

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED

04/13/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
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 <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-20
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-25
Corrective Action Plan	26-28
Other Reports.....	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	John Petalas	01-01-21 to 12-31-22
	Peggy Holinga Katona	01-01-23 to 12-31-23
County Treasurer	Peggy Holinga Katona	01-01-21 to 12-31-22
	John Petalas	01-01-23 to 12-31-23
Clerk of the Circuit Court	Lorenzo Arredondo	01-01-21 to 07-14-22
	Vacant	07-15-22 to 08-05-22
	Michael A. Brown	08-06-22 to 12-31-23
County Sheriff	Oscar Martinez, Jr.	01-01-21 to 12-31-23
County Recorder	Gina Pimentel	01-01-21 to 12-31-23
President of the Board of County Commissioners	Michael C. Repay	01-01-21 to 12-31-23
President of the County Council	Ted F. Bilski, II	01-01-21 to 12-31-22
	Charlie Brown	01-01-23 to 12-31-23



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 the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County (County), as of and for the year ended December 31, 2021, 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 5, 2023. An adverse opinion was issued for the aggregate discretely presented component units opinion unit due to its omission from the County's financial statements as further described in that report.

We were engaged to audit, in accordance with the 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 the governmental activities of the County, as of and for the year ended December 31, 2021, 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 5, 2023. Our report disclaims an opinion on such financial statements due to the lack of supporting documentation for capital assets and inaccurate census data used to calculate Other Post-Employment Benefits (OPEB) and the significance of those matters as further described in that report.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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)

A deficiency in internal control exists when the design or operation of an internal 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. We consider the deficiencies, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002, to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the County, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 item 2021-001. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Lake County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. 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.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 5, 2023



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

Opinion on 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

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)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

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)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

We were engaged to audit the financial statements of the governmental activities, and have audited the financial statements of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 5, 2023, which contained unmodified opinions on those financial statements, except for the governmental activities and aggregate discretely presented component units opinion units, for which the opinions were a disclaimer of opinion and adverse, respectively. Our audit was performed 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 of the governmental activities disclaimer of opinion, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards referred to above.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 5, 2023

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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.

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings 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			FY2021	\$ -	\$ 19,747
National School Lunch Program	Indiana Department of Education	10.555			
Juvenile Center Lunch Program			FY2021	-	32,226
Total - Child Nutrition Cluster				-	51,973
Community Forest and Open Space Conservation Program					
US Forest Service CFP for GEO Property Acq	US Forest Service	10.689			
			20-DG-11094200-068	-	138,000
Total - Department of Agriculture				-	189,973
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards					
Oak Ridge Prairie-Costakis/Curtis Acquisition	Indiana Department of Natural Resources	11.419			
			CZ-731	-	10,156
Total - Department of Commerce				-	10,156
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Lake County NSP - 3	Direct Grant	14.218			
2017 CDBG			B-11-UN-18-0002	-	23,372
2018 CDBG			B-17-UC-18-0016	-	174
2019 CDBG			B-18-UC-18-0016	-	159,780
2020 CDBG			B-19-UC-18-0016	-	592,575
2021 CDBG			B-20-UC-18-0016	-	808,789
			B-21-UC-18-0016	-	98,067
Subtotal - Community Development Block Grants/Entitlement Grants				-	1,682,757
COVID-19 - Community Development Block Grants/Entitlement Grants					
CDBG-CV Grant	Direct Grant	14.218			
			B-20-UW-18-0016	319,752	1,526,351
Total - CDBG - Entitlement Grants Cluster				319,752	3,209,108
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii					
Community Connections for People with Disabilities	Indiana Office of Community and Rural Affairs	14.228			
			A192-21-FSSA-CV2-108	53,354	53,354

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Home Investment Partnerships Program	Direct Grant	14.239			
2016 LC Home Program			M-16-UC-18-0207	-	91
2017 LC Home Program			M-17-UC-18-0207	-	177,855
2018 LC Home Program			M-18-UC-18-0207	-	148,237
2019 LC Home Program			M-19-UC-18-0207	-	90,339
2020 LC Home Program			M-20-UC-18-0207	-	230,647
2021 LC Home Program			M-21-UC-18-0207	-	15,817
Total - Home Investment Partnerships Program				-	662,986
Total - Department of Housing and Urban Development				373,106	3,925,448
<u>Department of the Interior</u>					
Great Lakes Restoration Controlled Burn in Grand Calumet River AOC	Indiana Department of Natural Resources	15.662	F18AC00015	-	1,925
Total - Department of the Interior				-	1,925
<u>Department of Justice</u>					
Domestic Cannabis Eradication and Suppression LCSD FY 2020 Grow Seizure Reward	Indiana State Police	16.000	Lake Co DCE/SP	-	25,000
Crime Victim Assistance	Indiana Criminal Justice Institute	16.575			
Prosecutor's Office - 2020-2022 VOCA Grant			VOCA-2020-00127	-	49,211
Sheriff's Office - 2020-2022 VOCA Grant			VOCA-2020-00171	-	40,895
Total - Crime Victim Assistance				-	90,106
Violence Against Women Formula Grants Prosecutor's Office 2020-2022 STOP Grant	Indiana Criminal Justice Institute	16.588	STOP-2020-00075	-	87,594
Edward Byrne Memorial Justice Assistance Grant Program	Direct Grant	16.738			
2017 Justice Assistance Grant			2017-DX-BX-0438	-	13,403
2018 Justice Assistance Grant			2018-DJ-BX-0473	-	49,180
2019 Justice Assistance Grant			2019-DJ-BX-0342	-	5,866
Total - Edward Byrne Memorial Justice Assistance Grant Program				-	68,449
Equitable Sharing Program Equitable Sharing - DEA Forfeitures	Direct Grant	16.922	IND450000	-	69,385
Total - Department of Justice				-	340,534

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<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	-	93,717
Bridge Inspection 2018-2022			DES #1592160	-	161,266
Bridge 65			DES #1600930	-	58,864
Bridge 48			DES #1702830	-	56,987
Bridge 47			DES #1702831	-	57,919
Bridge 259			DES #1902819	-	39,729
45th Avenue Phase III Right of Way Acq			DES #9980080	-	1,207,243
Veterans Memorial Trail			DES#9981680	-	33,014
Total - Highway Planning and Construction				-	1,708,739
Total - Highway Planning and Construction Cluster				-	1,708,739
Total - Department of Transportation				-	1,708,739
<u>Department of the Treasury</u>					
COVID-19 - Coronavirus Relief Fund	Indiana State Department of Health	21.019			
Health Dept COVID-19 -Testing			ISDH - Contract #45124	-	104,377
COVID-19 - Emergency Rental Assistance Program	Direct	21.023			
CRF-ERA (ERA-1) Pass-Through Grant			ERA0021/ERA-1-003	16,000,000	16,000,000
CRF-ERA (ERA-1) Direct Grant			ERA-0359	13,578,854	13,578,854
ARP-ERA (ERA-2) Direct Grant			ERA2-0357	3,000,000	3,000,000
Total - COVID-19 - Emergency Rental Assistance Program				32,578,854	32,578,854
Total - Department of the Treasury				32,578,854	32,683,231
<u>Environmental Protection Agency</u>					
Great Lakes Program	Indiana Department of Natural Resources	66.469			
Lake County Parks Row Crop to Prairie Conversion			NIRPC Procurement 19-04.02	-	1,282
Gibson Woods Restoration			A305-6-186	-	184,581
Total - Great Lakes Program				-	185,863
Total - Environmental Protection Agency				-	185,863
<u>Election Assistance Commission</u>					
COVID-19 - 2018 HAVA Election Security Grants	Indiana Office of the Secretary of the State	90.404			
CARES Act - Secretary of State's Grant			IN20101CARES	-	66,372
Total - Election Assistance Commission				-	66,372

LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2021

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listings Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Public Health Emergency Preparedness Public Health Emergency Preparedness	Indiana Department of Health	93.069	Contract #43928	-	117,240
COVID-19 - Immunization Cooperative Agreements Immunizations and Vaccines for Children-COVID	Indiana State Department of Health	93.268	Contract #52793	-	50,274
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Health Dept COVID-19 - Vaccination	Indiana State Department of Health	93.323	Contract #45124-Amendment #1	-	107,936
Child Support Enforcement County Clerk Title IV-D FFP County Clerk Title IV-D Incentive Juvenile Court Title IV-D FFP Juvenile Court Title IV-D Incentive Prosecutor's Title IV-D Incentive Prosecutor's Title IV-D FFP County Title IV-D Indirect Costs	Indiana Department of Child Services	93.563	County Clerk County Clerk County Court County Court County Prosecutor County Prosecutor Indirect Costs	- - - - - - -	136,671 95,479 337,641 118,535 627,616 2,079,736 133,608
Total - Child Support Enforcement				-	3,529,286
Opioid STR Partnership with HealthLinc Inc for MRT	Indiana Family & Social Services Administration	93.788	Subrecipient to HealthLinc Inc	-	10,000
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance HIV/AIDS Surveillance	Indiana Department of Health	93.944	Contract No: 23623	-	71,735
Total - Department of Health and Human Services				-	3,886,471
<u>Department of Homeland Security</u>					
Boating Safety Financial Assistance Sheriff's Marine Patrol	Indiana Department of Natural Resources	97.012	Contract No: 51824	-	7,500
Emergency Management Performance Grants 2020 EMPG - Salary Grant	Indiana Department of Homeland Security	97.042	EMC-2020-EP-00001	-	71,248
Homeland Security Grant Program Mobile Command Center Project	Indiana Department of Homeland Security	97.067	EMW-2019-SS-00013	-	125,279
Total - Department of Homeland Security				-	204,027
Total federal awards expended				\$ 32,951,960	\$ 43,202,739

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, 2021. 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:

Name of Opinion Unit	Opinion Issued
Governmental Activities	Disclaimer
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
ARP 2021 Local Fiscal Recovery Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
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:

Assistance Listings Number	Name of Federal Program or Cluster	Opinion Issued
21.023	Highway Planning and Construction Cluster Emergency Rental Assistance Program	Unmodified Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,296,082

Auditee qualified as low-risk auditee? no

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2021-001

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 2020-001.

Condition and Context

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

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 as well as a documented review and approval of the adjustments needed to convert the cash basis AFR to GAAP financial statements. In addition, the County did have a documented review and approval of the completed GAAP financial statements, note disclosures, and other information.

However, the internal controls were not effective to ensure that the financial statements and note disclosure were accurate and complete. The checklist used to document the review and approval process did not include all material areas of the financial statements. The following errors were noted:

1. The County received an advance grant of \$47,150,662 from the American Rescue Plan Act (ARPA) as Local Fiscal Recovery Funds. Advance grants received are to be reported as unearned revenue when received and as revenue and expenditures when disbursed.

The County, however, reported the advance as an intergovernmental payable in the ARPA 2021 Local Fiscal Recovery Fund major fund. This resulted in the overstatement of intergovernmental payable and understatement of unearned revenue by \$47,150,662 on the Statement of Net Position and Governmental Funds - Balance Sheet.

The County did not disburse any of the Local Fiscal Recovery Funds received during 2021. However, the County reported the total \$47,150,662 as intergovernmental revenue and health and welfare expenditures. This resulted in the overstatement of revenues and expenditures on the Statement of Activities and Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. The County received other advance grants from the ARPA which were not fully disbursed during 2021 and were determined to not be properly reported. This resulted in the overstatement of intergovernmental payable and understatement of unearned revenue by \$5,285,855 on the Statement of Net Position and Governmental Funds - Balance Sheet. This also resulted in the overstatement of revenues and expenditures on the Statement of Activities and Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances by \$5,285,855.

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

Capital Assets and Net Position - Net Investment in 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 financial statements and notes to the financial statements reported an overstated beginning balance of \$22,992,333 in construction in progress. This was due to an error in the prior audit period in which the financial statements and notes to the financial statements reported an increase in additions of \$22,992,333 for construction in progress, but the Detailed Capital Asset listing did not include the increase and was not corrected from the prior audit.

Furthermore, the County failed to analyze and determine the outstanding principal and premiums of capital-related borrowings that are to be netted against Total Capital Assets, Net of Accumulated Depreciation, for the calculation of the Net Investment in Capital Assets portion of Net Position.

The County was unable to provide supporting documentation for any of the requested beginning capital assets reported and failed to calculate a net investment in capital asset. As a result, we were unable to audit capital assets, accumulated depreciation, depreciation expense and net investment in capital assets portion of Net Position for the County. The opinion of the Governmental Activities opinion unit reflects this matter.

Other Post-Employment Benefits (OPEB)

The County had not separated incompatible activities related to the OPEB Census Data. The Census Data was compiled by the County's Third-Party Administrator and sent to the County's Payroll Department, Human Resources Department, and to the Actuary. There was no written documentation ensuring the accuracy of the Census Data by the County prior to the actuary preparing the Valuation Report.

In addition, the County failed to establish internal controls to ensure OPEB benefits were only paid to retirees and beneficiaries that were alive and eligible for the OPEB benefits.

The census data provided was determined to include deceased individuals which overstated the number of retirees provided to the Actuary. We do not know the impact on the actuarial determined amounts reported had accurate census data been provided. The opinion of the Governmental Activities reflects this matter.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 County determined it would not be able to obtain any of the libraries' financial statements in a timely manner, so the libraries were omitted from the financial statements discretely presented component units. The opinion on the Discretely Presented Component Units reflects this matter.

Blended Component Unit - Building Corporation

The County reported the building corporation as a blended component unit; however, there were no internal controls in place for the cash and investment balances, revenue, or expenses activity reported on the financial statements.

Taxes Receivable

The tax rates were sent by the state to the County and uploaded into the County's tax system to be used for billing taxes, without a review or oversight process to ensure that the different tax rates were uploaded correctly.

After taxes were calculated by the County's tax system, the reports were sent to a consultant for further review. When the County received the reports back from the consultant, the County reviewed this information. However, there was no documentation that the additional review occurred at the County.

The County failed to design and implement internal control procedures to ensure accuracy and completeness for Taxes Receivable and Deferred Inflows of Resources - Unavailable for Revenue amounts reported.

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. . . ."

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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.

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. The financial statements 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.

FINDING 2021-002

Subject: Financial Transactions
Audit Finding: Significant Deficiency

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2020-002.

LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

There was a deficiency in the internal control system of the County Treasurer related to financial transactions. The County Treasurer's office maintained the Treasurer's Daily Balance of Cash and Depositories (Cash Book) which reflected the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition at the close of each day. One individual gathered all the information together and recorded it in the Treasurer's Cash Book without a documented oversight or review process. The County Treasurer's office has subsequently implemented control procedures in 2022 to address this deficiency.

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. . . ."

Cause

Management of the County Treasurer's office had not established a proper system of internal controls over financial transactions.

Effect

The failure to establish a system of internal controls could have enabled misstatements or irregularities to remain undetected.

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.

AUDITEE-PREPARED DOCUMENTS

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



Lake County Auditor

Summary schedule of prior audit findings

1. **FINDING 2020-001:**

Financial Statements and Notes to the Financial Statements:

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

The County is still in process of implementing Internal Controls over all sections of financials and notes.

2. **Net Position/Fund Balance:**

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Internal Controls were implemented and this process is being continuously reviewed to account for all the revenues that have been entered in the software system.

3. **Capital Assets:**

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

Internal Controls are in place to monitor and account for all asset categories. The county is in negotiations to have a new contractor to get the assets accurately recorded and presented in the financial statements.

Anticipated Completion Date: December 2024

4. **Discretely Presented Component Units:**

Fiscal year in which the finding initially occurred: 2019

Status of Audit Finding:

The county is still evaluating the practicality, timing and cost-benefit of having the component unit convert to GAAP.

Anticipated Completion Date: TBD based on feasibility

5. **Salaries and Payroll Deductions Payable:**

Fiscal year in which the finding initially occurred: 2020

Status of Audit Finding:

Internal Controls have been put in place and this has been corrected and the County has implemented a review process to address these internal controls with the consultants over the accuracy of the data classifications and reporting.

6. Statement of Fiduciary Net Position-Fiduciary Funds:
Fiscal year in which the finding initially occurred: 2019
Status of Audit Finding:
The County is still in process of implementing Internal Controls to address these findings.

7. Other Post-Employment Benefits (OPEB):
Fiscal year in which the finding initially occurred: 2019
Status of Audit Finding:
Internal Controls are in place and the County has assigned an individual from the HR department to review the census data before it is sent to the consultants and this process is still under review and will be resolved by the next audit.

8. Blended Component Unit-Building Corporation:
Fiscal year in which the finding initially occurred: 2020
Status of Audit Finding:
The County is still in process of implementing Internal Controls to address these findings.

9. Taxes Receivable:
Fiscal year in which the finding initially occurred: 2020
Status of Audit Finding:
There has been an ongoing review and the County has implemented a review process and in future a checklist will be put in place to address these issues.

10. Debt-Capital Leases and Interest on Debt:
Fiscal year in which the finding initially occurred: 2020
Status of Audit Finding:
The county has implemented the internal controls to address these issues.

PEGGY HOLINGA KATONA
TREASURER



CITY BRANCH OFFICES
HAMMOND
GARY

Treasurer Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, INDIANA 46307

Summary Schedule of Prior Audit Findings

Finding 2020-002

Fiscal Year in Which the finding initially occurred: 2020

Status of Audit Finding

The Daily Cash sheet should be periodically reviewed by another person in the Cash Bookkeeping department.

The corrective action has been taken with procedures implemented as of March 1, 2022



MICHAEL A. BROWN
CLERK LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET

PHONE: (219) 755-3460

CROWN POINT, INDIANA 46307

FAX: (219) 755-3520

November 9, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-003

Fiscal year in which the finding initially occurred: 2018

Status of Audit Find:

1. *Finding Summary:* Bank Reconciliation. The Clerk did not have a proper system of internal controls in place to ensure that the accounting records balances were reconciled with all bank depository

Status of Audit Finding: All bank accounts including the Child Support Division have been reconciled, reviewed, and uploaded into Gateway. All Courtview case management bank accounts have been closed and put into a holding account per State Board of Accounts except for the Traffic Account. This account is still being worked on. The Financial office is still working to resolve the conversion issues. The court ordered investment accounts are reconciled monthly, verifying the ledgers with the bank statements. A review sheet is then signed by Division Manager and Financial Manager. Most of these accounts have been ordered by the court to be closed per our request. Closing of these accounts is still ongoing.

2. *Finding Summary:* Monitoring of Controls. The Clerk's Office did not have an effective process to identify of communicate corrective actions to improve internal controls.

Status of Audit Finding: Finding is still ongoing. 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. Segregation of duties have been enforced with the Financial Bookkeepers and Division Manager in the Satellite Office. Bank reconciling by the Financial Office and the Satellite Offices is being completed in a timely manner and verified with a review sheet.

Peggy Holinga Katona
Auditor



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

CORRECTIVE ACTION PLAN

FINDING 2021-001

Contact Person Responsible for Corrective Action: Ajaz Mohammed, Director of Financial Services, Lake County Auditor's Office

Contact Phone#: 219-755-3134

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

1. Financial Statements and Notes to the Financial Statements:

We are in the process of determining the effectiveness of the internal controls in place and trying to improve the process of including all the material areas of the financial statements.

Anticipated Completion Date: December 2024

2. Capital Assets and Net Position:

The county has contracted with the third-party consultant to perform a complete physical inventory of the Assets in all county properties and record them to reflect the Net Position of the capital assets categories. The related debt for the net investment capital assets will be addressed in future financial statements.

Anticipated Completion Date: December 2024

3. Other Post-Employment Benefits (OPEB):

The county is in the process of determining the feasibility of the internal controls that are in place and trying to ensure the best practice of implementing it in future.

Anticipated Completion Date: December 2024

4. Discretely Presented Component Units:

The county is still evaluating the feasibility, timing and cost benefit, and practicality of having the component unit convert to GAAP.

Anticipated Completion Date: TBD based on Practicality.

5. Blended Component Unit-Building Corporation:

The county is still in the process of implementing internal controls and have been in contact with the related parties to better handle the financial statements.

Anticipated Completion Date: December 2024

6. Taxes Receivable:

The county has been taking internal control measures and reviewed the tax rates once they were sent from the state and uploaded into the software system. This process was not recorded in the checklist which created this finding and steps have been taken to record this in the next audit.

Anticipated Completion Date: December 2024



Treasurer Lake County

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET

CORRECTIVE ACTION PLAN

FINDING 2021-002 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Priscilla Kirrin
Contact Phone Number: 755-3785

Views of Responsible Official:

We concur with the finding that the Daily Cash sheet should be periodically reviewed by another person in the Cash Bookkeeping department.

Description of Corrective Action Plan:

On a monthly or as needed basis, Priscilla Kirrin, Cash Bookkeeping Supervisor will review the Daily Cash Sheets for accuracy and completeness. This will be accomplished by comparing the activity per the Daily Payment Summary reports to the information in the daily Cash Sheets. In addition, by scanning the entire Daily Cash Sheet for unusual entries noted or expected entries missing.

Any noted discrepancies will be discussed with the appropriate individuals and adjustments made as necessary. To document this review, the Daily Cash Sheet will be copied and signed by the Cash Bookkeeper Supervisor. This signed copy will be stored for future reference.

Anticipated Completion Date:

The procedure described above was put into effect as of March 31, 2022

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/>.