

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HOBART

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
07/01/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Finding:	
Finding 2013-001 - Internal Controls and Compliance Over Reporting Federal Expenditures on the Schedule of Expenditures of Federal Awards	6
Corrective Action Plan	7
Audit Results and Comments:	
Overdrawn Cash Balances	8
Internal Controls Over Payroll Disbursements	8
Official Response	9-10
Exit Conference	11
Sanitary/Stormwater District:	
Federal Finding:	
Finding 2013-002 - Internal Controls and Compliance Requirements That Have a Direct and Material Effect on Capitalization Grants For Clean Water State Revolving Funds	14
Corrective Action Plan	15
Exit Conference	16
Park Department:	
Audit Result and Comment:	
Park Department Condition of Records	18
Official Response	19-20
Exit Conference	21
Police Pension:	
Audit Result and Comment:	
1925 Police Pensions and Surviving Spouse Benefits	24-25
Official Response	26-27
Exit Conference	28
Fire Pension:	
Audit Result and Comment:	
1937 Fire Pensions and Surviving Spouse Benefits	30-31
Official Response	32-33
Exit Conference	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Longer	01-01-12 to 12-31-15
Mayor	Brian Snedecor	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Brian Snedecor	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Jerry Herzog	01-01-13 to 12-31-14



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 THE CITY OF HOBART, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Hobart (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 12, 2014

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF HOBART

CLERK-TREASURER
CITY OF HOBART
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING FEDERAL EXPENDITURES ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following material omission: the City received and spent \$1,259,935 in Capitalization Grants for Clean Water State Revolving Fund that was not reported on the SEFA. This amount represents 92 percent of the total federal expenditures for 2013.

An audit adjustment was proposed, accepted by the City, and made to the SEFA presented in this report. This adjustment resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Deborah A. Longer
Clerk-Treasurer

"The Friendly City"

Telephone:
(219) 942-1940

Fax:
(219) 942-0505

The City of Hobart

414 Main Street • Hobart, Indiana 46342



CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2013-001 – INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING FEDERAL EXPENDITURES ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Hobart Sanitary District and the City of Hobart Clerk-Treasurer's office was not aware that the State Revolving Fund (SRF) loan was to be considered as a Federal Award and included on the Schedule of Expenditures of Federal Awards (SEFA). All information regarding the receipt and expenditure activity of the SRF was included in its entirety in the 2013 Annual Report of the City. During the audit process, adjustments were accepted by the City and made to the SEFA to include the SRF loan information and it was noted in the Schedule of Findings that the resulting presentation of the SEFA is materially correct in relation to the financial statement.

The City maintains separate files on all awards received from any source and effective immediately, will become more diligent in determining the primary source of the funds to ensure inclusion on the SEFA of all federally awarded funds in the future. The remaining SRF funds expended in fiscal year 2014 will be included on the SEFA in the 2014 Annual Report.

Signed: _____

Deborah A. Longer, Clerk-Treasurer

Date: _____

4/30/2014

CLERK-TREASURER
CITY OF HOBART
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for the City includes the following funds with overdrawn cash balances at December 31, 2013:

Fund	Amount
Local Road And Street	\$ 4,191
Cumulative Capital Improvement	23,379
Domestic Highway Enforcement	3,134
Park District Program	6,077
Cops To School	10,075

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER PAYROLL DISBURSEMENTS

Internal controls over the supporting documentation and approvals for payroll disbursements were ineffective. The City does not prepare the prescribed Payroll Schedule and Voucher (General Form No. 99) or use an approved alternate form for all payrolls. The Payroll Schedule and Voucher is to be certified by each department to certify that the department head has examined the time record of each employee for each payroll and that each employee has performed the services for which compensation is paid. The City relies upon departments to submit Time and Attendance Sheets or time cards with the signatures of an immediate supervisor to certify the time. A review of the internal controls over the supervisory approval of the actual time worked determined that none of the Public Works Department attendance sheets or time cards remitted in 2013 included a signature of an immediate supervisor. Due to the lack of proper approvals, the validity of payroll disbursements could not always be determined.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



The City of Hobart

414 Main Street • Hobart, Indiana 46342

May 14, 2014

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to City of Hobart 2013 Audit

In response to the State Board of Accounts Audit Results and Comments for the fiscal year 2013 for the City of Hobart, please be advised of the following related to each audit comment:

Overdrawn Cash Balances:

The audit report lists five funds with overdrawn cash balances as of December 31, 2013. Each of these funds were used in past years for expenses that were either expected to be reimbursed over time or program expenses exceeding the program revenue due to a carryover of expenses from a prior year. In the case of the reimbursable funds, the overdrawn cash balances were a result of reimbursements not taking place within the fiscal year of the items expended. The City of Hobart utilizes inter-fund borrowing as needed to meet the obligations for all funds. At the end of the fiscal year, the inter-fund borrowing is paid back to the appropriate funds as required which meant that certain funds ended the year with a negative cash balance, showing a true picture of funds not yet received. Additionally, the City uses a "pooled cash" approach so that it will not overdraw individual funds while waiting for reimbursements or tax distributions. The overdrawn funds noted in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds.

Internal Controls over Payroll Disbursements:

The City of Hobart requires department heads to submit payroll time and attendance sheets for each employee after they are reviewed and signed by the immediate supervisor and/or the department head. In many cases the original time sheet records are submitted for a two-week payroll period and then returned to the departments for continuing use throughout the year. There is no space on the original timesheets for signature for each pay period but any adjustments from regular time such as additional pay for overtime, days off for vacation or personal leave or sick days is noted on a separate time slip that coincides with the time recorded

on the time sheet records and these are signed by the supervisor and submitted for payroll processing. Department heads and supervisors are aware of their responsibilities to assure the scheduling and time records of their employees are submitted as accurately reflecting the hours worked and absences noted and are to be reviewed and signed to assure proper internal controls.

Park Department Condition of Records:

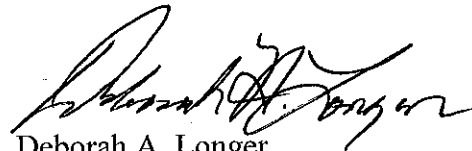
Office procedures both at the Park Department office and the Community Pool office have been revamped beginning in 2014 to provide more accurate accounting of the park and pool records and address the comments noted in the audit. Staff changes and a clearer understanding of the need for more accurate record keeping will facilitate these changes in the future.

1925 Police and 1937 Fire Pensions and Surviving Spouse Benefits:

The Police Pension Board and the Fire Pension Board are recalculating the benefits paid to the Pensioners and surviving spouses for 2013 and will make adjustments, if needed, to assure appropriate benefits are being paid.

Conclusion:

The administration of the City of Hobart continues to manage the fiscal responsibilities in an appropriate manner in compliance with laws and regulations.



Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

CLERK-TREASURER
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2014, with Brian Snedecor, Mayor; Deborah Longer, Clerk-Treasurer; and Jerry Herzog, President Pro Tempore of the Common Council.

(This page intentionally left blank.)

SANITARY/STORMWATER DISTRICT
CITY OF HOBART

SANITARY/STORMWATER DISTRICT
CITY OF HOBART
FEDERAL FINDING

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number: WW12451401
Pass-Through Entity: Indiana Finance Authority

Management of the City has not established an effective internal control system, which would include monitoring activities of paid consultants, related to the grant agreement and the Davis-Bacon (prevailing wages) and Suspension and Debarment compliance requirements that have a direct and material effect to the program. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the compliance requirements. This lack of an effective internal control system could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, and reviews over the activities of the grant.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

In order to have an effective internal control system, it is important to ensure that the activities of paid consultants are monitored. This is accomplished by making sure proper oversight, reviews, and approvals take place, as well as ensuring the governing board is informed about any deficiencies to allow appropriate follow up action to be taken. The City did not have a system in place to ensure the work product provided by the consultant employed by the Indiana Finance Authority to ensure compliance with Davis Bacon and Suspension and Debarment was adequate, complete, and accurate.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to effectively monitor the activities of consultants employed to ensure compliance related to the grant agreement and compliance requirements that have a direct and material effect to the program.

Deborah A. Longer
Clerk-Treasurer



"The Friendly City"

The City of Hobart

414 Main Street • Hobart, Indiana 46342

Telephone:
(219) 942-1940

Fax:
(219) 942-0505

CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW12451401
Pass-Through Entity: Indiana Finance Authority

Prior to the City hiring a full-time City Engineer in early 2013, monitoring of the activities of the paid consultants related to the SRF project was done by the Hobart Sanitary District Board President, the Board of Sanitary Commissioners and the Chief Executive of the City. The newly hired City Engineer then met on a regular basis with the paid consultants to oversee the project and reviewed all claims submitted relative to the SRF loan and the activities related thereto. A sub-consultant, working under the monitoring of the paid project consultant, was hired to assure the Davis Bacon (prevailing wage) and Suspension and Debarment compliance was met. The Hobart Sanitary District Board considered all claims submitted by all consultants and payment was made for those approved by the Board upon the recommendation of the City Engineer.

The Hobart Sanitary District and the City have responded to the need for a more effective internal control system by hiring a full time City Engineer to oversee and monitor the activities of the paid consultants to ensure compliance related to any and all grant agreements and projects undertaken by the City. Discussions as to this specific Finding have been brought to the attention of the City Engineer who will take immediate steps to more clearly document the City's monitoring of the activities of the paid consultants.

Signed: _____

Deborah A. Longer, Clerk-Treasurer

Date: _____

4/30/2014

SANITARY/STORMWATER DISTRICT
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2014, with Brian Snedecor, Mayor; Deborah Longer, Clerk-Treasurer; Jerry Herzog, President Pro Tempore of the Common Council; and Robert Fulton, President of the Sanitary/Stormwater District Board.

PARK DEPARTMENT
CITY OF HOBART

PARK DEPARTMENT
CITY OF HOBART
AUDIT RESULT AND COMMENT

PARK DEPARTMENT CONDITION OF RECORDS

When reviewing the Park Department financial records we noted the following deficiencies:

1. Daily pool fees range from \$2 to \$6 per person based on age and residency status. Neither a cash register receipt nor a handwritten receipt was issued to individuals purchasing daily pool passes. The daily cash register totals did not summarize the fees collected by type. Verification that approved pool fees were properly charged and collected could not be completed. Cash collected for daily pool use in 2013 totaled \$19,294.
2. Receipts issued were not always completed to indicate the source of collections or the corresponding activity. Some receipts were illegible and some legible receipts only listed the individual's first name for shelter rentals. Verification that approved fees were properly charged and collected could not be completed.
3. Lakefront Festival rental contracts issued in 2013 did not list the date payments were received or receipt number issued making it difficult to determine if all rental income was collected.
4. Season pass applications did not cross reference the season pass number issued to the applicant to the receipt number or the date the season pass was purchased, making it difficult to trace season pass applications to a subsequent receipt.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)



The City of Hobart

414 Main Street • Hobart, Indiana 46342

May 14, 2014

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to City of Hobart 2013 Audit

In response to the State Board of Accounts Audit Results and Comments for the fiscal year 2013 for the City of Hobart, please be advised of the following related to each audit comment:

Overdrawn Cash Balances:

The audit report lists five funds with overdrawn cash balances as of December 31, 2013. Each of these funds were used in past years for expenses that were either expected to be reimbursed over time or program expenses exceeding the program revenue due to a carryover of expenses from a prior year. In the case of the reimbursable funds, the overdrawn cash balances were a result of reimbursements not taking place within the fiscal year of the items expended. The City of Hobart utilizes inter-fund borrowing as needed to meet the obligations for all funds. At the end of the fiscal year, the inter-fund borrowing is paid back to the appropriate funds as required which meant that certain funds ended the year with a negative cash balance, showing a true picture of funds not yet received. Additionally, the City uses a "pooled cash" approach so that it will not overdraw individual funds while waiting for reimbursements or tax distributions. The overdrawn funds noted in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds.

Internal Controls over Payroll Disbursements:

The City of Hobart requires department heads to submit payroll time and attendance sheets for each employee after they are reviewed and signed by the immediate supervisor and/or the department head. In many cases the original time sheet records are submitted for a two-week payroll period and then returned to the departments for continuing use throughout the year. There is no space on the original timesheets for signature for each pay period but any adjustments from regular time such as additional pay for overtime, days off for vacation or personal leave or sick days is noted on a separate time slip that coincides with the time recorded

on the time sheet records and these are signed by the supervisor and submitted for payroll processing. Department heads and supervisors are aware of their responsibilities to assure the scheduling and time records of their employees are submitted as accurately reflecting the hours worked and absences noted and are to be reviewed and signed to assure proper internal controls.

Park Department Condition of Records:

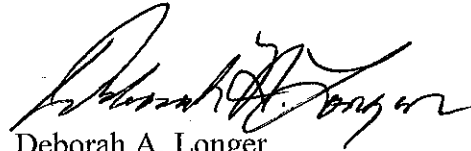
Office procedures both at the Park Department office and the Community Pool office have been revamped beginning in 2014 to provide more accurate accounting of the park and pool records and address the comments noted in the audit. Staff changes and a clearer understanding of the need for more accurate record keeping will facilitate these changes in the future.

1925 Police and 1937 Fire Pensions and Surviving Spouse Benefits:

The Police Pension Board and the Fire Pension Board are recalculating the benefits paid to the Pensioners and surviving spouses for 2013 and will make adjustments, if needed, to assure appropriate benefits are being paid.

Conclusion:

The administration of the City of Hobart continues to manage the fiscal responsibilities in an appropriate manner in compliance with laws and regulations.



Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

PARK DEPARTMENT
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2014, with Brian Snedecor, Mayor; Deborah Longer, Clerk-Treasurer; Jerry Herzog, President Pro Tempore of the Common Council; and John Mitchell, Superintendent of the Park Department.

(This page intentionally left blank.)

POLICE PENSION
CITY OF HOBART

POLICE PENSION
CITY OF HOBART
AUDIT RESULT AND COMMENT

1925 POLICE PENSIONS AND SURVIVING SPOUSE BENEFITS

Benefits paid to 1925 Police Pensioners and surviving spouses were not paid according to state statute in 2013. The 1925 Police Pensioners should be paid 50 percent of the salary of a first class patrolman for 20 years of service (longevity is considered in the salary basis). Pensioners should also receive an additional 1 percent for each 6 months in excess of 20 years of service.

The 1925 Police Pension Surviving Spouses should be paid the greater of 30 percent of the first class salary of the monthly pay of the first class patrolmen or 55 percent of the monthly benefit the deceased member was receiving on the date of the member's death. This calculation was not done; as a result, some surviving spouses may not have received the appropriate pension. The City is recalculating the benefits paid to 1925 Police Pensioners and the surviving spouses for 2013.

Indiana Code 36-8-6-9 states in part:

"(b) The 1925 fund shall be used to provide a member of the police department who retires from active duty after twenty (20) or more years of active duty an annual pension equal to fifty percent (50%) of the salary of a first class patrolman in the police department, plus: (1) for a member who retires before January 1, 1986, two percent (2%) of the first class patrolman's salary for each year of service; or (2) for a member who retires after December 31, 1985, one percent (1%) of the first class patrolman's salary for each six (6) months of service; of the retired member over twenty (20) years. However, the pension may not exceed in any year an amount greater than seventy-four percent (74%) of the salary of a first class patrolman. The pensions shall be computed on an annual basis but shall be paid in not less than twelve (12) equal monthly installments. If the salary of a first class patrolman is increased or decreased, the pension payable shall be proportionately increased or decreased.

(c) If a member voluntarily retires after twenty (20) or more years of service, the member is entitled to retirement and the pension, without reference to his physical condition at the time of application. However, he then relinquishes all rights to other benefits or pensions for temporary disability. After retirement the member is not required to render further services on the police department, is no longer subject to the rules of the department, and may not be deprived of other benefits under this chapter that may accrue to him or his dependents.

(d) To be retired based upon length of service, only the time served by the member on the regularly constituted police department may be computed. Time served by a member as a special police officer, a merchant police officer, or a private police officer may not be considered in computing length of service."

Indiana Code 36-8-6-9.6 states in part:

"(b) A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following: (1) To the surviving spouse of a member who died before January 1, 1989, an amount equal to thirty percent (30%) of the monthly pay of a first class patrolman per month during the surviving spouse's life if the spouse did not remarry before September 1, 1983. If the spouse remarried before September 1, 1983,

POLICE PENSION
CITY OF HOBART
AUDIT RESULT AND COMMENT
(Continued)

and benefits ceased on the date of remarriage, the benefits for the surviving spouse shall be reinstated on July 1, 1997, and continue during the life of the surviving spouse. (2) Except as otherwise provided in this subdivision, to the surviving spouse of a member who dies after December 31, 1988, an amount per month, during the spouse's life, equal to the greater of: (A) thirty percent (30%) of the monthly pay of a first class patrolman; or (B) fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death. However, if the deceased member was not entitled to a benefit because the member had not completed twenty (20) years of service, for purposes of computing the amount under clause (B), the member's benefit shall be considered to be fifty percent (50%) of the monthly salary of a first class patrolman. The amount provided in this subdivision is subject to adjustment as provided in subsection (e).

(c) Except as otherwise provided in this subsection, a payment shall also be made to each child of a deceased member less than eighteen (18) years of age, in an amount fixed by ordinance, but at least an amount equal to twenty percent (20%) of the monthly pay of a first class patrolman per month: (1) until the child becomes eighteen (18) years of age; (2) until the child becomes twenty-three (23) years of age if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or (3) during the entire period of the child's physical or mental disability; whichever period is longer. However, the total of benefits under this subsection added to the benefits under subsection (b) may not exceed the maximum benefits computed under section 9 of this chapter for pension payments to a member who retires from active service after twenty (20) years or more of active service. This maximum benefit is equal to fifty percent (50%) of the salary of a first class patrolman in the police department plus, for a member who retired before January 1, 1986, two percent (2%) of the first class patrolman's salary for each year of service of the retired member over twenty (20) years or, for a member who retires after December 31, 1985, plus one percent (1%) of the first class patrolman's salary for each six (6) months of service of the retired member over twenty (20) years. However, the maximum benefit may not exceed in any year an amount greater than seventy-four percent (74%) of the salary of a first class patrolman.

(d) Except as otherwise provided in this subsection, if a deceased member leaves no surviving spouse and no child who qualifies for benefits under subsection (c) but does leave a dependent parent or parents, an amount equal to twenty percent (20%) of the monthly pay of a first class patrolman per month from the time of the member's death shall be paid to the dependent parent or parents during their dependency. When both parents survive, the total amount is still twenty percent (20%), to be paid to them jointly. In all cases of payment to a dependent relative of a deceased member, the board is the final judge of the question of necessity and dependency and of the amount to be paid. The board may also reduce or terminate temporarily or permanently a payment to a dependent relative of a deceased member when it determines that the condition of the fund or other circumstances make this action necessary.

(e) If the salary of a first class patrolman is increased or decreased, the pension payable under this section shall be proportionately increased or decreased. However, the monthly pension payable to a member or survivor may not be reduced below the amount of the first full monthly pension received by that person."



The City of Hobart

414 Main Street • Hobart, Indiana 46342

May 14, 2014

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to City of Hobart 2013 Audit

In response to the State Board of Accounts Audit Results and Comments for the fiscal year 2013 for the City of Hobart, please be advised of the following related to each audit comment:

Overdrawn Cash Balances:

The audit report lists five funds with overdrawn cash balances as of December 31, 2013. Each of these funds were used in past years for expenses that were either expected to be reimbursed over time or program expenses exceeding the program revenue due to a carryover of expenses from a prior year. In the case of the reimbursable funds, the overdrawn cash balances were a result of reimbursements not taking place within the fiscal year of the items expended. The City of Hobart utilizes inter-fund borrowing as needed to meet the obligations for all funds. At the end of the fiscal year, the inter-fund borrowing is paid back to the appropriate funds as required which meant that certain funds ended the year with a negative cash balance, showing a true picture of funds not yet received. Additionally, the City uses a "pooled cash" approach so that it will not overdraw individual funds while waiting for reimbursements or tax distributions. The overdrawn funds noted in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds.

Internal Controls over Payroll Disbursements:

The City of Hobart requires department heads to submit payroll time and attendance sheets for each employee after they are reviewed and signed by the immediate supervisor and/or the department head. In many cases the original time sheet records are submitted for a two-week payroll period and then returned to the departments for continuing use throughout the year. There is no space on the original timesheets for signature for each pay period but any adjustments from regular time such as additional pay for overtime, days off for vacation or personal leave or sick days is noted on a separate time slip that coincides with the time recorded

on the time sheet records and these are signed by the supervisor and submitted for payroll processing. Department heads and supervisors are aware of their responsibilities to assure the scheduling and time records of their employees are submitted as accurately reflecting the hours worked and absences noted and are to be reviewed and signed to assure proper internal controls.

Park Department Condition of Records:

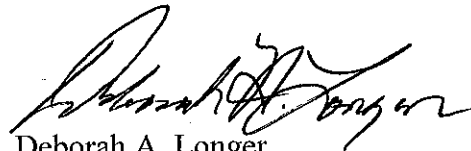
Office procedures both at the Park Department office and the Community Pool office have been revamped beginning in 2014 to provide more accurate accounting of the park and pool records and address the comments noted in the audit. Staff changes and a clearer understanding of the need for more accurate record keeping will facilitate these changes in the future.

1925 Police and 1937 Fire Pensions and Surviving Spouse Benefits:

The Police Pension Board and the Fire Pension Board are recalculating the benefits paid to the Pensioners and surviving spouses for 2013 and will make adjustments, if needed, to assure appropriate benefits are being paid.

Conclusion:

The administration of the City of Hobart continues to manage the fiscal responsibilities in an appropriate manner in compliance with laws and regulations.



Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

POLICE PENSION
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2014, with Brian Snedecor, Mayor; Deborah Longer, Clerk-Treasurer; Jerry Herzog, President Pro Tempore of the Common Council; and Joe Clemmons, Police Pension Secretary.

FIRE PENSION
CITY OF HOBART

FIRE PENSION
CITY OF HOBART
AUDIT RESULT AND COMMENT

1937 FIRE PENSIONS AND SURVIVING SPOUSE BENEFITS

Benefits paid to 1937 Fire Pensioners and surviving spouses were not paid according to state statute in 2013. The 1937 Fire Pensioners should be paid 50 percent of the salary of a first class firefighter for 20 years of service (longevity is considered in the salary basis). Pensioners should also receive an additional 1 percent for each 6 months in excess of 20 years of service.

The 1937 Fire Pension Surviving Spouses should be paid the greater of 30 percent of the first class salary of the monthly pay of the first class firefighter or 55 percent of the monthly benefit the deceased member was receiving on the date of the member's death. This calculation was not done; as a result, some surviving spouses may not have received the appropriate pension. The City is recalculating the benefits paid to 1937 Fire Pensioners and the surviving spouses for 2013.

Indiana Code 36-8-7-12.1(b) states:

"A member who has been in service twenty (20) years, upon making a written application to the fire chief, may be retired from all service with the department without a medical examination or disability. Except as provided in subsection (f), the local board shall authorize the payment to the retired member of fifty percent (50%) of the salary of a fully paid first class firefighter of the unit at the time of the payment of the pension, plus: (1) for a member who retires before January 1, 1986, two percent (2%) of that salary for each year of service; or (2) for a member who retires after December 31, 1985, one percent (1%) of that salary for each six (6) months of service; over twenty (20) years. However, the pension in one (1) year may not exceed an amount greater than seventy-four percent (74%) of the salary of a fully paid first class firefighter."

Indiana Code 36-8-7-12.2 states in part:

"(b) If a member of the fire department or a retired member of the 1937 fund dies and leaves: (1) a surviving spouse; (2) a child or children less than eighteen (18) years of age; (3) a child or children at least eighteen (18) years of age who are mentally or physically incapacitated; or (4) a child or children less than twenty-three (23) years of age who are: (A) enrolled in and regularly attending a secondary school; or (B) full-time students at an accredited college or university; the local board shall authorize the payment to the surviving spouse and to the child or children the amount from the fund as prescribed by this section. If the surviving spouse of a deceased member remarried before September 1, 1983, and pension benefits ceased on the date of remarriage, the benefits for the surviving spouse shall be reinstated on July 1, 1997, and continue during the life of the surviving spouse. If the pension of the surviving spouse of a deceased member has ceased by virtue of the spouse's remarriage, and if the person to whom the spouse has remarried was a retired member of the fire department who was also entitled to a pension, then upon the death of the member to whom the spouse had remarried, the spouse is entitled to receive a pension as the surviving spouse of a deceased member as though the spouse had not been remarried."

FIRE PENSION
CITY OF HOBART
AUDIT RESULT AND COMMENT
(Continued)

(c) If a deceased member of the fire department leaves no surviving spouse or children but leaves a dependent parent, and upon satisfactory proof that the parent was wholly dependent upon the deceased member, the local board shall authorize the monthly payment to the parent from the 1937 fund that is prescribed by this section.

(d) If a member dies while in active service or after retirement: (1) the surviving spouse is entitled to receive an amount fixed by ordinance but not less than: (A) for the surviving spouse of a member who dies before January 1, 1989, thirty percent (30%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension; and (B) for the surviving spouse of a member who dies after December 31, 1988, except as otherwise provided in this clause, an amount per month, during the spouse's life, equal to the greater of thirty percent (30%) of the monthly pay of a first class firefighter or fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death (these amounts shall be proportionately increased or decreased if the salary of a first class firefighter is increased or decreased); however, if the deceased member was not entitled to a benefit because the member had not completed twenty (20) years of service, for purposes of computing the second amount under this item, the member's benefit is considered to be fifty percent (50%) of the monthly salary of a first class firefighter in the unit at the time of payment of the pension; (2) the member's children who are: (A) less than eighteen (18) years of age; or (B) less than twenty-three (23) years of age if the children are enrolled in and regularly attending a secondary school or are full-time students at an accredited college or university; are each entitled to receive an amount fixed by ordinance but not less than twenty percent (20%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension; and (3) each parent of a deceased member who was eligible for a pension is entitled to receive jointly an amount equal to thirty percent (30%) of the salary of a fully paid first class firefighter in the unit at the time of the payment of the pension. If the local board finds upon the submission of satisfactory proof that a child eighteen (18) years of age or older is mentally or physically incapacitated, is not a ward of the state, and is not receiving a benefit under subdivision (2)(B), the child is entitled to receive the same amount as is paid to the surviving spouse of a deceased firefighter, as long as the mental or physical incapacity continues. A sum paid for the benefit of a child or children shall be paid to the remaining parent, if alive, as long as the child or children reside with and are supported by the parent. If the parent dies, the sum shall be paid to the lawful guardian of the child or children.

(e) The monthly pension payable to a survivor may not be reduced below the amount of the first full monthly pension received by that person. (f) A benefit payable under this section shall be paid in not less than twelve (12) monthly installments."



The City of Hobart

414 Main Street • Hobart, Indiana 46342

May 14, 2014

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to City of Hobart 2013 Audit

In response to the State Board of Accounts Audit Results and Comments for the fiscal year 2013 for the City of Hobart, please be advised of the following related to each audit comment:

Overdrawn Cash Balances:

The audit report lists five funds with overdrawn cash balances as of December 31, 2013. Each of these funds were used in past years for expenses that were either expected to be reimbursed over time or program expenses exceeding the program revenue due to a carryover of expenses from a prior year. In the case of the reimbursable funds, the overdrawn cash balances were a result of reimbursements not taking place within the fiscal year of the items expended. The City of Hobart utilizes inter-fund borrowing as needed to meet the obligations for all funds. At the end of the fiscal year, the inter-fund borrowing is paid back to the appropriate funds as required which meant that certain funds ended the year with a negative cash balance, showing a true picture of funds not yet received. Additionally, the City uses a "pooled cash" approach so that it will not overdraw individual funds while waiting for reimbursements or tax distributions. The overdrawn funds noted in the audit are neither an indicator of serious financial problems nor of any inappropriate diversion of funds.

Internal Controls over Payroll Disbursements:

The City of Hobart requires department heads to submit payroll time and attendance sheets for each employee after they are reviewed and signed by the immediate supervisor and/or the department head. In many cases the original time sheet records are submitted for a two-week payroll period and then returned to the departments for continuing use throughout the year. There is no space on the original timesheets for signature for each pay period but any adjustments from regular time such as additional pay for overtime, days off for vacation or personal leave or sick days is noted on a separate time slip that coincides with the time recorded

on the time sheet records and these are signed by the supervisor and submitted for payroll processing. Department heads and supervisors are aware of their responsibilities to assure the scheduling and time records of their employees are submitted as accurately reflecting the hours worked and absences noted and are to be reviewed and signed to assure proper internal controls.

Park Department Condition of Records:

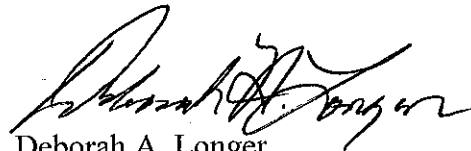
Office procedures both at the Park Department office and the Community Pool office have been revamped beginning in 2014 to provide more accurate accounting of the park and pool records and address the comments noted in the audit. Staff changes and a clearer understanding of the need for more accurate record keeping will facilitate these changes in the future.

1925 Police and 1937 Fire Pensions and Surviving Spouse Benefits:

The Police Pension Board and the Fire Pension Board are recalculating the benefits paid to the Pensioners and surviving spouses for 2013 and will make adjustments, if needed, to assure appropriate benefits are being paid.

Conclusion:

The administration of the City of Hobart continues to manage the fiscal responsibilities in an appropriate manner in compliance with laws and regulations.



Deborah A. Longer
Clerk-Treasurer
City of Hobart, Indiana

FIRE PENSION
CITY OF HOBART
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2014, with Brian Snedecor, Mayor; Deborah Longer, Clerk-Treasurer; Jerry Herzog, President Pro Tempore of the Common Council; and John Papka, Fire Pension Secretary.