

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CROWN POINT

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

08/22/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patti Olson	01-01-12 to 12-31-15
Mayor	David D. F. Uran	01-01-12 to 12-31-15
City Judge	Kent A. Jeffirs	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	David D. F. Uran	01-01-12 to 12-31-15
President of the Common Council	Andrew Kyres Robert Clemons	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Utilities	Kent Swinehart	01-01-13 to 12-31-14
Director of Public Works	Jay Olson	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF CROWN POINT, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Crown Point (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 Finding, identified in the above referenced audit report, is 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 Finding 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 25, 2014

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CLERK-TREASURER
CITY OF CROWN POINT

CLERK-TREASURER
CITY OF CROWN POINT
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING AND FINANCIAL TRANSACTIONS NOT RECORDED***

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

A. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to receipts and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

1. One person in the Clerk-Treasurer's Office is responsible for recording the receipts and taking the collections to the depository.
2. Employees of the City Court's Office were able to collect payments, issue and record receipts, as well as, perform the monthly depository reconcilements. In addition, employees were able to initiate, process, and record disbursements, as well as, perform the monthly depository reconcilements. Evidence of oversight of these activities was not noted.

B. Preparation of Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

The cash and investment balances of the Wastewater SRF 2011 Trust and Wastewater SRF 2013 Trust funds were not recorded in the City's accounting records or reported on the financial statement. The total of the beginning and ending cash and investment balances not reported was \$427,581 and \$354,788, respectively.

CLERK-TREASURER
CITY OF CROWN POINT
FEDERAL FINDING
(Continued)

The activity of the Wastewater SRF 2011 Trust and Wastewater SRF 2013 Trust funds was recorded in the City's accounting records; however, the activity was not reported on the financial statement. The total receipts and disbursements not reported on the financial statement were \$1,154,591 and \$1,227,384, respectively.

The failure to adequately oversee the preparation of the financial statement places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect material misstatements in a timely manner.

Adjustments were made to the financial statement and approved by management to include all transactions of the Wastewater SRF 2011 and 2013 Trust funds. These adjustments resulted in a presentation of the City's financial statement that is materially correct.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)



CITY OF CROWN POINT

CLERK-TREASURER

Patti Olson, IAMC, CMC
Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2013-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Patti Olson
Contact Phone Number: (219) 662-3235

Description of Corrective Action Plan: The Clerk-Treasurer began making the daily deposits the next day after our conversation regarding this matter.

We made the correction to our annual report on May 20, 2014. State Board of Accounts Auditor was advised on May 20, 2014 when we resubmitted the 2013 Annual Financial report.

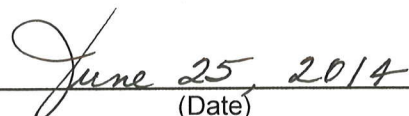
Anticipated Completion Date:



(Signature)



(Title)



(Date)

CLERK-TREASURER
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Robert Clemons, President of the Common Council; Patti Olson, Clerk-Treasurer; Peggy Lurtz, Chief Deputy Clerk-Treasurer; and David H. Nicholls, Attorney.

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CITY COURT
CITY OF CROWN POINT

CITY COURT
CITY OF CROWN POINT
FEDERAL FINDING

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CITY COURT
CITY OF CROWN POINT
FEDERAL FINDING
(Continued)

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CROWN POINT CITY COURT

Court House Square, Room 300

P.O. Box 594

Crown Point, Indiana 46308

HON. KENT A. JEFFIRS

JUDGE

PHONE: (219) 662-3243

FAX: (219) 662-3261

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Kent A. Jeffirs, Judge

Contact Phone Number: (219) 663-7781

Description of Corrective Action Plan:

At least two (and in some instances three) City Court Clerks have been trained in and can perform all duties relating to collection of payments, issuing and recording of receipts and disbursements and monthly depository reconcilements. Court Clerks perform these duties on an alternating basis. Beginning with June 2014 monthly reports to the City of Crown Point and Lake County Auditor and the December 2014 semi-annual report to the State Auditor, the City Judge will review such reports and depository reconcilements with the Court Clerk who prepared them (as has been done in the past) and now will sign or initial and also date when such review was completed. In the absence or inability of the City Judge to do so, another Court Clerk trained in such matters may review such reports or reconcilements and sign or initial and date such review in place of the City Judge.

Anticipated Completion Date:

Beginning with June 2014 monthly reports, disbursements and depository reconcilements and the December 2014 report to the State Auditor.

A handwritten signature in black ink, appearing to read 'Kent A. Jeffirs'.

Kent A. Jeffirs
Judge, Crown Point City Court

Date: 6/25/2014

CITY COURT
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

STALE DATED OUTSTANDING CHECKS (WARRANTS)

The bank reconciliation at December 31, 2013, included checks totaling \$6,907 as outstanding in excess of two years. This total includes \$5,728 in outstanding checks dated 2004 to 2008 that are over five years old. The officials have not reported these items to the Indiana Attorney General. A similar comment was included in several prior audit reports.

In order to eliminate old outstanding checks from the records, the court should perform the following:

1. Issue a formal stop payment order to the bank upon which each check is drawn.
2. Enter the amount of each check as a receipt in the cash book. Post the respective amounts to the trust column of the cash book and enter each amount in the name of the payee in the register of trust funds.
3. Since the checks have never cleared the bank, the amount is still on deposit. Therefore, when all such checks are charged to the records and reinstated in the trust register, the original check number will be eliminated as outstanding in the next reconciliation with the bank.
4. If, at the time such checks are restored to the records, the original dates indicate the checks have been outstanding for five or more years, they should be paid over to the Attorney General immediately. The original date should be shown in the register of trust funds. If the checks are not five years old they should be held until the five year period has elapsed.

The entry in the cash book should be:

"Old Outstanding Check No. _____ issued _____ Date _____, to (Name) _____," and extend the amounts to the total and trust fund columns.

Since outstanding checks of the court are not included within the meaning of IC 5-11-10.5, city and town courts are to follow the preceding steps in handling old outstanding checks.

City and town courts are required to report these items to the Attorney General annually online. For information on reporting online, contact the Attorney General's office at upholder@indianaunclaimed.com or 1-800-447-5598. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

OFFICIAL BOND

The City Judge's Surety Bond was insufficient per the Indiana Code. The bond should have been for \$15,000 and the latest bond recorded was for \$10,000.

CITY COURT
CITY OF CROWN POINT
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. . . .

(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)."

Based upon language contained in IC 5-4-1-9, it is our audit position that an official bond written to cover an elected city or town officer's term of office would satisfy the bonding requirements in IC 5-4-1-18.

If such official is subsequently reelected, it is our audit position that a new bond be acquired in lieu of a continuation certificate. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September, 2004)

CITY COURT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2014 with Kent A. Jeffirs, Judge; Sally Baran and Mary Jane Hinson, Court Clerks.

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POLICE DEPARTMENT
CITY OF CROWN POINT

POLICE DEPARTMENT
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

POLICE BUY MONEY

The Police Department expended "Buy Money" even though the Common Council has not established the program allowing these types of 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 IC 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 IC 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)



CITY OF CROWN POINT

LEGAL DEPARTMENT

David D.F. Uran
Mayor

David H. Nicholls
City Attorney

July 23, 2014

State Board of Accounts
302 West Washington St.
Indianapolis, IN 46204-2765
Attn: Lisa David

Re: Crown Point Exit Conference 7/14/14
OFFICIAL RESPONSE

Dear Ms. David,

I am the City Attorney for Crown Point, Indiana. I had the occasion to attend the 2nd 2014 Exit Conference with the SBOA representatives, the Mayor of Crown Point, David D.F. Uran, Clerk Treasurer, Patti Olson and other department heads whose presence was demanded by your organization.

The City calls into question the comment by the SBOA entitled "Police Buy Money". Crown Point has budgeted for the use by the Police Chief a certain fund for the use suggested in the title of the comment. Said funds establishment in the budget and approval by our Common Council budget ordinance yearly predate the earliest reference I can find dating back to your 2003 Bulletin.

The need for confidentiality and security of said fund and its use is of utmost importance. I have had discussions with the Chief regarding said fund and am satisfied that his record keeping goes above and beyond that which is necessary for even a petty cash account such as referred to in the comment. It is not in the public's best interest to advertise by way of ordinance that the City is now creating such a fund as you have made a suggestion we do.

The funds existence is known to the SBOA and has been for well over twenty years. I would note that the obscure publications referenced in the comment as suggested "Guidelines" are merely that. They do not carry the force of statute and I note that the use of these types of funds is often questioned and suggestions made (OIG Committee hearings concerning Confidential Funds) but I see no statutory mention of them in the comment.

I would also point to the Indiana statutes cited by the SBOA which are basically the "Home Rule" code sections and the fact that the City "should" under those statutes create such an ordinance. "Should" is an ambiguous term in legal drafting and does not mandate action. It is not an imperative term implying an unquestionable command.

Very truly yours,

David H. Nicholls

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-21-

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POLICE DEPARTMENT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Robert Clemons, President of the Common Council; Patti Olson, Clerk-Treasurer; Peggy Lurtz, Chief Deputy Clerk-Treasurer; and David H. Nicholls, Attorney.

The contents of this report were also discussed on July 14, 2014, with Peter D. Land, Chief of Police; David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Patti Olson, Clerk-Treasurer; and David H. Nicholls, Attorney.

POLICE PENSION
CITY OF CROWN POINT

POLICE PENSION
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

OFFICIAL BOND

The police pension secretary did not obtain an individual surety bond as required by law.

Indiana Code 36-8-6-3(e) for the 1925 Police Pension Fund states in part: "The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

Indiana Code 5-4-1-18(c) states in part:

"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: . . .

- (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)."

POLICE PENSION
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Robert Clemons, President of the Common Council; Patti Olson, Clerk-Treasurer; Peggy Lurtz, Chief Deputy Clerk-Treasurer; and David H. Nicholls, Attorney.

The contents of this report were also discussed on July 14, 2014, with David B. Benson, Police Pension Secretary; David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Patti Olson, Clerk-Treasurer; and David H. Nicholls, Attorney.

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FIRE PENSION
CITY OF CROWN POINT

FIRE PENSION
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

OFFICIAL BOND

The fire pension secretary did not obtain an individual surety bond as required by law.

Indiana Code 36-8-7-7(b) for the 1937 Firefighters' Pension fund states in part: "The secretary shall, in the manner prescribed by IC 5-4-1, execute a bond conditioned upon the faithful discharge of the secretary's duties."

Indiana Code 5-4-1-18(c) states in part:

"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: . . .

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FIRE PENSION
CITY OF CROWN POINT
EXIT CONFERENCE

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The contents of this report were also discussed on July 14, 2014 with Mark A. Baumgardner, Sr., Fire Pension Secretary; David D. F. Uran, Mayor; Keith W. Stevens, Chief of Staff; Patti Olson, Clerk-Treasurer; and David H. Nicholls, Attorney.