

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

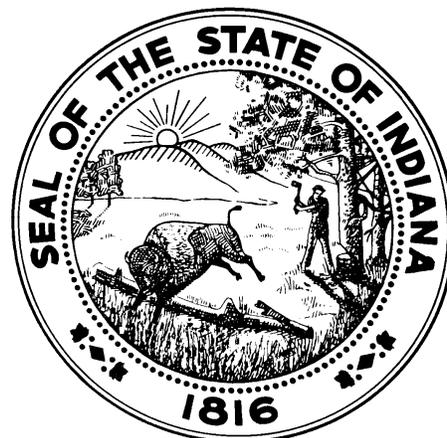
AUDIT REPORT

OF

COUNTY AUDITOR

LAPORTE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**

09/25/2008



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Teresa M. Shuter	01-01-05 to 12-31-08
President of the County Council	Jerry Cooley Mark Yagelski	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	Barbara Huston William Hager	01-01-07 to 12-31-07 01-01-08 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAPORTE COUNTY

We have audited the records of the County Auditor for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of LaPorte County for the year 2007.

STATE BOARD OF ACCOUNTS

June 17, 2008

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS

TIMELY RECORDKEEPING

Electronic fund transfers (EFT) of excise tax collections were not posted to the records in a timely manner. The days between the date of the EFT's and the date until it was posted to the records range from 23 days to 232 days. From July 2007 to December 2007, \$2,523,655.44 was accumulated and was not posted on the Treasurer or Auditors records until March of 2008. Additional collections from November and December 2007 totaling \$321,848.28 have not been posted as of April 10, 2008. Officials explained that they are holding the funds until the reports of excise tax collections provided by the State Bureau of Motor Vehicles can be reconciled to the amount received per the EFT. A similar comment appeared in the prior report.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

TAX SALE SURPLUS FUNDS

As of December 31, 2007, the tax sale surplus fund includes a balance of \$20,069.84 which was derived from the 2001 and 2002 tax sales.

Indiana Code 6-1.1-24-7(d) states: "An amount deposited in the tax sale surplus fund shall be transferred by the county auditor to the county general fund and may not be disbursed under subsection (b) if it is not claimed within the three (3) year period after the date of its receipt."

CASH CHANGE FUND, RECEIPTS, AND DEPOSITS

The Auditor's office collects fees for copies, maps, real estate endorsements, and sales disclosures. Receipts are issued for copies and maps upon request; however, they are generic duplicate receipts, not prescribed or approved by the State Board of Accounts. All other receipts were issued on prescribed forms. In addition, in testing four days of reports of collections, three out of the four did not balance, \$161 more was remitted to the Auditor than receipts written. Our review also revealed that a cash change fund had not been properly established, and when a cash count was done on April 29, 2008, it was over by \$39. A similar comment appeared in the prior report.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

RECEIPT ISSUANCE

The Auditor's office does not verify collections and issue receipts at the time the collections are remitted by individual departments.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

PAYROLL PAID IN ADVANCE AND LEAVE PAID CONTRARY TO POLICY

As noted in numerous prior reports, the Auditor is preparing and disbursing payroll checks in advance of time worked for all County employees, except County highway employees.

LaPorte County has a leave policy which does not allow for the payment of vacation leave upon separation of employment. The policy allows for payment of sick leave upon separation of employment, but only to employees who have in excess of 15 years of experience.

A former employee of the Clerk's office was paid 8 days of vacation as of May 18, 2007, in addition to full compensation for the 2 week pay period. A note was made on her employee service record that her last day was June 8, but she was not paid beyond May 18 for this position. Since the Employee Service Records do not document hours worked, employees keep time sheets; however, the time sheets for this employee were not maintained for audit. This employee had less than 3 years of service.

A former employee of the Civil Defense Department was also paid vacation leave upon separation of employment.

Indiana Code 5-7-3-1 states in part: "Public officers may not draw or receive their salaries in advance."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

PAYROLL DEDUCTION FUND

The Payroll Deduction fund (Fund 221) had a cash balance of \$222,999.38 at December 31, 2007. This fund accumulates withholdings from employee's payroll and subsequently distributes the withholdings to various agencies. This fund should routinely have a zero balance after adjusting for any fund waiting for disbursement. At December 31, 2007, the only amounts not remitted were Public Employees' Retirement Fund (PERF) and Teacher's Retirement Fund (TERF) amounts withheld from the fourth quarter payrolls. These withholdings totaled \$181,832.36 and \$3,917.03, respectively, and were remitted on January 2, 2008. After these payments, an unidentified balance of \$37,249.99 remained in the Payroll Deduction Fund. This comment appeared in the prior report.

Experience has shown that one of the most difficult problems encountered by public officials is accounting for payroll deductions. That is the reason the prescribed accounting procedures provide for transfers of payroll deductions into separate funds, with a separate fund to be established for each type of deduction. Also, the establishment of such funds provides further proof of the correctness of the deductions and remittances since the entries in each fund can be reconciled to the control account in the employees' earnings records, to the earnings statements furnished employees at the close of the year and to the reports and remittances required to be made to the various federal, state and other agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 6)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

SELF-INSURANCE TRUST ACCOUNT NOT IN COUNTY RECORDS

As stated in the prior report, the County has had a trust account used by a plan administrator to pay medical claims for employees and dependents since December 1992. The County does not reflect this account in its financial records, but it does report the activity on the annual report. The Auditor should post this account activity in the County combined ledger.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

CITY AND TOWN COURT COST

The Auditor did not distribute the city and/or town share of court fees in 2007.

Indiana Code 33-37-7-6(a) states in part: "The qualified municipality share to be distributed to each city and town maintaining a law enforcement agency that prosecutes at least fifty percent (50%) of the city's or town's ordinance violations in a circuit, superior, or county court located in the county. . . ." Sec. 6. (c) states in part: "The county auditor shall distribute semiannually to each city and town described in subsection (a) the amount computed for that city or town . . ."

CONGRESSIONAL SCHOOL FUND

Interest earned on the Congressional School Fund is to be distributed semiannually to each School Corporation in the County. Distributions have not been made for the last half of 2006, and all of 2007.

Semiannually, on the second Monday of July and the last Monday in January, the auditor of each county shall make distribution of the interest on the congressional fund to the treasurer of each school corporation. The interest is computed at the rate of 4% per annum on the amount held in trust for each congressional township and apportioned and distributed on the basis of the enumeration of children, pursuant to IC 21-1-1-54. The last enumeration of children was made in the year 1932 and the amounts held in trust by the respective townships have not changed since that time. Therefore, the basic apportionment and distribution formula has been affected in recent years only by the reorganization of school corporations. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 11)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

EXEMPTIONS AND DEDUCTIONS

Age exemption affidavits on file in the Auditor's office are not being completed annually. Age exemption affidavits with dates ranging from 1990 to 2006 were only completed once and the tax returns attached to the affidavits were applicable to the date the affidavit was filed. Since the age exemption is based upon age and income, affidavits and tax returns are to be filed each year for the individual to obtain the deduction.

Indiana Code 6-1.1-12-10.1(a) states in part: "With respect to real property, the statement must be filed during the twelve (12) months before June 11 of each year for which the individual wishes to obtain the deduction."

Indiana Code 6-1.1-12-10.1(c) states in part: ". . . a copy of the applicant's and a copy of the applicant's spouse's income tax returns for the preceding calendar year. If either was not required to file an income tax return, the applicant shall subscribe to that fact in the deduction statement."

LEVY EXCESS FUND

The Department of Local Government Finance authorized the unit to transfer \$585,708 from the Levy Excess Fund to the General Fund; however, this transfer was not made in 2007 due to an oversight by the County.

Indiana Code 6-1.1-18.5-17(e) states in part: "Except as provided by subsection (f), a civil taxing unit may not spend any money in its levy excess fund until the expenditure of the money has been included in a budget that has been approved by the department of local government finance under IC 6-1.1-17."

HOMESTEAD CREDIT REFUNDS

The County received \$6,519,214.53 for the Homestead Credit rebates on November 1, 2007. These funds were receipted into a separate fund, "Homestead Credit Rebate Fund." The funds were to be disbursed 60 days after the tax due date of January 11, 2008. If the funds were not disbursed, or if there were unused homestead refund monies, then the monies should be returned to the State. As of May 21, 2008, no funds have been disbursed.

A letter was addressed to the County Auditors on December 6, 2007, from the Department of Local Government Finance, which stated the following:

"For counties that have a second installment tax due date later than November 10<sup>th</sup>, all unused Homestead Refund dollars are to be returned to the Auditor of State within 60 days after the due date."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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 14)

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

EXPENDITURES FROM THE REASSESSMENT FUND

The County Assessor spent reassessment funds on office supplies and furniture, maintenance of an office copier and fax machine combination, a newspaper subscription, advertising of hearings, and travel expenses for non - General Reassessment activities. The following provides a breakdown based upon claims paid from the months of June through September, and November of 2007.

Description	Amounts
Travel and Meals from Department of Local Government Finance meetings to be paid in accordance with Indiana Code 6-1.1-35-3	\$ 1,201.64
Office supplies, furniture, and maintenance of equipment	5,018.78
Newspaper subscription and advertisements of public hearings	119.00
Other Travel and meals for meetings such as assessor meetings, and meetings with the Commissioners and budget hearings	<u>713.05</u>
Total	<u>\$ 7,052.47</u>

In addition, in 2008 the Auditor paid for conversion to new tax billing and collections software, and training on the new computer software for both offices. The total cost paid from the reassessment fund was \$14,531.23.

Indiana Code 6-1.1-4-28.5 (a) states: "Money assigned to a property reassessment fund under section 27.5 of this chapter may be used only to pay the costs of:

- (1) the general reassessment of real property, including the computerization of assessment records;
- (2) payments to county assessors, members of property tax assessment boards of appeals, or assessing officials under IC 6-1.1-35.2;
- (3) the development or updating of detailed soil survey data by the United States Department of Agriculture or its successor agency;
- (4) the updating of plat books;
- (5) payments for the salary of permanent staff or for the contractual services of temporary staff who are necessary to assist county assessors, members of a county property tax assessment board of appeals, and assessing officials;
- (6) making annual adjustments under section 4.5 of this chapter; and
- (7) the verification under 50 IAC 21-3-2 of sales disclosure forms forwarded to the county assessor under IC 6-1.1-5.5-3.

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Money in a property tax reassessment fund may not be transferred or reassigned to any other fund, and may not be used for any purposes other than those set forth in this section.

Indiana Code 6-1.1-35-3(b) states: "If a county assessor, a township assessor, a member of a county property tax assessment board of appeals, or an employee is entitled to receive an allowance under this section, the department of local government finance shall furnish the appropriate county auditor with a certified statement which indicates the dates of attendance. The official or employee may file a claim for payment with the county auditor. The county treasurer shall pay the warrant from the county general fund from funds not otherwise appropriated."

QUESTIONABLE DISBURSEMENTS FROM THE E-911 FEE FUND

The County has established a separate fund to account for the financial activity of E-911 fees. Indiana Codes 36-8-16 and 36-8-16.5 establish guidelines for the expenditure of these fees. During our audit of these fees we found questionable expenditures as summarized in the following categories.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Wireless Services and Equipment	\$ 30,742	\$ 28,607	\$ 33,345
Indiana Office of Technology	9,845	5,066	4,743
Air Purifiers, Air Conditioner, Humidifier	700	-	860
Supplies	1,598	874	6,383
Tools	3,035	2,130	3,635
Electronics	3,899	3,257	7,482
Software, Internet	609	243	2,351
Office Enhancements	-	-	60,406
Clothing	610	531	-
Undocumented	<u>5,249</u>	<u>127</u>	<u>346</u>
Totals	<u>\$ 56,287</u>	<u>\$ 40,835</u>	<u>\$ 119,551</u>

Wireless Services and Equipment includes cell phones, service and accessories provided to E-911 personnel, as well as other County Officials deemed to be "in charge." Such officials included members of the County Council and County Commissioners. The Director indicated that in an emergency these officials would need to be immediately informed and updated. Other items purchased by the Director were considered to be necessary to the operation of the E-911 Center. Under the heading of Supplies, items included office supplies – paper, pencils, pens, forms, and cleaning supplies; Tools included cordless drills, flash lights, ratchet sets, and utility carts; Electronics included laptop computers for management to check schedules and perform work from home, and a digital camera; and Office Enhancements include partial payment on a generator, security system with cameras to enter the room, and window tinting. Officials indicated that the construction cost of the E-911 Center exceeded expectations; thus, some items (Office Enhancements) were paid from the E-911 fees. Finally, Undocumented included payments made on charge accounts to an office supply vendor and a hardware store vendor. The payments were made based upon the charge account statements only, there were not any vendor invoices provided to indicate the items purchased.

COUNTY AUDITOR  
LAPORTE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-8-16-14(a) states:

"The emergency telephone system fees shall be used only to pay for:

- (1) the lease, purchase, or maintenance of enhanced emergency telephone equipment, including necessary computer hardware, software, and data base provisioning;
- (2) the rates associated with the service suppliers' enhanced emergency telephone system network services;
- (3) the personnel expenses of the emergency telephone system;
- (4) the lease, purchase, construction, or maintenance of voice and data communications equipment, communications infrastructure, or other information technology necessary to provide emergency response services under authority of the unit imposing the fee; and
- (5) an emergency telephone notification system under IC 36-8-21.

The legislative body of the unit may appropriate money in the fund only for such an expenditure."

Indiana Code 36-8-16.5-41(a) states:

"A PSAP shall use its distribution made under section 39 of this chapter for the lease, purchase, or maintenance of wireless enhanced emergency telephone equipment, including:

- (1) necessary computer hardware, software, and data base equipment;
- (2) personnel expense and training;
- (3) the provision of wireless enhanced emergency service; or
- (4) educating consumers about the operations, limitations, role, and responsible use of enhanced 911 service."

We recommended that the Director review the statute and expenditures being made from the fee based funds to determine compatibility. Expenditures determined necessary for the functioning of the E-911 program but outside the guidelines for the use of E-911 fees such as cell phones, certain laptop computers, office enhancements, supplies, and tools should be made from the General Fund or other appropriate funds.

COUNTY AUDITOR  
LAPORTE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2008, with Teresa M. Shuter, Auditor; Mark Yagelski, President of the County Council; and William Hager, President of the Board of County Commissioners. The official response has been made a part of this report and may be found on pages 12 and 13.



*LaPorte County Auditor  
Teresa M. Shuter  
Circuit Courthouse  
813 Lincolnway, Suite 203  
LaPorte, IN 46350-3490*

September 15, 2008

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

This letter is in response to the exit conference held with the State Board of Accounts as it relates specifically to the LaPorte County Auditor's Office.

HOMESTEAD CREDIT REFUNDS

Rebate checks were not mailed to the homeowners until July 21, 2008. As you are aware we were under the threat of a reassessment order. Based on the directive of John Mallers/DLGF in a letter dated October 29, 2007, "Refunds may not be calculated based on provisional property tax bills or bills based on property assessments that have been declared invalid and subject to reassessment." This directive made perfect sense due to the fact that we would have been sending out in excess of 30,000 rebate checks in error with absolutely no means to correct the errors. Once the reassessment order was officially handed down to the Assessor on May 23, 2008, it was determined that our final bill for 06/07 was to be considered a provisional which then provided us with a vehicle to reconcile the differences in the homestead rebate checks.

EXPENDITURES FROM THE REASSESSMENT FUND

Prior to entering into a contract with Manatron for the MVP tax system, we spoke directly with State Board of Accounts to verify that this qualifies as a legal expenditure from the reassessment fund under I.C. 6-1.1-4-28.5 which includes "computerization of assessment records". I was the Chief Deputy Auditor at the time, but I am almost certain that SBOA was given a copy of the contract to review. It was never stipulated to us that training and conversion could not be paid from that fund. It does not seem logical to me that we can purchase a software system from that fund and yet be unable to purchase the conversion of the data that goes into that system, from the old system to the new system, and then be unable to utilize the data without training.

QUESTIONABLE DISBURSEMENTS FROM THE E-911 FEE FUND

The appropriation for the generator for the 911 Center was Council approved and expended by the Director of the 911 Department based on that approval. It does not seem logical to me that we are allowed to pay for "maintenance of enhanced emergency telephone equipment" and "maintenance of voice and data communications equipment" and yet be unable to pay for a

generator to insure that all equipment is functional in an actual emergency. I do not feel that this should be part of the Auditor's Report.

Respectfully,



Teresa M. Shuter  
LaPorte County Auditor

APPROVED  
DATE  
COUNTY CLERK