

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

AUDIT REPORT

OF

COUNTY TREASURER

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>
Treasurer	John E. Petalas	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 Treasurer 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

July 29, 2008

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS

INVESTMENTS IN CERTIFICATES OF DEPOSIT

Quotes were taken for investment in certificates of deposit. However, investments for the same investing period were split among depositories and not all placed with the depository quoting the highest interest rate.

Indiana Code 5-13-9-4(b) states in part: "The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented for audit. Review of the reconciliations noted that many reconciling items on the reconciliation had been carried for more than one year, with some being carried for more than two years. These items have not been investigated to ensure that errors are corrected or adjustments are recorded.

Indiana Code 5-13-6-1(e) states in part: "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."

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 Treasurers of Indiana, Chapter 10)

CASH NECESSARY TO BALANCE

As noted in the prior report, the County Treasurer's office is responsible for reconciling the depository balances to the fund balances and maintaining the Treasurer's Daily Balance of Cash and Depositories (Form 47). At December 31, 2007, the reconciled depository balances and investment balances do not agree to the Form 47 balance. Various cash longs and shorts resulted in net cash short of \$204,391.04. There appears to be some problems with the Manatron software used for tax billings and collections, which contribute to the various cash longs and shorts. Employees indicated that \$94,752 of the cash short was due to voids being processed in the wrong period, which creates a timing difference. The processing of voids by the software can make it more likely that voids are put into the wrong settlement period in error. Occasionally, various Manatron reports do not agree with each other, which requires additional investigation by Treasurer's staff and/or Manatron staff to determine the causes for the errors. These errors, until resolved, create cash longs and shorts that fluctuate throughout the year.

Another contributing factor to the cash short was the theft of funds, as addressed in Report B31789. A check for \$28,376.39 related to missing funds was observed posted to the Form 47 in November 2007 as cash short; the account on which the check was written was determined to have insufficient funds.

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 Treasurers of Indiana, Chapter 10)

RECEIPT ISSUANCE

When the Treasurer's Office computer failed to allow system generated receipts to be issued, two types of manual receipts were issued on nonprescribed forms. One type of these receipts was not prenumbered, which would not allow for proper accounting of all receipts.

Additionally, the Treasurer's Office collected a one dollar fee from title and mortgage companies for each copy or search of a tax bill requested. This fee was not established by ordinance. There was no receipt issued for the one dollar fee received in the form of cash or check.

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 Treasurers of Indiana, Chapter 10)

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 Treasurers of Indiana, Chapter 10)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

COLLECTION OF DELINQUENT PERSONAL PROPERTY TAXES

Demand notices for delinquent personal property taxes have not been served upon taxpayers since 2003. Consequently, the delinquent taxes were not filed with the Clerk of the Circuit Court as judgments against the taxpayers and the corresponding amounts of delinquent taxes were not removed from the tax duplicate.

The County Treasurer has the duty to enforce the collection of delinquent personal property taxes, including taxes on mobile homes.

Annually, after November 10 but prior to August 1 of the succeeding year, each County Treasurer shall serve a written demand upon each county resident who is delinquent in the payment of personal property taxes.

If a taxpayer does not pay the total amount due within thirty (30) days after the date the written demand is made, the county treasurer shall levy upon and sell personal property of the taxpayer which is of sufficient value to pay the delinquent taxes, penalties and anticipated collection expenses. [IC 6-1.1-23-2]

COUNTY TREASURER
LAKE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In the year immediately following the year in which personal property taxes become delinquent, each county treasurer shall prepare a record of the delinquencies for which written demand has been made and which remain unpaid for at least sixty (60) days after the demand is made. The county treasurer shall swear to the accuracy of the record before the clerk of the circuit court and shall file the record with the clerk. When the record is so filed, the amount of delinquent taxes, penalties and collection expenses stated in the record constitute a debt of the named taxpayer and the debt in all respects has the same force and effect as a judgment. On the date the county treasurer files the record of the judgments in the office of the clerk of the circuit court, the county treasurer shall make an entry on the tax duplicate in a column headed "Certified to Clerk of Circuit Court." [IC 6-1.1-23-9] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 7)

COUNTY TREASURER
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2008, with John E. Petalas, Treasurer; Larry Cak, Financial Manager; Patty Shell, Chief Bookkeeper; and Kim Robinson, Chief of Staff. The officials concurred with our audit findings.