

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

AUDIT REPORT

OF

COUNTY AUDITOR

LAKE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED

09/26/2008

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Peggy Holinga Katona	01-01-07 to 12-31-10
President of the County Council	Elsie Franklin Christine Cid	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	Roosevelt Allen, Jr. Gerry J. Scheub	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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TO: THE OFFICIALS OF LAKE 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 Lake County for the year 2007.

STATE BOARD OF ACCOUNTS

August 18, 2008

COUNTY AUDITOR
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

TEMPORARY LOANS

Temporary loans of \$1,700,000, \$500,000, \$810,000, and \$310,000 were made on December 28, 2007, involving three Park funds and three County funds. The loans were made in accordance with Resolution 06-85 and were not repaid by December 31, 2007, as specified in the resolution. The loans have been repaid as of March 2008.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

COMMISSIONER MINUTES

Not all minutes of the meetings of the Board of County Commissioners were readily available for audit. Minutes for July, November, and December 2007 were not prepared in written form as of March 2008 but were completed between April and June 2008. As of June 30, 2008, the minutes for meetings held in 2008 had not yet been prepared in written form.

Indiana Code 36-2-2-11(a) states: "The county auditor shall attend all meetings of, and record in writing the official proceedings of, the executive."

TAX SALE SURPLUS FUND

At December 31, 2007, it was determined that there is an excess balance of \$1,015,323.46 in the Tax Sale Surplus Fund (Fund 566). The excess balance is more than what is needed to refund the 2006 and 2007 tax sale surplus collected. This excess is being held in trust until property is redeemed or transferred to the County. The County is attempting to identify the source of the excess by reconciling the fund to the supporting documentation. Once the reconciliation is completed, a transfer could be made to the County General Fund.

In addition, there were no disbursements during 2007 from the Tax Sale Surplus Fund (Fund 566) to the County General Fund for tax sale surplus receipts over three years old.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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Indiana Code 6-1.1-24-7(c) 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."

PRESCRIBED FORMS

The Auditor's office is using an Excel spreadsheet (commercially sold computer software) to account for tax sales and redemptions. This spreadsheet has not been approved by the State Board of Accounts. The prescribed and approved form for the accounting of tax sales and redemptions is Form 137, Tax Sale Record.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 9)

BOND PROCEEDS

The Council adopted Ordinance 1284A for the issuance and sale of general obligation bonds for energy conservation measures. A section of the ordinance concerning the bond proceeds directs the Auditor to deposit a portion of the proceeds for payment of interest into the bond fund. The County Council monitors the use of the proceeds; however, the amount for interest was not transferred to the bond fund for payment of such interest.

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

CLAIMS FOR HOMESTEAD PROPERTY TAX CREDIT/STANDARD DEDUCTION (FORM HC10)

An individual who desires to claim the homestead credit must file a certified statement in duplicate, on forms prescribed by the department of local government finance, with the auditor of the county in which the homestead is located. For 13% of the Claims for Homestead Property Tax Credit/Standard Deduction (Form HC10) tested, the claims filed did not match the taxpayer of record.

Indiana Code 6-1.1-20.9-2 (a) states: "Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year."

CERTIFICATES OF ERROR, COUNTY FORM 127CE

The prescribed Form 127CE, Certificate of Error, was not in use to document the removal of taxes charged from the tax duplicates. In addition, 13% of the corrections tested did not have adequate supporting documentation regarding the removal of taxes.

COUNTY AUDITOR
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(Continued)

Indiana Code 6-1.1-15-12 (f) states: "If a correction or change is made in the tax duplicate after it is delivered to the county treasurer, the county auditor shall transmit a certificate of correction to the county treasurer. The county treasurer shall keep the certificate as the voucher for settlement with the county auditor."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

EXEMPTIONS AND DEDUCTIONS

Age exemption affidavits on file in the County 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. Additionally, the applications for the blind and disable exemptions are not being completed annually.

Indiana Code 6-1.1-12-10.1 states in part: "Persons over 65 or surviving spouse; filing claim . . ."

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."

Indiana Code 6-1.1-12-12 states in part: "Blind persons; filing claim; proof of blindness . . ."

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

OVERDRAWN CASH BALANCES

The reported cash balances of the Anti-Bioterrorism, Tax Sale, and Sheriff Civil Funds were overdrawn at December 31, 2007 in the amounts shown below. The record balances of the General Fund and the Family and Children Fund were also overdrawn at December 31, 2007. However, in accordance with GASB 34, certain collections in other funds due to the General and Family and Children fund have been reclassified in the financial statements. Because of the reclassification, the financial statements do not reflect a negative cash balance for these funds.

Anti-Bioterrorism Fund	\$ 1,479
Tax Sale Fund	169,526
Sheriff Civil Fund	155,480

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Prior to reclassification, the County General Fund and Family and Children Funds were overdrawn in the following amounts:

County General Fund	\$ 37,390,640
Family and Children Fund	9,873,084

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

UNALLOWABLE EXPENDITURES - E911

Expenditures were made from the Emergency 911 Fund for the following unallowable expenditures during the years 2005, 2006, and 2007:

1. County Government Center information line;
2. Office supplies;
3. Office equipment such as printers and copiers;
4. Police Department items such as sirens, lights, and a warning system;
5. City and Town radio system upgrades; and
6. Construction related to the Spillman project.

The amounts for these unallowables for 2005, 2006, and 2007 were \$62,849.65, \$109,707.00, and \$280,520.26, respectively. As a percentage of total 911 expenditures, these were 2.04% for the three years in total.

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

"(a) 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

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(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."

PRESCRIBED FORMS – QUIETUS

In 2007, the County began using a Quietus form for which conditional approval had been obtained. One of the conditions of the approval was that the forms must be either prenumbered by a printer or numbered by the unit's computer system. The form was reviewed during audit and does not comply with the conditions of the approval. The computer does assign a batch number but the individual transaction number is assigned by the issuing clerk. With the numbering system in use, it cannot be determined by viewing the Quietus forms that all forms are accounted for.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2008, with Peggy Holinga Katona, Auditor; Larry Cak, Chief Deputy; and Michael Wieser, Director of Finance.