

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

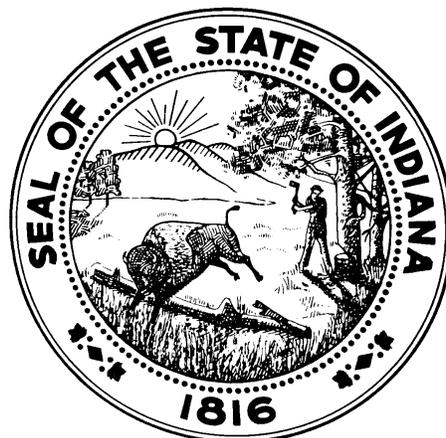
AUDIT REPORT

OF

COUNTY AUDITOR

LAKE COUNTY, INDIANA

January 1, 2008 to December 31, 2008



**FILED**  
11/19/2009



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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<br>County Council                | Christine Cid<br>Larry Blanchard        | 01-01-08 to 12-31-08<br>01-01-09 to 12-31-09 |
| President of the Board of<br>County Commissioners | Gerry J. Scheub<br>Roosevelt Allen, Jr. | 01-01-08 to 12-31-08<br>01-01-09 to 12-31-09 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

STATE BOARD OF ACCOUNTS  
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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, 2008 to December 31, 2008, 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 2008.

STATE BOARD OF ACCOUNTS

September 21, 2009

COUNTY AUDITOR  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

FEDERAL GRANT SCHEDULE

The County's Annual Financial Report, Part 6 – Federal Grants (Federal Grant Schedule) was incomplete for the year ended December 31, 2008. Each County department is responsible for overseeing and reporting their grants. County departments are responsible for applying for grants, presenting them to the council and commissioners, and accounting for the grants they receive. The Auditor's office is responsible for preparing the grant schedule annually based on the grant information provided by each department. The Federal Grant Schedule presented for audit did not include eight federal grants, and had two federal grants classified as State Grants. This resulted in the Federal Grant Schedule presented for audit to be understated by \$3,472,096.28 in federal expenditures, before adjustment. Also, many of the federal grants were not included in the County Commissioners or County Council minutes.

The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (OMB Circular A-133, Subpart C-Auditees § \_\_.300)

(b) Schedule of Expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. (OMB Circular A-133, Subpart C--Auditees § \_\_.310)

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 Counties of Indiana, Chapter 1)

IC 36-2-3.5-5 states in part:

"(a) All powers and duties of the county that are legislative in nature shall be exercised or performed by its legislative body.

(b) The legislative body may:

- (1) establish the committees that are necessary to carry out its functions;
- (2) employ legal and administrative personnel necessary to carry out its functions;
- (3) pass all ordinances, orders, resolutions, and motions for the government of the county, in the manner prescribed by IC 36-2-4;
- (4) receive gifts, bequests, and grants from public or private sources;

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- (5) conduct investigations into the conduct of county business for the purpose of correcting deficiencies and insuring adherence to law and county policies and regulations; . . ."

CONGRESSIONAL SCHOOL FUNDS

An investment is made from the Congressional School Principal Fund 560. Interest is to be received into the Congressional School Interest Fund 561 and distributed to the school corporations in the county. During 2008, the interest earnings of \$3,230 were received into the Congressional School Principal Fund instead of the Congressional School Interest Fund.

Distributions were not made to the schools in 2008 from the Congressional School Interest Fund as required by statute.

IC 20-42-2-7 states:

"The county auditor of each county or the treasurer of state shall, semiannually, on the second Monday of July and on the last Monday in January make apportionment of the amount of the congressional township school revenue belonging to each school corporation. The apportionment shall be paid to each school corporation's treasurer."

Congressional School Fund interest should be distributed to the school corporations at the rate of four percent (4%) per annum. There is no statutory authority to distribute congressional school interest in excess of the four percent (4%) per annum or to transfer any excess in the fund to the County General Fund. (The County Bulletin and Uniform Compliance Guidelines, April 2000)

CERTIFICATE OF ERROR, COUNTY FORM 127CE

The prescribed form 127CE, certificate of error, is not being used to document the corrections to taxes charged to the tax duplicates. In addition, the claim for homestead property tax credit/standard deduction form lacked approval (signatures) by officials for the corrections made in some instances.

IC 6-1.1-15-12 states:

"(a) . . . (8) Through an error of omission by any state or county officer, the taxpayer was not given credit for an exemption or deduction permitted by law.

(b) The county auditor shall correct an error described under subsection (a)(1), (a)(2), (a)(3), (a)(4), or (a)(5) when the county auditor finds that the error exists.

(c) If the tax is based on an assessment made or determined by the department of local government finance, the county auditor shall not correct an error described under subsection (a)(6), (a)(7), or (a)(8) until after the correction is either approved by the department of local government finance or ordered by the tax court.

(d) If the tax is not based on an assessment made or determined by the department of local government finance, the county auditor shall correct an error described under subsection (a)(6), (a)(7), or (a)(8) only if the correction is first approved by at least two (2) of the following officials:

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LAKE COUNTY  
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- (1) The township assessor (if any).
- (2) The county auditor.
- (3) The county assessor.

If two (2) of these officials do not approve such a correction, the county auditor shall refer the matter to the county board for determination. The county board shall provide a copy of the determination to the taxpayer and to the county auditor.

(e) A taxpayer may appeal a determination of the county board to the Indiana board for a final administrative determination. An appeal under this section shall be conducted in the same manner as appeals under sections 4 through 8 of this chapter. The Indiana board shall send the final administrative determination to the taxpayer, the county auditor, the county assessor, and the township assessor (if any).

(f) 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 Counties of Indiana, Chapter 1)

#### EXEMPTIONS AND DEDUCTIONS

A review of exemptions and deductions noted the following:

1. Age exemption affidavits on file in the County Auditor's office are not being completed annually. Age exemption affidavits reviewed had dates ranging from 1989 to 2002. They were only completed once and the tax returns attached to the affidavits were applicable to the date the affidavit was filed. Additionally, applications for blind and disabled exemptions are not being completed annually.
2. Deduction and exemption amounts were not properly allowed. Five of twenty properties tested for exemptions and deductions did not have proper documentation or were not receiving the correct deduction or exemption. In one instance, a taxpayer received an age exemption to which they were not entitled. The only age affidavit on file was under the previous owner's name. In two other instances, taxpayers were receiving the incorrect amounts for veterans' deductions.

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

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(Continued)

IC 6-1.1-12-10.1 Sec. 10.1 (a) states in part:

"With respect to real property, the statement must be filed during the year for which the individual wishes to obtain the deduction. With respect to a mobile home that is not assessed as real property or a manufactured home that is not assessed as real property, the statement must be filed during the twelve (12) months before March 31 of each year for which the individual wishes to obtain the deduction."

IC 6-1.1-12-10.1 Sec. 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."

IC 6-1.1-12-12 states in part:

"Claim by blind or disabled person . . ."

IC 6-1.1-12-12 Sec. 12. (a) states in part:

"With respect to a mobile home that is not assessed as real property or a manufactured home that is not assessed as real property, the application must be filed during the twelve (12) months before March 31 of each year for which the individual wishes to obtain the deduction."

IC 6-1.1-12-13 states in part:

"Deduction for veteran with partial disability; limitations; surviving spouse; contract purchaser . . ."

IC 6-1.1-12-13 Sec. 13. (a) states in part:

". . . an individual may have twenty-four thousand nine hundred sixty dollars (\$24,960) deducted from the assessed value of the taxable tangible property that the individual owns, or real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property that the individual is buying under a contract that provides that the individual is to pay property taxes on the real property, mobile home, or manufactured home, if the contract or a memorandum of the contract is recorded in the county recorder's office . . ."

IC 6-1.1-12-14 states in part:

"Deduction for totally disabled veteran or veteran age 62 and partially disabled; limitations; surviving spouse; contract purchaser . . ."

IC 6-1.1-12-14 Sec. 14 (a) states in part:

". . . an individual may have the sum of twelve thousand four hundred eighty dollars (\$12,480) deducted from the assessed value of the tangible property that the individual owns . . ."

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UNALLOWABLE EXPENDITURES - E911

Expenditures were made from the Emergency 911 Fund for the following unallowable expenditures during 2008:

1. A County Government Center information telephone line and phone equipment for the County Coroner's office.
2. Office equipment such as printers and copiers for 911 operations.
3. Surveying tools for the County Surveyor to use for mapping.
4. Membership to National Emergency Number Association.
5. Letter from a non-Public Safety Answering Point (PSAP) requesting their annual allotment of E911 funds.

The amounts for these unallowable expenditures for 2008 were \$120,982. These expenditures were 1.8% of the total expenditures of the Emergency 911 Fund for 2008.

IC 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
- (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."

IC 36-8-16.5-41 states:

"(a) 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;

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AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) the provision of wireless enhanced emergency service; or
- (4) educating consumers about the operations, limitations, role, and responsible use of enhanced 911 service."

DISBURSEMENT DOCUMENTATION

Documentation submitted for requests of E911 funds from the County Commissioner's by the majority of PSAPs, located throughout Lake County included, only vendor quotes or the original letters not actual invoices supporting the expenditures. Certification of expenditures were requested from the all the PSAPs. Upon reviewing certifications from the PSAP's for expenditures of the 911 funds it was noted that some of the documentation provided did not agree to the purpose of their initial request to the County.

For example, one PSAP requested \$30,000 a year for four years to pay for a lease purchase agreement for new dispatch center but when the certification was provided it indicated that \$20,591.38 was spent on radio equipment, 911 process fee, tools and blades, and services to wire a temporary location for dispatching. As a result, the funds were not used as originally indicated by the PSAP. In this particular case only \$20,591.38 was supported by documentation leaving \$9,408.62 unaccounted for.

Expenditures that did not have adequate supporting documentation from the PSAP's totaled \$195,410.75 or 3% of all expenditures for 2008.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

911 FEES

The County receives money from phone companies for landline and wireless phone fees charged to consumers. These fees are to be deposited in separate funds on the County's records. Currently these fees are all deposited in the same fund under 911 and have not been separated as required by Indiana statute. In addition, IC 36-8-16-14 and IC 36-8-16.5-41 indicate that specific disbursements can be made from landline fees and wireless fees. Since all money is comingled into one fund and disbursed from the same fund we were unable to determine if disbursements were made from the correct fees collected.

IC 36-8-16-13 states:

"Deposit of fees into emergency telephone system fund, Sec. 13. A county treasurer or municipal fiscal officer to whom enhanced emergency telephone system fees are remitted under section 12 of this chapter shall deposit the fees in a separate fund. The fund shall be known as the \_\_\_\_\_ (insert name of county or municipality) emergency telephone system fund. The county treasurer or municipal fiscal officer may invest money in the fund in the same manner that other money of the county or municipality may be invested. The county treasurer or municipal fiscal officer shall deposit any income earned from such an investment in the fund."

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IC 36-8-16-14 states:

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

- (1) except as provided in subsection (c), 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."

IC 36-8-16.5-43 states:

"The distribution of wireless emergency enhanced 911 funds by the board for cost recovery by PSAPs under section 39 of this chapter must be deposited by the county treasurer in a separate fund set aside for the purposes allowed by section 41 of this chapter. The fund must be known as the \_\_\_\_\_ (insert name of county) wireless emergency telephone system fund. The county treasurer may invest money in the fund in the same manner that other money of the county may be invested, but income earned from the investment must be deposited in the fund set aside under this section."

IC 36-8-16.5-41 states:

"(a) 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."

COUNTY AUDITOR  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

REASSESSMENT FUND

A review of the Reassessment Fund for the Calumet Township Department noted the following:

1. Reassessment funds were used to pay for maintenance. Of the 39 invoices examined, 4 of the invoices billed were for clearing and salting access areas, mats, and waste service, totaling \$1,692. Disbursements do not appear to comply with statutory requirements for property reassessment funds.
2. Late fees, over limit fees and finance charges listed on the billed invoices were carried over from one month to the next without being resolved, totaling \$1,943.93.

IC 6-1.1-4-28.5 states:

"(a) 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 assessing officials and hearing officers for county property tax assessment boards of appeals 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 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:
  - (A) the county assessor; or
  - (B) township assessors (if any); under IC 6-1.1-5.5-3.

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."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

CASH OVERDRAFT

At December 31, 2008, the Circuit Breaker Fund had a cash overdraft balance of \$191,096.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

CAPITAL ASSET RECORDS

In testing additions and deletions of capital assets to the asset listing presented for audit, we noted the following deficiencies:

1. Park equipment and land was purchased and not listed on the capital asset additions.
2. Construction in progress activity at Three Rivers Park, Bellaboo's Play and Discovery Center, was not noted for 2007 or 2008 in the capital asset records, even though multiple change orders had been approved in the Park Board minutes.
3. A vehicle, approved to be donated from the Emergency Management Department to a not for profit fire association, was not deleted from the capital asset records.

Controls should be reviewed to ensure complete records are obtained from all departments.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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. This was a comment in the prior report.

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 of Indiana, Chapter 9)

COUNTY AUDITOR  
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JURY DUTY SUPPLEMENTAL FEE

Jurors are paid \$20 for each day they are in attendance in court until the jury is impaneled. The statutes only allow for a payment of \$15 per day unless the County adopts a supplemental fee. An ordinance adopting a supplemental fee of \$5 could not be located.

IC 33-37-10-1 states:

"(a) A juror of a circuit, superior, county, or probate court or a member of a grand jury is entitled to the sum of the following:

- (1) Except as provided in subsection (f), an amount for mileage at the mileage rate paid to state officers and employees for each mile necessarily traveled to and from the court.
- (2) Payment at the rate of:
  - (A) fifteen dollars (\$15) for each day the juror is in actual attendance in court until the jury is impaneled; and
  - (B) forty dollars (\$40) for each day the juror is in actual attendance after impaneling and until the jury is discharged.

(b) A county fiscal body may adopt an ordinance to pay from county funds a supplemental fee in addition to the fees prescribed by subsection (a)(2).

(c) A juror of a city or town court is entitled to the sum of the following:

- (1) Except as provided in subsection (f), an amount for mileage at the mileage rate paid to state officers and employees for each mile necessarily traveled to and from the court.
- (2) Fifteen dollars (\$15) per day while the juror is in actual attendance.

(d) A city or town fiscal body may adopt an ordinance to pay from city or town funds a supplemental fee in addition to the fee prescribed by subsection (c)(2).

(e) For purposes of this section, a prospective juror who is summoned for jury duty and who reports to the summoning court on the day specified in the summons is in actual attendance on that day.

(f) A county, city, or town fiscal body may adopt an ordinance providing for the payment by the county, city, or town of the parking fees incurred by jurors of circuit, superior, county, and probate courts and members of grand juries. If a county, city, or town fiscal body adopts an ordinance under this subsection, the county, city, or town may pay the parking fees incurred by a juror of a circuit, superior, county, or probate court or a member of a grand jury instead of paying the juror or grand jury member an amount for mileage at the rate provided in subsection (a)(1) or (c)(1)."

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EXIT CONFERENCE

The contents of this report were discussed on September 24, 2009, with Peggy Holinga Katona, Auditor; Larry Cak, Chief Deputy; and Michael Wieser, Director of Finance.