

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MERRILLVILLE

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
07/25/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eugene M. Guernsey	01-01-12 to 12-31-15
President of the Town Council	Carol Miano	01-01-13 to 12-31-14
Town Manager	Howard Fink Bruce Spires	01-01-13 to 04-08-13 04-09-13 to 12-31-14
Director of Public Works	Bruce Spires	01-01-13 to 12-31-14
Executive Director of Stormwater Management	Matthew Lake	01-01-13 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MERRILLVILLE, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Merrillville (Town), 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 Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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

June 10, 2014

TOWN COURT  
TOWN OF MERRILLVILLE

TOWN COURT  
TOWN OF MERRILLVILLE  
FEDERAL FINDING

***FINDING 2013-002 - CONDITION OF RECORDS - TOWN COURT***

City and Town Courts are required to maintain a City/Town Cash Book Form 213CT (Cash Book), and a Register of Trust Funds, General Form 102 (Trust Register). These prescribed forms have been replaced with Court View (electronically generated ledger equivalents). However, the Town Court has opted to maintain the prescribed Cash Book and Trust Register manually and not fully utilize the electronic ledger equivalents in Court View.

Receipts issued through Court View generated the electronic Cash Book. The disbursement activity was not recorded in the electronic Cash Book because checks were handwritten and not processed electronically. Disbursements were manually recorded on the individual defendants' electronic case files even though the Court View system had the capability of electronically issuing checks and posting disbursements to the electronic Cash Book and Trust Register. Officials did not use this feature of the software until May 2013. At December 31, 2013, the manual Cash Book balance materially agreed to the depository balance; however, due to the incomplete use of the Court View financial system as described above, the cash balance in Court View (the official record of the Town Court) did not agree with the depository balance.

Court View software is capable of applying trust funds (cash bonds) to pay court costs, by using a "bond applied" function. This process removes the bond amount from the Trust Register and applies the costs to the appropriate fee categories in the Cash Book. A receipt is generated noting that the bond was applied. Because disbursements were not processed electronically through Court View, the electronic Cash Book and Trust Register could not be used to determine the respective "Cash Bonds Trust" cash balance in the ledger. Neither a complete and functional electronic Cash Book nor a trust ledger was available for audit. A manual Trust Ledger was provided which did not contain all cash bond information. Using electronic software to generate and record disbursements would reduce the potential for errors or the misapplication of costs and more efficiently use Court resources.

A manual "Register of Trust Funds" is maintained; however, the total of the detailed individual amounts does not reconcile with the corresponding trust cash balance in the Cash Book. Management initials the Cash Book and Cash Bonds Trust reconciliation each month; however, the reconciled bank balance did not agree with the Cash Book balance during our audit. Review of the Cash Book disclosed the failure to include three days' worth of receipts in June. In addition, the amounts on multiple checks issued for the repayment of cash bonds were incorrect.



TOWN COURT  
TOWN OF MERRILLVILLE  
FEDERAL FINDING  
(Continued)

The Town Court collects funds for the State, County Treasurer, and Clerk-Treasurer of the Town. Collections are remitted to the Town and County on a monthly basis and to the State every six months. When we compared the monthly collections to the monthly and biannual remittances, we noted the Town Court failed to remit all collections. Amounts remitted were less than collections made by \$4,218; \$7,869; and \$3,999, to the State, County, and Town, respectively.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

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 City and Town Courts, Chapter 4)

At all times, the manual and 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 City and Town Courts, Chapter 4)



# Town of Merrillville Court

7820 BROADWAY  
MERRILLVILLE, INDIANA 46410  
(219) 756-6185 • Fax (219) 756-1775  
Corrective Action Plan

JUDGE GINA L. JONES

Finding Number 2013-002  
Condition of records – Town Court

Auditee Contact Person	Gina L. Jones
Title of Contact Person	Judge
Phone Number	219-756-6193

Describe corrective action to taken:

As advised by the State Board of Accounts in the 2012 audit, we were instructed that the utilization of an excel spreadsheet as an alternative to the handwritten ledger was acceptable. Additionally, the Court has been fully functional in the utilization of Court View and has been diligent in our efforts to maintain all records through the Court View since 2012. There was a gap of using electronic checks while we waited for the blank checks in 2012. Since receipt, we have only electronic checks.

It is unfortunate that the prior theft of funds and the incomplete records will prevent the cash balance in Courtview from matching the manual cash balance. We have requested assistance from State Board of Accounts in developing a formula or a plan of action to fix the problem. As soon as we are advised of an answer, we will do our best to rectify the problem. We were able to locate many fraudulent transactions and corrected them, however as of right now, we can only correct them as we encounter them.

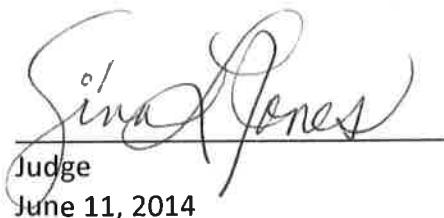
This administration began using the Courtview software in 2011 and endeavor to include all cash bonds noted into the system. Management did not begin to initial the cash book and the cash bonds trust reconciliation each month until the 2012 Audit which occurred in October of 2013.

State Board of Accounts was unable to determine where or how the error in remittances occurred. We plan to review the monthly collections and attempt to determine what is causing the error and will correct it immediately.

Signature

Title:

Date:

  
Judge  
June 11, 2014

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

The Town Court performed a reconciliation of the manual Cash Book (an excel spreadsheet that is an exact replica of the prescribed form) with the depository balance. The reconciled bank balance materially agreed with the manual Cash Book; however, this Cash Book does not reconcile with the cash balance in Court View. Court View is the official record of the Court and is used to track all court cases and their financial activity. Until May 2013, the Town Court did not process disbursements through the Court View system; they manually recorded check information.

The outstanding check list in the Court View system is not accurate which contributed to the inaccurate reconciliation. The outstanding check list includes numerous checks issued to the Merrillville Clerk-Treasurer, Town of Merrillville, Lake County Treasurer, and State of Indiana that have previously cleared the bank. Additionally, the outstanding check list in the Court View system contains checks dating back to 2007.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 City and Town Courts, Chapter 4)

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 City and Town Courts, Chapter 4)

***CASH BOND TRUST LEDGER***

The Town Court collects cash bonds when defendants are required to post a bond to be released from jail. The bond is held in trust, a receipt is issued, and the bond is to be recorded in "Court View" (computerized court software) and recorded in the manual "Register of Trust Funds," General Form No. 102. When the case is disposed of, the bond is released to the defendant or applied to pay court costs, fines, and/or attorney fees as ordered by the Town Court. At December 31, 2013, the manual detailed Register of Trust Funds did not agree to the Court View cash balance of monies held in trust. A similar comment appeared in the prior audit.

At all times, the manual and 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 City and Town Courts, Chapter 4)

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**FEES**

*Criminal Misdemeanors*

The Court failed to charge the proper amount for the Public Defense Administration Fee in criminal misdemeanor cases in which the defendant agreed to participate in the pretrial diversion program. The Court charged a fee of \$3 instead of the required \$5 fee.

*Infractions and Ordinance Violations*

The Court failed to charge the proper amount for the Initial Deferral Program User Fee in infraction violation cases in which the defendant agreed to participate in the deferral program. The Court charged a fee of \$58 instead of a required amount not to exceed \$52.

The Court collected a \$90 Town Deferral Fee and a \$10 Police Department Fee for all individuals who entered the local deferral program. The Town Deferral and Police Department Fees are remitted monthly to the Town's Clerk-Treasurer and are receipted to the General fund. The following deficiencies were noted with the Town Deferral and Police Department Fees collected:

1. The deferral agreements signed by the violators failed to detail the \$90 Deferral Fee and \$10 Police Department Fees. Town officials could not explain the basis for the \$10 Police Department Fee collected. It was unclear what authority the Court had to charge the \$10 Police Department Fee.
2. The use of local Deferral Fees is limited. The fees may not be deposited into the Town General fund. The Town failed to establish a separate Town (Local) User Fee fund to ensure expenses paid with local Deferral Fees were for allowable uses in accordance with Indiana Code 33-37-8-4.

Indiana Code 33-37-5-21.2(b) states:

"In each action in which a person is:

- (1) convicted of an offense;
- (2) required to pay a pretrial diversion fee;
- (3) found to have committed an infraction; or
- (4) found to have violated an ordinance; the clerk shall collect a public defense administration fee of five dollars (\$5)."

Indiana Code 33-37-4-2(e) states:

"Instead of the infraction or ordinance violation costs fee prescribed by subsection (a), except for the automated record keeping fee (IC 33-37-5-21), the clerk shall collect a deferral program fee if an agreement between a prosecuting attorney or an attorney for a municipal corporation and the person charged with a violation entered into under IC 34-28-5-1 (or IC 34-4-32-1 before its repeal) requires payment of those fees by the person charged with the violation. The deferral program fee is:

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) an initial user's fee not to exceed fifty-two dollars (\$52); and
- (2) a monthly user's fee not to exceed ten dollars (\$10) for each month the person remains in the deferral program."

Indiana Code 33-37-4-2(c) states:

"The clerk shall transfer to the county auditor or fiscal officer of the municipal corporation the following fees, not later than thirty (30) days after the fees are collected:

- (1) The alcohol and drug services program user fee (IC 33-37-5-8(b)).
- (2) The law enforcement continuing education program fee (IC 33-37-5-8(c)).
- (3) The deferral program fee (subsection (e)). The auditor or fiscal officer shall deposit the fees in the user fee fund established under IC 33-37-8."

Indiana Code 33-37-8-3 states:

"(a) A city or town user fee fund is established in each city or town having a city or town court for the purpose of supplementing the cost of various program services. The city or town fund is administered by the fiscal officer of the city or town.

(b) The city or town fund consists of the following fees collected by a clerk under this article:

- (1) The pretrial diversion program fee.
- (2) The alcohol and drug services fee.
- (3) The law enforcement continuing education program fee.
- (4) The deferral program fee.
- (5) The problem solving court fee."

Indiana Code 33-37-8-4 states:

"(a) Except as provided in subsection (b), upon receipt of monthly claims submitted on oath to the fiscal body by a program listed in section 3(b) of this chapter, the fiscal body of the city or town shall appropriate from the city or town fund to the program the amount collected for the program fee under IC 33-37-5.

(b) Funds derived from a deferral program or a pretrial diversion program may be disbursed only by the adoption of an ordinance appropriating the funds for one (1) or more of the following purposes:

- (1) Personnel expenses related to the operation of the program.

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (2) Special training for:
    - (A) a prosecuting attorney;
    - (B) a deputy prosecuting attorney;
    - (C) support staff for a prosecuting attorney or deputy prosecuting attorney; or
    - (D) a law enforcement officer.
  - (3) Employment of a deputy prosecutor or prosecutorial support staff.
  - (4) Victim assistance.
  - (5) Electronic legal research.
  - (6) Office equipment, including computers, computer software, communication devices, office machinery, furnishings, and office supplies.
  - (7) Expenses of a criminal investigation and prosecution.
  - (8) An activity or program operated by the prosecuting attorney that is intended to reduce or prevent criminal activity, including:
    - (A) substance abuse;
    - (B) child abuse;
    - (C) domestic violence;
    - (D) operating while intoxicated; and
    - (E) juvenile delinquency.
  - (9) Any other purpose that benefits the office of the prosecuting attorney or law enforcement and that is agreed upon by the county fiscal body and the prosecuting attorney.
- (c) Funds described in subsection (b) may be used only in accordance with guidelines adopted by the prosecuting attorneys council under IC 33-39-8-5."

***INTERNAL CONTROLS OVER DISBURSEMENTS***

Internal controls over the supporting documentation and approvals for payroll disbursements were ineffective. The Town prepares the prescribed Payroll Schedule and Voucher (General Form No. 99) 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 the salaries or compensation is paid. A review of the internal controls over the department head approval of the actual time worked determined that none of the Court's Payroll Schedule and Vouchers tested included a signature of an immediate supervisor. Due to the lack of proper approvals the validity of payroll disbursements could not always be determined.

TOWN COURT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 City and Town Courts, Chapter 4)

**OFFICIAL BOND**

The Town Judge's surety bond amount was \$5,000 which is insufficient per Indiana Code.

Indiana Code 5-4-1-18 states in part:

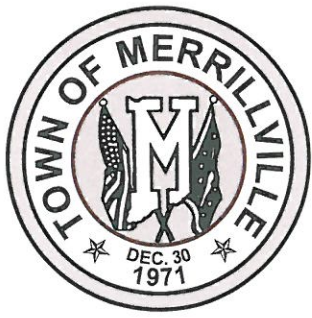
"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) no more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."



## Town of Merrillville Court

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JUDGE GINA L. JONES

June 25, 2014

via email: [ldavid@sboa.in.gov](mailto:ldavid@sboa.in.gov)

Paul Joyce, State Examiner  
State Board of Accounts  
302 West Washington Street, Rm E 418  
Indianapolis, IN 46204-2765

Re: 2013 Audit – Official Response

Dear Mr. Hartman:

As presiding Judge of the Merrillville Town Court, this letter shall serve as my Official response to the audit results and comments discussed on June 14, 2014.

### TOWN COURT BANK RECONCILIATION

The unfortunate situation involving the employee theft, and the fact the prior court administrator failed to indicate that bonds recorded in court view had been disbursed, has made total reconciliation nearly impossible. We struggle daily with cases being complete and no cash bond recorded or the cash bond having been previously disbursed manually to the incorrect individual. We dutifully record any anomaly or any case that results from missing funds. We were able to locate many fraudulent transactions and correct them, however as of right now, we can only correct them as we encounter them. These problems will prohibit the bank balance from materially agreeing with the balance of funds in courtview.

We are diligently correcting the missing reconciliation of the outstanding checks that were identified by the audit.

### CASH BOND TRUST LEDGER

Again, the balance in Court view was not updated from 2006 – April 2011. Additionally, prior to the court moving to Court view, bonds were recorded in the Key court system. It appears that those bonds were not completely transferred into Court view. The records are being kept current and we rectify any errors as we discover them.



FEES

*Criminal Misdemeanors*

We were instructed that the Public Defense Administration fees did not change for City and Town courts and thus did not increase with the County Court fees. We are researching to determine the accuracy of that information and will adjust accordingly.

*Infractions and Ordinance Violations*

All fees associated with Infraction and Ordinance Deferrals were established previously and will be reviewed immediately for statutory compliance.

INTERNAL CONTROLS OVER DISBURSEMENTS


The Court Administrator reviews each employee's time record and signs the record with the employee. That record is then attached to the payroll voucher. The Court Administrator has just been informed to also sign the payroll voucher. This will be the procedure going forward.

OFFICIAL BOND

Upon being informed by the Audit that the bond for the Judicial Officer should be \$15,000.00, we immediately advised the Town Attorney and Town Manager. This has been rectified.

I appreciate the time and effort by your staff during the audit.

Sincerely,



Gina L. Jones  
Judge, Merrillville Town Court

TOWN COURT  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Gina Jones, Town Judge; Mattie Collins, Court Administrator; Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Bruce Spires, Town Manager; Linda Burns, Office Manager; and Diane Plikuhn, Bookkeeper.

CLERK-TREASURER  
TOWN OF MERRILLVILLE

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER THE  
PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Schedule of Expenditures of Federal Awards (SEFA) was prepared without any oversight or approval. The Bookkeeper prepares the SEFA based upon grant information provided by various departments of the Town; however, the schedule is not reviewed by anyone other than the Bookkeeper.

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The Town 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. One federal program and two projects associated with two other federal programs were not included on the SEFA. The exclusion of these caused the federal expenditures reported on the SEFA to be understated by \$366,693.
2. The SEFA included two grants that were not federal grants. The inclusion of these grants resulted in the federal expenditures reported on the SEFA to be overstated by \$15,816.
3. An advance grant was improperly reported as a reimbursement grant, which resulted in the federal expenditures reported on the SEFA to be understated by \$18,190.
4. The Town failed to correctly identify the correct Catalog of Federal Domestic Assistance (CFDA) number for three federal programs.
5. The Town failed to properly identify the correct federal grantor agency for one of the federal programs, as well as the correct program name for another federal program.

The combination of these errors resulted in the federal expenditures reported on the SEFA to be understated by a total of \$369,067.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
FEDERAL FINDING  
(Continued)

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."



# Town of Merrillville

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MERRILLVILLE, INDIANA 46410  
(219) 769-3501  
FAX (219) 756-0542



**EUGENE M. GUERNSEY**  
CLERK - TREASURER

May 7, 2014

## CORRECTIVE ACTION PLAN

Finding Number 2013-001 INTERNAL CONTROLS OVER FEDERAL GRANT SCHEDULE

Audit Contact Person DIANE PLIKUHN  
Title of Contact Person BOOKKEEPER  
Phone Number 219-769-3501

As of May 7, 2014, the town will be more diligent in determining what type of funds we are receiving from the State of Indiana, be it federal or state monies. We will then be able to correctly follow all requirements to utilize federal funds.

Signature Eugene M. Guernsey  
Title CLERK - TREASURER  
Date 05-07-14

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS

***ANNUAL REPORT***

The 2013 electronic Annual Report did not include all debt and capital assets of the Town. The debt schedule failed to include the Economic Development Revenue Bonds, Series 2005. The remaining principal balance of these bonds was \$9,550,000 as of December 31, 2013.

Additionally, the capital asset schedule failed to include the capital assets for the Merrillville Fire Protection Territory. The omission of these assets resulted in the schedule being understated by \$3,679,964.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***COMPENSATION AND BENEFITS***

Compensation and benefits were paid to the firefighters of the Fire Territory without being included in the salary ordinance passed by the Town Council. The salary ordinance did include the compensation for the Fire Territory's Fire Chief, Deputy Fire Chief, and Office Manager.

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)

***INTERNAL CONTROLS OVER DISBURSEMENTS***

Internal controls over the supporting documentation and approvals for payroll disbursements were ineffective. The Town prepares the prescribed Payroll Schedule and Voucher (General Form No. 99) 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 the salaries or compensation is paid. A review of the internal controls over the department head approval of the actual time worked determined that none of the Clerk-Treasurer's Office or Town Court Payroll Schedule and Vouchers tested included a signature of an immediate supervisor. Due to the lack of proper approvals, the validity of payroll disbursements could not always be determined.

Additionally, the fiscal officer of the Town is required to audit and certify all expenditures. This may be accomplished by signing each claim or the Accounts Payable Voucher Registers that are also signed by the governing body. Of the 24 Accounts Payable Voucher Registers tested, 4 were not signed by the fiscal officer of the Town.

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

Indiana Code 5-11-10-1.6 states in part:

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;  
. . .
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and . . ."

**FEES**

*Infractions and Ordinance Violations*

The Court collected a \$90 Town Deferral Fee and a \$10 Police Department Fee for all individuals who entered the local deferral program. The Town Deferral and Police Department Fees are remitted monthly to the Town's Clerk-Treasurer and are receipted to the General fund. The following deficiencies were noted with the Town Deferral and Police Department Fees collected:

1. The deferral agreements signed by the violators failed to detail the \$90 Deferral Fee and \$10 Police Department Fees. Town officials could not explain the basis for the \$10 Police Department Fee collected. It was unclear what authority the Court had to charge the \$10 Police Department Fee.
2. The use of local Deferral Fees is limited. The fees may not be deposited into the Town General fund. The Town failed to establish a separate Town (Local) User Fee fund to ensure expenses paid with local Deferral Fees were for allowable uses in accordance with Indiana Code 33-37-8-4.

Indiana Code 33-37-4-2(e) states:

"Instead of the infraction or ordinance violation costs fee prescribed by subsection (a), except for the automated record keeping fee (IC 33-37-5-21), the clerk shall collect a deferral program fee if an agreement between a prosecuting attorney or an attorney for a municipal corporation and the person charged with a violation entered into under IC 34-28-5-1 (or IC 34-4-32-1 before its repeal) requires payment of those fees by the person charged with the violation. The deferral program fee is:

- (1) an initial user's fee not to exceed fifty-two dollars (\$52); and
- (2) a monthly user's fee not to exceed ten dollars (\$10) for each month the person remains in the deferral program."



CLERK-TREASURER  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 33-37-4-2(c) states:

"The clerk shall transfer to the county auditor or fiscal officer of the municipal corporation the following fees, not later than thirty (30) days after the fees are collected:

- (1) The alcohol and drug services program user fee (IC 33-37-5-8(b)).
- (2) The law enforcement continuing education program fee (IC 33-37-5-8(c)).
- (3) The deferral program fee (subsection (e)). The auditor or fiscal officer shall deposit the fees in the user fee fund established under IC 33-37-8."

Indiana Code 33-37-8-3 states:

"(a) A city or town user fee fund is established in each city or town having a city or town court for the purpose of supplementing the cost of various program services. The city or town fund is administered by the fiscal officer of the city or town.

(b) The city or town fund consists of the following fees collected by a clerk under this article:

- (1) The pretrial diversion program fee.
- (2) The alcohol and drug services fee.
- (3) The law enforcement continuing education program fee.
- (4) The deferral program fee.
- (5) The problem solving court fee."

Indiana Code 33-37-8-4 states:

"(a) Except as provided in subsection (b), upon receipt of monthly claims submitted on oath to the fiscal body by a program listed in section 3(b) of this chapter, the fiscal body of the city or town shall appropriate from the city or town fund to the program the amount collected for the program fee under IC 33-37-5.

(b) Funds derived from a deferral program or a pretrial diversion program may be disbursed only by the adoption of an ordinance appropriating the funds for one (1) or more of the following purposes:

- (1) Personnel expenses related to the operation of the program.
- (2) Special training for:
  - (A) a prosecuting attorney;
  - (B) a deputy prosecuting attorney;
  - (C) support staff for a prosecuting attorney or deputy prosecuting attorney; or
  - (D) a law enforcement officer.

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) Employment of a deputy prosecutor or prosecutorial support staff.
  - (4) Victim assistance.
  - (5) Electronic legal research.
  - (6) Office equipment, including computers, computer software, communication devices, office machinery, furnishings, and office supplies.
  - (7) Expenses of a criminal investigation and prosecution.
  - (8) An activity or program operated by the prosecuting attorney that is intended to reduce or prevent criminal activity, including:
    - (A) substance abuse;
    - (B) child abuse;
    - (C) domestic violence;
    - (D) operating while intoxicated; and
    - (E) juvenile delinquency.
  - (9) Any other purpose that benefits the office of the prosecuting attorney or law enforcement and that is agreed upon by the county fiscal body and the prosecuting attorney.
- (c) Funds described in subsection (b) may be used only in accordance with guidelines adopted by the prosecuting attorneys council under IC 33-39-8-5."

**ORDINANCES AND RESOLUTIONS**

Since February 1, 2008, the Town has no longer provided or billed for emergency medical services. The Town has an ordinance concerning the write-off of uncollectible accounts. However, we noted that the Town did not comply with its existing ordinance. The Town failed to write-off uncollectible accounts of previous Emergency Medical Service billings. At December 31, 2013, the amount of uncollectible accounts was \$1,680,044.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND**

The Clerk-Treasurer was bonded in excess of statutory requirements by \$200,000 and we were unable to determine when the fiscal body approved the greater bond amount in accordance with Indiana Code.

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) no more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

CLERK-TREASURER  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Bruce Spires, Town Manager; Linda Burns, Office Manager; and Diane Plikuhn, Bookkeeper.

TOWN MANAGER  
TOWN OF MERRILLVILLE

TOWN MANAGER  
TOWN OF MERRILLVILLE  
FEDERAL FINDINGS

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE DIRECT AND MATERIAL EFFECT TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM***

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: DES #0901454, DES #0900067, DES #1173706, DES #1173598

Pass-Through Entity: Indiana Department of Transportation

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Cash Management, Reporting, Suspension and Debarment, and the Davis-Bacon Act. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management and Reporting*

The Town has not designed or implemented adequate policies and procedures to ensure that all requests for reimbursement of grant expenditures are accurately prepared and timely submitted. Reimbursement requests were completed independently by the grant administrator without oversight or review by someone other than the grant administrator prior to submission. Segregation of duties, such as an adequate oversight or approval process to ensure that all reports were submitted accurately, has not been established.

*Suspension and Debarment*

The Town does not have policies or standard procedures in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government.

*Davis-Bacon Act*

The Town did not have controls or procedures in place to ensure that work performed by consultants complied with the requirements of the Davis-Bacon Act. The Town relied on consultant's to ensure that contractor's complied with prevailing wage provisions of the Davis-Bacon Act. An oversight, review, or approval process was not established.

An internal control system, including segregation of duties, 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 have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

TOWN MANAGER  
TOWN OF MERRILLVILLE  
FEDERAL FINDINGS  
(Continued)

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. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

***FINDING 2013-004 - COMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENTS RELATED TO HIGHWAY PLANNING AND CONSTRUCTION PROGRAM***

Federal Agency: Department of Transportation  
Federal Program: Highway Planning and Construction  
CFDA Number: 20.205  
Federal Award Number: DES #1173598  
Pass-Through Entity: Indiana Department of Transportation

The U.S. Department of Transportation required the Town to verify that contracts were not awarded to suspended or debarred entities. The Town was unaware of the Suspension and Debarment requirement and failed to do one of the following: (a) check the Excluded Parties List System (EPLS) through the System of Award Manager Center at [www.sam.gov](http://www.sam.gov), (b) require a certification from the entity, or (c) add a clause or condition to the contracts awarded locally during the audit period.

Not verifying the status of a vendor could enable the Town to award federally funded contracts to vendors that are suspended or disbarred.

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The Town was not in compliance with Suspension and Debarment requirements for this program and the Town's inaction could result in the loss of federal funds to the Town.

We recommended that officials ensure that all contracts that will be financed with federal assistance are not awarded to an entity which has been suspended or debarred.



**Town of Merrillville**  
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Merrillville, Indiana 46410  
(219) 769-5711 • Fax (219) 756-6170

May 7, 2014

**CORRECTIVE ACTION PLAN**

**Finding Number 2013-03 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HWY PLANNING AND CONSTRUCTION PROGRAM**

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

As of May 7, 2014, the errors under these two findings occurred due to the fact that INDOT'S partial funding of this project was actual federal funds passed through them on to the town. Therefore, the Town wasn't aware of the type funding and that it had to follow the necessary federal guidelines. The Town will establish an effective internal control system which would include segregation of duties between the grant administrator, Town Manager, and Clerk Treasurer's Office. These controls will be in effect through all phases of a project.

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

The Town will require in the future copies of the contractor's payroll to insure that wages paid reflect the current Davis-Bacon rate.

Signature Bruce Spires  
Title TOWN MANAGER  
Date 5/7/14





**Town of Merrillville**  
7820 Broadway  
Merrillville, Indiana 46410  
(219) 769-5711 • Fax (219) 756-6170

May 7, 2014

**CORRECTIVE ACTION PLAN**

**Finding Number 2013-04 NONCOMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENTS RELATING TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM.**

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

Signature Bruce Spires

Title TOWN MANAGER

Date 5/7/14

TOWN MANAGER  
TOWN OF MERRILLVILLE  
AUDIT RESULT AND COMMENT

**OFFICIAL BONDS**

The Clerk-Treasurer was bonded in excess of the requirements by \$200,000 per the Indiana Code and we were unable to locate an ordinance increasing the bond amount. The Town Judge's surety bond amount was \$5,000 which is insufficient per Indiana Code. The Police Pension Secretary's bond amount was \$8,500 which is insufficient per Indiana Code.

The Police Pension Secretary's bond was made payable to the Merrillville Police Department Pension Plan, it was not made payable to the State of Indiana.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

TOWN MANAGER  
TOWN OF MERRILLVILLE  
AUDIT RESULT AND COMMENT  
(Continued)

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000).

(d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:

- (1) fixed by the board of directors of the solid waste management district; and
- (2) that is at least thirty thousand dollars (\$30,000).

(e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

Indiana Code 36-8-6-3(e) states in part: "The secretary shall, in a manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of his duties."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

TOWN MANAGER  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Bruce Spires, Town Manager; Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Linda Burns, Office Manager; and Diane Plikuhn, Bookkeeper.

STORMWATER MANAGEMENT  
TOWN OF MERRILLVILLE

STORMWATER MANAGEMENT  
TOWN OF MERRILLVILLE  
FEDERAL FINDINGS

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE DIRECT AND MATERIAL EFFECT TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM***

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers: DES #0901454, DES #0900067, DES #1173706, DES #1173598

Pass-Through Entity: Indiana Department of Transportation

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Cash Management, Reporting, Suspension and Debarment, and the Davis-Bacon Act. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management and Reporting*

The Town has not designed or implemented adequate policies and procedures to ensure that all requests for reimbursement of grant expenditures are accurately prepared and timely submitted. Reimbursement requests were completed independently by the grant administrator without oversight or review by someone other than the grant administrator prior to submission. Segregation of duties, such as an adequate oversight or approval process to ensure that all reports were submitted accurately, has not been established.

*Suspension and Debarment*

The Town does not have policies or standard procedures in place for determining whether or not a vendor has been suspended or excluded from doing business with the federal government.

*Davis-Bacon Act*

The Town did not have controls or procedures in place to ensure that work performed by consultants complied with the requirements of the Davis-Bacon Act. The Town relied on consultant's to ensure that contractor's complied with prevailing wage provisions of the Davis-Bacon Act. An oversight, review, or approval process was not established.

An internal control system, including segregation of duties, 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 have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

STORMWATER MANAGEMENT  
TOWN OF MERRILLVILLE  
FEDERAL FINDINGS  
(Continued)

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. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

***FINDING 2013-004 - COMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENTS RELATED TO HIGHWAY PLANNING AND CONSTRUCTION PROGRAM***

Federal Agency: Department of Transportation  
Federal Program: Highway Planning and Construction  
CFDA Number: 20.205  
Federal Award Number: DES #1173598  
Pass-Through Entity: Indiana Department of Transportation

The U.S. Department of Transportation required the Town to verify that contracts were not awarded to suspended or debarred entities. The Town was unaware of the Suspension and Debarment requirement and failed to do one of the following: (a) check the Excluded Parties List System (EPLS) through the System of Award Manager Center at [www.sam.gov](http://www.sam.gov), (b) require a certification from the entity, or (c) add a clause or condition to the contracts awarded locally during the audit period.

Not verifying the status of a vendor could enable the Town to award federally funded contracts to vendors that are suspended or disbarred.

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The Town was not in compliance with Suspension and Debarment requirements for this program and the Town's inaction could result in the loss of federal funds to the Town.

We recommended that officials ensure that all contracts that will be financed with federal assistance are not awarded to an entity which has been suspended or debarred.



**Town of Merrillville**  
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May 7, 2014

**CORRECTIVE ACTION PLAN**

**Finding Number 2013-03 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HWY PLANNING AND CONSTRUCTION PROGRAM**

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

As of May 7, 2014, the errors under these two findings occurred due to the fact that INDOT'S partial funding of this project was actual federal funds passed through them on to the town. Therefore, the Town wasn't aware of the type funding and that it had to follow the necessary federal guidelines. The Town will establish an effective internal control system which would include segregation of duties between the grant administrator, Town Manager, and Clerk Treasurer's Office. These controls will be in effect through all phases of a project.

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

The Town will require in the future copies of the contractor's payroll to insure that wages paid reflect the current Davis-Bacon rate.

Signature Bruce Spires  
Title TOWN MANAGER  
Date 5/7/14





**Town of Merrillville**  
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May 7, 2014

**CORRECTIVE ACTION PLAN**

**Finding Number 2013-04 NONCOMPLIANCE OVER SUSPENSION AND DEBARMENT REQUIREMENTS RELATING TO THE HIGHWAY PLANNING AND CONSTRUCTION PROGRAM.**

Contact Person Bruce Spires

Title of Contact Person Town Manager/Director of Municipal Operations

Phone Number 219-769-5711

Suspension and Disbarment-The Town did not do nor know that a verification of the contractor's status with INDOT was needed due to the above funding issue. In the future, this will be included in the bid packets for bidders to supply.

Signature Bruce Spires

Title TOWN MANAGER

Date 5/7/14

STORMWATER MANAGEMENT  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Bruce Spires, Town Manager; Matthew Lake, Executive Director of Stormwater Management; Linda Burns, Office Manager; and Diane Plikuhn, Bookkeeper.

POLICE DEPARTMENT  
TOWN OF MERRILLVILLE

POLICE DEPARTMENT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS

***POLICE BUY MONEY***

The Town Council failed to pass an Ordinance establishing the Police Department's Buy Money Program and allowing the associated expenditures.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. under Indiana Code 36-1-3 an ordinance should be passed allowing this type of program and associated expenditures;
2. an appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. petty cash fund procedures are to be followed as authorized by Indiana Code 36-1-8-3; and
4. a minimum documentation procedure must be followed, similar to either:
  - A. "Guidelines for the Expenditure of Confidential Funds," published by the U. S. Department of Criminal Justice.
  - B. "Guidelines for Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations," (Revised S.O.P. INV-009), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

***OFFICIAL BOND***

The Police Pension Secretary's \$8,500 bond amount is insufficient per Indiana Code. In addition, the Police Pension Secretary bond was made payable to the Merrillville Police Department Pension Plan. However, all official bonds are to be made payable to the State of Indiana.

Indiana Code 36-8-6-3(e) states: "The secretary shall, in a manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

POLICE DEPARTMENT  
TOWN OF MERRILLVILLE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

POLICE DEPARTMENT  
TOWN OF MERRILLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2014, with Eugene M. Guernsey, Clerk-Treasurer; Carol Miano, President of the Town Council; Bruce Spires, Town Manager; Linda Burns, Office Manager; Diane Plikuhn, Bookkeeper; Joseph Petruch, Chief of Police; Jim Donahue, Assistant Chief of Police; and Dan Kijurna, Police Pension Secretary.

FIRE TERRITORY  
TOWN OF MERRILLVILLE

FIRE TERRITORY  
TOWN OF MERRILLVILLE  
AUDIT RESULT AND COMMENT

***COMPENSATION AND BENEFITS***

Compensation and benefits were paid to the firefighters of the Fire Territory without being included in the salary ordinance passed by the Town Council. The salary ordinance did include the compensation for the Fire Territory's Fire Chief, Deputy Fire Chief, and Office Manager.

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)



FIRE TERRITORY  
TOWN OF MERRILLVILLE  
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