

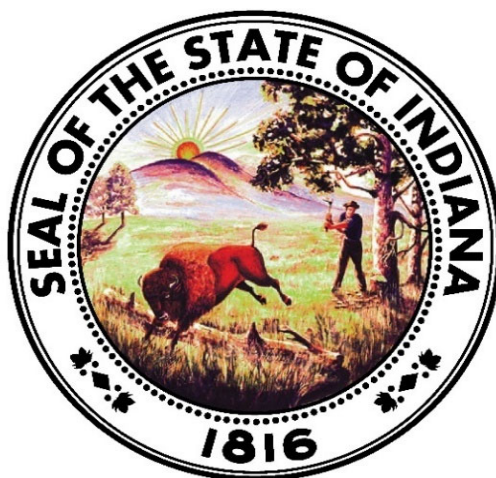
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
10/29/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	John Petalas Peggy Holinga Katona	01-01-22 to 12-31-22 01-01-23 to 12-31-24
County Treasurer	Peggy Holinga Katona John Petalas	01-01-22 to 12-31-22 01-01-23 to 12-31-24
Clerk of the Circuit Court	Lorenzo Arredondo (Vacant) Michael A. Brown	01-01-22 to 07-14-22 07-15-22 to 08-05-22 08-06-22 to 12-31-24
County Sheriff	Oscar Martinez, Jr.	01-01-22 to 12-31-24
County Recorder	Regina Pimentel	01-01-22 to 12-31-24
President of the Board of County Commissioners	Michael C. Repay	01-01-22 to 12-31-24
President of the County Council	Ted F. Bilski, II Charlie Brown Christine Cid	01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF LAKE COUNTY, INDIANA

This report is supplemental to the audit report of Lake County (County), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

October 3, 2024

COUNTY AUDITOR
LAKE COUNTY

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B61303, entitled *SUBSEQUENT EVENT - AUDITOR RECONCILEMENT WITH TREASURER*.

Condition and Context

Background

The County converted and began using new financial software (Oracle) as of July 1, 2022, for all receipt and vendor disbursements. The detail processing of payroll remained with the old financial software (Lawson) and then posted to Oracle via journal entries. The processing of the Employee Benefit Accruals fund, which combined the employee payroll withholdings and the Lake County Self Insurance funds, posted receipts to both Lawson and Oracle and posted disbursements to Oracle.

The County contracted with HTC, an Oracle software implementation consultant, to assist with the conversion and implementation process to Oracle, including the transfer of the financial data from Lawson to Oracle for the first six months of 2022. The County provided reports from Lawson to HTC for the conversion process without an oversight or review process in place to ensure the accuracy, completeness, and classification of the financial data to Oracle. Due to the lack of internal controls, the following issues were noted, and the magnitude of these errors caused a significant delay to audit completion:

- The January 1, 2022 cash and investment balances of the funds were posted to Oracle. For the January to June 2022 Lawson receipt and disbursement activity, journal entries were posted to Oracle to the various receipt and disbursement accounts within the funds and then offset by either a Lawson Balance Conversion Revenue (49999) or Expense (69999) account. The posting of the activity to an offset revenue or expense account instead of a cash and investment account resulted in the first six months of receipts and disbursements to not affect each fund's cash and investment balances. Thus, each fund that had activity for the first six months in Lawson had an inaccurate ending cash and investment balance and an understatement of receipts and disbursements in Oracle.
- The Lawson financial system accounted for the employee payroll withholdings and the Lake County Self Insurance funds (Employee Benefit Accruals) via various liability accounts with corresponding cash and investment accounts. Neither the January 1, 2022 cash and investment balances nor the first six months of receipt and disbursement activity of the Employee Benefit Accruals funds were converted to Oracle in separate funds.
- Various Oracle ledgers and reports provided at the beginning of the audit did not articulate with each other. Detailed receipts and disbursements ledgers did not agree to summary ledgers. County officials were not aware of issues with the reports until we inquired during the audit.
- The County did not perform monthly reconciliations between the County Auditor's and County Treasurer's records for July to December.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The initial financial statements provided by the County did not agree to the records provided for audit. Cash and investment balances, receipts, and disbursements were determined to be materially misstated, owing to the conversion difficulties detailed above. As such, the County was provided with additional time to analyze the conversion entries and reconcile the depository balances to the ledger.

The County hired an accounting consultant to help analyze the conversion entries, propose adjustments to the ledger, ensure reports articulate with each other, and reconcile the depository balances to the ledger as of December 31, 2022. The revised 2022 financial statement was provided in April 2024.

Financial Transactions and Reporting

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

The County had not separated incompatible activities related to receipts, disbursements, cash and investment balances, journal entries, and financial reporting. Segregation of duties for each of these areas had not been properly designed or implemented to prevent, or detect and correct, errors.

Employee Benefit Accruals (EBA) fund

The Lawson financial system accounted for the EBA fund via various liability accounts with corresponding cash and investment accounts that posted the activity of the employee payroll withholdings and the Lake County Self Insurance funds. Internal controls were not in place to ensure the EBA cash and investment balances and financial activity were converted properly to Oracle and accurately reported in the financial statement.

Neither the January 1, 2022 cash and investment balances nor the first six months of receipt and disbursement activity of the EBA funds were converted to Oracle in separate funds.

Instead, after July 1, the EBA disbursement activity was accounted for in the General fund liability accounts in Oracle and the receipt activity remained in Lawson. As a result, the General fund financial activity and cash and investment balance were determined to be incorrect in Oracle for the activity that should have been posted to separate funds. Also, the County only reported the EBA fund activity from Lawson which materially understated the disbursements that were recorded in the General fund liability accounts in Oracle for the last six months of the year.

Due to the lack of internal controls, the EBA fund receipts and disbursements were understated by \$2,553,950 and \$46,623,710, respectively, and the ending cash and investment balance was overstated by \$44,069,760.

Adjustments were proposed, accepted by the County, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis reported as Other Information in the Financial Statement Audit Report of the County.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Cash and Investments

The County did not have a system of internal controls over the County Auditor's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and County Auditor's independently-prepared statements reconciled. Due to the software conversion, monthly reconciliations between the County Auditor and County Treasurer (Form 61) were not prepared for July to December 2022. The County's consultant prepared the reconciliation of the Monthly Financial Statement (Form 61) for December 2022 as of May 2024. At December 31, 2022, the financial statement balance was \$684,193 greater than the combined reconciled depository balances. The financial statement was not adjusted for this variance.

Additionally, a \$1,250,000 fund investment balance from Lawson was properly reported in the financial statement; however, it was not included in the fund investment balance in Oracle. Therefore, the County Treasurer's depository balances and the beginning and ending cash and investment balances, per the financial statement, were greater than the Oracle cash and investment balances.

Receipts

Receipts were posted to the financial accounting systems without evidence of an oversight or review process to ensure the accuracy, completeness, and classification of the recording of receipts. One individual in the County Auditor's office was primarily responsible for the issuing and recording of receipts and performed the reconciliation to the County Treasurer's collections at the end of day.

Journal Entries

The County had a review process in place for journal entries performed by staff of the County Auditor's finance office. However, during and after the transition to the new financial software in the middle of 2022, journal entries and reversing entries were entered by various outside consultants and County employees for correction of conversion errors without a review or oversight process to ensure the accuracy and classification of the entries.

Financial Statement and Reporting

The County did not have a system of internal controls over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The original and the revised AFRs were entered and submitted by the County Auditor's office without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

Criteria

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

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

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](#)."

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

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

The statements are prescribed to be placed in a post-binder and shall be carefully preserved as a permanent record.

(Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 7)

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Gateway Monthly and Annual Uploads
- Reporting Motor Vehicle Highway (MVH) - Restricted
- Compensation - Elected Official
- Disbursements - Supporting Documentation

These internal control deficiencies are further detailed in the comments below.

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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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. . . ."

GATEWAY MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place for the County Auditor's required monthly and annual uploads to the Indiana Gateway for Government Units financial reporting system. The required monthly uploads include the Documentation of Reconciliation of Form 61 between the County Auditor and County Treasurer. The required annual uploads include the Detail of Receipt Activity, Detail of Disbursement Activity, Current Year Salary Ordinance and Amendments, Annual Vendor History report, Annual Funds Ledger, and Annual Payroll History Report.

The County Auditor did not comply with the directive since the required monthly uploads for the Documentation of Reconciliation of Form 61 between the County Auditor and County Treasurer for July through November 2022 were not uploaded. The December 2022 monthly upload did not occur until May 2024.

In addition, the required annual uploads were not completed for the Current Year Salary Ordinance and Amendments, Annual Vendor History Report, and the Annual Payroll History Report. The Detail of Receipt Activity, Detail of Disbursement Activity, and Annual Funds Ledger were uploaded; however, these records contained numerous errors and inaccuracies.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Auditors of Indiana, Chapter 1)

REPORTING MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Internal controls were not in place for reporting the Motor Vehicle Highway (MVH) - Restricted fund. The County created a department within the County Highway (Motor Vehicle Highway) fund and recorded 50 percent of the State Motor Vehicle Highway distribution as required to the department within the fund.

However, the County did not comply with the State Examiner Directive 2018-2 by not creating a sub-fund or reporting the MVH restricted fund separately on the Annual Financial Report (AFR). The method used by the County to record the MVH restricted activity did not allow the County to see the cash balance of the restricted account at any time, as it needed to be computed from the department activity within the County Highway (Motor Vehicle Highway) fund.

Criteria

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

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 County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION - ELECTED OFFICIAL

Condition and Context

Internal controls were not in place to ensure that compensation was properly paid to the County Sheriff.

The County entered into a Collective Bargaining Agreement (CBA) on December 17, 2020, with the Fraternal Order of Police, Chris Anton Lodge #125 and the Lake County Police Association Local #72 AFL/CIO (Union) to set such items as hours of employment, wages, and fringe benefits, for the period from January 1, 2021 to December 31, 2023.

Section 1.1 of the CBA states:

"The Employer hereby recognizes the Indiana Fraternal Order of Police Labor Council, Inc. on behalf of Fraternal Order of Police Lodge #125 and the Lake County Police Association #72 AFL-CIO as the sole and exclusive bargaining representatives with respect to wages, hours and other terms and conditions of employment for all permanent sworn employees of the Lake County Police Department including; all Police Officers, Corporals, Sergeants, Lieutenants, Captains, Deputy Commanders, Commanders and the Deputy Chief of Police. Excluding employees in 'upper level policy making positions' as defined by Indiana State Statute. All other employees of the Employer are excluded from this bargaining unit."

The County Sheriff, as the elected official, is in the upper level policy making position and, thus, would not be covered by the CBA.

In 2022, the County Sheriff was paid a total of \$188,850. Of that total, \$164,972 was base salary, \$920 in longevity, \$1,300 in clothing allowance, \$19,758 in lateral pay, and \$1,900 in proficiency pay. The base salary and longevity were paid in accordance with the County's salary and longevity ordinances. However, the clothing allowance, lateral pay, and proficiency pay amounts were allowed per the CBA only to the officers covered by the agreement. The County Sheriff was excluded from the agreement and should not have received the benefits of the agreement as his position is an elected official and not an employee. There were no other labor contracts, employee handbooks, salary ordinances, resolutions, or salary schedules adopted by the County Council to support the compensation paid to the County Sheriff totaling \$22,958.

Criteria

Indiana Code 36-2-5-13 states:

"(a) As used in this section, 'compensation' means the total of all money paid to, or on behalf of, an elected county officer for performing duties as an elected county officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected county officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. For purposes of determining an increase or decrease in compensation of an elected county officer, the term does not include any of the following:

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Payment of an insurance premium.
 - (2) Payments in recognition of:
 - (A) longevity;
 - (B) professional certifications; or
 - (C) educational advancements; that are separately identified on a salary ordinance or resolution.
 - (3) Payment of a stipend or per diem allowed by statute.
- (b) Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected county officer is not required to report hours worked and may not be compensated based on the number of hours worked.
- (c) Except as provided in subsection (d), the compensation of an elected county officer may not be changed in the year for which it is fixed. The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on:
- (1) the application of the county fiscal body or the affected officer, department, commission, or agency; and
 - (2) a majority vote of the county fiscal body.
- (d) In the year in which a newly elected county officer takes office, the county fiscal body may at any time change the compensation for holding the county office for that year if:
- (1) the county officer requests the compensation change or, in the case of the county executive body, a majority of the county executive body requests the change; and
 - (2) the county fiscal body votes to approve the change."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

DISBURSEMENTS - SUPPORTING DOCUMENTATION

Condition and Context

Internal controls were not in place over reimbursements from County funds to the Community Corrections Commissary Account. Reimbursements from funds established for Community Corrections programs were reviewed. For County Fund 2160 (Community Corrections 160), there were 17 reimbursements made from the fund. The review of the claims for reimbursement determined that they lacked sufficient documentation necessary to determine if the reimbursements were made appropriately. The claims contained documentation such as a letter from the Bookkeeper of Community Corrections, MapQuest maps, flyers, emails, and itineraries. The claims lacking insufficient documentation were for travel expense. The claims did not contain itemized hotel receipts, mileage reports, registration letters and application showing the fees paid or costs incurred by the individual, and the dates of the travel.

Reimbursements paid from LC Comm Corrections Fair Share (Fund 1139) were also tested. Of the eight claims tested, two lacked appropriate detailed supporting documentation. The two claims lacked detailed receipts or itemized receipts from the vendor for the reimbursement.

Payments to a home improvement store from the LC Comm Corrections Fair Share fund were also tested. Of the seven claims tested, six were paid from billing invoices and did not contain the detailed receipts to support the invoice paid.

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 Manual for County Auditors of Indiana, Chapter 1)

PEGGY HOLINGA KATONA
AUDITOR



Auditor Lake County

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



OFFICIAL RESPONSE

Date: September 26, 2024

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

Re: Internal Controls over Financial Transactions and Reporting

The Lake County Auditor's office is committed to providing accountability and transparency through our regulatory financial statement requirements by delivering a clear and accurate account of how public funds are being managed, spent, and allocated. We recognize the importance of providing assurance to taxpayers, investors, and bondholders about the stability and management of public resources within the county. We want to ensure that financial and policy decisions by relevant stakeholders are being made with accurate financial information.

That said, in light of the most recent results and comments of the State Board of Accounts (SBOA) of Internal Controls over Financial Transactions and Reporting, the County has begun the execution of a comprehensive corrective action plan with the intent of addressing the perennial underperformance of this repeat finding. We are dedicated to enhancing our operations, guided by the commitments outlined above, and remain resolute in our promise to continually improve.

Dan Ciecierski
Comptroller of Finance

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2024, with Peggy Holinga Katona, County Auditor, and Dan Ciecierski, County Auditor's Office - Comptroller of Finance.

The contents of this report were discussed on October 3, 2024, with John Petalas, County Treasurer; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Matt Fech, County Commissioner Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Ted Burzynski, County Commissioner's Chief of Staff; Leah Johnson, County Auditor's Office - Supervisor of Finance; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

COUNTY TREASURER
LAKE COUNTY

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

RECONCILEMENT OF THE MONTHLY FINANCIAL STATEMENT (FORM 61)

A similar comment also appeared in prior Report B61303, entitled *SUBSEQUENT EVENT - TREASURER RECONCILEMENT WITH AUDITOR*.

Condition and Context

The County did not have a system of internal controls over the County Treasurer's reconciliation of the Monthly Financial Statement (Form 61) to ensure it had been performed monthly and that the County Treasurer's and County Auditor's independently prepared statements reconciled. Due to the software conversion, monthly reconciliations between the County Auditor and County Treasurer (Form 61) were not prepared for July to December 2022. The County's consultant prepared the reconciliation of the Monthly Financial Statement (Form 61) for December 2022 as of May 2024. At December 31, 2022, the financial statement balance was \$684,193 greater than the combined reconciled depository balances. The financial statement was not adjusted for this variance.

Additionally, a \$1,250,000 fund investment balance from Lawson was properly reported in the financial statement; however, it was not included in the fund investment balance in Oracle. Therefore, the County Treasurer's depository balances and the beginning and ending cash and investment balances per the financial statement were greater than the Oracle cash and investment balances.

Criteria

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

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

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

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

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

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

GATEWAY MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place for the County Treasurer's required monthly and annual uploads to the Indiana Gateway for Government Units financial reporting system. The required monthly uploads include the Documentation of Reconciliation of Form 61 between the County Auditor and County Treasurer and the required annual uploads include the Year-End Investment Statements.

The County Treasurer's Office did not comply with the directive since the required monthly uploads for the Documentation of Monthly Reconciliation of Form 61 between the County Auditor and County Treasurer were not uploaded. Instead, the County Treasurer's Monthly (Form 47-TR) and a Statement of Depository Balances at Close of Month were uploaded. Neither of these documents provided a reconciliation between the County Auditor and County Treasurer.

In addition, the required annual Year-End Investment Statements was not uploaded for 2022 or, subsequently, in 2023.

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. . . ."

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 County Treasurers of Indiana, Chapter 1)

COUNTY TREASURER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2024, with John Petalas, County Treasurer; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Leah Johnson, County Auditor's Office - Supervisor of Finance; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

CLERK OF THE CIRCUIT COURT
LAKE COUNTY

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Bank Account Reconciliations
- Interest on Investments
- Gateway Monthly and Annual Uploads
- Clerk's Trust Items

These internal control deficiencies are further detailed in the comments below.

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. . . ."

BANK ACCOUNT RECONCILIATIONS

The same comment appeared in a Management Letter addressed to the Officials of the County for the audit period ending December 31, 2021, as well as appeared in 15 prior reports, including the 2 most recent Reports B56720 and B59489.

Condition and Context

Internal controls were not in place over the bank account reconciliations. Prior to the conversion to a new software system, the Clerk of the Circuit Court's (Clerk) eight divisions were to reconcile their adjusted bank balances to the former software program ledger balances.

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

In May 2018, the Clerk converted to a new software system, as well as consolidated to maintain one bank account for all divisions. For conversion to the new software, the divisions ceased using the old bank accounts and were to transfer the operating cash and investment balances to the new combined bank account.

In 2020 and 2021, the old bank accounts started to be closed and transferred into a holding account. As of December 31, 2022, the Crown Point Traffic Division's bank account was the only account not transferred. The bank balance was \$8,593 less than the outstanding check listing, resulting in a cash necessary to balance. Outstanding checks for the Crown Point Traffic Division's bank account remain in the process of being researched and moved to unclaimed property.

Additionally, the December 2022 (as well as the December 2021) bank reconcilements for the new software system included a \$423,787 outstanding deposit in transit from May 2018 from one of the divisions. Unfortunately, at the time of conversion, the division was not reconciled and did not have the balance to transfer even though the related court cases were transferred to the new software system. This outstanding item resulted in the reconciled bank balance to be lower than the record balance by \$423,787. The Clerk has been making attempts to research this difference in order to correct the records, as the financial software will not adjust without detailed documentation. As of July 13, 2023, the outstanding deposit in transit remains on the bank reconciliation.

Criteria

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

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

INTEREST ON INVESTMENTS

The same comment appeared in a Management Letter addressed to the Clerk of the Circuit Court for the audit period ending December 31, 2020. The same comment also appeared in a Management Letter addressed to the Officials of the County for the audit period ended December 31, 2021.

Condition and Context

Internal controls were not in place over the remittance of the interest earned on investments. The Clerk of the Circuit Court's (Clerk) Office earned interest on its bank accounts and investments, which had been carried as a reconciling item on the Clerk's monthly bank reconcilements. Although earned interest on the primary bank accounts is being remitted, interest received on the investment account was not being paid to the County Treasurer and receipted to the County General fund when fees and other revenues are remitted to the County.

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

Criteria

An official receipt must be issued for interest received to be posted in the cash book. The receipt should also indicate thereon the security (investment) on which the interest was received and, if the security matured, the principal (original cost) of the security for use as a posting media to the daily balance record. The interest should be posted to the interest column in the receipts section of the Cash Book of Receipts and Disbursements. The interest will then be paid to the county treasurer and quietused to the county general fund at the close of the month when fees and other revenues are remitted to the county. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 10)

GATEWAY MONTHLY AND ANNUAL UPLOADS

A similar comment appeared in Management Letters addressed to the Clerk of the Circuit Court for the audit periods ending December 31, 2019 and 2020, as well as a Management Letter addressed to the Officials of the County for the audit period ending December 31, 2021.

Condition and Context

Internal controls were not in place for the Clerk of the Circuit Court's (Clerk) required monthly and annual uploads to the Indiana Gateway for Government Units financial reporting system. The required monthly uploads include the Cash Balance Reports, Bank Reconcilements, Bank Statements, and Outstanding Check Lists. The required annual upload includes the Court Trust Fund Subsidiary Detail (as of December 31).

The Clerk did not comply with the directive since the Child Support Outstanding Check Lists were not uploaded monthly. Additionally, the annual Court Trust Fund Subsidiary Detail report as of December 31 was not uploaded until January 2024.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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 Clerks of the Circuit Courts of Indiana, Chapter 1)

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

CLERK'S TRUST ITEMS

A similar comment also appeared in 11 prior reports, including Report B53069, entitled *BOND FORFEITURES*, and the 2 most recent Reports B59489 and B61303, entitled *CLERK'S TRUST ITEMS*.

Condition and Context

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

The Clerk had \$30,116,059 held in trust at December 31, 2022. Of the 25 trust items tested, 8 items, or 32 percent, were determined to not have been properly distributed as follows:

- Of the items placed in trust, 6 bonds remained that should have been forfeited but were waiting on an order from the court.
- Of the items placed in trust, 2 bonds had a satisfaction of judgment filed but remained held in trust.

Criteria

Indiana Code 32-34-1.5-4 states in part:

"Subject to section 11 of this chapter, the following property is presumed abandoned if it is unclaimed by the apparent owner during the period specified as follows: . . .

- (9) For property held by a court, including property received as proceeds of a class action, one (1) year after the property becomes distributable. . . ."

Indiana Code 35-33-8-7 states:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered;

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

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

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

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

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

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

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk);
and
- (2) any amount collected in satisfaction of the judgment.

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

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 Clerks of the Circuit Courts of Indiana, Chapter 1)



Michael A. Brown
CLERK LAKE CIRCUIT/SUPERIOR COURT
2293 NORTH MAIN STREET

PHONE: (219) 755-3460

CROWN POINT, INDIANA 46307

FAX: (219) 755-3520

OFFICIAL RESPONSE

September 23, 2024

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

Re: Annual Audit for the Lake County Clerk for the year 2022

Dear State Board of Accounts,

The Lake County Clerk has received a draft of the annual audit for the period January 1, 2022 through December 31, 2022. I am responding to specific documented audit results and findings as follows:

Bank Account Reconciliations:

Regarding the Traffic Division's outstanding checks, these will continue to be researched by a team led by our Executive Chief Deputy Shawn Miller to get these outstanding checks sent to unclaimed funds. Our Finance Director Rebecca Dowling believes the cash necessary to balance this account is in our Interest-Bearing Investment Account and can be moved if needed to clear these checks.

Regarding the outstanding deposit in transit from May 2018, this matter will continue to be researched by a team also led by our Executive Chief Deputy Shawn Miller. While the matter has already been previously researched, the detailed documentation has been difficult to obtain, as it is believed to be carried over from the computer system used prior to the 1999 conversion into Courtview. Courtview was the case management system prior to Odyssey. It is the hopes of Executive Chief Deputy Shawn Miller, that with the assistance of Clerk Staff familiar with these older cases, that documentation can be located and the financial software can then be adjusted.

Interest on Investments:

On April 29, 2024 all prior year interest from Investment accounts earned through 2023 was posted and turned into the Lake County Treasurer for quietus to the general fund. Furthermore, on August 27, 2024 all current year interest through July 31, 2024 was posted and turned into the Lake County Treasurer for quietus to the general fund. Going forward, in accordance with the Accounting and Uniform Compliance Guidelines Manual for the Clerk of the Circuit Courts of Indiana, Chapter 10, all interest will be posted and turned into the Lake County Treasurer for quietus to the general fund at the close of each month.

Gateway Monthly and Annual Uploads:

In June of 2023, when it was brought to the attention of the Finance Director Rebecca Dowling that Child Support Outstanding Check Lists were not being uploaded, Ms. Dowling uploaded all 2022 Child Support Outstanding Check Lists and has ensured that these Check Lists continue to be uploaded monthly.

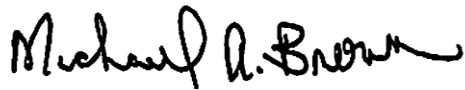
Furthermore, in regards to the annual Court Trust Fund Subsidiary Detail report not being timely uploaded, Ms. Dowling has calendared at the end of the year to ensure this will be done. Furthermore, Clerk Brown has asked for a Financial Report Calendar be prepared to help ensure future reports being overlooked.

Clerk's Trust Items:

As noted in the Clerk's Official Response dated February 10, 2023, Indiana code 35-33-8-7 requires the Court to forfeit the bond. The Clerk's office can only fulfill its statutory function of releasing bond forfeitures after the Court has entered an order to do so. The Clerk's office will then follow the signed Judges order to process the forfeited bond to the state common school fund. The Clerk's office will continue to communicate with all Court Judges to issue signed orders declaring bonds be forfeited.

Furthermore, to avoid the Clerk holding bonds after a satisfaction of judgment has been filed, Financial Director Rebecca Dowling will put into place a process to research Trust Items on a regular basis to ensure they are being processed in a timely manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Brown". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

Michael A. Brown
Lake County Clerk

sm

CLERK OF THE CIRCUIT COURT
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2024, with Michael A. Brown, Clerk of the Circuit Court; Shawn Miller, Executive Chief Deputy; Rebecca Dowling, Director of Finance; and Wanda Epps, Personnel Director.

The contents of this report were discussed on October 3, 2024, with Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Leah Johnson, County Auditor's Office - Supervisor of Finance; John Petalas, County Treasurer; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

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COUNTY RECORDER
LAKE COUNTY

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS AND REMITTANCES

A similar comment also appeared in 14 of the 16 prior reports, including the 3 most recent Reports B56720, B59489, and B61303.

Condition and Context

Internal controls were not effective over bank account reconciliations. The County Recorder completed monthly reconciliations of the Fee and Cash Book to the depository balances as required by Indiana Code. However, a safeguard was not in place to ensure that all monies were timely and accurately remitted to the County Treasury. Additional audit procedures were performed and determined that there was an excess depository cash balance totaling \$49,923 as of December 31, 2022, that was not remitted to the County Treasury.

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

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

ACCOUNTING FOR ONLINE SALES

Condition and Context

The County Recorder offers the purchase of copies of recorded documents online via credit card. The collections from the credit card companies are deposited to a separate bank account. Internal controls were not designed or implemented over the financial transactions for online sales to ensure the sales were properly posted, reconciled, and remitted. The following deficiencies were noted:

COUNTY RECORDER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- The financial activity for the online purchase of copies had not been receipted or recorded in the Fee and Cash Book. Instead, an excel spreadsheet was used to account for the financial activity.
- The reports for the credit card transactions received from the transaction processor were not retained for audit; only the bank statements were available to verify the financial activity that occurred during the audit period.

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:

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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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Recorders of Indiana, Chapter 1)

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."



OFFICE OF THE LAKE COUNTY RECORDER

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

GINA PIMENTEL
Recorder



PHONE (219) 755-3730
FAX (219) 648-6094

OFFICIAL RESPONSE

September 26, 2024

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

Re: Lake County Recorder (January 1, 2022 to December 31, 2022)

To Whom It May Concern:

Please accept this correspondence as an official response from the Lake County Recorder's Office to the State Board of Accounts.

Bank account reconciliation and remittances have been a top priority and have been consistently balanced monthly. I am, again, in agreement with the finding of an excess depository cash balance.

This year, I have continued to work with our SBOA liaison to balance monthly and discuss remitting the excess cash balance to the County treasury. We have had meetings every two to three months to ensure that each month was correctly balanced and the correct amount was remitted monthly.

Our next meeting is October 8th. We will meet again after the first of the year (2025) once we have a full year of balancing notated and will then decide the exact amount of the excess cash balance to move to the General Fund.

Sincerely,

Regina M. Pimentel

Gina Pimentel
Lake County Recorder

COUNTY RECORDER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2024, with Regina Pimentel, County Recorder, and Sherry Serences, Chief Deputy County Recorder.

The contents of this report were discussed on October 3, 2024, with Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Leah Johnson, County Auditor's Office - Supervisor of Finance; John Petalas, County Treasurer; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

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BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
AUDIT RESULT AND COMMENT

COMMUNITY CORRECTIONS COMMISSARY ACCOUNT

Condition and Context

Internal controls were not in place which resulted in noncompliance over the Community Corrections Commissary Account. On September 17, 2008, the Board of County Commissioners approved Order #23, granting permission to establish a Lake County Community Corrections Commissary Program. However, per Indiana Code, only the County Sheriff has the authority to establish a Commissary fund.

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 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:

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

- (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;
- (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 semiannual reports are due on July 1 and December 31 of each year."



**OFFICE OF THE ATTORNEY
TO THE BOARD OF COMMISSIONERS**

LAKE COUNTY GOVERNMENT CENTER
2293 NORTH MAIN STREET
CROWN POINT, IN 46307
PH. 219/755-3058 • FAX 219/648-6138



OFFICIAL RESPONSE

Date: October 15, 2024

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

Re: Lake County Board of Commissioners Office Response to October 3, 2024 Exit Conference

It would be the intent of the Lake County Board of Commissioners to work with Lake County Community Corrections to disband the Commissary Corrections Commissary Account in accordance with the findings of the State Board of Accounts.

Respectfully,

/s/ Matthew N. Fech

Matthew N. Fech, Esq.
Attorney to Lake County Board of Commissioners

BOARD OF COUNTY COMMISSIONERS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2024, with Christine Cid, President of the County Council; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O'Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Leah Johnson, County Auditor's Office - Supervisor of Finance; John Petalas, County Treasurer; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

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COUNTY SHERIFF
LAKE COUNTY

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Compensation - Elected Official
- Gateway Monthly Uploads

These internal control deficiencies are further detailed in the comments below.

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. . . ."

COMPENSATION - ELECTED OFFICIAL

Condition and Context

Internal controls were not in place to ensure that compensation was properly paid to the County Sheriff.

The County entered into a Collective Bargaining Agreement (CBA) on December 17, 2020, with the Fraternal Order of Police, Chris Anton Lodge #125 and the Lake County Police Association Local #72 AFL/CIO (Union) to set such items as hours of employment, wages, and fringe benefits, for the period from January 1, 2021 to December 31, 2023.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Section 1.1 of the CBA states:

"The Employer hereby recognizes the Indiana Fraternal Order of Police Labor Council, Inc. on behalf of Fraternal Order of Police Lodge #125 and the Lake County Police Association #72 AFL-CIO as the sole and exclusive bargaining representatives with respect to wages, hours and other terms and conditions of employment for all permanent sworn employees of the Lake County Police Department including; all Police Officers, Corporals, Sergeants, Lieutenants, Captains, Deputy Commanders, Commanders and the Deputy Chief of Police. Excluding employees in 'upper level policy making positions' as defined by Indiana State Statute. All other employees of the Employer are excluded from this bargaining unit."

The County Sheriff, as the elected official, is in the upper level policy making position and, thus, would not be covered by the CBA.

In 2022, the County Sheriff was paid a total of \$188,850. Of that total, \$164,972 was base salary, \$920 in longevity, \$1,300 in clothing allowance, \$19,758 in lateral pay, and \$1,900 in proficiency pay. The base salary and longevity were paid in accordance with the County's salary and longevity ordinances. However, the clothing allowance, lateral pay, and proficiency pay amounts were allowed per the CBA only to the officers covered by the agreement. The County Sheriff was excluded from the agreement and should not have received the benefits of the agreement as his position is an elected official and not an employee. There were no other labor contracts, employee handbooks, salary ordinances, resolutions, or salary schedules adopted by the County Council to support the compensation paid to the County Sheriff totaling \$22,958.

Criteria

Indiana Code 36-2-5-13 states:

"(a) As used in this section, 'compensation' means the total of all money paid to, or on behalf of, an elected county officer for performing duties as an elected county officer, regardless of the source of funds from which the money is paid. The term includes all employee benefits paid to an elected county officer, including life insurance, health insurance, disability insurance, retirement benefits, and pension benefits. For purposes of determining an increase or decrease in compensation of an elected county officer, the term does not include any of the following:

- (1) Payment of an insurance premium.
- (2) Payments in recognition of:
 - (A) longevity;
 - (B) professional certifications; or
 - (C) educational advancements;that are separately identified on a salary ordinance or resolution.
- (3) Payment of a stipend or per diem allowed by statute.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(b) Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected county officer is not required to report hours worked and may not be compensated based on the number of hours worked.

(c) Except as provided in subsection (d), the compensation of an elected county officer may not be changed in the year for which it is fixed. The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on:

(1) the application of the county fiscal body or the affected officer, department, commission, or agency; and

(2) a majority vote of the county fiscal body.

(d) In the year in which a newly elected county officer takes office, the county fiscal body may at any time change the compensation for holding the county office for that year if:

(1) the county officer requests the compensation change or, in the case of the county executive body, a majority of the county executive body requests the change; and

(2) the county fiscal body votes to approve the change."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

GATEWAY MONTHLY UPLOADS

A similar comment also appeared in management letters addressed to the County Sheriff for the audit periods ending December 31, 2019 and 2020. A similar comment also appeared in prior Report B61303, entitled *GATEWAY MONTHLY AND ANNUAL UPLOADS*.

Condition and Context

Internal controls were not in place for the County Sheriff's required monthly uploads to the Indiana Gateway for Government Units financial reporting system. The required monthly uploads include the County Sheriff Form 54, the County Sheriff's Cash Book; Form 205, the Ledger of Receipts, Disbursements, and Balances for the Commissary Fund; and Form 358, the Ledger of Receipts, Disbursements, and Balances for the Inmate Trust Fund, all bank reconcilements, bank statements, and outstanding check lists.

The County Sheriff did not comply with the directive since several of the monthly files noted above were not uploaded for 2022. In addition, the bank statements, bank reconcilements, and outstanding check listings for the Drug Task Force and Civil Divisions were not uploaded. Subsequently, the Civil Division began uploading the required files as of July 2023; however, these files were still not uploaded for the Drug Task Force Division in 2023.

COUNTY SHERIFF
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

Kopack & Associates

Attorneys at Law

John M. Kopack
Attorney at Law

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Merrillville, IN 46410
Tx: (219) 738-2978
Fax: (219) 738-2818

October 11, 2024

OFFICIAL RESPONSE

Via Email To:
officialresponse@sboa.in.gov

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

RE: Lake County Sheriff's Department
2293 N. Main Street, Crown Point, IN 46307
Audit Period: January 1, 2022 to December 31, 2022

Dear Examiner Joyce,

On October 1, 2024, SBOA field examiners Cynthia David and Mark Butkus conducted an exit interview relating to an audit of Lake County Sheriff Department ("LCSD") for calendar year 2022. During this meeting the field examiners advised the SBOA had two (2) audit concerns relating to "Internal Control Compliance," namely: **1.** Internal controls to ensure that compensation was properly being paid to the Sheriff; and **2.** Internal controls not in place for the Sheriff's monthly uploads to the Indiana Gateway for Government Units financial reporting system. After meeting with staff and the Sheriff's consulting CPA, the Sheriff's official response to the two audit concerns of the SBOA, are stated below.

1. Compensation Paid to Sheriff.

SBOA Audit Concern: "In 2022, the County Sheriff was paid a total of \$188,850.64. Of that total, \$164,971.90 was base salary, \$920 in longevity, \$1,300 in clothing allowance, \$19,758.74 in lateral pay, and \$1,900 in proficiency pay. The base salary and longevity were paid in accordance with the County's salary and longevity ordinances. However, the clothing allowance, lateral pay, and proficiency pay amounts were allowed per the CBA only to the officers covered by the agreement. The Sheriff was excluded from the agreement and should not have received the benefits of the agreement as his position is an elected official and not an employee. There were no other labor contracts, employee handbooks, salary ordinances, resolutions, or salary schedules adopted by the County Council to support the compensation paid to the County Sheriff totaling \$22,958.74."

Sheriff's Response:

Oscar Martinez, Jr. has been a sworn Lake County Police Officer since 1993 and was sworn in as the Sheriff of Lake County on September 16, 2017. When Sheriff Martinez took office it was a past practice of the Lake County to continue paying a clothing allowance, lateral pay, and proficiency pay to Lake County Police Officers who attained the office of Sheriff. This past practice has been verified by LCSD Bookkeeper Melanie Dillon after her review of the payroll records of a former Sheriff. The records reviewed confirmed that when Lake County Police Officer John Buncich was serving as the Lake County Sheriff in 2002, he continued to receive his merit police officer clothing allowance, proficiency pay, and lateral pay, in addition to his base salary.

Salaries and compensation paid to elected officials and county employees are set by the Lake County Council. “The county fiscal body shall fix the compensation of officers, deputies, and other employees whose compensation is payable from the county general fund, county highway fund, county health fund, county park and recreation fund, aviation fund, or any other fund from which the county auditor issues warrants for compensation. This includes the power to: (1) fix the number of officers, deputies, and other employees; (2) describe and classify positions and services; (3) adopt schedules of compensation; and (4) hire or contract with persons to assist in the development of schedules of compensation.” See Ind. Code § 36-2-5-3.

In addition, Sheriff Martinez currently holds the permanent merit rank of Lieutenant with the Lake County Police Department and is required by statute to “successfully complete a minimum of twenty-four (24) hours of in-service training each calendar year” to maintain his merit rank as a police officer. See Ind. Code § 5-2-1-9(g) and 250 Ind. Admin. Code 2-7-1. Hence, it’s well within the discretion of the Lake County Council to compensate a county police officer, who gets elected to the Office of Sheriff, with the same clothing allowance, proficiency pay, and lateral pay based on the officer’s permanent merit rank with the county police department.

Lastly, the SBOA indicated in its audit report that the statutory definition of an “upper level policy making position” applies to county Sheriffs. However, the applicable Indiana statutes related to the term “upper level policy making positions” only apply to cities and towns and are not applicable to county police departments.

Ind. Code § 36-8-1-12 states: “‘upper level policymaking position’ refers to the position held by the police chief or fire chief and to each position held by the members of the police department or fire department in: (1) The next rank and pay grade immediately below the chief, if the authorized size of the department is: (A) More than ten (10) but less than fifty-one (51) members, in the case of a police department; or (B) More than ten (10) but less than two hundred one (201) members, in the case of a fire department; or (2) The next two (2) ranks and pay grades immediately below the chief, if the authorized size of the department is: (A) More than fifty (50) members, in the case of a police department; or (B) More than two hundred (200) members, in the case of a fire department.”

However, the definition of upper level policymaking position in Ind. Code § 36-8-1-12 only applies to the “disciplinary powers of safety boards in cities, towns and townships.”

Ind. Code § 36-8-3-4. Disciplinary powers of safety boards in cities, towns and townships.

(a) This section also applies to all:

- (1) towns and townships that have full-time, paid police or fire departments;
- (2) fire departments of fire protection districts established under IC 36-8-11 and fire protection territories established under IC 36-8-19 that have full-time fire departments; and
- (3) conservancy districts that have a full-time, paid conservancy district marshal or deputy conservancy district marshal under IC 14-33-25.

For purposes of this section, the appropriate appointing authority of a town, township, fire department of a fire protection territory or fire protection district, or conservancy district is considered the safety board of a town, township, fire department of a fire protection territory or fire protection district, or conservancy district. In a town with a board of metropolitan police commissioners, that board is considered the safety board of the town for police department purposes.

...

(m) Except as provided in IC 36-5-2-13, the executive may reduce in grade any member of the police or fire department who holds an upper level policy making position. The reduction in grade may be made without adhering to the requirements of subsections (b) through (l). However, a member may not be reduced in grade to a rank below that which the member held before the member's appointment to the upper level policy making position.

Accordingly, and pursuant to the statutes cited above, the term "upper level policymaking position" clearly only applies to cities and towns - and not to Indiana counties.

2. Internal Controls - Sheriff's monthly uploads to Indiana Gateway for Government Units.

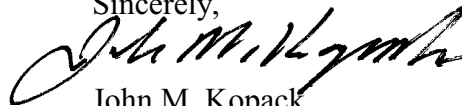
This particular audit issue is being addressed in a Corrective Action Plan under Ind. Code § 5-11-5-1.5(c) being developed by the Sheriff's administrative staff and Don Smith, CPA.

The resolution of this issue will be fully detailed and outlined in the forthcoming Corrective Action Plan, which will be completed and uploaded to the SBOA within a reasonable time frame after the filing of this official response.

3. Conclusion.

The Sheriff and his staff appreciate the guidance and comments contained in the SBOA's preliminary audit report of October 1, 2024, and the opportunity to provide this official response pursuant to Indiana Code § 5-11-5-1(b). We hope this response will be fairly considered and result in pertinent revisions to your report.

Sincerely,



John M. Kopack
Attorney at law

JMK/cw

cc: Sheriff Oscar Martinez, Jr.
Chief Vincent Balbo
Cmdr. John Gruszka, Staff Services
Donald Smith, CPA

COUNTY SHERIFF
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2024, with Vince Balbo, Chief of Police; John Gruszka, Commander; Alfred Villareal, Commander; and John Kopack, Attorney.

The contents of this report were discussed on October 3, 2024, with Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Leah Johnson, County Auditor's Office - Supervisor of Finance; John Petalas, County Treasurer; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.

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COMMUNITY CORRECTIONS
LAKE COUNTY

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Community Corrections Commissary Account
- Public Records Retention
- Disbursements - Supporting Documentation
- Gift Cards

These internal control deficiencies are further detailed in the comments below.

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. . . ."

COMMUNITY CORRECTIONS COMMISSARY ACCOUNT

Condition and Context

Internal controls were not in place which resulted in noncompliance over the Community Corrections Commissary Account. On September 17, 2008, the Board of County Commissioners approved Order #23, granting permission to establish a Lake County Community Corrections Commissary Program. However, per Indiana Code, only the County Sheriff has the authority to establish a Commissary fund.

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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:

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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 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;
- (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;

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

- (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 semiannual reports are due on July 1 and December 31 of each year."

PUBLIC RECORDS RETENTION

Condition and Context

Internal controls were not in place to ensure public records were properly retained. Community Corrections had a change in personnel and could not provide the Commissary ledgers or bank reconciliations for 2022. We were unable to determine if the Community Corrections Commissary funds were properly receipted, disbursed, or reconciled to the depository balance as required by statute.

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:

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

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."

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."

DISBURSEMENTS - SUPPORTING DOCUMENTATION

Condition and Context

Internal controls were not in place over from reimbursements from the County Funds to the Community Corrections Commissary Account. Reimbursements from funds established for Community Corrections programs were reviewed. For County Fund 2160 (Community Corrections 160), there were 17 reimbursements made from the fund. The review of the claims for reimbursement determined that they lacked sufficient documentation necessary to determine if the reimbursements were made appropriately. The claims contained documentation such as a letter from the Bookkeeper of Community Corrections, MapQuest maps, flyers, emails, and itineraries. The claims lacking insufficient documentation were for travel expense. The claims did not contain itemized hotel receipts, mileage reports; registration letters and application showing the fees paid or costs incurred by the individual, and the dates of the travel.

Reimbursements paid from the LC Comm Corrections Fair Share (Fund 1139) were also tested. Of the eight claims tested, two lacked appropriate detailed supporting documentation. The two claims lacked detailed receipts or itemized receipts from vendor for the reimbursement.

Payments to a home improvement store from the LC Comm Corrections Fair Share fund were also tested. Of the seven claims tested, six were paid from billing invoices and did not contain the detailed receipts to support the invoice paid.

COMMUNITY CORRECTIONS
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Manual for Counties of Indiana, Chapter 1)

GIFT CARDS

Condition and Context

The Community Corrections 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.

The Community Corrections purchased gift cards from its Commissary account to use as incentives for positive resident behavior. The Commissary account would then be reimbursed from the Community Corrections grant funds by completing a form provided by the Indiana Department of Corrections for tracking gift cards awarded for grant purposes.

The Community Corrections did not maintain a log of the gift cards purchased nor conduct periodic physical inventories to ensure these cash equivalents were properly accounted for.

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 Manual for Counties of Indiana, Chapter 1)

September 30, 2024

Mr. Paul Joyce
State Examiner
State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

Dear Mr. Joyce:

As an **Official Response** to the results and comments for the 2022 Lake County Community Corrections (LCCC) audit conducted by the State Board of Accounts (SBOA) please see the following:

1) Community Corrections Commissary Account

Corrective Action:

- LCCC will maintain a comprehensive ledger for commissary revenue and expenditures by utilizing "General Form 358" as prescribed by the State Board of Accounts to record and track transactions.
- LCCC will ensure the financial reports associated with this account are accurately prepared and regularly updated in accordance with SBOA standards.

2) Public Records Retention

Corrective Action

- As stated in the SBOA report, LCCC had significant transition in the budget department personnel and were unable to locate records. Previous personnel primarily created and filed paper documents and did not electronically backed them up on a consistent basis.
- Financial records and reimbursements are stored electronically, while physical invoices for Commissary purchases are maintained manually. This hybrid system is in compliance with SBOA guidelines and Indiana's public records law.
- LCCC will train appropriate personnel in current/advanced technology and keep them informed of public retention laws.

3) Disbursements – Supporting Documents

Corrective Action

- A thorough review of internal procedures will be conducted to ensure all necessary documentation is attached to reimbursement requests prior to submission.
- Moving forward, LCCC will ensure all claims for reimbursement are submitted with the complete set of required supportive documents, i.e. itemized hotel receipts, mileage report, and registration letter/application showing fees paid or costs incurred by the individual for the specified dates of travel.
- Maintain open communication with the auditor's office to confirm all submitted documents are in order and meet requirements, avoiding future discrepancies.

4) Gift Cards

Corrective Action

- In response to this comment, LCCC has implemented a more comprehensive tracking system to ensure compliance. Specifically, we have introduced a detailed gift-card sign out sheet that includes the following information:
 1. Gift card type
 2. Gift card amount
 3. Name of individual/Entity Purchaser
 4. Name of Recipient
 5. Signature of Recipient or Name of Staff Member Awarding incentive
 6. Purchase Date
 7. Distribution Date
 8. Initials of Case Manager Awarding the Gift Card
 9. Gift Card Identification Number

This enhanced tracking system was discussed with the SBOA exit interview staff. Moving forward, we will continue to maintain accurate and transparent records for gift card incentives.

We appreciate the opportunity to file a response to illustrate that we have made necessary adjustments to ensure compliance with SBOA guidelines. Thank you.

Best Regards,



Kellie J. Bittorf
Executive Director

Cc: file

COMMUNITY CORRECTIONS
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2024, with Kellie Bittorf, Executive Director, and George Ficker, Budget and Personnel Manager.

The contents of this report were discussed on October 3, 2024, with Christine Cid, President of the County Council; Charlie Brown, County Council member; Ronald Brewer, Sr., County Council member; Randy Niemeyer, County Council member; Kyle Allen, Sr., County Commissioner; Tom O' Donnell, County Council Attorney; Scott Schmal, County Council Director of Finance; Larry Blanchard, County Council Finance; Matt Fech, County Commissioner Attorney; Ted Burzynski, County Commissioner's Chief of Staff; Peggy Holinga Katona, County Auditor; Dan Ciecierski, County Auditor's Office - Comptroller of Finance; Leah Johnson, County Auditor's Office - Supervisor of Finance; John Petalas, County Treasurer; Glenn Cantrell, Chief Deputy County Treasurer; Priscilla Kirrim, Bookkeeping Supervisor; Ashely Cholodinski, Bookkeeper; and Ofelia Gregoline, Administrative Assistant.