the Investment Policy that is adopted on a yearly basis with the Board of Finance.
2. The County Treasurer does not redeem or sell investments. Investments are held to maturity, and if an investment is called or redeemed, that is a condition of the investment stated at the time of purchase.
3. The County Treasurer does record new investments and remove matured/called/redeemed investments from the spreadsheet only.
4. The spreadsheet is maintained on a shared drive that the Finance Deputy has access to.
5. Expenditures for new investments are recorded in the Accounts Payable Ledger by the Financial Deputy.
6. Expenditures for new investments are recorded on the daily cash sheet by the Accounting Clerk.
7. Matured/called/redeemed investments are recorded in the General Fund Ledger by the Finance Deputy.
8. Matured/called/redeemed investments are recorded on the daily cash sheet by the Accounting Clerk.
9. Monthly investments statements received in this office go to the Finance Deputy.
10. Any expenditure for an investment in excess of \$500,000 must be confirmed by either the Finance Deputy or the Accounting Clerk.
11. Investment interest is tracked to the bank statement and recorded on the spreadsheet by the County Treasurer.
12. Investment interest is also tracked by the Financial Deputy from the bank statements. She prepares the request for quietus for the investment interest and records the investment interest in the General Fund Ledger.
13. When a quietus is received for the investment interest, the Accounting Clerk records the interest on the daily cash sheet.
14. As of 12/31/19 a monthly reconciliation of the investments is prepared by the Treasurer and reviewed by the Finance Deputy. Both parties sign off on the reconciliation. The reconciliation reconciles the investments on the individual statements with the investments on the investment spreadsheet and also with the investment total on the daily cash sheet. These monthly reconciliations are kept in a binder in the office of the Finance Deputy.

C. Comment: “The Deputy Treasurer prepared the bank reconciliations monthly for the checking accounts, but did not reconcile the investment register balance.”


Response: The Deputy Treasurer prepares no bank reconciliations in this office. We believe the comment meant to say the Finance Deputy. A monthly reconciliation was prepared by the Treasurer and reviewed by the Finance Deputy. See item 14 above. In an effort to segregate duties, the Finance Deputy prepares the bank reconciliations for the three (3) active bank accounts and they are reviewed by the Treasurer. Reconciliation of the investments is prepared by the Treasurer and reviewed by the Finance Deputy. In adhering to good accounting practice, the duties for reconciling the different bank and investments accounts are distributed among more than one individual.

D. Comment: “In addition, the investment amount used on the Treasurer’s Cash Book was not verified to the investments per the investment register and did not agree to the investment register at year end.”

Response: I believe there is a misunderstanding on behalf of the auditor as to what the balance on the investment ledger represents.

1. The investment amount as stated on the Treasurer’s Cash Book was reconciled (verified?) to the investment register (spreadsheet). See item 14 above. The investment register is a compilation of all the statements from the institutions where our investments are held. We currently have investments held in eight (8) different institutions. The spreadsheet combines all of those into one place. So the total investments on the spreadsheet will always match 100% to the totals on the statements.
2. The investments on the spreadsheet more often than not will not match the investment total on the cash sheet. But a reconciliation of the two should bring them into balance. It’s the same as the cash on the cash sheet will not match the cash on the bank statement, but a reconciliation is done to bring them into balance. It’s the same principle.

Respectfully submitted,



Michael J. Kruk
St. Joseph County Treasurer

COUNTY TREASURER
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with Michael J. Kruk, County Treasurer; Andrew T. Kostielney, President of the Board of County Commissioners; Rafael Morton, President of the County Council; Diana Hess, County Council member; Robert Kruszynski, County Council member; Richard J. Pfeil, County Council member; Joseph F. Canarecci, County Council member; Michael J. Hamann, County Auditor; and John Murphy, Deputy County Auditor.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The same comment also appeared in prior Reports B51247 and B53013.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations of some accounts within the Clerk of the Circuit Court's (Clerk) office did not balance.

A review of the 2019 monthly reconcilments of the Clerk's Main Trust and Small Claims checking accounts indicate that record balances were not fully reconciled to the depository balances. As of December 31, 2019, the bank account reconciliation for the Clerk's Main Trust checking account identified a cash short in the amount of \$50,471; this is an increase of \$16,498 from the prior year's reconciliation. The Small Claims checking account showed a cash long of \$642. Additionally, both accounts included unidentified reconciling item adjustments; the Main Trust netted to a total of \$8,762 and Small Claims totaled \$662.

Officials have been unable to determine the source of the unidentified cash variance being shown in its' financial records for funds accounted for in both the Clerk's Main Trust and Small Claims checking accounts. Monthly reconcilments show that the Clerk has consistently maintained these variances for several years.

In addition, the Child Support (ISETS) Indiana Support Enforcement included miscellaneous adjustments netting to a total of \$8,428 that have been carried on the bank reconcilments for several years, which have not been resolved.

Criteria

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'S TRUST ITEMS OVER FIVE YEARS OLD AND TRUST REGISTER

The same comment also appeared in prior Reports B51247 and B53013.

Condition and Context

Many outstanding checks in the Clerk's office have been on hand for a period of five years or longer. The Clerk's office has been working to remit unclaimed property to the Attorney General and has decreased the amount of outstanding checks in 2019.

The Main Office Trust account reconcilment included \$55,579 in outstanding checks that were considered unclaimed property. The oldest outstanding check was dated January 25, 1999.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The Small Claims account reconciliation included \$2,001 in outstanding checks that were considered unclaimed property. The oldest outstanding check was dated April 1, 2003.

The Mishawaka office account reconciliation included \$3,548 in outstanding checks that were considered unclaimed property. The oldest outstanding check was dated May 16, 2007. The outstanding checklist also included ten other checks that were not dated; however, based on the check number sequence, they were older than May 16, 2007.

The Clerk's office was not able to provide a detailed trust register for the Main Office Trust Cash Book, but it is reasonable to assume that some of the items are over five years old. The Main office Cash Book is made up of Trust and Bonds from the old software, which was used until 2014 and accounts for \$3,967,138 of the Clerk's funds.

Criteria

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

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

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under [IC 32-34-3](#). . . ."

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

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

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

Indiana Code 32-34-3-2 states in part:

- "(a) Except for money related to child support, the attorney general may collect all money that remains in the office of a clerk for at least five (5) years after being distributable without being claimed by the person entitled to the money.
- (b) The attorney general may collect all money related to child support that remains in the office of a clerk for at least ten (10) years after being distributable without being claimed by the person entitled to the money. . . ."

As soon as possible after the cash book and the daily balance record have been closed for the month, the clerk should reconcile the trust fund register with these two records.

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Total all items appearing on hand in the trust fund register. This also must be done as of the last day of the month. The total of these items must equal the balance in the trust fund column of the cash book and in the daily balance record.

If there is a difference, an error has been made. You must immediately review the work to detect the error and make the necessary correction. Do not leave the books out of balance. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 9)

CLERK OF THE CIRCUIT COURT
ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2020, with Rita L. Glenn, Clerk of the Circuit Court; Andrew T. Kostielney, President of the Board of County Commissioners; Rafael Morton, President of the County Council; Diana Hess, County Council member; Robert Kruszynski, County Council member; Richard J. Pfeil, County Council member; Joseph F. Canarecci, County Council member; Michael J. Hamann, County Auditor; Michael J. Kruk, County Treasurer; and John Murphy, Deputy County Auditor.