

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF PORTAGE

PORTER COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
02/18/2015

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 the Federal Expenditures on the Schedule of Expenditures of Federal Awards	6
Corrective Action Plan	7
Audit Results and Comments:	
Compensation and Benefits	8-9
Network Contract	9-10
Credit Card Policy	10-11
Official Response.....	12-13
Exit Conference	14
Mayor:	
Audit Result and Comment:	
Credit Card Policy	16
Exit Conference	17
Water Reclamation Utility:	
Audit Results and Comments:	
Capital Asset Records.....	20
Receipt Posting	20
Credit Card Policy	20-21
Compensation and Benefits.....	21-23
Exit Conference	24
Common Council:	
Audit Result and Comment:	
Credit Card Policy	26
Exit Conference	27
Redevelopment Commission:	
Audit Results and Comments:	
Redevelopment Commission General Fund	30-31
Redevelopment Commission Allocation Area Fund	31-32
Network Contract	32-33
Official Response.....	34
Exit Conference	35

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christopher Stidham	01-01-12 to 12-31-15
Mayor	James Snyder	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James Snyder	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Susanne Lynch	01-01-13 to 12-31-14
Secretary/Treasurer of the Water Reclamation Utility	Sherry Smolar	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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

This report is supplemental to our audit report of the City of Portage (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

October 16, 2014

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CLERK-TREASURER
CITY OF PORTAGE

CLERK-TREASURER
CITY OF PORTAGE
FEDERAL FINDING

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING THE 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 errors: expenditures were understated \$79,376 in total for two grants; expenditures were overstated \$444,323 in total for two grants; three nonfederal grants totaling \$11,630 were included that should not have been; and five grants either had the incorrect CFDA number or had no CFDA number.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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. . . ."



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

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

October 16, 2014

To Whom It May Concern:

Please accept this document as this office's corrective action plan for the State Board of Accounts Audit of the City of Portage's 2013 financial records.

Finding #2013-01 - Internal Controls Over the Schedule of Expenditures of Federal Awards

The City of Portage Office of the Clerk-Treasurer is required to properly report Federal grant awards annually via the Schedule of Expenditures and Federal Awards (SEFA). To ensure this occurs in the future, we will be taking the following corrective steps.

The Office of the Clerk-Treasurer will centralize record-keeping for all Federal grants and maintain custody over those records. This will aid office staff in properly preparing the SEFA each year as accurate records will be maintained in the office. Staff will verify amounts reported in the Annual Report to ensure accuracy.

We look forward to having this issue resolved as soon as possible. Should you have any questions about our corrective action plan, please feel free to contact me.

Respectfully,

Christopher D. Stidham
Clerk-Treasurer

CLERK-TREASURER
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Compensatory Time Payout

The City's policy concerning compensatory time states:

"This Policy shall be applicable to all non-exempt salaried employees of the City, with the exception of firefighters and police officers. Non-exempt employees will be paid overtime compensation or will receive compensatory time for all productive time worked by them in excess of forty (40) hours per week.

For covered employees who regularly work a thirty-five (35) hour work week, compensatory hours shall be awarded at the rate of one (1) times the amount of approved hours worked in excess of thirty-five (35) but not more than forty (40) in a work week.

Employees may accrue one hundred twenty (120) compensatory time hours before monetary compensation is paid. Elected officials and Department Heads may set lower accrual limits and are encouraged to schedule use of compensatory time as soon as possible to avoid accrual beyond the stated limit that would require monetary payment.

Compensatory time which is not used within six (6) months from the date it is earned shall be forfeited."

Compensation for accrued compensatory time was paid to employees; however, these payments were not in accordance with the City's Compensatory Time Policy. We noted that the City paid compensatory time to exempt salaried employees; allowed employees to accrue balances over 120 hours; paid entire balances instead of only the hours over the stated limit; paid compensatory time that was older than six months; and paid some employees at 1 ½ times the employee's rate. The compensation and benefits paid to these employees by department was:

<u>Department</u>	<u>Number of Employees</u>	<u>Hours</u>	<u>Amount</u>
Fire	7	1,242.50	\$ 33,406
Police	5	400.00	11,032
Clerk-Treasurer	1	394.75	18,072
Street and Sanitation	2	582.50	16,479
Code Enforcement	2	488.00	11,260
Water Reclamation Utility	5	596.75	25,963
Totals		<u>3,704.50</u>	<u>\$ 116,212</u>

The Common Council and the Utility Service Board should either retroactively approve these payments or seek reimbursement of the unauthorized payments from the applicable employees.

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)

CLERK-TREASURER
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

Compensatory Time Earned

A review of the payroll records for September 28, 2013, revealed that ten employees' compensatory time and two employees' overtime earned were incorrectly computed and recorded to the employee's service and earnings record, respectively. The amount recorded in all cases exceeded what should have been earned according to the compensatory time policy.

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)

Water Reclamation Utility Superintendent Salary

In June 2013, an employee was promoted to be the Water Reclamation Utility's Superintendent. The approved bi-weekly rate for that position was \$2,315.76. However, the employee was paid at a rate of \$3,387.19, resulting in a \$15,000 overpayment. Approval for the rate increase was not approved by the Utility Service Board. On August 13, 2014, the Utility Service Board approved the \$15,000 raise retroactively to June 2013.

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)

NETWORK CONTRACT

Payments made for contractual services were either not always supported by a current contract, or were not in compliance with the terms of the contract.

According to a three-year agreement for network administrator services approved by the Board of Public Works and Safety on August 13, 2012, the contractor will provide the City with computer networking services for:

". . . a fully managed enterprise network foundation . . . at a fixed monthly investment** . . .

** pricing is based on number of hosted virtual machines provided and can be adjusted (up or down) accordingly at any time."

A review of all payments pursuant to this contract, revealed that fully itemized invoices, based upon the number of hosted virtual machines were not presented. Therefore, officials were unable to determine the proper fund for payment or if only authorized users of virtual machines were included. During 2013, the City paid a total of \$109,000 for networking services from the following funds:

Fund	Amount
General Fund	\$ 27,625
Redev: General	63,000
Redev: Allocat Area	7,250
Wastewater Cash Operating	11,125
 Total	 \$ 109,000

CLERK-TREASURER
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

In addition, the City paid \$20,050 to the same contractor for consulting services from the General and Redev: Allocat Area funds with no invoice that detailed the date, time, or duration of services. The contract did not include consulting services.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD POLICY

Credit cards were used by elected officials and employees of the City and Water Reclamation Department (Utility). Neither the City nor the Utility has authorized the use of credit cards through an ordinance or resolution adopted by their respective councils or boards as required.

A review of payments for charges made on the credit cards noted that several charges were paid which were not supported by paid receipts and/or itemized vendor invoices. All unsupported charges were reimbursed by the responsible person.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

CLERK-TREASURER
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



Christopher D. Stidham Clerk-Treasurer

Office of the Clerk-Treasurer

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

February 1, 2015

To Whom It May Concern:

Please accept this document as this office's response to the State Board of Accounts' Supplemental Compliance Report for the City of Portage Audit for 2013.

Finding - Compensatory Time Payout

The audit results and comments noted compensatory time payouts for several city employees including one from the Office of the Clerk-Treasurer were made without proper authorization by the City Council.

The payout for the single employee from this office was made in accordance with direction from the Mayor's Office.

Finding - Network Contract

The audit results and comments took exception to payments made to a vendor for contractual services related to information technology. The audit noted some payments were made without proper invoices or documentation to support the payment amount.

Each payment was approved by vote by the Board of Works. The Office of the Clerk-Treasurer is obligated to pay claims approved by the Board of Works. This office will forward this comment to the Board of Works for their consideration in approval of future payments.

Finding - Credit Card Policy

The audit results and comments noted that credit cards were issued to several city employees without a credit card policy ordinance adopted by the City Council.

The Office of the Clerk-Treasurer had drafted a written credit card policy and had each employee with a City credit card sign the policy. This office will forward the policy to the City Council for their consideration to adopt the policy as an ordinance.

We look forward to having these issues resolved as soon as possible. Should you have any questions about our responses, please feel free to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "C. Stidham". The signature is fluid and cursive, with a large loop at the end.

Christopher D. Stidham
Clerk-Treasurer

CLERK-TREASURER
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2014, with Christopher Stidham, Clerk-Treasurer; Susanne Lynch, President Pro Tempore of the Common Council; James Snyder, Mayor; and Gregory Sobkowski, City Attorney.

The contents of this report were also discussed via email on January 15, 2015, with Christopher Stidham, Clerk-Treasurer; Susanne Lynch, President Pro Tempore of the Common Council; and James Snyder, Mayor.

MAYOR
CITY OF PORTAGE

MAYOR
CITY OF PORTAGE
AUDIT RESULT AND COMMENT

CREDIT CARD POLICY

Credit cards were used by elected officials and employees of the City and Water Reclamation Department (Utility). Neither the City nor the Utility has authorized the use of credit cards through an ordinance or resolution adopted by their respective councils or boards as required.

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CITY OF PORTAGE
EXIT CONFERENCE

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WATER RECLAMATION UTILITY
CITY OF PORTAGE

WATER RECLAMATION UTILITY
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Water Reclamation Utility (Utility) did not maintain detailed records of capital assets. A Schedule of Capital Assets was provided based on prior year numbers and the 2013 additions. However, a detailed listing of all capital assets was not provided for audit. The Utility also does not perform an inventory to track the disposal of items.

A similar comment appeared in prior Report B40515.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form 211, or properly approved form, as applicable. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT POSTING

The Water Reclamation Utility daily collections from customers are balanced and batched with the customer payment coupons. The collections are timely deposited to the bank.

However, the recording of the receipt of the daily collections to the Utility funds ledger occurs at a later date. When the daily collections are recorded in the ledger, the receipt is back dated to the actual date the collections were received. The Utility manually notes on the batch supporting documentation the date that the batch was recorded, which could be up to five days after the actual collection date.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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WATER RECLAMATION UTILITY
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

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WATER RECLAMATION UTILITY
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

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WATER RECLAMATION UTILITY
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
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Water Reclamation Utility Superintendent Salary

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WATER RECLAMATION UTILITY
CITY OF PORTAGE
EXIT CONFERENCE

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The contents of this report were also discussed via email on January 15, 2015, with Christopher Stidham, Clerk-Treasurer; Susanne Lynch, President Pro Tempore of the Common Council; James Snyder, Mayor; and Sherry Smolar, Secretary/Treasurer of the Water Reclamation Utility.

COMMON COUNCIL
CITY OF PORTAGE

COMMON COUNCIL
CITY OF PORTAGE
AUDIT RESULT AND COMMENT

CREDIT CARD POLICY

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COMMON COUNCIL
CITY OF PORTAGE
EXIT CONFERENCE

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REDEVELOPMENT COMMISSION
CITY OF PORTAGE

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS

REDEVELOPMENT COMMISSION GENERAL FUND

Background Information

The establishment of a Redevelopment General Fund is authorized by Indiana Code 36-7-14-28(c). An ordinance describing the sources and uses of the Portage Redev: General fund (Redevelopment General Fund) was not presented for audit. The Redevelopment General fund revenue sources were tax abatement fees, sale of property proceeds, rental income, and interest earned.

A Redevelopment Commission has the duties set forth in Indiana Code 36-7-14-11, which provides for the investigation, selection, acquisition, development, and disposal of property in "areas needing redevelopment." The powers granted to a redevelopment commission in Indiana Code 36-7-14-12.2 allow the commission to develop property in the areas needing redevelopment and to carry out other activities "for redevelopment purposes." "Redevelopment" includes activities contained in Indiana Code 36-7-1-18.

City Operating Costs Paid Through Redevelopment General Fund

Certain disbursements from the Redevelopment General Fund were determined to be operating costs of the City which were not in compliance with the duties and powers of the Redevelopment Commission as stated in Indiana Code 36-7-14-11 and Indiana Code 36-7-14-12.2.

1. In 2013, the City disbursed \$68,400 and \$25,480 from the Redevelopment General Fund for computer services for all the City's departments and phone messaging services. Redevelopment Commission funds may be spent to procure computer and phone messaging equipment and services when such equipment and services are used in the offices of the department of redevelopment pursuant to IC 36-7-14-12.2(a)(19). However, the statute does not provide the payment of City operating costs by the Redevelopment Commission.
2. In 2013, the City disbursed \$8,654 from the Redevelopment General Fund for parade/festival consulting services. A Redevelopment Commission does not have the specific authority to procure parade/festival consulting services under Indiana Code 36-7-14-12.2. Parade/festival consulting services are not listed as a redevelopment activity under Indiana Code 36-7-1-18.
3. In June 2014, the following amounts were transferred from the Redevelopment General Fund to the City General Fund to cover operating costs, \$50,000 for Police Department salaries and \$50,000 for Fire Department salaries. A redevelopment commission may expend its funds to compensate "employees of the department of redevelopment" pursuant to Indiana Code 36-7-14-12.2(a)(13) through (17). However, the statute does not provide the payment of other City employees.

The general operating costs of the City, such as computer and phone messaging equipment and services, consulting services, and the salaries of nonredevelopment department employees should be paid from the City's General Fund as set forth in the Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 3:

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

"GAAFR defines the General Fund as the fund used to account for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the municipality. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures of the municipality are paid from the General Fund.

To summarize, the General Fund shall be used for current general operations of the city or town."

REDEVELOPMENT COMMISSION ALLOCATION AREA FUND

The City made disbursements of \$438,036 from the Redev: Allocat Area (Redevelopment Allocation Area Fund) for operating expenses such as payroll (Redevelopment Commission Secretary-Treasurer and Engineer), official's bonds, commercial insurance, management fees, maintenance fees, lawn care, snow removal, pest control, cable, phone, electric/gas/water services, janitorial services, supplies, computer services, printer/scanners, final payment of a fire truck and ambulance, and state lobbying. These operating expenses should have been made from other appropriate funds. The disbursements from the Redevelopment Allocation Area Fund are restricted to the uses identified in Indiana Code 36-7-14-39(b)(3).

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-7-14-39(b)(3) states in part:

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivisions (1) and (2) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

- (G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.
- (H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.
- (I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area: . . .
- (J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.
- (K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:
 - (i) in the allocation area; and
 - (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.
- (L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .

The allocation fund may not be used for operating expenses of the commission."

NETWORK CONTRACT

Payments made for contractual services were either not always supported by a current contract, or were not in compliance with the terms of the contract.

According to a three-year agreement for network administrator services approved by the Board of Public Works and Safety on August 13, 2012, the contractor will provide the City with computer networking services for:

". . . a fully managed enterprise network foundation . . . at a fixed monthly investment** . . .

** pricing is based on number of hosted virtual machines provided and can be adjusted (up or down) accordingly at any time."

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
AUDIT RESULTS AND COMMENTS
(Continued)

A review of all payments pursuant to this contract, revealed that fully itemized invoices, based upon the number of hosted virtual machines were not presented. Therefore, officials were unable to determine the proper fund for payment or if only authorized users of virtual machines were included. During 2013, the City paid a total of \$109,000 for networking services from the following funds:

Fund	Amount
General Fund	\$ 27,625
Redev: General	63,000
Redev: Allocat Area	7,250
Wastewater Cash Operating	11,125
 Total	 \$ 109,000

In addition, the City paid \$20,050 to the same contractor for consulting services from the General and Redev: Allocat Area funds with no invoice that detailed the date, time, or duration of services. The contract did not include consulting services.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



Efficiency & Excellence

February 4, 2015

Mr. Joyce,

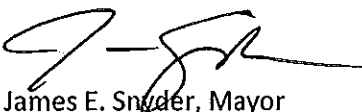
It truly has been a pleasure meeting you and your staff. Attached are the more specific responses that you asked for from my office regarding our Redevelopment Commission General Fund. Please note that the City Attorney and our Redevelopment Commission Director agreed with comments regarding the Allocation Area fund and we have corrected the problem. Your attention to our audit has been appreciated, and we believe that the City of Portage will be better served as a result. Thank you for your patience as inclement weather has made it difficult for us to get our response done promptly.

All expenditures in question have been voted on by the Commissioners. For the reasons set forth below, we believe these expenditures are consistent with the purposes for which the Redevelopment Commission was created.

1. (A) \$68,400 for Computer Services – The City and Redevelopment Commission entered into a 3-year contract for IT services to be more efficient in providing services to Portage. A shared server for the entire City provides these services. Enhanced efficiency promotes economic development/redevelopment. Had we not entered into this contract, the expenses incurred to purchase new IT infrastructure to support the RDC and the City would have been far greater. Commissioners made a prudent cost-saving decision in IT for both the City and the RDC.

(B) \$25,480 for Phone Messaging Services – This service was also approved by the Commission. All businesses in the City are called and alerted to events, emergencies and problems in the City. While we would like to see this expenditure included in the City budget in the near future, there are few who would say it is not an enhancement to our City in the area of economic development.
2. \$8,654 for Parade/Festival Consulting Services – First, we have reviewed the invoices and do not come to the same conclusion on the payments. Second, the July 4th parade showcases the community and promotes economic development. Scores of businesses participate in this event, and people from all over the region attend the parade.
3. \$50,000 to the City's General Fund for a Police Officer and the same for a Firefighter – These expenses were not only approved by the Commission but by the City Council as well. IC 36-7-14-12.2 (14) states that the Commission may appoint guards and other employees it deems advisable. The Commission owns improved property which must be protected. It is within the Commission's discretion to determine that the best way to protect its property is through the City's police and fire personnel. These expenditures are clearly within the Commission's authority.

Thank you for your time,



James E. Snyder, Mayor

REDEVELOPMENT COMMISSION
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2014, with Christopher Stidham, Clerk-Treasurer; Susanne Lynch, President Pro Tempore of the Common Council; Steven Nelson, Redevelopment Commission member; James Snyder, Mayor; and Gregory Sobkowski, City Attorney.

The contents of this report were also discussed via email on January 15, 2015, with Christopher Stidham, Clerk-Treasurer; Susanne Lynch, President Pro Tempore of the Common Council; and James Snyder, Mayor.