

?Following the trail of the tax money in Washington County

Written by

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? Do arguments over the purpose of taxation and the blatant inequities in tax law have credence—with out a doubt they do. However, the complexity of the taxation laws at all levels of government as well as the convoluted appropriation process of those tax revenues can cause the average taxpayer attempting to understand the whole process to throw up his or her hands in frustration.

The recent debacle brought on by the new property tax program here in Indiana is but one example of how efforts to respond to frustrated taxpayers has only exacerbated the problem by making the necessary process of collecting taxes to pay for vital services, and all the other good stuff mentioned in the Preamble of the United States Constitution, a nightmare for taxpayers, government officials and those whose responsibility it is to provide public services without timely revenues such as public schools, public health agencies, the court system, etc.

In Washington County, not unlike the other 91 counties across the state there are elected officials whose responsibility it is to calculate, collect, spend, and account for tax dollars. The rules by which this intricate game is played are wrapped up in codified requirements, restrictions, and regulations that are available online at the State of Indiana website, <http://www.in.gov>. How those tax dollars are spent can be the contention of heated debate in both public and closed meetings of those elected officials.

Just such an ongoing debate has been under way over the last few months between the Washington County Council, the Washington County Board of Commissioners and the offices of some elected county officials. Questions have been asked by members of the County Council regarding spending practices over the last several years along with approval, or the lack there of, for those expenditures and notification of changes to the county budget by the State of Indiana to the County Council by the County Auditor.

According to information obtained from the Washington County Auditor's Office (WCAO), the Indiana State Board of Accounts (ISBOA), and the Indiana Department of Local Government Finance (IDLGF), it would appear that the concerns of County Council members may be well founded.

The procedure by which a budget is developed and approved is quite clear, although complicated. But once county officials put a budget together it is submitted to the IDLGF. The IDLGF will then notify the WCAO of any changes to the budget dollars in specific funds and/or tax rates. This notification is supposed to take place by February 15 of each year. Then, the Washington County Auditor is required by law to notify the Washington County Council when the his/her office receives official notice (Form #1782) from the IDLGF stating that the submitted county budget

and tax rates (along with any state-mandated changes) have been certified. However, as with many governmental processes, the wheels of process grind slowly. Even though state statute requires that counties be notified of budget changes and certification by February 15, for the last several years, the WCAO has received the Form No. 1782 as early as January 8 in 2003 to as late as August 27 in 2004. A significant contributing factor to the IDLGF's inability to meet its February 15 certification deadline four out of the last five years is the State Legislature's impotence in passing

timely comprehensive property tax reform. That inability brought the entire process to a standstill.

That delay, notwithstanding, the Washington County Auditor is still required by law to notify the Washington County Council when the Form No. 1782 is received along with any changes that the IDLGF has made to the proposed budget. In the following years, the proposed budget

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for Washington County was reduced by the IDLGF:

- ? 2001—\$752,470.
- ? 2004—\$19,539.
- ? 2005—\$25,635.
- ? 2006—\$577,516 plus reductions in CEDIT Funds.
- ? 2007—\$150,041 plus reductions in County Economic Development Income Tax (CEDIT) Funds.

That comes to a total of \$1,525,201 plus the reductions in CEDIT funds of roughly \$100,000 over the seven years bring the total cuts in Washington County's proposed budget to more than \$1.62 million. In the years 2002 and 2003, the proposed budget was approved by the IDLGF.

This is where the real rub comes into play because several members of the County Council have no recollection of ever being notified of the aforementioned reductions in the county's proposed budget. This reduction in allowable spending should not have been an insurmountable obstacle if the various department heads within the county government had been instructed to sharpen their pencils and trim their budgets to be in line with the state mandates. However, that does not seem to have been the case. Minutes of the County Council meetings immediately following

the receipt of the Form No. 1782 by the WCAO for the aforementioned years do not indicate that the Auditor notified the Council of changes to the budget by the IDLGF.

Once a year, the ISBOA conducts an audit of the county financial transactions and bookkeeping procedures. Information taken directly from official copies of those audit reports provided by the ISBOA indicates that Washington County overspent in the following years:

- ? 2002—\$11,728 plus had several funds overdrawn (in the red) in the amount of \$279,531.
- ? 2003—\$316,416 plus had two funds overdrawn in the amount of \$206,197.
- ? 2004—Several funds overdrawn in the amount of \$552,465.
- ? 2005—\$27,898 plus had several funds overdrawn in the amount of \$145,406.
- ? 2006—\$848,976 plus had several funds overdrawn in the amount of \$61,706.

That comes to a total either overspent or overdrawn funds of slightly more than \$2.45 million over five years. Some of the overdrawn funds can be explained by reimbursed grant money being received from the state or federal government in a less than expeditious manner.

Quoting the ISBOA Audit Report: "Indiana Code 6-1.1-18-4 states in part: "the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

In addition to the noted financial concerns, the ISBOA also noted several questionable practices and oversight issues throughout the years being examined, ranging from personal use of county owned vehicles and cell phones to overtime approval. In each of the years examined, 2001-2006, the ISBOA named the elected officials with whom the audit report was discussed in the Fall of the following year: the Washington County Auditor, President of the Washington County Board of Commissioners, and the President of the Washington County Council. By statute, county officials have up to 20 days to respond to/dispute the findings of the audit report.

According to Tammy White of ISBOA, any responses or comments by county officials are to be included in the final copy of the audit report. "We try to give county officials every chance to explain their actions and to dispute our findings." noted White.

The last sentence of each of the exit interview summaries for the 2001 through 2006 audit reports says, "The officials concurred with our audit findings."

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When asked if this was akin to making a mountain out of a mole hill, White said, "This is definitely not a mole hill. It may not be as big as a mountain yet. However, we are very concerned that this pattern of overspending has occurred for several years."

White went on to explain that it is the responsibility of the County Auditor to not write checks on funds that have reached zero balance without the approval of the County Council which would include a transfer of money from some other fund to cover the expense. An example of a situation in which this might be necessary would be if the highway department had exhausted its reserves of salt for use in the winter but there was still snow and ice on the roads. More salt would have to be purchased but that purchase must be approved since it would go beyond the approved budget.

When asked if this type of overspending is a normal procedure in other counties throughout the state, White said that it is not at all normal but at the same time is not rare. White clarified her answer by saying again that the pattern of overspending over several years is the real concern. As with personal finance, if spending is greater than income over a long enough period of time eventually the bank account has a negative balance.

Furthermore, White emphasized that the ISBOA is not an enforcement agency and therefore can only report its findings. It must be determined by other state and local officials as to what remedial actions should be taken in the case of Washington County.

When asked to comment on information provided by the DLGF and the ISBOA, Commissioner Lana Sullivan said, "I explained that at the Commissioners' meeting (June 18). The state was in error in its findings but will not change its audit reports."

Regardless of the rationale of the local public officials involved, it should be kept in mind that the labyrinth of rules and regulations that the State of Indiana mandates for local government officials to follow in the taxation, appropriation, and accounting processes seems over the top at times and ripe for confusion, misunderstanding, and general human error.