

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

FINANCIAL STATEMENT EXAMINATION REPORT  
OF

LAKE COUNTY SOLID WASTE  
MANAGEMENT DISTRICT  
LAKE COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
12/29/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Jeffrey A. Langbehn	01-01-09 to 12-31-11
Controller	John E. Petalas	01-01-09 to 12-31-11
President of the Board	Phillip Kuiper Gerry Scheub	01-01-09 to 12-31-09 01-01-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LAKE COUNTY SOLID WASTE  
MANAGEMENT DISTRICT, LAKE COUNTY, INDIANA

We have examined the financial statements of the Lake County Solid Waste Management District (District), for the period of January 1, 2009 to December 31, 2010. The District's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

The District's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management, the District Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 13, 2011

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were prepared by management of the District. The financial statements and notes are presented as intended by the District.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 As Of and For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Solid Waste Management	\$ 1,150,532	\$ 5,552,872	\$ 5,466,297	\$ 1,237,107
Payroll	1,293	512,772	510,773	3,292
Old General Fund	134,598	20,224	957	153,865
Totals	<u>\$ 1,286,423</u>	<u>\$ 6,085,868</u>	<u>\$ 5,978,027</u>	<u>\$ 1,394,264</u>

The notes to the financial statements are an integral part of this statement.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
As Of and For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Solid Waste Management	\$ 1,237,107	\$ 4,364,874	\$ 5,342,375	\$ 259,606
Payroll	3,292	519,209	517,787	4,714
Old General Fund	153,865	62,276	216,141	-
Totals	<u>\$ 1,394,264</u>	<u>\$ 4,946,359</u>	<u>\$ 6,076,303</u>	<u>\$ 264,320</u>

The notes to the financial statements are an integral part of this statement.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statements present the financial information for the District (primary government), and does not include financial information for any of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the District (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, boat and trailer excise tax, and other taxes that are set by the District.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, recycling fees.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the District by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plan**

The District contributes to a pension plan unique to the District. Information regarding this plan may be obtained from the District.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the District. It is presented as intended by the District.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009

	<u>Solid Waste Management</u>	<u>Payroll</u>	<u>Old General Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ 1,150,532	\$ 1,293	\$ 134,598	\$ 1,286,423
Receipts:				
Taxes	4,639,391	-	-	4,639,391
Intergovernmental	378,116	-	-	378,116
Charges for services	471,691	-	-	471,691
Other receipts	<u>63,674</u>	<u>512,772</u>	<u>20,224</u>	<u>596,670</u>
Total receipts	<u>5,552,872</u>	<u>512,772</u>	<u>20,224</u>	<u>6,085,868</u>
Disbursements:				
Personal services	612,314	-	-	612,314
Supplies	37,221	-	-	37,221
Other services and charges	4,402,797	-	-	4,402,797
Capital outlay	370,675	-	-	370,675
Other disbursements	<u>43,290</u>	<u>510,773</u>	<u>957</u>	<u>555,020</u>
Total disbursements	<u>5,466,297</u>	<u>510,773</u>	<u>957</u>	<u>5,978,027</u>
Excess (deficiency) of receipts over disbursements	<u>86,575</u>	<u>1,999</u>	<u>19,267</u>	<u>107,841</u>
Cash and investments - ending	<u>\$ 1,237,107</u>	<u>\$ 3,292</u>	<u>\$ 153,865</u>	<u>\$ 1,394,264</u>

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	<u>Solid Waste Management</u>	<u>Payroll</u>	<u>Old General Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ 1,237,107	\$ 3,292	\$ 153,865	\$ 1,394,264
Receipts:				
Taxes	3,528,672	-	-	3,528,672
Intergovernmental	463,969	-	-	463,969
Charges for services	69,744	-	-	69,744
Other receipts	<u>302,489</u>	<u>519,209</u>	<u>62,276</u>	<u>883,974</u>
Total receipts	<u>4,364,874</u>	<u>519,209</u>	<u>62,276</u>	<u>4,946,359</u>
Disbursements:				
Personal services	630,807	-	-	630,807
Supplies	50,851	-	-	50,851
Other services and charges	4,372,187	-	-	4,372,187
Capital outlay	288,505	-	-	288,505
Other disbursements	<u>25</u>	<u>517,787</u>	<u>216,141</u>	<u>733,953</u>
Total disbursements	<u>5,342,375</u>	<u>517,787</u>	<u>216,141</u>	<u>6,076,303</u>
Excess (deficiency) of receipts over disbursements	<u>(977,501)</u>	<u>1,422</u>	<u>(153,865)</u>	<u>(1,129,944)</u>
Cash and investments - ending	<u>\$ 259,606</u>	<u>\$ 4,714</u>	<u>\$ -</u>	<u>\$ 264,320</u>

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Capital leases:			
Vehicles	\$ 137,240	\$ 38,701	General
Loan payable	<u>6,310,000</u>	<u>494,418</u>	General
Total debt	<u>\$ 6,447,240</u>	<u>\$ 533,119</u>	

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS

**LACK OF QUORUM**

The District Board agreed to have monthly meetings to conduct the business of the District; however in 2009, the board was only able to meet four times (March, July, August, and September). Business could not be completed for the September 17, 2009 meeting as the Board met, conducted a public hearing on the budget, but could not act on the budget due to the lack of a quorum. This resulted in the District not having an approved budget for 2010. The District was forced to revert to the 2009 budget and adopt additional appropriations to allow for any changes. Furthermore, on December 30, 2009, the Chairman of the District Board signed an Interlocal Agreement on behalf of the District with the Town of Merrillville. The Interlocal Agreement committed the District to lease office space from the Town through 2011. The first payments on the lease, were paid on December 30, 2009, (\$20,000), and on January 4, 2010, (\$18,000). Neither claim was approved by the Board for payment until January 21, 2010.

The powers of a district include the following: . . .

- (8) The power to purchase, lease, or otherwise acquire real or personal property for the management or disposal of solid waste. . . .
- (13) The power to levy a tax within the district to pay costs of operation in connection with solid waste management, subject to the following:
  - (A) Regular budget and tax levy procedures.
  - (B) IC 13-21-3-16.

However, except as provided in IC 13-21-3-15 and IC 13-21-3-15.5, a property tax rate imposed under this article may not exceed eight and thirty-three hundredths cents (\$0.0833) on each one hundred dollars (\$100) of assessed valuation of property in the district. . . .

- (17) The power to adopt resolutions that have the force of law. However, a resolution is not effective in a municipality unless the municipality adopts the language of the resolution by ordinance or resolution. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

Indiana Code 6-1.1-17-3 states in part:

"(a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; and
- (4) the amounts of excessive levy appeals to be requested."

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. Beginning in 2009, the duties required by this subsection must be completed before September 10 of the calendar year.

(b) The board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal) may conduct the public hearing required under subsection (a):

- (1) in any county of the solid waste management district; and
- (2) in accordance with the annual notice of meetings published under IC 13-21-5-2."

***ACCOUNTS PAYABLE VOUCHERS (CLAIMS)***

The District makes grants for recycling programs to various governmental entities based upon a formula established in the solid waste district plan and census data. The calculations used to distribute the grant funds were not attached to the claim or retained for audit. Grants made in 2009 and 2010 totaled \$2,857,772 and \$2,816,058, respectively. We could not verify if the amounts were properly calculated in accordance with the adopted formula.

Other claims that lacked itemization included a payment to the Internal Revenue Service (IRS) in January 2010 in the amount of \$547.54 for "2009 Federal Withholding Shortfall." Normally, when the IRS determines an entity underpaid taxes, penalties and interest are assessed against that entity also. Due to the lack of documentation, the amount paid by the District for penalties and interest if any, could not be determined.

Indiana Code 5-11-10-1.6(c) states in part: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim."

***CREDIT CARD USAGE***

The District has four credit cards that are primarily used by four employees; however, we did note that credit cards were also used by other employees of the District. The Board has not adopted a resolution authorizing the use of credit cards for purchases on behalf of the District. Credit card billing statements and supporting documents were reviewed for three billing periods.

Claims are paid based upon the credit card monthly billing statement; however, vendor receipts are to be retained with copies of the credit card statements at the District office. Several vendor receipts were not retained for examination, including the following:

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Date</u>	<u>Employee Position and Vendor</u>	<u>Amount</u>	<u>Explanation on Statement of Charge</u>
Executive Director:			
11-03-10	Speedway, LaPorte	\$ 75.00	Fuel
11-08-10	Speedway, Lowell	74.63	Fuel
11-11-10	Munster Gyros, Munster	10.75	Lunch - Jeff and Cliff
11-12-10	Meijer, Highland	74.98	Fuel
11-15-10	Speedway, Merrillville	75.00	Fuel
11-20-10	Speedway, Schererville	74.74	Fuel
11-24-10	Meijer, Highland	74.98	Fuel
11-24-10	VF Outdoor Inc.	253.08	Jackets - Employees
11-28-10	Speedway, Schererville	74.87	Fuel
12-01-10	Easy Clean Car Wash, Highland	25.00	Car wash
02-05-10	Exxon, Highland	73.50	Fuel
02-07-10	United, Chicago	25.00	Luggage
02-09-10	Hertz Rent a Car, NC	423.25	Car Rental
02-09-10	Charlottes Landing, Inc. NC	13.50	Nothing Noted
02-09-10	United, NC	25.00	Luggage
02-09-10	United, NC	25.00	Luggage
02-10-10	Embassy Suites, NC	587.30	Hotel Jeff
02-10-10	Embassy Suites, NC	606.36	Hotel Cliff
02-25-10	National Bus., Inst, WI	30.00	Nothing Noted
03-01-10	Easy Clean Car Wash, Highland	25.00	Car Wash
12-09-09	Merchant's Parking, IN	7.00	Parking
12-09-09	Shell Oil, Merrillville	34.29	Fuel
12-11-09	Westin, Indy	222.92	Hotel for Jeff
12-11-09	Apple Online Stores, CA	913.83	Computer - Jeff
12-14-09	Longhorn Steak, Merrillville	41.60	Lunch - Jeff
12-17-09	Schererville Florist	80.99	Flowers - Perry Ferini
12-23-09	Cabela's Retail, Hammond	55.19	Floor Mats - Jeff's Truck
	Total	<u>\$ 4,002.76</u>	
Attorney for the District:			
02-07-10	Marathon Oil	\$ 3.19	Coffee
02-07-10	Wal-Mart	42.54	Gems program
02-07-10	United, Chicago	23.00	Luggage
02-07-10	United, Chicago	25.00	Luggage
02-09-10	Cinnabon, Charlotte NC	6.64	Rolls/Coffee
12-10-09	Tradewinds Chillers, CA	547.00	Chiller - Trout Stream
12-28-09	Bryan's Florist, Hobart	150.00	Flowers Roger Pelfrey
	Total	<u>\$ 797.37</u>	

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Several charges to the credit card are for meals at local restaurants where only employees were in attendance. The business nature of the luncheons were not indicated as follows:

Date	Vendor and Location	Amount	Information per Receipt
11-18-2010	House of Kobe, Merrillville	\$ 29.80	Cliff Lunch
11-11-2010	Munster Gyros, Munster	10.75	Lunch - Jeff and Cliff
11-10-2010	Texas Corral, Merrillville	55.73	Lunch - Jeff, Leonard, Cliff, Joyce
11-06-2010	Old Chicago Restaurant, Merrillville	49.52	Lunch - Jeff, Cliff, Bob
11-19-2010	Red Robin, Hobart	22.42	Lunch - Jeff, Leonard
11-30-2010	Applebee's, Merrillville	34.82	Lunch - Jeff, Leonard, Joyce
02-03-2010	Bridge's Scoreboard Rest, Griffith	54.98	Lunch - Jeff and Cliff
02-05-2010	QSL Portage LLC, Schererville	51.66	Lunch - Jeff and Cliff, Brian Rise, Leonard
02-10-2010	Asparagus Rest, Merrillville	125.83	Lunch - Jeff, Cliff, Earl Powers
02-17-2010	LaCaretta Rest. Merrillville	44.86	Lunch - Jeff and Cliff
02-18-2010	Pazzos Cucina Italiana, Chicago	99.53	Pizza - Jeff, Cliff, Leonard, Joyce
02-19-2010	Bridge's Scoreboard Rest, Griffith	38.86	Lunch - Jeff and Cliff
02-22-2010	Jimmy Johns, Merrillville	47.86	Luncheon - Lara, Kristin, Jeff, Cliff, Ang
02-25-2010	Applebees, Merrillville	28.49	Lunch - not indicated with whom or business nature
02-25-2010	The Commander Rest, Munster	42.23	Lunch - Jeff, Scott Musgrove
02-26-2010	Old Chicago Restaurant, Merrillville	41.31	Lunch - Jeff, Cliff, Leonard, Joyce
03-02-2010	Applebees, Merrillville	49.28	Lunch - Jeff, Cliff and Receipt indicates John Reed - Chicago Waste
03-01-2010	Rosatis Pizza, Crown Point	69.67	Pizza - Jeff, Cliff
12-04-2009	Maxim's Restaurant, Merrillville	50.24	Pizza Staff
12-11-2009	The Patio, Merrillville	79.04	Lunch - not indicated with whom or business nature
12-14-2009	Longhorn Steak, Merrillville	41.60	Lunch - Jeff
12-17-2009	Gelsosomo's Pizza, Crown Point	47.53	Pizza - Jeff, Cliff, Jeanette, Joyce, Leonard
	Total	<u>\$ 1,116.01</u>	

Furthermore, purchases were observed which seem to indicate the District is bypassing the accounting system as follows:

Description of Items	Amount
Computer equipment	\$ 1,962.33
Projector	<u>534.99</u>
Total	<u>\$ 2,497.32</u>

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Purchases were also made for items which may be considered unnecessary and unreasonable, even personal as follows:

Description of Items	Amount
Magazines	\$ 14.93
Ear buds (Head phones)	19.99
Refreshments purchased with Fuel	18.16
Membership in Outdoors Organization*	60.00
Limousine Rental**	150.00
Three car washes at \$75 each***	225.00
Total	\$ 488.08

\*The membership in the Outdoors Organization was for an individual two year membership in an organization that promotes outdoor activities such as hunting and fishing in Michigan.

\*\*The limousine rental was for transporting Earl Powers, of Powers Energy One of Indiana, LLC, with whom the District has a contract for the development of a waste to ethanol plant from O'Hare Airport in Chicago to Gamba Restaurant in Merrillville for a lunch meeting.

\*\*\*Two other car washes were purchased at a cost of only \$25 each. The above three car washes were listed as "Enviro".

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the Board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***PURCHASES OF PERSONAL ITEMS AND REIMBURSEMENTS***

The District allows employees to purchase clothing from a certain vendor who produces the clothing from recycled materials. Because the items are being purchased directly from the manufacturer, the purchases were made using the District's credit card. An attempt was made to verify that items purchased for employees were also reimbursed by the employees back to the district; however, records have not been established to allow for accurate and complete tracking of such reimbursements. Some receipts simply indicate "reimbursement" or "out of pocket reimbursement". Those that do indicate a clothing purchase reimbursement do not indicate the date the items were purchased, or an invoice number. Copies of invoices are maintained by an employee who designates for which employees items were purchased, but receipts issued for reimbursement around the invoice date did not correlate to the employee name designated on the invoice.

The employee who maintains the copies of the invoices indicated that some purchases are for "give-a-ways" to students or attendees of speaking events. She also stated that about every three years or so, the District purchases coats or jackets for all of the employees of the District. The Executive Director of the District stated that the coats and jackets purchased for the employees are considered by the District to be uniforms. Two invoices from November 2010 totaling \$1,002.84 made up the District purchases of coats and jackets for the employees. These purchases were not reimbursed by the employees to the District.

Furthermore, a receipt was issued to the Director in the amount of \$850 for a computer purchase. A vendor invoice could not be located to substantiate the amount reimbursed for the computer; thus, we could not determine if the full cost of the computer was reimbursed, or if the computer was purchased through normal purchasing procedures or through a credit card purchase.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***TRAVEL POLICY COMPLIANCE***

The resolution providing guidelines for travel is dated February 23, 1994. This resolution limits lodging expenses to \$125/night, and meals are set at maximum amounts of \$7.00, \$10.00, and \$20.00 for breakfast, lunch, and dinner, respectively. Compliance with this policy could not be adequately tested as most travel expenses are included on the credit card, and invoices for hotels were not retained for audit.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***RESOLUTION FOR PAYMENT OF CLAIMS PRIOR TO BOARD AUTHORIZATION***

The District by resolution, authorized the Controller to pay certain claims prior to being approved by the Board. The resolution is very generic, allowing for advance payment of most expenses of the District including: office supplies, travel and meal expenses "conforming to approved travel policy" postage, printing and advertising expenses, and "payments in accordance with contracts, resolutions, and actions approved by the Board." Excluded are payments for credit card billings; however, we noted that these are also paid in advance of Board approval.

The board may, by resolution, authorize the controller to make claim payments for:

- (1) payroll;
- (2) the state solid waste management fee imposed by IC 13-20-22-1; and
- (3) certain specific vendors identified in the resolution;

without the claims being first approved by the board if before payment the claims are approved in writing by the chairperson of the board or in the absence of the chairperson another member of the board designated by the chairperson. The claims shall be reviewed and allowed by the board at the board's next regular or special meeting. [IC 13-21-3-10(c)] (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

***CONTRACTUAL SERVICES***

The District pays for certain services including a controller, a financial consultant, and interns through vendor invoices. Contracts were provided for the controller and financial consultant for the years 2009 and 2010; however, contracts were not initiated by the District for interns until August 5 and August 9, 2011. The interns were paid at various hourly rates. In 2010, the interns were also paid \$500 each as performance compensation, which for some exceeded 10 percent of their total compensation for the year.

Invoices for the financial consultant did not provide adequate documentation of dates and hours worked and services provided.

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Records were not maintained to adequately identify amounts reported on the Miscellaneous Income Federal Form 1099 for compensation paid to the interns. In 2009, based upon checks issued to interns we determined the Form 1099 over reported income for two interns and under reported income for one. In 2010, the income for two interns was under reported on the Form 1099.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

***FRINGE BENEFITS CALCULATION FOR EMPLOYER PROVIDED VEHICLES***

The District provides five individuals with vehicles. The vehicles are considered take-home vehicles. In 2009 and 2010, the Controller included a fringe benefit value in the amount of \$651 on each employee's Wage and Tax Statement, Federal Form W-2. The Controller stated that he determines the value as a rate of \$3 dollars per day, excluding holidays, weekends, vacation and sick days. He could not provide a basis for how he determined the \$3 daily rate, nor the reasoning for excluding holidays, weekends, vacation and sick days. The Internal Revenue Service provides guidelines and methods for determining the value of this fringe benefit in Federal IRS Publication 15-B. The District could be liable for any errors in under reporting the fringe benefit.

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 Special Districts, Chapter 10)

***BANK RECONCILEMENTS AND CANCELLED CHECKS***

The Controller reconciles the bank account to the records using a date other than the end of the month. By not reconciling as of the end of the month, the Controller cannot be certain that the cash and investment balances reported in the year-end financial statements are accurate and complete.

At the close of each month the ledger balances in the respective funds shall be reconciled with the bank balance and a record thereof maintained on the reverse side of the bank statement or in a separate record. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 21)

The bank is returning electronic copies of canceled checks. The copies only include the front side of the checks and do not include the check endorsements on the reverse side.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

LAKE COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2011, with John E. Petalas, Controller; Jeffrey A. Langbehn, Director; and Clifford Duggan, Attorney for the District. The official response has been made a part of this report and may be found on pages 27 through 36.

October 26, 2011

Mr. Charles Pride  
Indiana State Board of Accounts  
302 West Washington Street  
Room E-418  
Indianapolis, IN 46204

Re: Response to Lake County Solid Waste District Examination Results and  
Comments

2009-2010

Exit Audit conducted October 13, 2011

Response due: October 27, 2011

Dear Mr. Pride:

Thank you for the opportunity to provide a response to the Indiana State Board of Accounts' Examination Results and Comments provided to the Lake County Solid Waste Management District on October 13, 2011. Pursuant to our telephone conversation last week, the ten day response time is calculated as ten business days, which computes to fourteen calendar days. The District's response is respectfully provided herein. Each numerical paragraph in this Response corresponds to each capitalized/underlined heading found in the state's Results and Comments, hereinafter referred to as "State's Report".

1. The topic discussed in the first section of the State's Report is the procedure for adoption of the 2009 District Budget, but also included a discussion regarding District meetings. District meetings will be addressed first.

The District, with its 27 elected members representing each city and town, as well as the county, has found it difficult to reach a quorum for some of its monthly scheduled meetings, due to the diverse demands on city, town and county elected officials. This involves attendance demands for each member's municipal council and committee meetings, as well as public events and other responsibilities. However, monthly meetings for County Solid Waste Management Districts which do not involve the creation, amendment or alteration of a 20 year District Solid Waste Management Plan are not statutorily required. Rather, the Lake County Solid Waste

Management District Board has set up that monthly meeting schedule to allow for its active review and timely action. Monthly Board packets containing program, fiscal and other information are distributed to the Board members and made available to the public and press. See Indiana Code 13-21-5-7, as compared to Indiana Code 13-21-5-2. Never in the 20 years and 10 biannual SBOA Examinations and Reports since the District was created was the meeting schedule of the District or attendance therefor listed as an issue. Never in the 20 years and 10 biannual SBOA Examinations and Reports has the District not been able to conduct its business appropriately.

The statute and case law are clear that a majority of the entire District Board is necessary for conducting a public meeting. While there is no statutory provision for modifying this requirement, the statute has been modified several times since 1991 to address problems of attendance by District members throughout the state. Mayors, whose attendance were required in the original legislation, now may appoint a member of the municipal legislative body (Council) to attend in their place. Executive Committees may be appointed to conduct business as authorized by the District Board. The Lake County Solid Waste Management District did at one time establish such an Executive Committee, but the District Board ultimately preferred and still prefers to conduct business with the opportunity for full participation and action by its entire Board membership.

Regarding the 2009 District Budget, the 2009 District proposed and ultimate budget was the same as the 2008 District Budget and the 2010 District Budget, and is the same as the 2011 District Budget.

Unfortunately, on the day of the exit audit, which was the District's first knowledge of the items raised in the State's Report, it was discovered by the District representatives in attendance and pointed out to the state's examiner that the statute cited in the Report regarding District budget approval is incorrect in content and application and does not apply to County Solid Waste Management Districts.

The correct cite is Indiana Code 6-1.1-17-20, which states in pertinent part as follows:

**IC 6-1.1-17-20**

**Circumstances under which a taxing unit's proposed budget and levy must be reviewed by the city, town, or county fiscal body**

Sec. 20. (a) This section applies to each governing body of a taxing unit that:

(1) is not comprised of a majority of officials who are elected to serve on the governing body; and

(2) either:

(A) is:

(i) a conservancy district subject to IC 14-33-9;

(ii) a solid waste management district subject to IC 13-21; or

(iii) a fire protection district subject to IC 36-8-11-18; or

(B) has a percentage increase in the proposed budget for the taxing unit for

the ensuing calendar year that is more than the result of:

(i) the assessed value growth quotient determined under IC 6-1.1-18.5-2 for the ensuing calendar year; minus

(ii) one (1).

For purposes of this section, an individual who qualifies to be appointed to a governing body or serves on a governing body because of the individual's status as an elected official of another taxing unit shall be treated as an official who was not elected to serve on the governing body.

(b) As used in this section, "taxing unit" has the meaning set forth in IC 6-1.1-1-21, except that the term does not include:

(1) a school corporation; or

(2) an entity whose tax levies are subject to review and modification by a city-county legislative body under IC 36-3-6-9.

(c) If:

(1) the assessed valuation of a taxing unit is entirely contained within a city or town; or

(2) the assessed valuation of a taxing unit is not entirely contained within a city or town but the taxing unit was originally established by the city or town; the governing body shall submit its proposed budget and property tax levy to the city or town fiscal body. The proposed budget and levy shall be submitted at least thirty (30) days before the city or town fiscal body is required to hold budget approval hearings under this chapter. However, in the case of a public library that is subject to this section and is described in subdivision (2), the public library shall submit its proposed budget and property tax levy to the county fiscal body in the manner provided in subsection (d), rather than to the city or town fiscal body, if more than fifty percent (50%) of the parcels of real property within the jurisdiction of the public library are located outside the city or town.

(d) If subsection (c) does not apply, the governing body of the taxing unit shall submit its proposed budget and property tax levy to the county fiscal body in the county where the taxing unit has the most assessed valuation. The proposed budget and levy shall be submitted at least thirty (30) days before the county fiscal body is required to hold budget approval hearings under this chapter.

(e) The fiscal body of the city, town, or county (whichever applies) shall review each budget and proposed tax levy and adopt a final budget and tax levy for the taxing unit. The fiscal body may reduce or modify but not increase the proposed budget or tax levy.

(f) If a taxing unit fails to file the information required in subsection (c) or (d), whichever applies, with the appropriate fiscal body by the time prescribed by this section, the most recent annual appropriations and annual tax levy of that taxing unit are continued for the ensuing budget year.

(g) If the appropriate fiscal body fails to complete the requirements of subsection (c) before the adoption deadline in section 5 of this chapter for any taxing unit subject to this section, the most recent annual appropriations and annual tax levy of the city, town, or county, whichever applies, are continued for the ensuing budget year.

*As added by P.L. 25-1995, SEC. 26. Amended by P.L. 1-2004, SEC. 19 and P.L. 23-2004, SEC. 20; P.L. 199-2005, SEC. 13; P.L. 227-2005, SEC. 5; P.L. 1-2006, SEC. 136; P.L. 146-2008, SEC. 163; P.L. 182-2009(ss), SEC. 124; P.L. 113-2010, SEC. 29.*

This statute was passed in 1999 and was enacted retroactively for 1999. This highly unusual step of taking away the budget authority from the elected officials who comprise the County Solid Waste Management Districts through a modification in this section of the statute and not through a change in the Solid Waste Statute (IC 13-21 et. seq.) resulted in a conflict in the statutes which caused and continues to cause confusion on the part of Districts and County Councils throughout the state and required clarification from the DLGF.

When this error in the State's Report was pointed out to the state examiner, the state examiner did acknowledge that she was not an attorney but that the citation contained in the report would remain. This perhaps points out a possible improvement in the state auditing procedure for the future. The governmental agencies being audited should be provided the opportunity to review and respond to the state's Results and Comments within the current 10 business day response period, after which the state could further review the information provided, and thereafter have the opportunity to correct and modify the state's final report to incorporate that information as its own. This would avoid the situation where the state would publish its final report containing inaccurate information or erroneous conclusions/comments which could be easily corrected, and unfortunately having those corrections contained in the separate, often overlooked, response.

The result of IC 6-1.1-17-20 is that the statutory authority for passage of the District budget lies with the County Council. The District does not pass its budget, pursuant to this statute. Therefore, the conclusion in the State's Report that the District did not have an approved 2010 budget because of a lack of a quorum in 2009 is incorrect, and inconsistent with the statute. In addition, that statute provides a procedure for reversion to the prior year's budget and appropriation in certain situations. As previously stated, the District's 2009 budget was the same as the District's 2008 budget. Therefore, the conclusion in the State's Report that the District was forced to revert to its 2009 budget for 2010 is incorrect, and again inconsistent with the statute. In fact, in light of the fact that the proposed 2010 budget was the same as the 2009 budget, the impact was non-existent and a matter of semantics.

The final comment in the first section of the State's Report dealt with the Interlocal Agreement regarding the leasing of District office space from the Town of Merrillville executed on December 29, 2009. While the Agreement was not questioned, the payments thereunder made on December 30, 2009 and January 4, 2010 were included in the State's Report, noting that

the payments were made before the Board approved those payments at its January 21, 2010 public meeting.

Those payments were made pursuant to the District Resolution 94-1, passed pursuant to Indiana Code 13-21-3-10 (previously codified under 13-9.5), which allows for payments of claims in advance of a District Board meeting, and which reads in part as allowing the following:

“...the Controller to pay the following claims, so long as the claims are not in excess of the appropriated amounts:

- (1) All payroll and related payments
- (2) Office lease payments
- (3) Vehicle lease payments
- (4) Insurance
- (5) Office supplies
- (6) Related office expenses
- (7) Travel and meal expenses, conforming to approved travel policy
- (8) Related office expenses
- (9) Travel and meal expenses, conforming to approved travel policy
- (10) Postage
- (11) Printing and advertising expenses
- (12) Payments in accordance with contracts, resolutions and actions approved by the Board.”

Clearly the Controller for the District was authorized to make those payments on behalf of the District. Since the Resolution was passed in 1994, the District has had 7 bi-annual State Board of Accounts audits/examinations before this one. At no time did the State Board of Accounts indicate that there was any problem with this Resolution.

2. The next section of the State’s Report dealt with the distribution by the District of grant monies which it distributes to each municipality within the District. The same formula for grant distribution as described in the Examination is applied by the Controller for each municipality’s share of the grant dollars, but the individual calculation was not attached to each claim for payment to each municipality. In the future, each claim for payment to the each municipality will contain the individual calculation.

The District passed its Recycling Grants program by Resolution in 94-3. The pertinent part of the Resolution which outlines the following specified vendors states as follows:

**DISTRIBUTION AND MANAGEMENT OF GRANT MONEY:**

- 1) Distribution of grant dollars shall be made each year in July and December subject to compliance with the requirements herein, receipt of said tax dollars by

the District, and all other applicable state laws. ....

- 4) Reimbursement shall initially be in amounts delineated in the District 20-year plan, but shall be subject to modification based upon information provided by each municipality to the District and compliance by each municipality with the requirements herein, as determined by the LCSWMD Board.

As evidenced by and consistent with the above, the initial distribution was based upon the estimated cost for curbside recycling in the District's approved 20 year plan, but thereafter the distribution of the Recycling Grants to the various communities has been and is based upon the budgeted amount for Recycling Grants, divided by the total number of Lake County municipal households, and then multiplied by the number of households per municipality, based upon the then current census, and subject to the conditions and modifications outlined above.

The only other claim which lacked itemization under this section in the Report was a payment to the IRS in January, 2010 for \$547.54 for a "2009 Federal Withholding Shortfall". This was an amended quarterly Form 941 for fiscal year 2009 prepared by the District Controller, which form is part of the District's records. This was verbally explained to the state examiner at the exit audit meeting. The payment was not questioned: only that the documentation was not individually attached to the claim.

3. The third section of the State's Report discussed credit card usage. The first credit card for the District was issued in approximately 1996, for the following purposes: for expenses of the District which, if paid by an individual employee and then submitted for reimbursement, would create an undue burden on the individual; and for expenses of the District which must be made in an immediate or timely manner not achievable through submission of a claim, so long as the usage was consistent with Resolution 94-1 cited above. In the six bi-annual State Board of Accounts audits/examinations before this one and since the issuance of the credit card, there has been no problem noted in those Reports regarding the issuance or usage of a District credit card.

To address the claims for which receipts were not attached as indicated in the State's Report, there will be continued review and efforts by the District to recover those receipts which were not attached to an original claim. As verbally indicated to the state examiner, each claim for credit card usage is signed and sworn under oath to be accurate and contain authorized expenses. Each credit card statement submitted to the District Board for approval not only has (1) the original receipt (except as otherwise noted in the State Report) and (2) related explanation and/or the sworn statement described hereinabove in the District records, but also has (3) an additional explanation of each charge on the statement being reviewed by the District Board. While no prior state audit noted a deficiency with these explanations, the District certainly will follow the recommendations of the 2010 State Report.

The State's Report noted the purchase of computer equipment and a projector. Said purchases were made several days before a District Board meeting in which a presentation was to be made, and for which a purchase order and claim could not otherwise be processed. Said purchases, with accompanying receipts, went through the same review and accounting system outlined above. While said computer and projector continue to be utilized by the District in its daily operation and/or in other public District presentations, its initial purchase needed to be made within a short period of time. Clearly it was not intended nor did it bypass the accounting system. No inquiry was made by the state auditor/examiner to those with knowledge of these purchases before preparation of the State's Report. Had such occurred, this item most certainly would have been removed from the State's Report.

Finally, the Report listed the following items, although the dates relating thereto were omitted in the State's Report, thus making a complete response impossible. However, the following explanations are respectfully submitted:

Magazines: 14.93. Industry related magazines purchased before flight to conference for District.

Ear buds: 19.99. Purchased for use of District computer during flight to conference for District.

Refreshments purchased with fuel: 18.16. Food purchased as meals during District travel.

Membership in Outdoors Organization: 60.00. Membership in the organization from which the original rights to the educational programs from which the District environmental education programs were derived and developed were obtained.

Limousine Rental: 150.00. Transportation coordinated by District for Earl Powers attendance at a District meeting which the District requested. Said expense has been reimbursed by Earl Powers.

Three car washes at \$75 each: 225. The District Enviromobiles, which have won a Governor's Award for their design and promotion of the District's educational programs, are utilized by the 3 District Educators in travelling throughout Lake County to individual schools to provide the environmental education curricula to those students. The Educators carry various supplies utilized in those educational programs. The vehicles also promote public awareness of the District and its programs, and are also utilized as public displays in parades and other public events. The car washes were a more complete vehicle cleaning necessitated by their usage and public display, and were performed to maintain those assets.

4. In the fourth section of the State's Report, the Report noted the District's purchases of shirts and clothing on which the District design is placed along with a recycling message. These shirts and clothing are worn by the District Educators and employees during their programs and District events, as well as by other District employees as a part of the public information and

promotion of the District programs. These items also provide identification of the Educators in the various schools at which they teach, fulfilling a safety purpose as well. In addition, these items are provided to students and other members of the public who attend various District programs and events. This is consistent with the outline of District powers in Indiana Code 13-21-3-12, which applicable powers of the District are stated in relevant part as follows:

“(25) The power to conduct promotional or educational programs that include giving awards and incentives that further the district's solid waste management plan.”

In the 6 bi-annual state audit/examinations since this began, there were no comments by the State.

5. The fifth section of the State's Report deals with the District travel policy. The District passed Resolution 94-2 as its Travel Policy, and set parameters therefor. The policy provides a procedure to allow for modifications as circumstances necessitate. In the seven bi-annual audits conducted by the State BOA since the implementation of this Resolution, there were no comments made or concerns raised by the state.

6. The next section of the Report comments on the District's Resolution 94-1. As previously described herein, the District adopted District Resolution 94-1, passed pursuant to Indiana Code 13-21-3-10 (previously codified under 13-9.5), which allows for the Controller to pay certain specified claims. The District Board follows that policy. While this Resolution is noted in the Report, there is neither statutory nor case law cited, nor is there any statutory or case law of which I am aware, which renders this Resolution invalid. In the seven state BOA bi-annual reports before this one, there were no comments raising any concern regarding this.

7. The next titled paragraph in the Report claims that the Salary Ordinance passed by the District does not address annual performance compensation for employees, which is a budgeted item in the District's budget. However, review of the Salary Ordinance in 2009 (and the similar version in 2010) reveals the following provisions at the beginning of each Ordinance:

WHEREAS, the Lake County Solid Waste Management District (DISTRICT) is empowered under I.C. 13-21-1-1 et. seq. to hire personnel necessary for the management or disposal of solid waste in accordance with an approved budget and to contract for professional services; and

WHEREAS, said District's 2009 Budget is being submitted to the State Board of Tax Commissioners; and

WHEREAS, said budget provides for salaries of personnel authorized under 13-21-1-1 et. seq.; and

WHEREAS, said budget provides for an annual performance compensation of up to five percent for personnel; and

WHEREAS, pursuant to statute a salary ordinance needs to be adopted.

. . .  
End of excerpt section

As described by the District to the state examiner, said payment is purely discretionary and not promised or guaranteed. Said bonus payment is consistent with state and federal wage law, and, under the above conditions, is not included in an employee's rate of pay. Clearly the Report's related thereto is erroneous.

8. Regarding the Report's next section on contractual services, the Report noted that the Interns Form 1099 did not match the payments made. There was nothing specified as to the minor disputed amounts, or the calculations related thereto, so the existence or cause is unknown. It may be that some payment to an Intern could have been for a reimbursement of an expense, or there may have been a minor calculation error. This is another instance where a 10 day response window before the Report is finalized may allow for the easy resolution of this matter.

9. The next section of the Report discussed the fringe benefit calculation for the District vehicles. The value calculated for the incidental and limited/de minimus use of the District vehicles is the same calculation followed for District vehicles for the last 5 state BOA bi-annual audits, without comment or question by the state. The calculation of \$1.50 each way per day is consistent with the rules that apply to non-personal use of take-home vehicles.

10. The final section of the Report discussed bank reconcilements. Bank reconciliations are performed based upon date of receipt of the bank statements. Those bank statements are not received at the end of each month, but rather mid-month per bank policy. Those statements are utilized to reconcile the bank account, and have been for the past 10 years. In the past 4 state BOA audits before this one, there have been no comments or questions listed regarding this procedure. The bank statements are all reconciled on the day they are received, and provide the most accurate and real numbers as reflected in the most current documentation. The District cannot control the fact that the bank reconciles mid-month as opposed to the end of the month. However, the District has contacted the bank in order to comply with the state's comment.

Thank you again for the opportunity to respond to the States Examination Results and Comments. Hopefully the responses have provided some clarity regarding certain information contained in the Report, and correction of items erroneously described. It is further hoped that the suggestion respectfully presented regarding modification of the current auditing procedure of the state will be reviewed and considered, for the benefit of all concerned.

Respectfully,

Clifford E. Duggan, Jr., Legal Counsel  
Lake County Solid Waste Management District