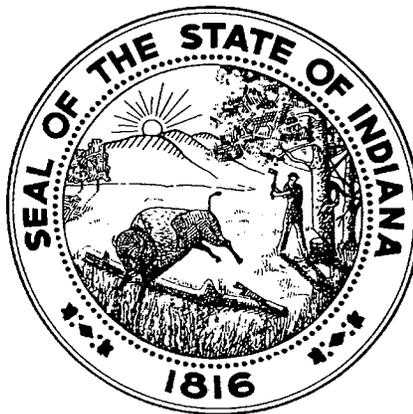


B33343

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

AUDIT REPORT
OF
COUNTY ASSESSOR
LAPORTE COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
11/25/2008

Exhibit D

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Assessor	Carol McDaniel	01-01-07 to 12-31-10
President of the County Council	Jerry Cooley Mark Yagelski	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of County Commissioners	Barbara Huston William Hager	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF LAPORTE COUNTY

We have audited the records of the County Assessor for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of LaPorte County for the year 2007.

STATE BOARD OF ACCOUNTS

July 16, 2008

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS

CHANGES TO ASSESSMENTS

The County uses computer software (ProVal) to enter information about real property. Such information includes land acreage or lot sizes, how the property is used (agricultural, commercial, or residential), number of buildings or improvements, types of buildings or improvements, and information as to the conditions of each. It is based upon the information entered by the Township Assessors that the computer software then generates the assessments which are eventually certified by the County Auditor to the State. The computer software generates "hard cards" (the equivalent of the Assessor's Book) which document all of the information entered, the values used to generate the assessed values, and the assessed values of the land and improvements.

After all of the "hard cards" are generated, a "roll book" (the equivalent of the Transfer book) is prepared and printed. The "roll book" summarizes property ownership information, and the assessed values for certification and use by the Auditor's Office. Prior to finalizing the "roll book", the Auditor compares the current year "roll book" to the prior year data searching for large or unusual changes. When such items are noted, the County Assessor is contacted to determine if any items were entered incorrectly or omitted. It is also during this time period that the County Assessor and Township Assessors can also review and make changes to the "hard cards"; however, reasons for the changes being made are not always explained on the "hard cards."

During our review of the changes noted on the "hard cards," we noted one in which the County Assessor changed the value of a parcel of land she owned. For all other "hard cards" reviewed, we noted that the land values had changed from 2005 to 2006, either increasing or decreasing as a result of the new assessment procedures; however, for this property owned by the County Assessor, no such change in land value was noted. The value of the property in 2002, 2005, and 2006 was \$500. Additionally, on other "hard cards" where changes were made to the system generated values, those original system generated values were documented on the land valuation portion of the "hard cards", but on this "hard card" the system generated value, which was \$5,600 was "voided" per the "valuation history" screen, so it did not post to the land valuation record portion of the "hard card". Under the land data and calculations portion of the card, it shows that the computed value was \$5,640, but an influence factor of 92% was applied to bring the value down to \$500.

A Township Assessor who owns property in another township changed the value of his property also. The system generated value was posted to the "hard card" as well as the corrected value. The land data and calculations portion of the card showed the computed value was \$8,320; an influence factor of 40% was applied to bring the value down to \$5,000. The change had the effect of reducing the value of the land to be consistent with other properties in that same township (which were given an 80% influence factor), but it was not appropriate for this Assessor to initiate such a change.

Another unusual change was observed on a commercial property, which houses the democratic headquarters. For all "hard cards" reviewed, the totals from the land data and calculations portion of the card can be traced to the land value on the valuation record portion of the card, but for this property, the land data and calculations portion of the card shows the land value at \$24,700, but the land per the valuation portion of the card is \$15,400. Also, this commercial property is located in downtown LaPorte. It has been given a 65% obsolete depreciation rate. Other commercial properties in this same area were not given the same treatment. In fact, only one other commercial property in this area was given an obsolete depreciation rate, and the rate given was only 10%.

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

In several other instances, the reasons for changes being made could not be justified based upon the information available at the County Assessor's office. This included review of maps, comments on "hard cards," and review of prior year "hard cards."

Indiana Code 6-1.1-15-1 states in part:

"(c) A taxpayer may obtain a review by the county board of the assessment of the taxpayer's tangible property effective for an assessment date for which a notice of assessment is not given as described in subsection (a). To obtain the review, the taxpayer must file a notice in writing with the township assessor of the township in which the property is subject to assessment. The right of a taxpayer to obtain a review under this subsection for an assessment date for which a notice of assessment is not given does not relieve an assessing official of the duty to provide the taxpayer with the notice of assessment as otherwise required by this article. For an assessment date in a year before 2009, the notice must be filed on or before May 10 of the year. For an assessment date in a year after 2008, the notice must be filed not later than the later of:

- (1) May 10 of the year; or
- (2) forty-five (45) days after the date of the statement mailed by the county auditor under IC 6-1.1-17-3(b).

(d) A change in an assessment made as a result of a notice for review filed by a taxpayer under subsection (c) after the time prescribed in subsection (c) becomes effective for the next assessment date. A change in an assessment made as a result of a notice for review filed by a taxpayer under subsection (b) or (c) remains in effect from the assessment date for which the change is made until the next assessment date for which the assessment is changed under this article.

(e) The written notice filed by a taxpayer under subsection (b) or (c) must include the following information:

- (1) The name of the taxpayer.
- (2) The address and parcel or key number of the property.
- (3) The address and telephone number of the taxpayer.

(f) A county or township official who receives a notice for review filed by a taxpayer under subsection (b) or (c) shall immediately forward the notice to the county board.

(g) The county board shall hold a hearing on a review under this subsection not later than one hundred eighty (180) days after the date of the notice for review filed by the taxpayer under subsection (b) or (c). The county board shall, by mail, give notice of the date, time, and place fixed for the hearing to the taxpayer and the county or township official with whom the taxpayer filed the notice for review. The taxpayer and the county or township official with whom the taxpayer filed the notice for review are parties to the proceeding before the county board.

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(h) Before the county board holds the hearing required under subsection (g), the taxpayer may request a meeting by filing a written request with the county or township official with whom the taxpayer filed the notice for review to:

- (1) attempt to resolve as many issues under review as possible; and
- (2) seek a joint recommendation for settlement of some or all of the issues under review. A county or township official who receives a meeting request under this subsection before the county board hearing shall meet with the taxpayer. The taxpayer and the county or township official shall present a joint recommendation reached under this subsection to the county board at the hearing required under subsection (g). . . .

(k) Regardless of whether the county board adopts a recommendation under subsection (h), the county board shall prepare a written decision resolving all of the issues under review. The county board shall, by mail, give notice of its determination not later than one hundred twenty (120) days after the hearing under subsection (g) to the taxpayer, the county assessor, and the township assessor. . . ."

Pursuant to Indiana Code 6-1.1-9-1, the township assessor, county assessor, or county property tax assessment board may assess any real or personal property which has been omitted from, or undervalued on, the assessment rolls or the tax duplicate for any year or years, by following the provisions of that law and subject to the limitations and further provisions of Indiana Code 6-1.1-9.

The Department of Local Government Finance has prescribed Form 122, Report of Assessment for Omitted or Undervalued Property, which form should be filed with the county auditor when a township assessor or county official assesses any omitted or undervalued property. The form provides a media for entering or changing assessments in the records of the auditor's office and in entering such assessments and the taxes due thereon in the tax duplicate.

After the lists of assessments (assessors' books) are filed with the county auditor, changes in the assessments, except for omitted or undervalued property previously discussed, may be made only upon appeal to the county property tax assessment board or by filing Form 133, Petition for Correction of Error, which form must be approved by two of the following three officials: township assessor, county assessor, and county auditor. If less than two sign, the county auditor shall refer the matter to the county property tax assessment board of appeals for determination. There is no authority for changes to be made upon the sole request of a township assessor or other official. This matter is further discussed in Section F under "Certificates of Error."

The Department of Local Government Finance has also prescribed two other forms to be used in correcting (reducing) assessments. The forms are: Form 91A, Petition for Correction of Assessment of Property Appropriated for Public Use, and Form 135, Affidavit of Destroyed or Removed Property.

Upon following the instructions and requirements set out on Form 135, the auditor is authorized to accordingly reduce the assessment on the property affected. In the case of Form 91A, however, this form must be attached to Form 134, Petition for Real Estate Reassessment, to be acted upon by the Department of Local Government Finance.

All such petitions must be carefully filed by the auditor to support reductions made in assessments. (Uniform and Compliance Guidelines Manual for County Auditors, Chapter 9)

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

INCONSISTENCIES IN VALUATIONS

Due to the problems noted with two assessors having changed their own assessments as discussed in the comment entitled "Changes in Assessments," we performed comparisons of assessed valuations on real property owned by all the township assessors and their neighbors, as well as on other county officials and their neighbors.

Because various factors affect property values, such as whether the property is residential or agricultural, and number of improvements made to the properties, we made comparisons of land separately from comparisons of the improvements. First, we computed the change in the land values from 2005 to 2006. Then, we computed the percentage of the change in the land values, with the expectation that the percentage of increase or decrease would remain consistent within a neighborhood. We found this to be accurate for 13 out of the 20 townships tested as illustrated below:

Township	2005 Value of Land	2006 Value of Land	Calculated Percentage Change in Land	Homesite Acreage or Frontage	Adjusted Rate for Homesite	Excess Acreage or Frontage	Average Adjusted Rate Excess Acreage
Cass:							
Assessor	12,400	23,000	46%	1	14,000	1.122	8,000
Neighbor	10,300	19,600	47%	1	14,000	0.44	12,720
Clinton:							
Assessor	12,000	28,500	58%	1	19,500	1	9,000
Neighbor	12,300	29,400	58%	1	19,500	1.094	9,000
Hanna:							
Assessor	3,300	11,600	72%	66	175	0	-
Neighbor 1	3,300	11,600	72%	66	175	0	-
Neighbor 2	3,300	11,600	72%	66	175	0	-
Hudson:							
Assessor	10,800	13,000	17%	1	13,000	0	-
Neighbor	10,800	13,000	17%	1	13,000	0	-
Lincoln:							
Assessor	12,400	31,400	61%	1	20,000	1.144	10,000
Neighbor	13,100	33,500	61%	1	20,000	0	10,000
Neighbor	12,000	30,000	60%	1	20,000	1	10,000
Neighbor	9,000	20,000	55%	1	20,000	0	-
New Durham:							
Assessor	10,700	22,900	53%	0.94	24,380	0	-
Neighbor	14,000	36,100	61%	1	23,000	1.005	13,000
Neighbor	14,000	36,000	61%	1	23,000	1	13,000
Neighbor	14,000	36,000	61%	1	23,000	1	13,000

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Township</u>	<u>2005 Value of Land</u>	<u>2006 Value of Land</u>	<u>Calculated Percentage Change in Land</u>	<u>Homesite Acreage or Frontage</u>	<u>Adjusted Rate for Homesite</u>	<u>Excess Acreage or Frontage</u>	<u>Average Adjusted Rate Excess Acreage</u>
Noble:							
Assessor	9,000	16,000	44%	1	16,000	0	-
Neighbor	9,000	16,000	44%	1	16,000	0	-
Neighbor	8,600	15,300	44%	0.83	18,400	0	-
Pleasant:							
Assessor	10,900	14,400	24%	70	206	0	-
Neighbor	10,900	14,400	24%	70	206	0	-
Neighbor	10,200	13,600	25%	70	194	0	-
Prairie:							
Assessor	18,900	46,700	60%	1	9,000	3.3	17,000
Neighbor	16,200	38,600	58%	1	9,000	2.4	17,000
Springfield:							
Assessor	8,200	18,000	54%	1	17,000	1.3	484
Neighbor	8,000	17,800	55%	1	17,000	1.3	484
Union:							
Assessor	12,400	27,100	54%	1	17,000	1.12	9,000
Neighbor	12,000	26,000	54%	1	17,000	1	9,000
Coolspring:							
Assessor	18,000	18,000	0%	125	144	0	-
Neighbor	18,000	18,000	0%	125	144	0	-
Neighbor	22,600	22,600	0%	157	144	0	-
Former Clerk							
Neighbor	7,800	15,300	49%	66	232	0	-
Neighbor	8,000	15,800	49%	68	232	0	-
Neighbor	7,800	15,300	49%	66	232	0	-
Michigan:							
Assessor	46,700	193,900	76%	79.3	1,408	57.8	1,426
Neighbor	33,200	137,600	76%	85.2	1,619	0	-
Neighbor	52,000	215,600	76%	125	1,725	0	-

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The remaining 7 townships did not have consistent results as follows:

<u>Township</u>	<u>2005 Value of Land</u>	<u>2006 Value of Land</u>	<u>Calculated Percentage Change in Land</u>	<u>Homesite Acreage or Frontage</u>	<u>Adjusted Rate for Homesite</u>	<u>Excess Acreage or Frontage</u>	<u>Average Adjusted Rate Excess Acreage</u>
Dewey:							
Assessor	3,900	21,100	82%	50	211	50	211
Neighbor 1	13,400	21,100	36%	50	211	50	211
Neighbor 2	10,100	21,100	52%	50	211	50	211
Galena:							
Assessor	9,500	25,500	63%	1	25,000	2.7	440
Neighbor	18,000	34,000	47%	1	25,000	5.7	862
Johnson:							
Assessor	15,600	20,600	24%	1	14,000	1.3	898
Neighbor	58,600	63,600	8%	1	14,000	25.3	898
Kankakee:							
Assessor	4,800	26,000	82%	1	18,000	1	8,000
Neighbor	14,000	26,000	46%	1	18,000	1	8,000
Neighbor	14,000	26,000	46%	1	18,000	1	8,000
Scipio:							
Assessor	44,000	48,000	8%	1	17,000	10.7	748
Neighbor	11,800	18,800	37%	1	16,000	4	713
Neighbor	74,400	88,400	16%	2	16,000	41.3	713
Treasurer	14,200	18,100	22%	1	17,000	1.27	898
Neighbor	13,200	17,200	23%	1	17,000	0	-
Washington:							
Assessor	10,900	13,900	22%	1	12,000	3	634
Neighbor	13,700	21,300	36%	1	12,000	1.55	6,000
Wills:							
Assessor	12,200	24,800	51%	1	14,000	2.158	5,000
Neighbor	10,500	19,000	45%	1	14,000	1	5,000
Neighbor	10,500	19,000	45%	1	14,000	1	5,000
Auditor	10,500	15,500	32%	1	14,000	4	449
Neighbor	10,600	10,600	0%	1	14,000	2.7	449

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Additional analysis was performed, such as reviewing maps and "hard cards" to try to determine reasonable explanations to support the inconsistencies. In most cases, such support was found, such as variations in lot shape and/or access to the lot or additional acreage, and the application of influence factors. Influence factors are adjustments given for non-tillable farm ground, wooded areas in farm locations, swamps, and road right-of-ways. Comparisons were made of the influence factors given, and all were comparable among all of the townships. For example, a 100% influence factor is applied throughout the County for road right-of ways.

However, other inconsistencies could not be adequately supported. Some of the items noted are in townships in which values appeared to be consistent. The following notes some of the unsupported information:

Kankakee Township:

The Assessor and one of his neighbors each own one acre for their home site, and one additional acre. Another neighbor's "hard card" shows one acre of land for his home site and one additional acre, but this is not consistent with the map.

New Durham Township:

The assessor's adjusted rate (which is multiplied by the acreage to determine the property value) is more than the adjusted rate of his three neighbors by \$1,380.

Noble Township:

A neighbor's adjusted rate exceeds the assessor's and the other neighbors' adjusted rate by \$2,400.

For New Durham and Noble Townships, the adjusted rates were those applied to the home sites. In each, those with the higher adjusted rates had less than one acre of land. One assessor explained that in certain townships, when there is less than one acre of land then the adjusted rate will be more because the market is more; however, there is one township (Pleasant Township) in which all three properties sampled have the same number of acres, but the adjusted rate of one property is \$12.00 less than the adjusted rate of the assessor and the third neighbor.

Washington Township:

The township assessor owns 3 acres of "tillable crop land," while his neighbor owns 1.55 acres of "excess acreage." The "tillable crop land" is valued at \$880 per acre, while the "excess acreage" is valued at \$6,000 per acre. Based upon the map both look very similar, except that the property with the "excess acreage" borders a subdivision and a farm, while the other property is across the street from the subdivision and borders farms on all sides.

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Michigan Township:

The assessor and each of his two neighbors have different adjusted rates. The following is a breakdown of the lot sizes and rates applied:

<u>Person</u>	<u>Lot Size</u>	<u>Adjusted Rate</u>
Assessor	79.3	1,408
Neighbor 1	85.2	1,619
Neighbor 2	125	1,725

Next, we computed the change in the value of improvements from 2005 to 2006, just as we did with the land values. Then, we computed the percentage of the change improvement values, with the expectation that the percentage of increase or decrease would remain consistent within a neighborhood. We found this to be accurate for 13 out of the 20 townships as well, but not the same townships.

Also, just as with the land, some of the inconsistencies could be supported by reviewing maps and the "hard cards," but other inconsistencies could not be explained.

Dewey Township:

The Township Assessor shows that the value of his improvements decreased by only 4%, but his neighbors showed decreases of 62% and 22%. The neighbor with the 22% decrease had a home the same age and style as his. Both have detached garages, but the Assessor has a pool. The Assessor is showing a 50% depreciation rate on his "fair" rated home, while the neighbor is receiving a 40% depreciation rate on his "average" rated home.

Galena Township:

The Township Assessor shows the value of his improvements (home was built in 1900) increased by 3%, while the neighbor's improvements (home built in 2003) increased by 35%. The assessor is receiving 65% depreciation, and 30% obsolete depreciation (this was the only home to be receiving an obsolete depreciation). It is also considered as being 100% comparable, but his neighbor's home is only 70% comparable. (This was also the only card reviewed which had a comparable which was different than 100%) Both homes are "Grade C," but the Assessor's is considered "Fair," while the neighbor's is considered "Average."

Scipio Township:

The Township Assessor's improvements decreased by 6%, while the neighbors' improvements increased by 9%. For this assessor, there were two neighbors for which one neighbor's home was built in 1976, while the other had two homes, one of which was built in 1907, and the second was built in 1964. The Assessor's home was built in 1884 and considered "average." The other homes are considered fair, except for the one built in 1976, which was considered "poor." The discrepancy that stands out is that the "Adjusted Market Value" applied to the Assessor's home was 101%, while the "Adjusted Market Value" applied to the others was 118%. It should be noted that the County Treasurer also owns property within this township. His property and his neighbor's were valued using the 101% "Adjusted Market Value."

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Finally, we compared depreciation rates applied to home to determine if those seemed consistent throughout the County. Depreciation rates applied to improvements were not considered consistent.

For example, homes built from the 1880's through the 1910's had depreciation rates from 40 to 65%. Specifically, a home built in 1885 with the effective date being the same, grade C and in fair condition is being depreciated at 50%, while a home built in 1900, same effective date, same grade and condition as the home built in 1885 is being depreciated at 65%. Manufactured homes seem to be depreciated at increased rates. For example, a manufactured home was built in 1968 with a grade of C-1, and the condition was stated as average is being depreciated at 80%, and another manufactured home built in 1983, a grade of D, and of average condition is depreciated at 45%, but a "stick built" home built in 1969, grade of D and of fair condition is depreciated at a rate of 32%.

It should also be noted that Center Township is not represented in any of these analyses, because the Center Township Assessor does not own property within his township. The property he owns is within another township, and had changes made, which are discussed in the comment "Changes to Assessments."

Indiana Code 6-1.1-4-4.5 states in part:

"(a) The department of local government finance shall adopt rules establishing a system for annually adjusting the assessed value of real property to account for changes in value in those years since a general reassessment of property last took effect.

(b) Subject to subsection (e), the system must be applied to adjust assessed values beginning with the 2006 assessment date and each year thereafter that is not a year in which a reassessment becomes effective.

(c) The rules adopted under subsection (a) must include the following characteristics in the system:

- (1) Promote uniform and equal assessment of real property within and across classifications.
- (2) Require that assessing officials:
 - (A) reevaluate the factors that affect value;
 - (B) express the interactions of those factors mathematically;
 - (C) use mass appraisal techniques to estimate updated property values within statistical measures of accuracy; and
 - (D) provide notice to taxpayers of an assessment increase that results from the application of annual adjustments.
- (3) Prescribe procedures that permit the application of the adjustment percentages in an efficient manner by assessing officials."

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

REASSESSMENT ORDERED

On May 1, 2008, the Department of Local Government Finance passed Resolution 2008-01 pursuant to Indiana Code 6-1.1-4-9, finding sufficient cause to believe it necessary to reassess all or a portion of real property in LaPorte County, Indiana.

ACCOUNTS RECEIVABLE RECORDS

The County Assessor accumulates the fees charged for services provided to real estate agents, and appraisers. A statement is maintained which shows the dates the services were provided, and the amounts due. Periodically, these statements are printed. The statements are prepared using a commercially sold computer software program; thus, the statements are not a prescribed form, they have not been approved for use by the State Board of Accounts, and they are not prenumbered. Two copies are printed. One is retained by the County Assessor, and one is mailed to the customer requesting payment of the balance due. When payment is made, a notation is made on the County Assessor's copy, and beginning in September, 2007 a receipt is written. A summary record (accounts receivable ledger) is not maintained documenting the dates of the billings, the amounts billed, dates payments are received, amounts of payments received, and remaining balances due.

An attempt was made in the prior and current audit period to determine amounts due; however, because the billing statements are not prenumbered and receipts were not written for all collections, we could not ensure all billing statements, and payments made on accounts were documented.

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 managements 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 Counties, Chapter 1)

COLLECTION OF AMOUNTS DUE

The County Assessor provided a folder of unpaid billing statements from dates prior to September 1, 2007. We did not observe payments being made on these accounts after September 1, 2007. The County Assessor does not bill beyond the one time. Additionally, The County Assessor does not have a policy regarding collection on delinquent accounts.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

DOCUMENTING FEES BILLED AND COLLECTED

The County Assessor charges \$0.50 per page for a copy of a property record, and \$0.15 for other copies. When a customer is billed, the billing statements provide a line for "number." We observed billing statements showing "number" as 1 with a fee of \$0.50, 1 with fee of \$1.00, and 3 with the fee being \$2.00. Additionally, the receipts do not indicate the number of copies or type of copies; thus, we could not verify that fees were being charged in accordance with the ordinance.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

EXPENDITURES FROM THE REASSESSMENT FUND

The County Assessor spent reassessment funds on office supplies and furniture, maintenance of an office copier and fax machine combination, a newspaper subscription, advertising of hearings, and travel expenses for non - General Reassessment activities. The following provides a breakdown based upon claims paid from the months of June through September, and November, 2007.

Description	Amounts
Travel and Meals from Department of Local Government Finance meetings to be paid in accordance with Indiana Code 6-1.1-35-3	\$ 1,201.64
Office supplies, furniture, and maintenance of equipment	5,018.78
Newspaper subscription and advertisements of public hearings	119.00
Other Travel and meals for meetings such as assessor meetings, and meetings with the Commissioners and budget hearings	713.05
 Total	 \$ 7,052.47

In addition, in 2008, the County Auditor paid for conversion to new tax billing and collections software, and training on the new computer software for both offices. The total cost paid from the reassessment fund was \$14,531.23.

COUNTY ASSESSOR
LAPORTE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-4-28.5 (a) states:

"Money assigned to a property reassessment fund under section 27.5 of this chapter may be used only to pay the costs of:

- (1) the general reassessment of real property, including the computerization of assessment records;
- (2) payments to county assessors, members of property tax assessment boards of appeals, or assessing officials under IC 6-1.1-35.2;
- (3) the development or updating of detailed soil survey data by the United States Department of Agriculture or its successor agency;
- (4) the updating of plat books;
- (5) payments for the salary of permanent staff or for the contractual services of temporary staff who are necessary to assist county assessors, members of a county property tax assessment board of appeals, and assessing officials;
- (6) making annual adjustments under section 4.5 of this chapter; and
- (7) the verification under 50 IAC 21-3-2 of sales disclosure forms forwarded to the county assessor under IC 6-1.1-5.5-3.

Money in a property tax reassessment fund may not be transferred or reassigned to any other fund, and may not be used for any purposes other than those set forth in this section."

Indiana Code 6-1.1-35-3(b) states:

"If a county assessor, a township assessor, a member of a county property tax assessment board of appeals, or an employee is entitled to receive an allowance under this section, the department of local government finance shall furnish the appropriate county auditor with a certified statement which indicates the dates of attendance. The official or employee may file a claim for payment with the county auditor. The county treasurer shall pay the warrant from the county general fund from funds not otherwise appropriated."

COUNTY ASSESSOR
LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2008, with Carol McDaniel, County Assessor, and Stephen E. Scheele, Special Counsel to the LaPorte County Assessor's Office. The official response has been made a part of this report and may be found on pages 17 through 23.

GOODMAN, KATZ & SCHEELE

An Association of Attorneys - Not a Partnership

SAMUEL J. GOODMAN
J. MICHAEL KATZ
STEPHEN E. SCHEELE

9013 INDIANAPOLIS BOULEVARD
HIGHLAND, INDIANA 46322-2502

TELEPHONE (219) 838-9200
FAXPHONE (219) 972-7110

ASSOCIATE COUNSEL
DANA J. HADA

PLEASE REFER TO
FILE NO.:

08-116-001

October 14, 2008

Michelle M. Janosky
Field Examiner
STATE BOARD OF ACCOUNTS
155 Indiana Avenue
Valparaiso, IN 46383

RE: LaPorte County Assessor's Office Response & Comments to State Board of Accounts Audit

Dear Ms. Janosky:

As a follow-up to our telephonic communications of October 10 and 14, as well as our September conference and your draft Audit Results and Comments as presented at that conference, the LaPorte County Assessor's Office respectfully submits the following response to the draft Audit Results and Comments.

Page 1 (unnumbered), Paragraph 2

No requirement exists within the Indiana Code, the Indiana Administrative Code or otherwise under Indiana law to note reasons for changes to any objective or subjective assessment element on a "hard card," or even in the CAMA (Proval) system. Corrective changes are a continual, evolving and ongoing process, as property owners are constantly changing the physical features of their properties. Efforts are made by the Assessor's Office to put notes in the "memo" section of the CAMA system, but this does not always occur, nor—as noted—is it required.

Page 1 (unnumbered), Paragraph 3

In 1999, the owners of this subject property entered into an agreement with Sprint Telecommunications to provide a utility access to a small parcel (0.30 acres; Parcel # 36-12-26-100-019) for purposes of installing a telephone switching station. This was in return for a one-time payment approximating \$3000,¹ and the owners of this property also agreed to maintain the parcel for Sprint Telecommunication.

¹Given the passage of time, the precise amount of this payment remains to be confirmed, but it is believed to be \$3,000.

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The following summarizes the assessment history of this parcel:

<u>Year</u>	<u>Total Assessment</u>
2000	\$200
2002	\$500
2005	\$500
2006 (Original)	\$5,600
2006 (Appealed)	\$500

It should be noted that the original 2006 assessment increased as it did because the county's trending vendor (Nexus Group) removed a large number of negative influence factors to land county-wide, especially in the rural areas of the county. Unaware of the utility restrictions placed on this particular piece of property, Nexus removed the influence factor that this parcel had previously received. In Indiana's value-in-use system of assessing, the owners receive absolutely no current benefit for this parcel, despite the fact that they are responsible for maintaining (mowing, snow removal, etc.) the parcel for Sprint Telecommunication. Indiana's assessment guidelines provide a similar example of this instance in dealing with utility towers, wherein the land such affected is assigned a zero value. In this instance, the current owner (the County Assessor) possesses a market value-in-exchange appraisal with an estimate value of approximately the current assessment. The methodology of how the adjustment was applied is irrelevant.

Page 1 (unnumbered), Paragraphs 4, 5 & 6

Assessment officials arrive at individual parcel assessments in two manners. First, general information applicable to all parcels in that area, class or use type is applied to the parcel. Secondly, and importantly, an assessment can also be based on information specific to a given parcel and/or accompanying improvement or other factor(s). Thousands of parcels in Laporte County receive land influence factors, *i.e.* specific adjustments for parcels that are better or worse than their comparables. Hundreds of parcels are receiving various amounts of obsolescence. The attempt in each instance should be and is to arrive at the appropriate value-in-use for the parcel, and not to apply a rigid approach that leaves many parcels over- or under-assessed. Without reviewing the particular circumstances of each individual parcel and the valuation information that the assessor may have had at the time, as well as that information supplied by the taxpayer, comments implying that land influence factors and/or obsolescence on specific parcels are applied in a non-uniform manner are misleading. Obviously, such factors are supposed to be applied in individual circumstances as conditions merit per the Indiana Guidelines. Only if all properties are exactly alike would we expect to find complete uniformity in assessments and the approach to the

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assessment. Since relatively few parcels are identical in their physical characteristics, individual parcel-level attention is expected in Indiana's assessment system. Not doing so would be inappropriate.

Pages 2 & 3 (unnumbered), Generally

The audit comments imply that every change to an assessment by an assessment official requires documentation and/or the completion of a state-prescribed form. Such implication is not accurate. The Indiana Department of Local Government Finance (DLGF) provides specific guidance on this matter to assist the State Board of Accounts (and others) in understanding this. *See*, for example, <http://www.in.gov/dlzf/files/PropertyTaxAppealsProcess.pdf>. This document addresses several of the audit's implications. For example, the second page, fifth question, asks if a Form 130 is required to appeal a property. As explained, *no form is required*. By statute, the assessor and the taxpayer are required to attempt to hold a meeting to discuss the appeal issues. If one or more issues are resolved that result in a change to the assessment (and the "hard card"), those items are to be changed, but—again—no form is required. Likewise, there is no form required by the DLGF, county auditor or other official in the instances of new construction, demolition or simply the assessor revising an opinion of the subjective assessment elements.

The audit picks up on the assessment process in mid-stream. In cases where an appeal has been reached by the County Board (Property Tax Board of Appeals), Indiana Board of Tax Review, Indiana Tax Court or other judicial body, the assessor is required to process assessment changes *via* the prescribed forms. It is believed that a reason for these form requirements, in these instances, is because such changes affect assessed values in the past, *i.e.* values that have been used to set tax rates and upon which taxes have been billed and possibly collected. However, assessment officials make daily changes to assessments based on the preliminary taxpayer meeting described above, as well as, *inter alia*, field reviews, sales evidence, new construction permits, demolition, and other evidence. No form is required for any of these types of changes, as the change only affects assessed values in the *future*, not in the past. To require the use of a form in each and every instance would necessitate significant additional staff and needless expenditure. Further, no other office is concerned about changes to future assessments, as no taxes are billed or collected on such preliminary assessments.

Pages 3-7 (unnumbered), Generally

These types of assessment-to-assessment comparison are essentially meaningless when done on an individual basis. The Indiana Board of Tax Review provides a good summary of evidence to support appeals. *See* <http://www.in.gov/ibtr/2420.htm>. Significantly, a comparison of a subject property to a neighbor's property is not listed as exemplary or definitive evidence for appeal. Likewise, if the audit had made an overall comparison of the value of the township assessor's individual property against the

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value of comparable property, followed by a comparison of sales versus assessments, then this discussion might have some relevance. As it stands, the audit simply compares the township assessor's property in each instance with a "neighbor" (undefined), presumably based on an assumption that land values and/or rates of change should be the same. Again, it is worth noting that the assessment official arrives at individual parcel assessments in two manners. First, general information applicable to all parcels in that area, class or use type is applied to the parcel. But secondly, the assessment is also based on information specific to the parcel and/or improvement itself. The report does correctly note that land size plays a role in this process, as does land type. In a majority of the documented cases where the official was compared to a neighbor and the results were not exactly similar, the official had received a *larger* increase. This data begs the rhetorical question: Exactly what type of impropriety (or implied impropriety) in the way of "Inconsistencies in Valuations" does this audit seek to demonstrate?

Page 8 (unnumbered), Kankakee, New Durham and Noble Townships

Please refer to the comments noted with respect to "Pages 3-7 (unnumbered), Generally," above. Additionally, as also noted, assessment officials arrive at individual parcel assessments in two manners: *via* general information applicable to all parcels in that area, class or use type is applied to the parcel; and/or *via* information specific to a given parcel and/or accompanying improvement or other factor(s). The intent in assessing each property is to arrive at the appropriate value-in-use for the parcel, and not to apply a rigid approach that leaves many parcels over- or under-assessed. Without reviewing the particular circumstances of each individual parcel and the valuation information that the assessor may have had at the time, as well as that information supplied by the taxpayer, comments implying that land influence factors and/or obsolescence on specific parcels are applied in a non-uniform manner are misleading. Obviously, such factors are supposed to be applied in individual circumstances as conditions merit per the Indiana Guidelines. Only if all properties are exactly alike would we expect to find complete uniformity in assessments.

Page 8 (unnumbered), Washington Township

Please refer to the comments noted with respect to "Pages 3-7 (unnumbered), Generally," above. Please also refer to the comments noted with respect to the Kankakee, New Durham and Noble Townships, above. Additionally, the distinction of agricultural land as compared to residential land is based on use. A tillable crop land assessment indicates that the assessor's opinion of the use of the land is for agricultural purposes, whereas the excess acreage indicates that the assessor believes that land has a residential purpose.

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Page 8 (unnumbered), Michigan Township

Please refer to the comments noted with respect to "Pages 3-7 (unnumbered), Generally," above. Please also refer to the comments noted with respect to the Kankakee, New Durham, Noble and Washington Townships, above. Additionally, since the Michigan Township Assessor's property was under appeal and was subsequently reduced by the County Board (Property Tax Board of Appeals) based on an appraisal of the property, any comparison of this property with neighboring property is all the more moot. In this instance, the appraisal and the Board's decision is definitive as to value-in-use.

Page 9 (unnumbered), Dewey, Galena and Scipio Townships and subsequent paragraphs

Please refer to the comments noted with respect to "Pages 3-7 (unnumbered), Generally," above. Please also refer to the comments noted with respect to the Kankakee, New Durham, Noble and Washington Townships, above. Without belaboring the point, these types of assessment-to-assessment comparison are essentially meaningless when done on an individual basis. *See* the discussion above.

Page 9 (unnumbered), Depreciation Rates

Please review the Indiana Real Property Assessment Guidelines (Book 1, Appendix B, pages 1-24). Depreciation rates differ based on property use, grade, effective age and condition of the property in question. Manufactured and mobile homes are likewise depreciated *via* a different schedule. Again, the emphasis of the Indiana Manual is that the bottom-line assessment of the property is accurate. The DLGF requires studies to ascertain if that goal is being met in a "uniform and equitable" manner *via* 50 IAC 14. The ratio studies required and explained therein describe the conduct of standardized tests to ascertain equity and fairness. A depreciation analysis between adjoining properties is not outlined as such a test.

Page 10 (unnumbered), Accounts Receivable Records

The Assessor's Office was not previously aware of any requirement that the referenced forms be approved by the State Board of Accounts. The form in use was one utilized for many years, beginning in a predecessor administration. Problems with these forms were not apparent until brought to the office's attention by the State Board of Accounts. Use of these forms was always in good faith. Use of these forms has since been modified to accommodate a pre-numbering system, in a fashion presently understood by the office to have been okayed by the SBA. Necessary internal controls with respect to the accounts receivables system are in place. Further guidance and/or direction, assistance, attention

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and/or comment with respect to the use of the subject forms and/or the office's accounts receivables by the State Board of Accounts is welcomed and appreciated.

Page 11 (unnumbered), Collection of Amounts Due

Monthly invoices are mailed on each account in which activity has occurred in that month. Invoices are re-sent each month after which further activity occurs. Attempts are made by the office and its staff to collect amounts due. To that end, however, the office is also cognizant of the existence of legal thresholds in pursuing collection of monies owed, and defers to the County Commissioners for guidance on how and/or if/when to pursue collection action on unpaid accounts. The Assessor's Office does not "write off" bad debts or uncollected accounts receivable.

Page 11 (unnumbered), Documenting Fees Billed and Collected

Appropriate itemization is currently documented. The intent of the office and its staff in documenting fees billed and collected has always been undertaken in good faith.

Page 11 (unnumbered), Reassessment Fund Expenditures

The Indiana General Assembly and the DLGF have provided wide latitude in the expenditure of funds from this account by past practice. Many counties employ and pay individuals having no direct involvement in assessments, let alone "reassessment," from this account. Many counties "borrow" from this fund for other General Fund expenditures without ever repaying such loans. Many counties typically expend reassessment funds for such computerization activities as GIS, tax and billing software that are not directly related to "the computerization of assessment records." These types of expenditures occur state-wide without any oversight by the DLGF, nor inquiry from the State Board of Accounts.

In any event, to the extent that "travel," "office supplies" and/or "newspaper" subscriptions pertain to or are relevant to the assessor's ability to conduct the general reassessment of real property as described in Indiana Code § 6-1.1-4-28.5, then such expenditures from this account are wholly appropriate.

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Your attention to and assistance with the above is sincerely appreciated. Please contact me with any questions, concerns or additional follow-up that you or your office may have.

Very truly yours,

GOODMAN, KATZ & SCHEELE

By:



STEPHEN E. SCHEELE

SES:pkd

cc: Carol McDaniel, *via* First Class Mail
Shaw Friedman, Esq., *via* First Class Mail
Steve Nash, *via facsimile*: 800/552-2959

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