B39658

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

AUDIT REPORT

OF

COUNTY AUDITOR

LAKE COUNTY, INDIANA

January 1, 2010 to December 31, 2010

FILED
11/01/2011

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COUNTY OFFICIALS

Office	Official	Term
Auditor	Peggy Holinga Katona	01-01-07 to 12-31-14
President of the Board of County Commissioners	Frances DuPey	01-01-10 to 12-31-10
	Roosevelt Allen, Jr.	01-01-11 to 12-31-11
President of the County Council	Thomas O'Donnell	01-01-10 to 12-31-10
	Ted Bilski	01-01-11 to 12-31-11

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, 2010 to December 31, 2010, 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 2010.

STATE BOARD OF ACCOUNTS

August 25, 2011

TREASURER'S CASH REPORTED AS UNFUNDED MONEY

The County Treasurer collects and retains cash collections for subsequent distribution to the various governmental entities at tax settlement. These cash transactions for property and excise taxes, liens, etc., are reported in the financial statements as "Unfunded Money."

Each office at the County is required to prepare a report at year end to submit to the Auditor so that the transactions can be reported in the County's Annual Report. It is from the County's Annual Report that the year-end financial statements are generated. The County Treasurer did not prepare the year-end report for his office, so a Clerk in the Auditor's office determined the amounts from computer generated reports she had access to; however, the reports she used included activity reported in the individual funds also. This resulted in the Unfunded Money Fund being materially overstated, due to inclusion of cash activities which were already accounted for in the individual funds. The Unfunded Money Fund cash balance at December 31, 2010, was overstated by $15,273,754. Receipts and disbursements were overstated by $487,830,572 and $472,556,818, respectively.

Controls have not been established to compare reconciled cash and investment balances reported by the County Treasurer, and each office of the County to the County Annual Report to ensure that the amounts being reported at year end are accurate and complete. By not establishing such controls, amounts are being reported which materially misrepresent the financial position of the County as a whole.

Other instances of either cash accounts not being reported, or transactions not being accurately reported were observed, but the amounts were not material in relation to the financial statement presentation. Examples of instances of cash balances or transactions not being reported accurately included the County Highway Maintenance Garage Bond, County Bond Improvements, Jail Commissary, Inmate Trust - Commissary, and Inmate Medical Funds. The material amounts were corrected through audit adjustments to the financial statements.

Indiana Code 5-11-1-4 states:

> "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

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.

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

AMOUNTS HELD WITH FISCAL AGENTS

The County issued bonds and the proceeds were placed in trust accounts. The County did not record the receipt or disbursement of the funds until the funds were released from the trust accounts, as the funds are released as needed to pay vendors. The funds released from the trust accounts were then recorded as receipts of the County Highway Maintenance Garage Bond and County Bond Improvements Funds, and as the claims were paid, the disbursements were recorded. At year end, the County Auditor reported cash and investment balances for the County Highway Maintenance Garage Bond Fund and County Improvements Fund of $2,832, and $0, respectively, in their County Annual Report. Cash and investment balances reported in the financial statements after allowing for audit adjustments to include the cash balances maintained in the trust accounts were $778,422 for the County Highway Maintenance Garage Bond Fund and $252,201 for the County Bond Improvements Fund.

The County receives statements on the trust accounts monthly, but the County failed to recognize cash and investment balances in their funds.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Federal Audit Information (Federal Grant Schedule) was inaccurate for the year ended December 31, 2010. Each County department is responsible for overseeing and reporting their grants. County departments are responsible for applying for grants, presenting them to the County Council and the Board of County 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 was presented for audit on March 15, 2011. A revised schedule was presented on March 24, 2011. The first schedule presented for audit underreported federal expenditures by $1,688,714 or 14 percent of the total federal expenditures reported for 2010. The second schedule presented for audit was over reported federal expenditures by $2,156,000 or 18 percent. Both of the schedules included state grant expenditures as Federal grant expenditures. Each schedule excluded some federal grant expenditures. Using grant files, ledgers and other documentation, a corrected Federal Grant Schedule was prepared by examiners.

Controls have not been established by the County to ensure complete and accurate reporting of federal grant expenditures. The minutes for either the Board of County Commissioners or the County Council did not acknowledge many of the grants that were received. The individual departments do not have the opportunity to review the information the Auditor presents in the Schedule to ensure all federal awards and expenditures are included and reported based upon their records and reports.

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 County Auditors of Indiana, Chapter 14)

TEMPORARY LOAN

A temporary loan of $5,500,000 was made on November 25, 2008, from the Employee Benefit Accruals - Health Insurance Reserve Fund (26514) to the County Bond Redemption Fund (322). The loan has not been repaid as of the date of this report. The initial resolution authorizing the loan had a stated repayment date of December 31, 2009. The County continuously extends the repayment date by six months pursuant to Indiana Code 36-1-8-4. The most recent resolution for extension was passed on June 15, 2011.

Indiana Code 36-1-8-4 states:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

(1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.

(2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.

(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.

(5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

(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."

OVERDRAWN CASH AND INVESTMENT BALANCES

The cash and investment balances of the General Fund, the General Drain Improvement Fund, and the Supplemental County Wide Tax Fund were overdrawn at December 31, 2010, by $51,331,550, $443,455, and $168, respectively. The overdrafts of the General and General Drain Improvement Funds were primarily due to the delay in the billing and distribution of the 2009 pay 2010 property taxes, which were not distributed until January 2011.

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 of Indiana, Chapter 14)

DORMANT FUNDS

The County reported cash balances in the financial statements for several funds for which there had not been any activity for the past two years. These funds include: Anti-Bioterrorism, Community Fund, Economic Development FMHA, Environmental Task Force, Juvenile Center Grants Fund, LC Voting System Cumulative, Public Works Tax Incentive, Reassessment 1999, US Research Consultant, and Vehicle License Funds.

Also, the County reported cash balances in the financial statements for the Court Improvement Grant, HIDTA, and Public Works Recycling Grant Funds for which there may be no future activity as the grants for which these funds were established have ceased.

Most counties have funds that have been inactive or dormant for a number of years. A sufficient fund balance should be retained to pay any outstanding obligations, such as bonds and interest coupons not surrendered for payment. However, to the extent of any balance not needed to cover outstanding obligations, every effort should be made by county auditors to eliminate such funds from the records. The following statutory authorities will be found governing the closing out of the above listed funds.

IC 5-1-13-2 provides that when bonds have been issued for any lawful purpose, and the purpose for which the debt was incurred has been accomplished or abandoned, the surplus or balance in such bond fund shall be transferred to the bond and interest redemption fund by the disbursing officer upon order of the legislative body. The funds so transferred are to be used for the payment of interest bearing indebtedness.

IC 36-1-8-5 is a general law which provides that unused and unencumbered balances in county funds which have been raised by levy on all of the taxable property of the county be transferred to the county general fund or rainy day fund, upon authority given by the county council. This section also provides that unused and unencumbered balances in funds for the redemption of poor relief bonds or like obligations for poor relief purposes by levy on all of the taxable property of a civil township be transferred to the poor relief fund of such township.

County auditors should examine any dormant funds carried on their ledgers with the view toward closing out such funds before December 31. (The County Bulletin and Uniform Compliance Guidelines, Vol. No. 353, October 2005)

EXEMPTIONS AND DEDUCTIONS FOR PROPERTY TAXES

A review of exemptions and deductions claimed noted the following:

1. Supporting documentation such as income verifications, proof of age, and proof of disability were not retained for audit for age, disability, and veteran deductions or exemptions allowed. Officials indicated supporting documentation is shredded due to the privacy act. An alternative to destroying the documentation would involve "marking" out the sensitive information (i.e., social security numbers). In order to ensure accuracy and to reduce the potential for abuse, supporting documentation should be retained for audit.

2. In three instances tested, taxpayers received six exemptions and/or deductions; however, the signed application requesting these six exemptions could not be located for audit. Additionally, two elected officials were allowed mortgage exemptions; however, applications were not on file to support the authority for the allowance of the mortgage exemptions. Most of these exemptions were subsequently removed by the Auditor's Office.

3. When a taxpayer applies for the homestead credit by filling out the sales disclosure form at closing, the sales disclosure form is subsequently provided to the County Recorder. The County Recorder scans the sales disclosure form and the paperwork is sent to the exemption department at the Auditor's office to serve as the authorization for the allowance of the homestead credit. This paperwork is then returned to the County Recorder. The exemption department of the Auditor's office does not maintain any of the paperwork to support the authority for the homestead credit as required by statute.

4. Mortgage releases filed with the Recorder are not being communicated to the Auditor so that the mortgage exemption can be removed.

Indiana Code 6-1.1-12-10.1 states in part:

"Persons over 65 or surviving spouse; filing claim . . . (a) 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. . . . (c) . . . 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 6-1.1-12-11 states in part:

"Deduction for blind or disabled person . . . (a)(3) . . . the individual's taxable gross income for the calendar year preceding the year in which the deduction is claimed did not exceed seventeen thousand dollars ($17,000) . . . (f) An individual with a disability not covered under the federal Social Security Act shall be examined by a physician and the individual's status as an individual with a disability determined by using the same standards as used by the Social Security Administration."

Indiana Code 6-1.1-12-37 states in part:

"Standard deduction for homesteads . . . (e) . . . an individual who desires to claim the deduction provided by this section 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."

Indiana Code 6-1.1-12-1 states in part:

"Deduction for property financed by mortgage . . . (b) . . . the total amount of the deduction which the person may receive under this section for a particular year is:

(1) the balance of the mortgage or contract indebtedness on the assessment date of that year;

(2) one-half (1/2) of the assessed value of the real property, mobile home, or manufactured home; or

(3) three thousand dollars ($3,000); whichever is least."

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 for County Auditors of Indiana, Chapter 14)

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

CERTIFICATES OF ERROR

The following deficiencies were noted when reviewing the certificates of error:

1. For the County to increase an erroneous assessment, an "invalid" certificate of error for a reduction of the assessed value is entered to completely remove the assessment. The property value is then increased not only by the amount indicated on the additional assessment form, but also by the amount that was removed by the certificate of error. This same procedure could occur more than once on the same property; thus, inflating the amounts being reported as corrections by certificates of error. Also, these "invalid" certificates of error are not approved by the property authorities in accordance with statutes as they are not considered "true" certificates of error.

2. In some instances, the corrections of errors made to record exemptions (i.e., mortgage, homestead, etc.) that were on file, but not correctly applied to the applicable property, lacked approval by the appropriate officials. Furthermore, since documentation to support exemptions is not retained for audit, the only supporting authorization for the certificate of error (other than the certificate of error itself) is the notation in the computer system.

3. In some instances, the Auditor was unable to locate documentation to support the reason for the certificate of error.

Indiana Code 6-1.1-15-12 states:

"(a) Subject to the limitations contained in subsections (c) and (d), a county auditor shall correct errors which are discovered in the tax duplicate for any one (1) or more of the following reasons: . . .

(8) Through an error of omission by any state or county officer, the taxpayer was not given:

(A) the proper credit under IC 6-1.1-20.6-7.5 for property taxes imposed for an assessment date after January 15, 2011;

(B) any other credit permitted by law;

(C) an exemption permitted by law; or

(D) a deduction permitted by law. . . .

(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:

(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. . . .

(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."

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.

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)

TAX SALE SURPLUS FUNDS

The tax department of the Auditor's Office maintains records for tax sale transactions using computerized software – SRI Tax System. From this software, a detailed listing of tax sale properties with surplus or excess sales collections is generated. The Auditor also uses an Excel spreadsheet (commercially sold computer software) to account for tax sales and redemptions in lieu of using the prescribed Form 137, Tax Sale Record.

No attempt was made at December 31, 2010, to reconcile the detailed listing of tax sale surplus per the SRI Tax System reports to the Surplus Tax Sale Fund (Fund 566) or to the Excel spreadsheet. Officials did not generate the appropriate detail reports from the SRI Tax System at December 31, 2010, to properly reconcile the fund. The reports cannot be generated currently as they are time sensitive. At July 14, 2011, the SRI Tax System detail report of tax sale surplus totaled $14,249,687.61. The amount reported in the Surplus Tax Sale Fund (Fund 566) per the County's ledger showed a balance of $3,136,947.67 at July 14, 2011. The difference between the SRI detail and the County's ledger on July 14, 2011, was $11,112,739.94.

The difference may be due to the fact that all disbursements are not being properly recorded in the two records. For example, when claims are generated based upon the SRI Tax System reports (SRI Tax System equivalent of Form 137 - Tax Sale Record) to refund surplus amounts, the claims are posted to the Surplus Tax Fund (Fund No. 566), but not to the SRI Tax System. Some disbursements we tested from Surplus Tax Sale Fund (Fund No. 566) were not recorded in the SRI Tax System. These disbursements were made in 2010 and were not recorded as of July 14, 2011.

There is a lack of internal controls when claims are generated by the tax sale department and not immediately updated to the tax sale record. This weakness over internal controls could allow for duplicate tax sale surplus payments to be made. A similar comment was reported in the prior audit.

Indiana Code 6-1.1-25-8 states in part:

"Each county auditor shall maintain a tax sale record on the form prescribed by the state board of accounts. The record shall contain: . . .

(8) the amount of any costs certified to the county auditor under section 2(e) of this chapter and the date of the certification;

(9) the name of the person, if any, who redeems the property;

(10) the date of redemption;

(11) the amount for which the property is redeemed; . . ."

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)

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)

UNALLOWABLE EXPENDITURES - E911

The County Commissioners entered into a contract with a consultant for various services outlined below:

"Consultant shall attend and be present at all Lake County Commissioners meetings" - as well as Council meetings.

"Consultant shall work with the Lake County Commissioners Bookkeeper to prepare all Commissioners requests to the Lake County Council for budget transfers and/or appropriation requests.

"Consultant shall prepare such financial and managerial reports, evaluations and recommendations as are requested by the Unit of Government." . . .

"Consultant shall represent the Unit of Government at whatever level that is required by that Unit." . . .

"Consultant shall include the following detailed information on invoices:

Indicate date of service

Specify activities in detail to include with whom the consultant met and what work was done.

Indicate the time period of the day during which the work was performed.

Quantify this by tenths of hours."

Also per the Contract, "The County agrees to pay the Consultant a sum not to exceed Thirty-Five Thousand Dollars ($35,000) for all services required herein at the rate of $100.00 per hour (50% payable out of the Commissioners budget and 50% payable out of the E911 budget), . . ."

Per the prior audit report, as well as for the first claim paid from the E-911 funds for 2010 paid on August 5, 2010, for services for the month of July 2010, the invoice from the Consultant indicated:

"For Services Rendered to the Lake County Commissioners for requested work, on the budget detail and other projects as needed for the month of July, 2010."

Dates were indicated with hours worked, and for each date the words "Lake County Commissioners." There wasn't any information provided as to how this work related to the E-911 program. This claim totaled $3,000.

Two additional claims were paid from the E-911 funds for this consultant's services. The invoices attached to these claims indicated such items as "911 project for the County," "Review 911 Project Material," "911 Project Review," and "Commissioners Meeting." These two claims totaled $6,000. Although some of the services indicated they were related to the E-911 program, we could not determine how these expenditures related to the allowable uses of the 911 funds in accordance with Indiana Code 36-8-16-14.

Also, as stated in the prior audit report, the County continues to pay for the County's information phone line from the E-911 funds. The claims paid from the E-911 funds for the County's information phone line totaled $18,542.13.

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

"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."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

EMPLOYEES ALSO PAID AS CONTRACTORS

The County Attorney, the Assistant County Attorney, the County Council Attorney, and the Administrative Financial Director all received wages and benefits as employees and also received payments as vendors. Vendor services provided and reported on a "1099 Miscellaneous" did not incur payroll tax withholdings and did not incur the related employer taxes. A recent IRS (Internal Revenue Service) audit sited and assessed the County penalties for this type of payroll compliance error.

In addition, time records and contracts were not available for audit to provide supporting documentation for all services provided by some of these individuals.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

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 County Auditors of Indiana, Chapter 14)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OFFICIAL BOND

The officials' bonds for the Auditor for 2010 and 2011 were filed with the County Recorder; however, the bond coverage was for $15,000. Per statute, a minimum of $30,000 was required as of July 1, 2009.

Indiana Code 5-4-1-18(c)(2) states in part: "County auditors shall file bonds that provide annual coverage of not less than thirty thousand dollars ($30,000), as fixed by the fiscal body of the county."

CONGRESSIONAL SCHOOL INTEREST FUND

The County maintains custody of the Congressional School Funds. The proceeds derived from the sale of land have remained intact, and is invested in accordance with state statutes; however, the interest is being accumulated in an agency fund and is not being distributed to the schools as required by statute.

Indiana Code 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."

COUNTY AUDITOR
LAKE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2011, with Peggy Holinga Katona, Auditor; Larry Cak, Deputy Auditor; Mike Wieser, Director of Finance; Ted Bilski, President of the County Council; and John Dull, Attorney for the Board of County Commissioners. The official response has been made a part of this report and may be found on page 17.

LAKE COUNTY 911
2293 NORTH MAIN STREET • CROWN POINT, INDIANA 46307 • PHONE: (219) 755-3414 • FAX: (219) 648-6146

JEFF CICILLIAN
MANAGER

August 15, 2011

State Board of Accounts
302 W. Washington St.
Room E 418
Indianapolis, IN 46204-2765

Re: Official Response

This letter is being generated to respond to the Exit Conference from your office regarding Unallowable Expenditures- E911.

In regards to the unallowable expense involving the Consultant Fee, the consultant is no longer being paid from the 911 fund.

As for the claims for the County's information phone line, we were advised of this in 2010 from your office and the Auditor was advised to stop paying with 911 funds. This had already been taken care of.

If you have any other questions regarding 911, please contact this office.

Jeff Cicillian, ENP
Lake County 9-1-1