

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED

05/11/2021

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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	Lorenzo Arredondo	12-05-18 to 12-31-22
County Sheriff	Oscar Martinez, Jr	09-16-17 to 12-31-22
County Recorder	Michael B. Brown Gina Pimentel	01-01-17 to 12-31-20 01-01-21 to 12-31-24
President of the Board of County Commissioners	Michael C. Repay	01-01-19 to 12-31-21
President of the County Council	Ted F. Bilski, II	01-01-19 to 12-31-21



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Lake County (County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 20, 2021. The opinion on governmental activities was disclaimed because there was not sufficient appropriate audit evidence for capital assets net of accumulated depreciation for land and other capital assets of the County. As a result of this lack of supporting documentation, we were unable to audit capital assets and accumulated depreciation. The opinion on the aggregate discretely presented component units was adverse because the component units were not included in the County's financial statements. As a result, the financial statements did not present fairly the financial position of the aggregate discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003.

Lake County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 20, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Lake County's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of each major fund and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. The opinion on governmental activities was disclaimed because there was not sufficient appropriate audit evidence for capital assets net of accumulated depreciation for land and other capital assets of the County. As a result of this lack of supporting documentation, we were unable to audit the capital assets and accumulated depreciation. The opinion on the aggregate discretely presented component units was adverse because the component units were not included in the County's financial statements. As a result, the financial statements did not present fairly the financial position of the aggregate discretely presented component units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because there was not sufficient appropriate audit evidence for capital assets net of accumulated depreciation for land and other capital assets of the County, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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

April 20, 2021

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the County. The schedule and notes are presented as intended by the County.

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LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553			
Juvenile Center Breakfast Program			FY2019	\$ -	\$ 31,865
National School Lunch Program	Indiana Department of Education	10.555			
Juvenile Center Lunch Program			FY2019	-	53,655
Total - Child Nutrition Cluster				-	85,520
Total - Department of Agriculture				-	85,520
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419			
Deep River-Tsirtsis Acquisition			CZ-732	-	22,500
Total - Department of Commerce				-	22,500
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	Direct Grant	14.218			
Neighborhood Stabilization Program - NSP 1			B-08-UN-18-0002	-	157,621
Neighborhood Stabilization Program - NSP 3			B-11-UN-18-0002	-	26,938
CDBG			B-15-UC-18-0016	-	6,884
CDBG			B-16-UC-18-0016	-	155,419
CDBG			B-17-UC-18-0016	-	410,419
CDBG			B-18-UC-18-0016	-	468,572
CDBG			B-19-UC-18-0016	-	65,974
Total - Community Development Block Grants/Entitlement Grants				-	1,291,827
Total - CDBG - Entitlement Grants Cluster				-	1,291,827
Home Investment Partnerships Program	Direct Grant	14.239			
LC Home Program			M-16-UC-18-0207	-	47,974
LC Home Program			M-17-UC-18-0207	39,268	69,976
LC Home Program			M-18-UC-18-0207	95,043	236,102
Total - Home Investment Partnerships Program				134,311	354,052
Total - Department of Housing and Urban Development				134,311	1,645,879
<u>Department of the Interior</u>					
Outdoor Recreation Acquisition, Development and Planning	Indiana Department of Natural Resources	15.916			
Deep River Park Thomas Acquisition & Big Maple Lake			E10-6-1800590	-	150,020
Total - Department of the Interior				-	150,020
<u>Department of Justice</u>					
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Sheriff's Office - 2019-2020 VOCA Grant			Subgrant #7214	-	65,284
Prosecutor's Office - 2019-2020 VOCA Grant			Subgrant #7239	-	48,684
Total - Crime Victim Assistance				-	113,968

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
State Criminal Alien Assistance Program	Direct Grant	16.606			
SCAAP			2019-AP-BX-0566	-	15,559
SCAAP			2019-AP-BX-0715	-	17,188
Total - State Criminal Alien Assistance Program				-	32,747
Edward Byrne Memorial Justice Assistance Grant Program	Direct Grant	16.738			
2016 Justice Assistance Grant			2016-DJ-BX-0800	-	86,288
2017 Justice Assistance Grant			2017-DX-BX-0438	-	68,943
2018 Justice Assistance Grant			2018-DJ-BX-0473	-	5,954
2019 Justice Assistance Grant			2019-DJ-BX-0342	-	661
2018 JAG - NICHE Grant			D3-18-12358	-	19,092
2019 JAG - NICHE Grant			JAG-2019-00032	-	50,556
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	231,494
Equitable Sharing Program	Direct Grant	16.922			
Equitable Sharing - DEA Forfeitures			IND450000	-	76,558
Total - Department of Justice				-	454,767
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
45th Avenue-Whitcomb to Chase			DES #1172007	-	197,342
Bridge 61			DES #1400843	-	65,830
Bridge Inspection 2018-2022			DES #1592160	-	353,186
Bridge 65			DES #1600930	-	101,513
Bridge 48			DES #1702830	-	24,200
Bridge 47			DES #1702831	-	84,077
45th Avenue & Colfax Traffic Signals			DES #9707970	-	5,756
Veterans Memorial Trail			DES#9981680	-	36,680
Total - Highway Planning and Construction				-	868,584
Total - Highway Planning and Construction Cluster				-	868,584
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
FY 2019 - Operation Pullover			Contract: OPO-2019-34	-	1,433
Total - Highway Safety Cluster				-	1,433
Total - Department of Transportation				-	870,017
<u>Environmental Protection Agency</u>					
Great Lakes Program	Indiana Department of Environmental Management	66.469			
Gibson Woods Restoration			A305-6-186	-	243,565
Total - Environmental Protection Agency				-	243,565

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Child Support Enforcement	Indiana Department of Child Services	93.563			
Circuit Court Title IV-D FFP			Circuit Court	-	989
County Clerk Title IV-D FFP			County Clerk	-	160,038
County Clerk Title IV-D Incentive			County Clerk	-	96,913
Juvenile Court Title IV-D FFP			County Court	-	236,097
Juvenile Court Title IV-D Incentive			County Court	-	255,545
Prosecutor's Title IV-D FFP			County Prosecutor	-	2,077,834
Prosecutor's Title IV-D Incentive			County Prosecutor	-	511,237
County Title IV-D Indirect Costs			Indirect Costs	-	<u>1,262,087</u>
Total - Child Support Enforcement				-	<u>4,600,740</u>
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance HIV/AIDS Surveillance	Indiana Department of Health	93.944			
			Contract No: 23623	-	<u>84,941</u>
Total - Department of Health and Human Services				-	<u>4,685,681</u>
<u>Department of Homeland Security</u>					
Boating Safety Financial Assistance Sheriff's Marine Patrol	Indiana Department of Natural Resources	97.012			
			Contract No: 25173	-	<u>11,250</u>
Hazard Mitigation Grant Hazard Mitigation Plan Update	Indiana Department of Homeland Security	97.039			
			Contract No: 15991	-	<u>2,438</u>
Emergency Management Performance Grants 2018 EMPG - Salary Grant 2017 EMPG - Salary Grant	Indiana Department of Homeland Security	97.042			
			Contract #31249	-	45,906
			EMC-2017-EP-00002	-	<u>34,896</u>
Total - Emergency Management Performance Grants				-	<u>80,802</u>
Homeland Security Grant Program LCHSEMA - 2018 SHSP Grant LCSD - 2018 SHSP Grant	Indiana Department of Homeland Security	97.067			
			EMW-2018-SS-00011	-	29,920
			EMW-2018-SS-00011	-	<u>30,000</u>
Total - Homeland Security Grant Program				-	<u>59,920</u>
Total - Department of Homeland Security				-	<u>154,410</u>
Total federal awards expended				<u>\$ 134,311</u>	<u>\$ 8,312,359</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

LAKE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the County, it is not intended to and does not present the financial position of the County.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

<u>Name of Opinion Unit</u>	<u>Opinion Issued</u>
Governmental activities	Disclaimer
Aggregate discretely presented component units	Adverse
Each major fund	Unmodified
Aggregate remaining fund information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
93.563	CDBG - Entitlement Grants Cluster Child Support Enforcement	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

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

Condition and Context

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Financial Statements and Notes to the Financial Statements

The County contracted with a consultant to prepare the County's financial statements and note disclosures in accordance with Generally Accepted Accounting Principles (GAAP). The consultant used the County's cash basis Annual Financial Report (AFR) submitted on the Indiana Gateway for Government Units financial reporting system as the basis for the financial statements. The County had a documented review over the cash basis AFR; however, the County did not have a documented review and approval of the adjustments needed to convert the cash basis AFR to GAAP financial statements. In addition, the County did not have a documented review and approval of the completed GAAP financial statements, note disclosures, and other information.

Internal controls were not properly designed or implemented to ensure that the financial statements and note disclosures were accurate and complete. The following errors were noted:

1. The Internal Service Fund revenues and expenses were overstated by approximately \$42,000,000.
2. All General Fund expenditures were classified as general government, which understated the classification of the General Fund expenditures for public safety by \$35,891,484.
3. Agency Funds, Taxes Payable, were understated by \$33,227,513.
4. Bond proceeds were overstated by \$18,000,000 in Note 6 - Long-Term Liabilities.

Adjustments were proposed, accepted by the County, and made to the financial statements and note disclosures.

Investments

An electronic investments ledger was maintained by one individual without a documented oversight or review process.

Capital Assets

The County contracted with a consultant to determine the detailed listing of capital assets. The County did not have internal controls in place to verify that the amounts on the detailed listing from the consultant were accurate or complete. Additionally, the County did not perform a complete physical inventory as required.

Numerous errors were noted on the capital asset detailed listing. The capital asset detailed listing omitted a newly constructed County building as well as included a building not owned by the County. The financial statements and notes to the financial statements reported an increase of \$22,992,333 in construction in progress; however, the capital asset detailed listing from the consultant did not list any additions to construction in progress. Construction in progress was an adjustment made by the compilers without an oversight or review process by the County. In addition, various items were included as construction in progress that should have been expensed rather than capitalized.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County was unable to provide supporting documentation for any of the requested beginning capital assets reported. As a result, we were unable to audit capital assets, accumulated depreciation, and depreciation expense for the County. The opinion of the governmental activities reflects this matter.

Discretely Presented Component Units

The County did not include the Lake County, Crown Point, or Lowell Public Libraries as discretely presented component units on the financial statements. The Libraries were unable to provide their financial statements in a timely manner. The opinion on the aggregate discretely presented component units reflects this matter.

Internal Service Fund

The County contracted with a third-party administrator to process the medical and prescription claims for the County's self-insurance plan. Internal controls over the transactions and balance of the fiduciary account held with the third-party administrator were not properly designed or implemented to ensure accurate reporting of financial transactions and the account balance.

Net Pension Liability (Asset)

Internal controls were not properly designed to ensure that the financial statements and the related notes were complete and free of material misstatements. The County failed to report the Net Pension Assets - Sheriff Pension, which understated assets by \$1,264,068. The County also understated the Net Pension Liabilities - Sheriff Pension by \$1,264,068, Deferred Outflows of Resources - Pension, related by \$6,314,350, and Deferred Inflows of Resources - Pension, related by \$5,007,781. Adjustments were proposed, accepted by the County, and made to the financial statements.

The County had not separated incompatible activities related to the County Police Pension Plans Census Data (census data). The Commander of Staff Services worked with the County's pension consultant in the preparation of the census data for the actuary. There was no written indication that the supporting detail for the census data was reviewed prior to submission to ensure the census data was accurate and correctly presented.

Other Post-Employment Benefits (OPEB)

The County had not separated incompatible activities related to the OPEB Census Data (census data). The census data was compiled by the County's third-party administrator (TPA) and sent to the County's Payroll Department, Human Resources Department, and the actuary. In the original census data provided to the actuary, the hire date for all (100 percent) employees/retirees was not accurately reported. The County officials prepared new census data to correct this error and provided new hire dates for all employees/retirees to the actuary. The actuary performed a new valuation as of December 31, 2019, in February 2021. Written documentation of a review or oversight process by the County prior to providing the information to the actuary ensuring the accuracy of the census data was not provided for either the original or revised census data.

Internal controls were not designed to ensure that the financial statements, and the related notes, were complete and free of material misstatements. Due to the error noted in the original census data provided, the Total Other Post-Employment Benefits (OPEB) was understated by \$218,907,497, the OPEB Expense was understated by \$17,334,600, and the Deferred Outflows of Resources - OPEB related was understated by \$20,503,326. Adjustments were proposed, accepted by the County, and made to the financial statements.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The County also failed to establish controls to ensure OPEB benefits were only paid to retirees and beneficiaries that were alive and eligible for the OPEB benefits.

Statement of Fiduciary Net Position - Fiduciary Funds

The presentation of the Statement of Fiduciary Net Position - Fiduciary Funds (Statement) included numerous errors. Presentation errors noted on the Statement were brought to the attention of the officials. Adjustments were proposed, accepted by the County, and made to the financial statements.

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. . . ."

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Cause

Management of the County had not established a proper system of internal controls over financial transactions and reporting.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal controls system placed the County at risk that internal controls may not have been either designed properly or operating effectively to provide reasonable assurance that internal controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

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

FINDING 2019-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

Condition and Context

There were several deficiencies in the internal control system of the Clerk of the Circuit Court's (Clerk) office related to financial transactions and reporting that constituted material weaknesses and are as follows:

1. **Bank Reconciliations:** The Clerk did not have a proper system of internal controls in place to ensure that the accounting record balances were reconciled with all the bank depository balances at least monthly as required by Indiana Code.

The Clerk's office had not reconciled any of the bank accounts, including the court order investments, associated with the prior software system. Furthermore, errors noted since the conversion to the new software in May 2018, which resulted in the reconciled bank balance to be lower than the record balance, continued to be carried on the bank reconciliation. Additional audit procedures were performed and it was determined that the cash and investment balances reported in the financial statement were materially correct.

2. **Monitoring of Internal Controls:** The Clerk did not have an effective process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting required the Clerk to monitor and assess the quality of the system of internal controls.
3. **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.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Clerk did not have an effective internal control system over financial reporting to ensure the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statements. The Clerk did not include two accounts when reporting the Supplemental County Annual Report to the County Auditor for inclusion in the County's financial statements.

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. . . ."

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."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 1)

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 had not established a proper system of internal controls that would have ensured accurate and complete monthly bank reconciliations. Management also had not established a proper system of internal controls that would have ensured complete and accurate financial reports to be included in the financial statements.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to provide accurate and complete bank reconciliations 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 a system of internal controls enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Clerk at risk that internal controls may not be either designed properly or operating effectively to provide reasonable assurance that internal controls would have prevented, or detected and corrected, material misstatements or irregularities in a timely manner.

Views of Responsible Officials

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

FINDING 2019-003

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

Condition and Context

The County had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the County's Schedule of Expenditures of Federal Awards (SEFA).

The County failed to properly review the federal grant information prepared and submitted into Gateway. Although one employee prepared and entered the federal award information into Gateway based upon the work of a consultant, and another employee reviewed and approved the information entered, the internal controls was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The CDBG Entitlement Grants Cluster expenditures were understated by \$98,362.
2. The Home Investment Partnerships Program expenditures were understated by \$223,348. In addition, subrecipient expenditures were understated by \$58,079.
3. The Highway Planning and Construction Cluster expenditures were understated by \$154,241.
4. The Child Support Enforcement expenditures were understated by \$3,503.

Audit adjustments were proposed, accepted by the County, and made to the SEFA presented in this report.

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:

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within 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.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 on internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system on internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA included the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the County. The documents are presented as intended by the County.



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CLERK LAKE CIRCUIT/SUPERIOR COURT
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001 (Auditor Assigned Reference Number)

Fiscal year in which the finding initially occurred: 2013

Status of Audit Finding: Partially Corrected

Lack of segregation of Duties. The Clerk's office had not separated incompatible activities related to disbursements and cash and investment balances.

A Standard Operations Procedures manual was created to address the segregation of duties for each office and division. In May 2018 the Clerk's office converted to the Odyssey Case Management which has significantly improved segregation of duties for receipts and disbursement. Receipting is done in a till. Reconciled, and then re-reconciled. Checks are now processed by each division and then the financial department located in the Crown Point office now reviews, prints, and mails payments. The satellite offices no longer maintain/reconcile a bank account. The Financial office is responsible for completing bank reconcilements. However due to the lack of resources we are unable to implement an effective control over some accounts.

Control Activities: Receipts – Internal Controls was in place for the receipting process; however, the control was ineffective in detecting the new software systems use of duplicate receipt numbers.

The duplicate receipt issue has been resolved by changes made in the software. Each satellite office has an identifying suffix at the end of each receipt.

**Example: 2019-12345-CP
CP=Crown Point**

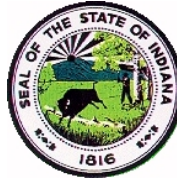
Monitoring of Controls – The Clerk of the Circuit Court had no process to identify or communicate corrective actions to improve controls.

The controls are evaluated on an ongoing basis. The Clerk's Office has incorporated the Standard Operating Procedures to assist in the improvement of internal controls. The Clerk's Office is still working on implementing effective controls.

Preparing the Financial Statement – 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'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 Clerks' offices and divisions.

Still working on effective controls for preparing the financial statement.

JOHN PETALAS
Auditor



2293 North Main Street
Crown Point, IN 46307
219-755-3120
Fax:219-755-3023

Lake County Auditor

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Ajaz Mohammed
Contact Phone Number: (219) 755-3134

Views of Responsible Official:

We concur with the finding. Recognizing this is the first year that the County has presented GAAP basis financial statements, the County will work to further design, implement and document internal controls relative to the GAAP financial statement preparation process as well as for the gathering and review of underlying support documentation.

Description of Corrective Action Plan:

The County will evaluate, design and implement controls, as applicable, to remediate the issues noted in the audit finding as follows:

1. Financial Statements and Notes to the Financial Statements

The County will implement internal controls over the County's GAAP financial statements and note disclosures by identifying an individual from the County with an appropriate skillset to document their review and approval the draft financial statements and footnotes as well as the underlying fund level and government wide accrual entries prepared during compilation of the financial statements and note disclosures.

Anticipated Completion Date: July 31, 2021 (For the County's 2020 financial statements and note disclosures)

2. Investments

The County Treasurer's Office will implement an internal control over the County's electronic investments ledger by designating an individual with an appropriate skillset to clearly document their periodic review of the electronic investments ledger in writing.

Anticipated Completion Date: July 31, 2021

3. Capital Assets

The County will implement internal controls over the County's capital asset records by designating an individual from the County with an appropriate skillset to document a periodic review of capital outlay expenditures to the capital asset records. In addition, the County is implementing a new Enterprise Resource Planning (ERP) system which will include a component to track fixed assets for the County.

Anticipated Completion Date: July 31, 2021

The County will evaluate the cost and benefit of performing a complete physical inventory over the County's capital assets.

Anticipated Completion Date: July 31, 2022

The County will work with our consultant to create a Construction in Progress (CIP) ledger to track capital construction projects to completion.

Anticipated Completion Date: July 31, 2021

4. *Discretely Presented Component Units*

The County will evaluate the practicality, timing and cost-benefit of having the libraries convert to GAAP basis financial statements in order to report the libraries as discretely presented component units in the County's financial statements.

Anticipated Completion Date: December 31, 2021

5. *Internal Service Fund*

The County will implement internal controls over activity with their Third Party Administrator (TPA) for medical and prescription claims by designating an individual from the County with an appropriate skillset to document monthly reviews of the claim transactions with the TPA and an annual review of the balances in the TPA funds and accounts.

Anticipated Completion Date: July 31, 2021

6. *Net Pension Liability (Asset)*

In the financial statement draft, the balances of the County Police Pension Fund's net pension asset was netted with the net pension liability for reporting purposes. The County corrected the issue for the 2019 financial statements to show the net pension asset separate from the net pension liability. We will continue to report the asset separate from the liability in future years.

In addition, the County will implement internal controls over census data reported to the actuary by designating an individual from the County Police Department with an appropriate skillset to document a review of the census data compiled by the County that will be remitted to the actuary.

Anticipated Completion Date: July 31, 2021

7. *Other Post-Employment Benefits (OPEB)*

The County will implement internal controls over census data reported to the actuary by designating an individual from the County with an appropriate skillset to document a review of the census data compiled by the County Human Resources Department.

Anticipated Completion Date: July 31, 2021

8. *Statement of Fiduciary Net Position*

The County corrected the presentation and classification errors in the Statement of Fiduciary Net Position for the 2019 financial statements and will continue to present the Statement of Fiduciary Net Position in the proper format in future years.

Anticipated Completion Date: July 31, 2021



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CORRECTIVE ACTION PLAN

April 16, 2021

FINDING 2019-002

Contact Person Responsible for Corrective Action: Rebecca Dowling

Contact Phone Number: 219-755-3067 Email dowlira@lakecountyin.org

Views of Responsible Official: We agree with the repeat findings identified.

Description of Corrective Action Plan:

1. **Bank Reconciliations:** 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 all the bank depository balances at least monthly as required by Indiana Code. The Clerk of the Circuit Court's Office had not reconciled any of the bank accounts, including the court order investments, associated with the prior software system. Furthermore, errors noted since the conversion to the new software in May 2018, which resulted in the reconciled bank balance to be lower than the record balance, continue to be carried on the bank reconciliation. Additional audit procedures were performed and determined that the cash and investment balance reported in the financial statement was materially correct.
 - All bank accounts will be reconciled, reviewed, and uploaded into Gateway in a timely manner. A monthly review sheet will be filled out by Financial Manager that documents she has reconciled/completed form 46. The Financial Assistant will review and the Chief Executive Deputy will certify. The bank accounts will be listed individually on the CAR. 5 accounts will be closed in the year 2021. The Financial office will continue to resolve conversion issues along with monthly misc. reconciling issues that have been carried. The outer office court ordered investment accounts will review by the Division Manager and the Financial Manager with a documented review sheet on a monthly basis.
2. **Monitoring of Controls:** The Clerk of the Circuit Court did not have an effective 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.

- We will have a process in place for monitoring and reviewing all financial reports that are prepared in the Clerk's Office. The Financial Office will have a monthly review sheet will be filled out by the Financial Manager that the accounts have been reconciled. The Financial Assistant. will review the 46cr and the bank statements. The Executive Chief Deputy will certify. This sheet will also include the Gateway upload process. The Financial Manager will also print out a screen shot of Gateway website to document that the required information has been uploaded. We will continue to monitor and enforce that these procedures are followed daily per the State Board of Accounts manual.

3. **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 The Clerk of the Circuit Court did not have an effective internal control over financial reporting to ensure the preparation of accurate and complete financial reports to be included in the County's Annual Financial Report (AFR) and financial statement. The Clerk of the Circuit Court did not include two accounts when reporting the Supplemental County Annual Report (CAR) to the County Auditor for inclusion in the County's financial statements.**

- The corrective plan for the Preparing Financial Statement (Annual Carr/ Supplemental Report) will be prepared by the Financial Manager, review by Assistant Financial Manager that the correct dollar amounts are reported by the County Auditor in the Gateway program. This will also include a review documentation certified by the Chief Executive Deputy. A review sheet will be filled out by each outer office financial clerk with the court ordered investment totals that the Financial Manager will review, approve and properly report onto the CAR report. We will have an open line of communication with the Auditors Department on the checks and disbursements of this report. Going forward the two missing accounts have been added to the 2020 Financial Report

Anticipated Completion Date: Dec 2021

Sincerely,

Lorenzo Arredondo
Lake County Clerk

Lake County Auditor

CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Ajaz Mohammed
Contact Phone Number: 219-755-3134

Views of Responsible Official:

The Lake County Auditor believes this Finding resulted from refinements in the FY 2019 Schedule of Expenditures of Federal Awards (SEFA) audit since the errors noted had not been identified in recent A-133 audits. That said, the County accepts the SBOA's refinements and determinations pursuant to the FY 2019 SEFA.

The SBOA provided its proposed adjustments to the County's FY 2019 SEFA in late January 2021 while the County was preparing its FY 2020 SEFA. The County appreciates receiving the 2019 SEFA audit information in a timely manner so the County's consultant could develop and implement additional internal controls to prevent making the same types of errors in the FY 2020 SEFA. This Corrective Action Plan (CAP) identifies and describes the internal controls the County has already implemented to detect, correct, and prevent the errors found in the FY 2019 SEFA.

Description of Corrective Action Plan:

Since the FY 2019 SEFA adjustments were provided while the County was preparing its FY 2020 SEFA, the County has already developed and implemented the following internal controls to detect, correct, and prevent errors in reporting federal expenditures:

- (a) Previously the County considered federal grant income receipted based on the date it was manually posted into the appropriate fund in the County's financial system. Based on the SBOA's guidance, federal grant income is considered receipted on the transaction date of the grant's bank wire. To prevent this error in the FY 2020 SEFA, the County consultant and the Lake County Treasurer's Office established a process through which the Treasurer's Office provides a bank wire's transaction date for federal grant funds received at the beginning and end of the calendar year. To prevent this error in the FY 2020 SEFA, the County now uses the wire transaction date – and not the posting date – as the receipt date for federal grant payments. This internal control will ensure that all federal grant payments received in the calendar year will be captured and reported on the SEFA.
- (b) The County's financial system does not identify HUD CDBG, HOME, or NSP Grant Program Income as "grant income." However, the FY 2019 SEFA audit found Program Income (i.e., recirculating funds previously reported by the County as federal expenditures) must be included in the federal expenditure reported for HUD grants in the SEFA. Since the County already tracks Program Income recirculated by the County's HUD grants, the County has corrected this error by including HUD grant Program Income in the federal expenditure reported in the SEFA.

- (c) The Lake County Community Economic Development Department (LCCEDD) contends non-federal entities to which the LCCEDD “passed through” HOME grant funds are contractors and not subrecipients. The LCCEDD based its position on the existence of contracts between the LCCEDD and the entities thereby making the entities contractors. Despite the LCCEDD’s position to the contrary, the County accepts this finding and its consultant has corrected this error by reporting subrecipient grant awards in compliance with the subrecipient guidance provided through the audit.
- (d) The County’s Title IV-D Child Support Enforcement grant payments are transmitted via bank wires along with electronic Remittance Notices from the Department of Child Services (DCS). The Title IV-D Remittance Notices provide additional payment details not found on bank wires. The County’s prior SEFA preparation process entered Remittance Notice federal grant receipts into Title IV-D grant project spreadsheets on a quarterly basis. This internal control was inadequate in preventing a reporting error on the FY 2019 2019 SEFA. For the 2020 SEFA, the County’s consultant implemented a final verification process to reconcile Title IV-D grant income receipts in the SEFA to the sum of Remittance Notice amounts provided to Lake County.

Anticipated Completion Date:

Since the SBOA’s 2019 SEFA audit findings and subsequent adjustments were communicated to the Lake County Auditor while the FY 2020 was being prepared, the County was able to develop and implement the above-mentioned internal controls by **February 4, 2021**.

Additional Information:

Lake County has commissioned a firm to develop a new financial system. The County is currently working with the firm to design a financial system that better meets the County’s needs for financial reporting. The new financial system will include grants management modules and the County’s consultant is actively involved in identifying County needs for grant reporting including federal grant information reported in the SEFA. The County will ensure the new financial system includes processes to improve the accuracy of future SEFAs.

OTHER REPORTS

In addition to this report, other reports may have been issued for the County. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.