

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CHESTERTON

PORTER COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
01/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Polakowski (Deceased) Stephanie Kuziela	01-01-12 to 12-31-13 01-01-14 to 12-31-15
Town Manager	C. Bernard Doyle	01-01-13 to 12-31-15
Police Chief	David Cincoski	01-01-13 to 12-31-15
President of the Town Council	Emerson Delaney Sharon Darnell	01-01-13 to 12-31-13 01-01-14 to 12-31-15
President of the Utility Service Board	Lawrence Brandt	01-01-13 to 12-31-15
President of the Storm Water Management Board	Thomas Kopko	01-01-13 to 12-31-15
President of the Redevelopment Commission	Edward Schoenfelt Jeff Trout	01-01-13 to 12-31-14 01-01-15 to 12-31-15
Superintendent of Wastewater Utility	Robert Lovell Mark O'Dell Terry Atherton David Ryan	01-01-13 to 05-28-13 05-29-13 to 06-24-13 06-25-13 to 06-25-15 06-26-15 to 12-31-15
Superintendent of Storm Water Utility	Mark O'Dell	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF CHESTERTON, PORTER COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Chesterton (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 Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. This report may be found at www.in.gov/sboa/.

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 1, 2015

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CLERK-TREASURER
TOWN OF CHESTERTON

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial Statement

The financial statement presented for examination included the following errors:

1. The financial statement excluded the financial activity of the two State Revolving Loan funds, as well as the Debt Service SRF fund. The financial activities of the State Revolving Loan funds were accounted for in trust bank accounts. The excluded receipts, disbursements, and cash and investment balances were \$11,931,913, \$1,213,555, and \$10,718,358, respectively.
2. Funds in which there were not any receipts and disbursements were excluded from the Financial Statement. The cash and investment balances of these funds totaled \$117,683.
3. The bank account that accounts for the activity of the Health Insurance fund was not reconciled as of December 31, 2013. The reported cash and investment balance of the Health Insurance was \$216,221. A cursory bank reconciliation was performed to substantiate the reported cash and investment balance.
4. The Cash and Investment balance of the Fire Pension fund excluded an investment in the amount of \$110,000. The investment was added to the Cash and Investment balance of the Fire Gift fund when the investment was sold.
5. The receipts and disbursements of the Wastewater Utility funds were reported based upon a compilation of utility receipt reports and accounts payable vouchers compiled by a utility clerk. The financial records of the Town and Wastewater Utility are maintained on an accrual basis, and were not converted to cash for the financial statement. The Utility funds receipts, disbursements and cash and investment balances were overstated by \$899,848, \$641,555 and \$258,293, respectively.
6. Other governmental funds also required adjustments due to the accrual based transactions not being converted to cash, as the transactions were reported on the accrual basis of accounting.

Audit adjustments were proposed, accepted by the Clerk-Treasurer, and made to the financial statement.

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."

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)

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Computerized Ledgers

1. Individual funds were not established for the State Revolving Loan funds held in trust.
2. Receipts were entered through journal entries. Receipt numbers had to be manually typed into the description. Receipts were often times posted as a group or series, but individual receipts within the series may have been posted to different funds and accounts.
3. The computer software allowed users to enter disbursements by electronic transfer of funds (DFT). The computer software automatically assigned sequential numbers to each DFT; however, according to the vendor, if the DFT software is opened by the user but a disbursement is not recorded, the system assigned that non-disbursement a DFT number. When a DFT number was assigned without a corresponding disbursement, users could not produce any type of documentation to account for or support that the DFT number did not have an amount associated with it.
4. When an issued check was lost and required replacement, the user would issue a new check to replace the lost check. In the computer software, the user could do this without receipting back the old check. The user simply issued a new check in replacement of the lost check. The lost or original check number no longer existed within the computer software and ledgers, as the new check number replaced the old one. This resulted in an inability to adequately account for all checks issued.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. . . .

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers either preprinted on the form or printed on the form by the application system. If the numbers are printed on the form by the application system, adequate security must be implemented to prevent unauthorized modification of the number sequence. Preprinted receipt and check stock must not include preprinted signatures, must be securely stored, and usage must be logged and reconciled. If the report content can be modified via user selection of various criteria such as account codes, department codes, transaction codes, status codes, etc., the report heading should contain sufficient information regarding the selection criteria to allow another user to understand what information is being reported and recreate the report. All output reports must clearly indicate the effective dates of the information in addition to the report generation date. Output reports must have appropriate subtotals to allow reconciliation to other reports and to external documentation. . . .

Accounting information must not be modified by computer utility programs which are not contained in the accounting application system. The accounting application system must be supported by computerized and manual procedures to assure the following error correction controls are implemented:

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- The type of error condition is recorded.
- The original transaction creating the error is retained within the system.
- A reversing transaction to eliminate the effect of the error is entered and retained within the system.
- The correct transaction is entered into the system and recorded.
- Management approval for error correction is documented.

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

REDEVELOPMENT TAX INCREMENT FINANCING DISTRICTS (TIF)

The Redevelopment Commission (Commission) declared a portion of the Town an economic development area to be developed under Indiana Codes 36-7-14 and 36-7-25. The Commission prepared an economic development plan for the two districts within the selected economic development area known as the Consolidated Allocation Area I & II and Allocation Area III.

Additional taxes collected due to redevelopment in an economic development area are remitted to the Commission from the County as Tax Increment Financing (TIF) allocation.

The County did not provide a breakdown of the taxes by economic development area to the Clerk-Treasurer. Furthermore, the Clerk-Treasurer did not establish separate TIF funds for each allocation area as required by statute. Instead, the distributions were divided and receipted to the Redevelopment, Redevelopment Debt Service, and 151 2012 R/D Bond funds.

Per statute, TIF funds are to be used to pay for expenses related to the TIF district. In 2013, the Town transferred disbursements of \$281,319 from the Co Economic Development Income Tax fund to the Redevelopment fund. Included in the amount transferred was \$85,768, which was for a portion of the costs of street department equipment, police software, computers and phones, and the mortgage of the municipal complex.

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

" . . . The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value; shall be allocated to and, when collected, paid into the funds of the respective taxing units.

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) The excess of the proceeds of the property taxes imposed for the assessment date with respect to which the allocation and distribution is made that are attributable to taxes imposed after being approved by the voters in a referendum or local public question conducted after April 30, 2010, not otherwise included in subdivision (1) shall be allocated to and, when collected, paid into the funds of the taxing unit for which the referendum or local public question was conducted.
- (3) . . . property tax proceeds . . . 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.
 - (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, . . .
 - (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: . . .

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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. . . .

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

An economic development area may be an allocation area for purposes of the distribution and allocation of property taxes, IC 36-7-14-43(a)(6). The power of a redevelopment commission to expend such funds is limited to the express statutory powers to undertake redevelopment or economic development, or powers incidental to the expressed powers, as provided in IC 36-7-14. Allocation area funds cannot be expended to pay operating expenses or general, recurring municipal expenses, IC 36-7-14-39(b)(3), or expenses to maintain property except as allowed by IC 36-7-1-18(7). *Redevelopment Commission of the Town of Munster, Indiana, v. Indiana State Board of Accounts and Paul D. Joyce, State Examiner of State Board of Accounts*, 28 N.E.3d 272, 280 (Ind. App., 2015).

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)

ACCOUNTS PAYABLE VOUCHERS AND PAYROLL REPORTS

All payroll reports, or "claims," tested and 94 percent of accounts payable vouchers tested were not certified by the Clerk-Treasurer that the invoice or bill was true and correct. In lieu of certifying each individual accounts payable voucher or claim by way of signature, officials could sign an Accounts Payable Voucher Register (General Form No. 364), sometimes referred to as a claims docket. However, claims dockets were also not signed by the Clerk-Treasurer.

Indiana Code 36-5-4-6 states:

"(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services.

(b) Except as provided in section 12 of this chapter, a warrant for payment of a claim against a town may be issued only if the claim is:

- (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6;
- (2) filed with the town fiscal officer;
- (3) certified by the fiscal officer before payment that each invoice is true and correct; and
- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim.

(c) The certification by the fiscal officer under subsection (b)(3) must be on a form prescribed by the state board of accounts."

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

The Town used credit cards for various purchases. Accounts payable vouchers reviewed for the purchase of fuel for police vehicles and goods or services acquired through internet vendors did not have itemized invoices attached. Credit cards were also used for purchasing meals at local restaurants for which the business purpose of the meal was not indicated.

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.
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)

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

VEHICLES AND FRINGE BENEFITS

Upon hiring the Town Manager, minutes of a Town Council meeting indicated the Town Manager would receive "\$250 per month for the use of his personal vehicle." The Town Manager was also issued a credit card to use for fuel purchases for his personal vehicle. Neither the car allowance nor the fuel purchases were included on his Wage and Tax Statement (Internal Revenue Service Form W-2).

On a quarterly basis, Town Department heads who were issued with a Town owned take-home vehicle provided the Clerk-Treasurer with an accounting and value of the mileage on the vehicle considered personal usage. However, that value was not included on the Internal Revenue Service Form W-2.

The following sets forth the audit position of the Indiana State Board of Accounts with regard to reimbursements made by local governmental units to their officers and employees for travel and meal expenses.

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts.

Reimbursed mileage should not include travel to and from the officer's or employee's home and regular place of employment. If more than one person rides in the same vehicle, only one mileage reimbursement is allowable. General Form 101 (or an approved substitute) should be used for claiming mileage. The odometer reading columns on this form are to be used only when the distance between points cannot be determined by fixed mileage or official highway maps. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of 2013 budgeted appropriations:

Fund	Excess Amount Expended
GO 2010 Debt (15th Street)	\$ 77,235
Police Pension	13,931
Local Road and Street	40,000

CLERK-TREASURER
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSETS

The Town has not properly maintained a complete inventory of capital assets owned. A complete inventory was completed years ago, but it has not been updated for additions and disposals.

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 applicable Capital Assets Ledger. A complete inventory should be taken every year 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)

Town of
Chesterton
INDIANA

Office of the Clerk-Treasurer

October 12, 2015

RE: OFFICIAL RESPONSE to Clerk-Treasurer section of the audit for 01/01/2013-12/31/2013

Dear Mr. Paul Joyce:

During the year 2013, I was not Clerk-Treasurer for the Town of Chesterton. I was employed by the Town during this time, but I worked for another department, but did help the Clerk-Treasurer when I could. I have elected to address many of the points made in the 2013 audit:

-The Town went through a software transition late 2012, some of the kinks were not worked out yet by the close of 2013; which included the Fire Pension CD. Some of the funds were not reported due to a lack of activity. That has been remedied.

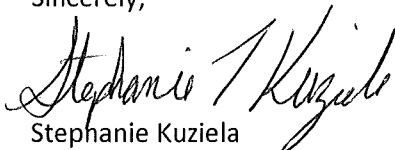
-I will be working with the County Auditor's office to have the TIF districts separated in their distribution. Funds for individual TIF districts will be established.

-According to Council members who were in office during 2013, they did sign claim vouchers at the end of every council meeting. We do not know where the signatures went, but the council members distinctly remember signing claim dockets every council. They are signing claim dockets now as well.

-Our department heads have been reminded of the credit policy outlined in the Accounting Manual and in the Town Code.

-Capital Assets have not been updated in a decade. Our goal is to have them updated in 2016.

Sincerely,



Stephanie Kuziela
Chesterton Clerk-Treasurer

CLERK-TREASURER
TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2015, with Stephanie Kuziela, Clerk-Treasurer, and on October 6, 2015, with Sharon Darnell, President of the Town Council.

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REDEVELOPMENT COMMISSION
TOWN OF CHESTERTON

REDEVELOPMENT COMMISSION
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS

REDEVELOPMENT TAX INCREMENT FINANCING DISTRICTS (TIF)

The Redevelopment Commission (Commission) declared a portion of the Town an economic development area to be developed under Indiana Codes 36-7-14 and 36-7-25. The Commission prepared an economic development plan for the two districts within the selected economic development area known as the Consolidated Allocation Area I & II and Allocation Area III.

Additional taxes collected due to redevelopment in an economic development area are remitted to the Commission from the County as Tax Increment Financing (TIF) allocation.

The County did not provide a breakdown of the taxes by economic development area to the Clerk-Treasurer. Furthermore, the Clerk-Treasurer did not establish separate TIF funds for each allocation area as required by statute. Instead, the distributions were divided and receipted to the Redevelopment, Redevelopment Debt Service, and 151 2012 R/D Bond funds.

Per statute, TIF funds are to be used to pay for expenses related to the TIF district. In 2013, the Town transferred disbursements of \$281,319 from the Co Economic Development Income Tax fund to the Redevelopment Fund. Included in the amount transferred was \$85,768, which was for a portion of the costs of street department equipment, police software, computers and phones, and the mortgage of the municipal complex.

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

" . . . The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

- (1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:
 - (A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or
 - (B) the base assessed value; shall be allocated to and, when collected, paid into the funds of the respective taxing units.
- (2) The excess of the proceeds of the property taxes imposed for the assessment date with respect to which the allocation and distribution is made that are attributable to taxes imposed after being approved by the voters in a referendum or local public question conducted after April 30, 2010, not otherwise included in subdivision (1) shall be allocated to and, when collected, paid into the funds of the taxing unit for which the referendum or local public question was conducted.
- (3) . . . property tax proceeds . . . 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.

REDEVELOPMENT COMMISSION
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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.

(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, . . .

(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: . . .

(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. . . .

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

An economic development area may be an allocation area for purposes of the distribution and allocation of property taxes, IC 36-7-14-43(a)(6). The power of a redevelopment commission to expend such funds is limited to the express statutory powers to undertake redevelopment or economic development, or powers incidental to the expressed powers, as provided in IC 36-7-14. Allocation area funds cannot be expended to pay operating expenses or general, recurring municipal expenses, IC 36-7-14-39(b)(3), or expenses to maintain property except as allowed by IC 36-7-1-18(7). *Redevelopment Commission of the Town of Munster, Indiana, v. Indiana State Board of Accounts and Paul D. Joyce, State Examiner of State Board of Accounts*, 28 N.E.3d 272, 280 (Ind. App., 2015).

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)

REDEVELOPMENT COMMISSION
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ACCOUNTS PAYABLE VOUCHERS

The accounts payable vouchers tested did not have the signatures of the Redevelopment Commission members indicating that they had reviewed and allowed payments. In lieu of signing each individual accounts payable voucher, the Commissioners could sign a claim docket; however, claim dockets were also not signed by Commission members.

Indiana Code 36-7-14-19(a) states: "All payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary."

REDEVELOPMENT COMMISSION
TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2015, with Jeff Trout, President of the Redevelopment Commission, and Sharon Darnell, President of the Town Council.

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POLICE DEPARTMENT
TOWN OF CHESTERTON

POLICE DEPARTMENT
TOWN OF CHESTERTON
EXAMINATION RESULT AND COMMENT

CREDIT CARDS

The Police Department used credit cards for fuel purchases. The accounts payable vouchers did not have itemized invoices attached to substantiate the fuel purchases.

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.
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)

CHESTERTON POLICE DEPARTMENT

790 Broadway
Chesterton, IN. 46304

David Cincoski
Chief of Police

Phone
(219) 926-1136

October 6, 2015

To Whom It May Concern,

In a recent audit conducted by the Indiana State Board of Accounts, as the Chief Executive for the Chesterton Police Department, I acknowledge the issues and concerns raised in the examination and audit regarding the use of credit cards for fuel purchases. Invoices and receipts were not submitted for every transaction.

Since this concern was brought to my attention, a new standard operating procedure has been issued to staff regarding the timely and complete submission of receipts for credit card purchases and outlined repercussions for the failing to do so.

Respectfully submitted,



David Cincoski
Chief of Police

POLICE DEPARTMENT
TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2015, with David Cincoski, Police Chief, and on October 6, 2015, with Sharon Darnell, President of the Town Council.

TOWN MANAGER
TOWN OF CHESTERTON

TOWN MANAGER
TOWN OF CHESTERTON
EXAMINATION RESULT AND COMMENT

VEHICLES AND FRINGE BENEFITS

Upon hiring the Town Manager, minutes of the Town Council meeting indicated the Town Manager would receive "\$250 per month for the use of his personal vehicle." The Town Manager was also issued a credit card to use for fuel purchases for his personal vehicle. Neither the car allowance nor the fuel purchases were included on his Wage and Tax Statement (Internal Revenue Service Form W-2).

The following sets forth the audit position of the Indiana State Board of Accounts with regard to reimbursements made by local governmental units to their officers and employees for travel and meal expenses.

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for local units of government and, consequently, the mileage rate lies within the discretion of legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts.

Reimbursed mileage should not include travel to and from the officer's or employee's home and regular place of employment. If more than one person rides in the same vehicle, only one mileage reimbursement is allowable. General Form 101 (or an approved substitute) should be used for claiming mileage. The odometer reading columns on this form are to be used only when the distance between points cannot be determined by fixed mileage or official highway maps. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN MANAGER
TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 1, 2015, with Stephanie Kuziela, Clerk-Treasurer, as authorized by C. Bernard Doyle, Town Manager, and on October 6, 2015, with Sharon Darnell, President of the Town Council.

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TOWN COUNCIL
TOWN OF CHESTERTON

TOWN COUNCIL
TOWN OF CHESTERTON
EXAMINATION RESULTS AND COMMENTS

ACCOUNTS PAYABLE VOUCHERS AND PAYROLL REPORTS

All payroll reports, or "claims," tested and 94 percent of accounts payable vouchers tested were not certified by the Clerk-Treasurer that the invoice or bill was true and correct. In lieu of certifying each individual accounts payable voucher or claim by way of signature, officials could sign an Accounts Payable Voucher Register (General Form No. 364), sometimes referred to as a claims docket. However, claims dockets were also not signed by the Clerk-Treasurer.

Indiana Code 36-5-4-6 states:

"(a) As used in this section, 'claim' means a bill or an invoice submitted for goods or services.

(b) Except as provided in section 12 of this chapter, a warrant for payment of a claim against a town may be issued only if the claim is:

- (1) supported by a fully itemized invoice or bill under IC 5-11-10-1.6;
- (2) filed with the town fiscal officer;
- (3) certified by the fiscal officer before payment that each invoice is true and correct; and
- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim.

(c) The certification by the fiscal officer under subsection (b)(3) must be on a form prescribed by the state board of accounts."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of 2013 budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
GO 2010 Debt (15th Street)	\$ 77,235
Police Pension	13,931
Local Road and Street	40,000

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Town of
Chesterton
INDIANA

Office of the Clerk-Treasurer

OFFICIAL RESPONSE

October 11, 2015

Dear Paul Joyce:

In response to the 2013 and 2014 audit findings of the Town of Chesterton, I am not in agreement with the citing that the claims were not signed.

I was present as a council member in these years and can absolutely state that signatures were required at all meetings before the claims left the town hall on that evening. I am not aware of the location of these supporting documents but any subsequent follow up with council members that served during that time as well will be in agreement with me.

Sincerely,



Sharon Darnell
Town of Chesterton
President

TOWN COUNCIL
TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2015, with Stephanie Kuziela, Clerk-Treasurer, and Sharon Darnell, President of the Town Council.