

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

EXAMINATION REPORT
OF
CITY OF PORTAGE
PORTER COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
01/04/2011

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-------------------------------------|--|
| Clerk-Treasurer | Donna Pappas | 01-01-08 to 12-31-11 |
| Mayor | Olga Velazquez | 01-01-08 to 12-31-11 |
| President of the Board of Public Works and Safety | Olga Velazquez | 01-01-08 to 12-31-11 |
| President of the Common Council | Elizabeth Modesto Richard Turnak | 01-01-09 to 12-31-09 01-01-10 to 12-31-10 |
| President of the Storm Water Management Board | Vernon Cunningham | 01-01-09 to 12-31-10 |
| President of the Port Authority | Allen Ekdaahl | 01-01-09 to 12-31-10 |
| President of the Water Reclamation Board | Olga Velazquez | 01-01-08 to 12-31-11 |
| Superintendent of the Water Reclamation Field Division | Robert Dixon | 01-01-09 to 12-31-10 |
| Superintendent of the Water Treatment Plant | Donald Slawnikowski | 01-01-09 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF PORTAGE, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the City of Portage (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets 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 basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 30, 2010

CITY OF PORTAGE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|---|-------------------------------------|----------------------|----------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 365,982 | \$ 26,334,759 | \$ 26,297,358 | \$ 403,383 |
| Motor Vehicle Highway | 52,098 | 3,569,358 | 3,428,186 | 193,270 |
| Local Road and Street | 205,777 | 568,025 | 488,695 | 285,107 |
| Park and Recreation | 67,674 | 2,419,117 | 2,454,564 | 32,227 |
| Law Enforcement Continuing Education | 33,666 | 53,958 | 47,287 | 40,337 |
| Park and Recreation Nonreverting Impact Fee | 56,000 | 31,500 | - | 87,500 |
| Park and Recreation Nonreverting Operating | 126,546 | 463,885 | 460,129 | 130,302 |
| Unsafe Building | 12,941 | 33,762 | 26,350 | 20,353 |
| Drainage Maintenance | 62,313 | 137,645 | 49,930 | 150,028 |
| Emergency Response | 466 | - | - | 466 |
| Economic Development Operating | 825 | - | - | 825 |
| Sidewalk Waiver Fund | 158,412 | 5,731 | 98,265 | 65,878 |
| Rainy Day | 459,603 | 3,288,639 | 3,744,472 | 3,770 |
| Riverboat | - | 209,619 | 209,000 | 619 |
| Cable Board | 189,718 | 452,185 | 569,078 | 72,825 |
| Gift Fund | 47,850 | 32,539 | 32,666 | 47,723 |
| Grant Fund | 2,031,671 | 488,739 | 2,260,509 | 259,901 |
| Marina Development | - | 75,000 | - | 75,000 |
| Marina Operating | 143,566 | 367,576 | 307,187 | 203,955 |
| Cumulative Capital Improvement | 514,534 | 652,710 | 1,150,000 | 17,244 |
| Cumulative Capital Development | 108,564 | 523,768 | 404,988 | 227,344 |
| Cumulative Building and Capital Improvement | 11,020 | - | - | 11,020 |
| 1990 Willowcreek Bond | 620 | - | - | 620 |
| 1997 G.O. Bond | 30,290 | - | 27,436 | 2,854 |
| 2000 G. O. Bond | 20,098 | - | - | 20,098 |
| 2002 TIF Bond Series A | 2,093 | - | - | 2,093 |
| 2002 TIF Bond Series B | 1,304 | - | - | 1,304 |
| 2008 TIF Bond | 385,265 | 238,569 | 234,000 | 389,834 |
| Marina Shores Bond | - | 618,738 | 618,738 | - |
| Bond Redemption | 407,807 | 2,557,715 | 2,264,615 | 700,907 |
| 1998 Storm Water Bond | 56,029 | - | 43,379 | 12,650 |
| 2004 Park Bond | 13,306 | - | 13,122 | 184 |
| EDIT Bond | 945,083 | 500,490 | 892,117 | 553,456 |
| 2006 Ameriplex Debt Service | 1,306,875 | 296 | 296 | 1,306,875 |
| 2006 Ameriplex Bond | 22,465 | 1,091,633 | 551,006 | 563,092 |
| 1993 Lease Operating/Reserve | 226,799 | 103,785 | 171,078 | 159,506 |
| 1993 Lease Sinking | 40 | 310,414 | 197,057 | 113,397 |
| 1993 Lease Redemption | 130,474 | 180 | - | 130,654 |
| 1993 Lease Debt Service | 237,531 | 327 | 36,192 | 201,666 |
| Economic Development Income Tax | 191,146 | 5,050,300 | 5,228,461 | 12,985 |
| Major Moves Construction | 774,032 | 77,608 | 640,029 | 211,611 |
| Storm Water Construction Bond | 1,903 | - | - | 1,903 |
| Park Nonreverting Capital | 44,782 | 119,330 | 154,754 | 9,358 |
| Redevelopment General | 506,342 | 1,148,296 | 855,657 | 798,981 |
| Redevelopment Allocation Area | 572,745 | 10,574,208 | 5,932,843 | 5,214,110 |
| Proprietary Funds: | | | | |
| Port Authority | 131,746 | 33,011 | 20,655 | 144,102 |
| Storm Water Utility | 34,617 | 88,386 | 96,110 | 26,893 |
| Wastewater Utility - Operating | (35,851) | 4,302,522 | 3,952,613 | 314,058 |
| Wastewater Utility - Bond and Interest | 184,736 | 592,714 | 589,495 | 187,955 |
| Wastewater Utility - Debt Reserve | 1,161,795 | 8,789 | - | 1,170,584 |
| Wastewater Utility - Improvement | 1,490,956 | 605,732 | 820,860 | 1,275,828 |
| Wastewater Utility - Revenue | 2,757,669 | 6,416,645 | 7,257,487 | 1,916,827 |
| Wastewater Utility - Storm Water | - | 833,657 | 550,761 | 282,896 |
| Wastewater Utility - Employee Medical | 23,320 | 346,778 | 345,564 | 24,534 |
| Employee Medical Benefit Plan | 204,196 | 5,526,856 | 5,653,912 | 77,140 |
| Cumulative Liability/Physical Damage | 15,167 | 1,388,323 | 1,158,405 | 245,085 |
| Fiduciary Funds: | | | | |
| Police Officers' Pension | 386 | 972,491 | 869,382 | 103,495 |
| Firefighters' Pension | 30,843 | 984,506 | 843,691 | 171,658 |
| Payroll | 148,592 | 3,733,341 | 3,725,137 | 156,796 |
| Totals | \$ 16,674,427 | \$ 87,934,155 | \$ 85,773,516 | \$ 18,835,066 |

The accompanying notes are an integral part of the financial information.

CITY OF PORTAGE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water reclamation and urban development.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City 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.

CITY OF PORTAGE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

2. 1925 Police Officer's Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF PORTAGE
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for the 1925 Police Officers' Pension Plan are established by state statute.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

3. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF PORTAGE
NOTES TO FINANCIAL INFORMATION
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

On January 1, 2010, the City Common Council approved the creation of the Portage Utility Services Board. Each utility that previously had its own board shall now be controlled by the Portage Utility Services Board.

On February 2, 2010, the City Common Council approved the purchase of 19 police cars in the amount of \$491,625 using Federal Congestion Mitigation and Air Quality Funds (CMAQ) as administered by the State of Indiana Department of Transportation.

On April 27, 2010, the Water Reclamation Board issued \$16,500,000 of Sewage Works Revenue Bonds of 2010 for the purpose of funding certain improvements to the wastewater and storm water collection system of the Utility. The bonds are being issued pursuant to Ordinance 10-09 adopted by the City's Common Council on February 2, 2010. Interest is payable semiannually commencing October 1, 2010, at coupon rates ranging from 2% to 4.75%.

On May 3, 2010, the Water Reclamation Board awarded the bid for the Stone Avenue Project to Dyer Construction in the amount of \$7,623,540.

CITY OF PORTAGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost).

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 65,507,587 |
| Infrastructure | 50,753,181 |
| Buildings | 9,683,451 |
| Improvements other than buildings | 7,646,196 |
| Machinery and equipment | <u>13,838,944</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 147,429,359</u> |
| Business-type activities: | |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 711,013 |
| Buildings | 2,578,393 |
| Plant | 15,010,984 |
| Improvements other than buildings | 24,920,774 |
| Machinery and equipment | 8,747,642 |
| Furniture and fixtures | <u>89,914</u> |
| Total business-type activities capital assets | <u>\$ 52,058,720</u> |

CITY OF PORTAGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|---|--------------------------------|---|
| Governmental activities: | | |
| Capital leases: | | |
| 2004 GMC Envoy | \$ 4,868 | \$ 5,136 |
| 2006 Pontiac Montana | 7,138 | 3,908 |
| 2006 Street equipment | 270,693 | 187,627 |
| 2006 Fire equipment | 369,177 | 131,793 |
| Bonds payable: | | |
| General obligation bonds: | | |
| 1996 Storm water bond | 1,425,000 | 244,445 |
| 1998 Storm water bond | 2,120,000 | 231,441 |
| 2000 GOB | 270,000 | 282,825 |
| 2004 Park bond | 2,310,000 | 429,950 |
| Revenue bonds: | | |
| 1993 Redevelopment bond | 825,000 | 192,972 |
| 2005 EDIT bond | 5,295,000 | 587,538 |
| 2006 Marina bond | 342,000 | 60,090 |
| 2006 Economic redevelopment bond | 15,455,000 | 580,479 |
| 2008 Refunding TIF | <u>8,345,000</u> | <u>433,925</u> |
| Total governmental activities debt | <u>\$ 37,038,876</u> | <u>\$ 3,372,129</u> |
| Business-type activities: | | |
| Wastewater Utility: | | |
| Notes and loans payable: | | |
| State revolving loan payable | \$ 7,310,000 | \$ 562,360 |
| Revenue bond: | | |
| 1996 Refunding bond for plant expansion | <u>570,000</u> | <u>591,930</u> |
| Total Wastewater Utility | <u>\$ 7,880,000</u> | <u>\$ 1,154,290</u> |

CITY OF PORTAGE
OTHER REPORTS

The report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Portage Police Department

CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account indicated cash necessary to balance of \$947.77.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS - WATER RECLAMATION

The Special Consulting Engineer for the Portage Water Reclamation Utility received \$722.26 bi-weekly salary in 2009 for a total salary of \$18,778.76. The salary ordinance lists this position at \$18,391 annually, or \$707.35 bi-weekly. The salary ordinance for 2010 was not changed from 2009. Therefore, the bi-weekly salary should have continued to be \$707.35 but he was actually paid at the \$722.26 rate, resulting in overpayments of \$387.66 in 2009, and \$268.38 from January 6, 2010 through September 1, 2010.

The Small Claims/Accounts Payable clerk for the Portage Water Reclamation Utility received \$1,240.38 bi-weekly salary in 2009. The salary ordinance lists this position at \$1,209.09 bi-weekly, this resulted in an overpayment of \$798.18 for 2009.

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 Manual for Cities and Towns, Chapter 7)

TIME CARDS - WATER RECLAMATION

Due to allegations of "ghost employment" we reviewed timecards for an employee of the Field Division from January 2009 through August 2010. We noted the following discrepancies:

1. On five occasions, there was no time either punched or written on the time card.
2. Twenty-three times the timecard was punched and then written over in ink.
3. Twenty-four instances the time card was not punched, but the time was written in ink.
4. After an employee finishes the timecard for the week, the supervisor writes the daily as well as the weekly totals. In ten instances, the total hours were more than the hours of the time punched.
5. On two occasions, the total hours were less than the hours of the time punched.
6. White out was used in fourteen instances to change the hours on the timecards.
7. In one situation, the timecard was punched multiple times.

CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS
(Continued)

8. In seven instances, the employee's timecard showed multiple punches in and out for the same day.
9. The employee worked at the Sanitary Office fifteen days rather than in the field. On these days, the hours were written in on the timecard.

We also reviewed the other employees' timecards to determine if these actions were common practice. Occasionally white out was used, or the time was written in ink. For the rest of the employees of that same time frame, we noted three instances where the timecard was punched and the time was altered in ink. These alterations were far less common among the other employees.

IC 35-44-2-4 states in part:

"(a) A public servant who knowingly or intentionally:

- (1) hires an employee for the governmental entity that he serves; and
 - (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Class D felony.
- (b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony.
- (c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony.
- (d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.
- (e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides."

ACCOUNTS RECEIVABLE - WATER RECLAMATION

As stated in prior reports, the Accounts Receivable (control account) per the general ledger does not agree to the Accounts Receivable Detail. At December 31, 2009, the Accounts Receivable (control account) has a balance of \$541,135.61 and the balance per the detail customer listing is \$500,105.92. The general ledger shows a balance of \$41,029.69 more than the Accounts Receivable detail at December 31, 2009.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORM - PARK DEPARTMENT

The records of the park department were maintained manually until they converted to the same computer system of the City in August of 2008. Receipts and disbursements are posted to the computer system, however, the park department does not maintain the prescribed ledger (City or Town Form No. 208) or a computerized version of the same, which records receipts, disbursements, and balances of the park funds to compare to the park funds maintained by the City.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on September 30, 2010, with Donna Pappas, Clerk-Treasurer; and Richard Turnak, President of the Common Council. The official response has been made a part of this report and may be found on pages 16 and 17.

The contents of this report were discussed on September 30, 2010, with Olga Velazquez, Mayor.

The contents of this report were discussed on September 30, 2010, with Olga Velazquez, Mayor and President of the Water Reclamation Board; and Joan Sobczak, Water Reclamation Secretary/Treasurer. The official response has been made a part of this report and may be found on pages 16 and 17.

The contents of this report were discussed on September 30, 2010, with Chris Johnson, Park Superintendent; and Sue Corely, Bookkeeper.

city of portage



Home of the Port of Indiana

OFFICE OF THE CLERK-TREASURER

DONNA M. PAPPAS

City Hall

6070 Central Avenue

Portage, Indiana 46368

(219) 762-7784

Fax: (219) 763-9607

October 5, 2010

Mr. Bruce A. Hartman
CPA, State Examiner
302 W Washington Street, Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman,

In response to the 2009 City of Portage (Excluding Utility Service Board) audit –

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS:

The Clerk-Treasurer and the Deputy Clerk-Treasurer are attempting to reconcile any and all differences between the bank records and the City's records. The differences usually result from a clearing error, an outstanding check error, or a posting error.

PRESCRIBED FORM – PARK DEPARTMENT:

The park computer program (Keystone) has the information available for the computerized version of the prescribed ledger. The park department will be contacting Keystone for additional training. The Clerk-Treasurer will do a monthly follow up until the training has been completed and reports are available.

Sincerely,

Donna M. Pappas
Clerk-Treasurer

October 14, 2010

State Board of Accounts
Porter County Government Center
155 Indiana Avenue
Valparaiso, Indiana 46383

Attention: Mr. Bruce Hartman CPA
State Examiner

Re: City of Portage Water Reclamation Utility/Portage Utility Services

Mr. Hartman:

I met with State Board of Accounts staff on September 30, 2010 for our exit interview regarding the examination results and comments. Please find below our response to the audit. I appreciate the opportunity to provide comment on these results.

COMPENSATION AND BENEFIT- WATER RECLAMATION

The salary schedule adopted by the governing body for 2009 and 2010 salaries contained two computation errors for the two positions noted in the audit. This item has been placed on the agenda for the November 10, 2010 meeting of the Utility Board to rectify the correct amount and authorize the payment. Employees received increases from 2008 to 2009 and all positions were changed on the salary schedule except the two that were noted.

TIME CARDS – WATER RECLAMATION

As chairman of the Portage Utility Board, I was made aware by the State Board of Accounts and the City of Portage Human Resources consultant that there was allegation of time card alterations. Upon learning of this situation, I immediately instructed Secretary/Treasurer of Portage Utility Service to cooperate with the State Board of Accounts investigation. I met with them throughout this process to insure that they had full and complete access to all documents. I met with them on a preliminary exit interview and a final exit interview on separate occasions. They informed me of their findings. Specifically, they informed me that there were discrepancies on the time cards and mostly on one employee's cards. They also informed me that it would be difficult to prove a criminal case against the employee.

While ghost pay rolling was not proven, there were enough timecard discrepancies that indicated that we had a problem and I took action. The employee was terminated and another was severely disciplined. Employees were reeducated as to the proper procedure for handling timecards and how to address errors when they occur. Employees were instructed to make corrections with one line through error and initial so that error could be validated. Employees were instructed to sign all time cards and have total hours verified with signature of supervisor.

ACCOUNTS RECEIVABLE-WATER RECLAMATION

In communication with State Board of Accounts Staff, this issue of showing a greater balance in the Accounts Receivable general ledger balance than the Accounts Receivable detail is one of data entry and software used for accounting. The Portage Utility Office has worked together with State Board of Accounts staff to reconcile the differences and have identified the entry issues. New software has recently been implemented which should assist in rectifying this bookkeeping issue.

Should you have any further questions, please contact me at 219-762-5425.

Sincerely,


Olga G. Velazquez
Mayor, City of Portage, Indiana
6070 Central Avenue 46368