

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

SPECIAL COMPLIANCE REPORT
OF
COMMUNITY CORRECTIONS
LAPORTE COUNTY, INDIANA
January 1, 2019 to December 31, 2020



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Community Corrections Executive Director	Robert Neary	01-01-19 to 02-28-20
	(Vacant)	02-29-20 to 04-05-20
	Rochelle Brown	04-06-20 to 07-06-22
	Mericka Beaty (acting)	07-07-22 to 12-31-22
President of the Board of County Commissioners	Vidya Kora	01-01-19 to 12-31-19
	Sheila Matias	01-01-20 to 12-31-20
	Richard Mrozinski	01-01-21 to 12-31-21
	Sheila Matias	01-01-22 to 12-31-22
President of the County Council	Randy Novak	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAPORTE COUNTY, INDIANA

This is a special report for the Community Corrections, LaPorte County (County), for the period from January 1, 2019 to December 31, 2020, and is in addition to any other report for the County as required under Indiana Code 5-11-1. All reports pertaining to the County 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

February 28, 2022

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COMMUNITY CORRECTIONS
LAPORTE COUNTY

COMMUNITY CORRECTIONS
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH AND INVESTMENT BALANCES

Condition and Context

Community Corrections State Grant Fund (Fund 9106)

At December 31, 2019 and 2020, the cash and investment balance of the Community Corrections State Grant fund (Fund 9106) had deficit balances of \$172,126.56 and \$254,398.18, respectively.

Fund 9106 accounts for the grant receipts of a state advanced grant award. The grant awards are distributed in equal monthly installments.

At the start of the grant year, a budget is prepared for the use of the grant award; however, a comparison of the grant budget and amendments to the disbursements showed the budget overspent.

Furthermore, each grant fiscal year is not accounted for separately by the County to assist with monitoring that grant cash awards are not overspent.

On June 17, 2019, a transfer of \$41,939.73 was made from the Community Corrections Fund (Fund 4909), which is a project income fund, to clear the deficit cash and investment balance of Fund 9106 from prior years; however, the accumulated balance after the transfer on June 17, 2019, was a deficit of \$60,019.57. The spending continued to exceed the receipts through the end of December, 2019.

Community Corrections Fund (Fund 4909)

As of December 31, 2019 and 2020, the cash and investment balance of the Community Corrections Fund (Fund 4909) was \$272.45 and a deficit of (\$109,343.09), respectively.

Fund 4909 accounts for the receipts for fees received from participants of the community corrections program. Expenditures consist of the operating expenses of Community Corrections not paid by the grant or the General Fund.

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.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COMMISSARY FUNDS

Condition and Context

The LaPorte County Community Corrections Participant Rules and Regulations Effective October 2014 and Revised April 2018, required that all hygiene was to be purchased through the Commissary.

COMMUNITY CORRECTIONS
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The County reported a Community Corrections Commissary fund with cash and investment balances at December 31, 2019 and 2020, of \$104,389.29 and \$129,856.43, respectively. Community Corrections accounts for the activity of the Commissary Fund in a separate bank account.

The bank account (Commissary Account 8856), accounts for collections received from coin operated laundry machines, and commission checks from various vending activities (canned or bottled beverages, over-the-counter medications, hygiene products), and disbursements to vendors for the supplies as well as disbursements for Community Corrections supplies and small repairs.

The County also reported a Community Corrections Residential Trust fund with cash and investment balances at December 31, 2019 and 2020, of \$13,761.60 and \$18,475.16, respectively.

The bank account (Resident Trust Fund Account 4572), accounts for the collections from residents for goods ordered such as food, snacks and hygiene products from a specialty vendor who specifically packages the goods for delivery to each resident. The collections consist solely of money orders obtained by residents to pay for orders on the date of the submission of the order to the specialty vendor. Disbursements from this account consist of payments made to the specialty vendor for the goods ordered, less an 18 percent rebate, supplies for Community Corrections including cleaning, office and training, and gift cards which were used as rewards for the residents. The balance in this account is not funds held in trust. Residents of community corrections retain their own funds.

Ledgers for the Commissary Account and the Residential Trust Account were maintained by the Community Corrections Work Release Utility Officer until June 17, 2020, when he determined he no longer needed to maintain the ledgers. The Community Corrections Executive Director and the Administrative Coordinator did not know that he discontinued maintaining the ledgers, until the Utility Officer notified them in writing on October 14, 2020. The Utility Officer and Executive Director relied on bank statement activity for reporting activity to the County.

Documented bank reconciliations of the Commissary Account and the Residential Trust Account were not performed.

Income derived from the operation of the commissary was not reported to the Indiana Department of Corrections as required per the grant agreements and grant procedural manuals.

Criteria

Per the Indiana Department of Corrections (IDOC) Grant Entity Procedural Manual, the following is stated, regarding project income:

"Project Income, which includes home detention fees, user fees, and other income derived from the operation of a Community Corrections program funded by a state grant, shall be disbursed only in furtherance of the approved Community Corrections Budget provided in the grant year's executed contract. . . .

Project Income (e.g., home detention fees, residential user fees, and other derived income) does not revert to the state at the end of a grant period. Project Income can only be spent with prior written approval by the Department. Written approval may be in one of two forms:

1. The annual Community Corrections Grant Application
2. Transfer/Additional Appropriation Form (as outlined in Procedural Bulletin 3-2)

COMMUNITY CORRECTIONS
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AUDIT RESULTS AND COMMENTS
(Continued)

Contributions or other grants, funding sources, or county funds expended on the Community Corrections program cannot be co-mingled with Project Income accounts. . . ."

Per the Indiana Department of Corrections Financial Reports - Community Corrections Agencies: Community Corrections Grant Funded Entities Section 5-1 dated May 22, 2018 (Procedural Bulletin #1), which has as the purpose:

"To provide Community Corrections Programs with instructions for reporting Financial Documentation for funds received to IDOC as required. The Financial Reports Instructions state, in part:

Financial Reports are to be completed monthly and submitted to the IDOC Community Corrections Division by the 15th of the following month. . . . The next section of the Financial Report is a tool to track transactions for the FY from the agency's approved Project Income budget. Project Income is user's money collected by the agency. . . . PI Collected This Month: Enter the amount of project income collected for the month . . ."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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."

Per Indiana Code, only the County Sheriff has the authority to establish a Commissary fund.

Indiana Code 36-8-10-21 states:

"(a) This section applies to any county that has a jail commissary that sells merchandise to inmates.

(b) A jail commissary fund is established, referred to in this section as 'the fund'. The fund is separate from the general fund, and money in the fund does not revert to the general fund.

(c) The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#).

(d) The sheriff, or the sheriff's designee, at the sheriff's or the sheriff's designee's discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;

COMMUNITY CORRECTIONS
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies, or attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, including the following:
 - (A) Substance abuse.
 - (B) Child abuse.
 - (C) Domestic violence.
 - (D) Drinking and driving.
 - (E) Juvenile delinquency;
- (8) expenses related to the establishment, operation, or maintenance of the sex and violent offender registry web site under [IC 36-2-13-5.5](#); or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff.

Money disbursed from the fund under this subsection must be supplemental or in addition to, rather than a replacement for, regular appropriations made to carry out the purposes listed in subdivisions (1) through (8).

(e) The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semi-annual reports are due on July 1 and December 31 of each year."

GIFT CARDS

Condition and Context

In 2019, the former Director of Community Corrections purchased gift cards from the Commissary Funds to be used as an incentive/reward for the residents who met certain criteria established for participation in the "honors dorm program."

The Honor's Dorm and incentives, including the award of gift cards through drawings, was addressed in the LaPorte County Community Corrections Participant Rules and Regulations Effective October 2014 and Revised April 2018 as follows:

"Criteria:

1. Must be in Work Release at least 45 days.

COMMUNITY CORRECTIONS
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. Must be gainfully employed.
3. Must be current on fees/or have an active VWA (Voluntary Wage Assignment).
4. No disciplinary issues (No guilty CAB's or excessive write ups).

If all of the criteria are met then an application must be completed requesting consideration for the Honor's Dorm.

Incentives:

1. A 6 hour pass every Sunday between 9:00 AM and 9:00 PM (Actual time to be determined by the Field Officer) plus your regular passes twice a month.
2. Weekly, monthly, and quarterly drawing for gift cards.
3. Commissary amount set at \$75.
4. 6 hour holiday pass for Memorial Day, 4th of July, Labor Day, Thanksgiving and Christmas.
5. Extra TV privileges: E dorm has priority on TV outside of their Dorm; G dorm Honor residents have priority to TV on weekends.
6. Uniform to consist of Khakis and a polo shirt."

There was not an inventory or log maintained of the gift cards purchased and given away to establish accountability over the gift cards. The gift cards ranged in denomination from \$25 to \$50, with one being for \$100.

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Counties of Indiana, Chapter 1)

STALE DATED CHECKS AND MONEY ORDERS

Condition and Context

In September 2020, one of the residential officers, whose responsibilities included collection of user fees (electronic monitoring, work release, drug testing, etc.), receipt issuance, and deposit ticket preparation, was on extended sick leave. During her sick leave, and after her return, checks and money orders totaling \$1,194.85 were found in her desk drawers. The Executive Director, Administrative Coordinator, and Administrative Director considered these checks and money orders to be stale dated as of December 31, 2020. The checks and money orders had dates ranging from July 17, 2018 to June 16, 2020. Per our recommendation, the Administrative Director attempted to deposit the checks and money orders. Three of them cleared the bank totaling \$263, one of which was a money order dated July 17, 2018. The financial institutions declined to honor the remaining checks and money orders.

COMMUNITY CORRECTIONS
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AUDIT RESULTS AND COMMENTS
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Checks totaling \$581.85 were for user fees withheld through client garnishments. The remaining \$350 consisted of money orders.

The Community Corrections should consult with its attorney to determine collection procedures for the stale dated checks and money orders.

Criteria

Indiana Code 5-13-6-1 states in part:

". . . (c) Except as provided in subsections (d) and (g), all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received.

(d) Except as provided in subsection (g), a city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds. . . .

(g) The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500):

- (1) An office of the legislative branch of state government.
- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d).

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines for Counties of Indiana, Chapter 1)

INTERNAL CONTROLS

Condition and Context

The Community Corrections did not have internal controls in place to ensure for adequate safeguarding of assets, and compliance with reporting and grant guidelines, as follows:

COMMUNITY CORRECTIONS
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

1. There was not any review, oversight, or monitoring of:
 - Grant budgets or appropriations, expenditures and cash and investment balances to ensure expenditures did not exceed not only the grant budget, but also the grant award (cash and investment balances);
 - Collections, receipts, and deposits to ensure collections were deposited in the same form as received and timely;
 - Bank reconcilements to ensure they were being performed and accurate when compared to the ledgers;
 - Ledgers to ensure ledgers were being maintained in accordance with compliance and grant guidelines.
2. Commissary funds and accounts were established without ensuring they were properly authorized and reported.
3. A gift card reward program was established without establishing procedures for the adequate safeguarding of those cards, by maintaining records on purchases, distributions, and inventories of the cards.

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. . . ."



LAPORTE COUNTY COMMUNITY CORRECTIONS

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ROCHELLE BROWN
Executive Director

SOLJOURNA T. ATWATER
Assistant Director

OFFICIAL RESPONSE

Date: March 22, 2022

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

Re: Supplemental Compliance Report of LaPorte County Community Corrections

The audit results and comments were reviewed on March 21, 2022 in detail. The conditions and contexts that are outlined in the report were executed under a different administration before my hire in April of 2020. The findings that were audited were discovered within a few months of my hire. Since my hire we have taken great measure to implement proper internal controls to correct the audit results and comments. These measures are permanent and ongoing to ensure we are following all required standards.

A handwritten signature in black ink that reads "Rochelle Brown".

Rochelle Brown
Executive Director
La Porte County Community Corrections

To provide quality, cost-effective alternatives to overcrowded correctional facilities and to develop programs which encourage the active participation of courts, communities, victims, and offenders.

COUNTY COMMUNITY CORRECTIONS
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2022, with Rochelle Brown, Executive Director of Community Corrections; Soljourna Atwater, Assistant Director of Community Corrections; Mericka Beaty, Administrative Coordinator; Earl Cunningham, County Council member; and Randy Novak, President of the County Council.