

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, 2014 to December 31, 2014



FILED
09/15/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Finding:	
Finding 2014-001 - Financial Transactions and Reporting	6-7
Corrective Action Plan	8-9
Audit Results and Comments:	
Motor Vehicle Highway (MVH) Fund - Appropriations and Approved Expenditures	10
Receipt Issuance - Cemetery	10
Exit Conference	11
Fire Department:	
Federal Findings:	
Finding 2014-002 - Cash Management	14-15
Finding 2014-003 - Procurement and Suspension and Debarment	15-17
Finding 2014-004 - Assistance to Firefighters Grant	17-18
Corrective Action Plan	19-21
Exit Conference	22
Common Council:	
Audit Results and Comments:	
Purchase of Real Property	24
Approval of Fees	24-25
Exit Conference	26
Park Department:	
Audit Result and Comment:	
Park Fees and Schedule	28
Official Response	29
Exit Conference	30
Police Department:	
Audit Result and Comment:	
Police Department Fees	32
Official Response	33
Exit Conference	34
Redevelopment Commission:	
Audit Result and Comment:	
Redevelopment Commission General Fund and TIF Allocation Area	36-37
Official Response	38-39
Exit Conference	40
City Court:	
Audit Results and Comments:	
Annual Financial Report - Court	42
Clerk's Trust Items Over Five Years Old	42
Cash Bonds - Court	43
Exit Conference	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patti Olson Kristie L. Dressel	01-01-12 to 12-31-15 01-01-16 to 12-31-19
Mayor	David D.F. Uran	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	David D.F. Uran	01-01-14 to 12-31-16
President Pro Tempore of the Common Council	Robert Clemons Laura Sauerman	01-01-14 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

July 7, 2016

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CLERK-TREASURER
CITY OF CROWN POINT

CLERK-TREASURER
CITY OF CROWN POINT
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the City related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The City had not separated incompatible activities related to recording receipts in the accounting system. One individual recorded the receipts in the accounting system. Controls had not been implemented to verify the accuracy and allocation of the receipts recorded. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Vendor Disbursements:** The Accounts Payable Vouchers (APV's) were entered into the computerized appropriation ledger and recorded in the appropriate fund. The Clerk-Treasurer's Office had a process to verify that the APV's were recorded properly; however, they failed to retain the documentation of that process.
3. **Payroll:** The Clerk-Treasurer's Office had a process to verify that payroll information was correctly entered in the ledger and properly allocated to the correct fund and department. However, they failed to retain the documentation of that process.
4. **Monitoring of Controls:** An evaluation of the City's system of internal control had not been conducted. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the City had no process to identify or communicate corrective actions to improve controls. Effective internal controls, over financial reporting, require the City to monitor and assess the quality of the system of internal control.

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

Criteria

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)

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

Control activities should be in place to reduce the risks of errors in financial reporting.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CITY OF CROWN POINT

CLERK-TREASURER

Kristie L. Dressel
Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2014-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kristie L. Dressel, Clerk-Treasurer
Contact Phone Number: 219-662-3235 ext. 401

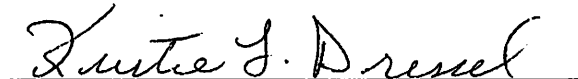
Views of Responsible Official "We concur with the finding"

Description of Corrective Action Plan:

Lack of segregation of duties recovered.

1. Correction Plan – Dual control have been put into place. Example: Daily Receipts – Billing Department provide a Daily Summary sheet showing the receipt activities. It's then provided to the Bookkeeping Department. They enter the receipt amounts into the Journals. That person is verifying while entering. Afterwards another Bookkeeper reviews.
2. Vendor Disbursements – (Retainage) of the balancing documentation has been put in place.
3. Payroll – We will retain these documents with two reviewing and both initialing for Internal Controls.
4. Future monitoring of Internal Controls – Monthly checklist is soon to be created to monitor and verify all Internal Controls are in place by each employee and department. In regards to payroll, accounts payable and revenue will be monitored on a monthly basis to properly identify allocations are correct.

Anticipated Completion Date: November 1, 2016


Signature

Clerk-Treasurer
Title

July 6, 2016

www.crownpoint.in.gov

Main Floor • 101 N. East Street • Crown Point, IN 46307

Office (219) 662-3235

Fax (219) 662-3378



CITY OF CROWN POINT

OFFICE OF THE MAYOR

David D.F. Uran
Mayor

Greg Falkowski
Chief of Staff

CORRECTIVE ACTION PLAN

Findings – 2014-001

Contact Person Responsible for Corrective Action: **Mayor David Uran**
Contact Phone Number: **(219) 662-3240**

Views of Responsible Official: **Acknowledged**

Description of Corrective Action Plan: **The City of Crown Point has already adopted and has begun implementation of State initiated Internal Controls. Furthermore, the City of Crown Point has begun a progressive effort to implement next generation financial software; a solution that would strengthen the City's transparency and offer an increase in security, monitoring and accountability.**


Anticipated Completion Date: 1st Quarter 2017



(Signature)



(Title)



(Date)

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CLERK-TREASURER
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

MOTOR VEHICLE HIGHWAY (MVH) FUND - APPROPRIATIONS AND APPROVED EXPENDITURES

Property owners must keep their property maintained in accordance with certain standards established by City ordinance. If they did not, City employees were sent to cut grass, weeds, etc. The property owner was invoiced for labor and machine use costs incurred by the City. Liens were filed against the property owner when the invoices were not paid.

The employees who performed these duties were paid from the Motor Vehicle Highway (MVH) fund, which is limited by statute to highway related expenditures. When payments were received from the property owners, the portion related to labor costs and lien costs were added directly to the budgeted appropriation for the MVH fund by the Clerk-Treasurer's Office.

Indiana Code 8-14-1-5 limits the use of city MVH account distributions to highways. Indiana Code 8-14-1-1(3) defines the term "highways" to include "roadway, rights of way, bridges, drainage structures, signs, guard rails, protective structures in connection with highways, drains, culverts, and bridges and the substructure and superstructure of bridges and approaches thereto and streets and alleys of cities or towns."

Expenditures of Motor Vehicle Highway Distributions must have been budgeted and appropriated in the same manner as required for expenditure of general property tax revenues. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2011)

Indiana Code 8-14-1-3(1) states in part:

". . . If any funds allocated to any city or town shall be used by any officer or officers of such city or town for any purpose or purposes other than for the purposes as defined in this chapter, such officer or officers shall be liable upon their official bonds to such city or town in such amount so used for other purposes than for the purposes as defined in this chapter, together with the costs of said action and reasonable attorney fees, recoverable in an action or suit instituted in the name of the state of Indiana on the relation of any taxpayer or taxpayers resident of such city or town. . . ."

RECEIPT ISSUANCE - CEMETERY

Receipts were not issued at the time of the transaction for all cemetery collections tested. The individual responsible for the assignment of cemetery plots accepted payments and forwarded the collections received to the Clerk-Treasurer's Office without issuing a receipt at the time payment was received.

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

CLERK-TREASURER
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; and David N. Nicholls, City Attorney.

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FIRE DEPARTMENT
CITY OF CROWN POINT

FIRE DEPARTMENT
CITY OF CROWN POINT
FEDERAL FINDINGS

FINDING 2014-002 - CASH MANAGEMENT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Years (or Other Identifying Number): FY 2013

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The City received grant funds in advance; but had no controls in place to ensure compliance with Cash Management requirements. One person prepared and submitted the request for funds. The City did not comply with the Cash Management requirements of the program; they did not minimize the time elapsing between the transfer of funds and disbursement of funds.

Context

There was only one expenditure of grant funds during the audit period. The City received the advance grant payment on August 29, 2014, but did not disburse the funds until November 3. Thus, the advance was received before an immediate need arose.

Criteria

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

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

The City accepted and agreed to abide by the Agreement Articles. Article I - Administrative Requirements states in part:

"The administrative requirements that apply to most DHS award recipients through a grant or cooperative agreement arise from two sources: - Office of Management and Budget (OMB) Circular A-102, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (also known as the 'A-102 Common rule'), found under FEMA regulations at Title 44, Code of Federal Regulations (CFR) Part 13, 'Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.' . . ."

FIRE DEPARTMENT
CITY OF CROWN POINT
FEDERAL FINDINGS
(Continued)

44 CFR 13.21 Payment states in part:

". . . (b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) *Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. . . ."

Per the Grant Approval Letter: "Remember, you should request funds when you have an immediate cash need."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls to ensure compliance and comply with the Cash Management requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-003 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): FY 2013

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

FIRE DEPARTMENT
CITY OF CROWN POINT
FEDERAL FINDINGS
(Continued)

The City used a vendor and contract amount which was approved for another governmental entity in accordance with Indiana Code 36-1-7-12(c). However, the City did not establish effective controls to ensure that the other governmental entity's referenced written contract complied with state purchasing laws.

The City did not have policies in place to comply with Suspension and Debarment requirements. They did not verify that the vendor used was not suspended or debarred from participation in federal programs.

Context

There was only one \$409,205 expenditure of grant funds during the audit period. This purchase required the City to verify that the vendor was not suspended or debarred from participation in federal programs; they did not.

Criteria

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

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

2 CFR 180.300 states:

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

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

Cause

Management had not developed a system of internal controls that segregated key functions or ensured compliance with the Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

FIRE DEPARTMENT
CITY OF CROWN POINT
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the City's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2014-004 - ASSISTANCE TO FIREFIGHTERS GRANT

Federal Agency: Department of Homeland Security
Federal Program: Assistance to Firefighters Grant
CFDA Number: 97.044
Federal Award Number and Year (or Other Identifying Number): FY 2013

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Matching, Level of Effort - Maintenance of Effort, Period of Availability, and Reporting compliance requirements.

Matching

The City did not have effective controls to ensure compliance with the 10 percent Matching requirement of the program.

Level of Effort - Maintenance of Effort

Although the City met the Maintenance of Effort requirements, they did not have controls in place to ensure that the requirements were always met nor were they aware of the possibility of filing a waiver of the requirements.

Period of Availability

The City did not have effective controls in place to ensure that the disbursement of program funds was within the period of availability.

Reporting

The City did not have effective controls in place to ensure that the required reports were submitted or that they were accurate.

Context

The issues noted were systemic problems during the whole grant period. We tested everything at 100 percent for the Assistance to Firefighters Grant.

FIRE DEPARTMENT
CITY OF CROWN POINT
FEDERAL FINDINGS
(Continued)

Criteria

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

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Auditor's Response

The Corrective Action Plan includes language about noncompliance which is inconsistent with the finding.



CITY OF CROWN POINT

FIRE RESCUE

David D.F. Uran
Mayor

Gregory A. De Lor
Fire Chief

Gerard Abraham
Assistant Fire Chief

CORRECTIVE ACTION PLAN

Findings – 2014-002 Cash Management

Contact Person Responsible for Corrective Action: **Greg Delor**

Contact Phone Number: **(219) 662-3248**

Views of Responsible Official: **Acknowledged**


Description of Corrective Action Plan: **All future Federal Grants will segregate duties to include provisions for proper oversight, reviews, and approvals.**

Request for funds will be reviewed and initiated by a Chief Officer that was not part of the grant application committee. All funding requests will be reviewed by the Clerk Treasurer for compliance with grant guidelines.

We will work with the Mayor and the City Council to develop a more expedient method of paying claims when dealing with Federal Grants.

Current internal controls and procedures require that funds are in place prior to the issuance of a Purchase Order. The products and/or services cannot be ordered without a purchase order signed by the Department Head, the Clerk Treasurer, and the Mayor for purchases exceeding \$1,000. Invoices for products and/or services cannot be paid to the vendor until all items are received and the claim is reviewed by the City Council and approved at the City Council Meeting on the 1st Monday of the month.

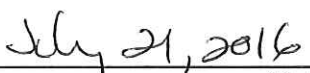
These reviews and safeguards are the cause of the cited condition. The advance grant payment was made on August 29, 2014. A purchase order was written and approved by the Mayor and the Clerk Treasurer upon funding. The merchandise and invoice was received on October 10, 2014. The claim was processed and reviewed by the City Council on November 3, 2014 with immediate payment.



(Signature)



(Title)



(Date)



CITY OF CROWN POINT

FIRE RESCUE

David D.F. Uran
Mayor

Gregory A. De Lor
Fire Chief

Gerard Abraham
Assistant Fire Chief

CORRECTIVE ACTION PLAN

Findings – 2014-003 Procurement, Suspension and Disbarment

Contact Person Responsible for Corrective Action: **Greg Delor**

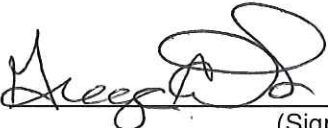
Contact Phone Number: **(219) 662-3248**

Views of Responsible Official: **Acknowledged**

Description of Corrective Action Plan: **The City used the vendor and contract amount that was approved by the Lake County Commissioners in accordance with Indiana Code 36-1-7-12(c). The approved vendor, Motorola Solutions, Inc. is an approved Federal vendor, however, we did not independently verify their status.**

All vendors awarded future bid approvals generated by the City of Crown Point or any Inter-Governmental Agency will be verified as in compliance by the City of Crown Point Legal Department prior to bid award.

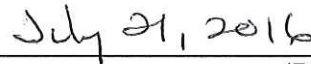
Anticipated Completion Date: Immediately



(Signature)



(Title)



(Date)



CITY OF CROWN POINT

FIRE RESCUE

David D.F. Uran
Mayor

Gregory A. De Lor
Fire Chief

Gerard Abraham
Assistant Fire Chief

CORRECTIVE ACTION PLAN

Findings – 2014-004

Contact Person Responsible for Corrective Action: **Greg Delor**

Contact Phone Number: **(219) 662-3248**


Views of Responsible Official: **Acknowledged / Disagree**

Description of Corrective Action Plan: **All future Federal Grants will segregate duties to include provisions for proper oversight, reviews, and approvals.**

Request for funds will be reviewed and initiated by a Chief Officer that was not part of the grant application committee. All funding requests will be reviewed by the Clerk Treasurer for compliance with grant guidelines.

In addition to, the City is in disagreement with the subsection of the finding pertaining to Maintenance of Effort. Per Section 797(b) of the Public Health Service Act, the Maintenance of Effort ("MOE") provision requires federal grant recipients "to maintain non-federal funding for activities described in their application at a level which is not less than expenditures for such activities during the fiscal year prior to receiving the grant or cooperative agreement." In most cases, federal grantees are required to maintain at least 90 percent of their current non-federal funds during the grant period.

The City has maintained an amount exceeding 90 percent of the current non-federal funds during the grant period. Thusly, we are already in compliance with Section 797(b).



(Signature)



(Title)



(Date)

FIRE DEPARTMENT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; Gregory DeLor, Fire Chief; and David N. Nicholls, City Attorney.

COMMON COUNCIL
CITY OF CROWN POINT

COMMON COUNCIL
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

PURCHASE OF REAL PROPERTY

The City purchased real property (land and building) for a public works facility. Although the earnest money for the purchase came from several utility funds and the Motor Vehicle Highway fund, the purchase itself was funded by the Water Utility.

This purchase did not comply with Indiana Code 36-1-10.5 which governs the purchase of real property.

1. The City paid more than the average of two appraisals for the building. The purchase price for the building was \$1,730,501. The average of the "as is" appraisal values was \$827,500.
2. The fiscal body (the City Council) did not pass a resolution indicating that it was interested in making the purchase. The minutes noted a voice vote after discussion for a resolution read by the City attorney. Review of the Council resolutions on file in the Clerk-Treasurer's Office noted no Council resolution for the purchase.

Indiana Code 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

1. The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
2. The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
3. The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
4. The purchasing agent shall give a copy of both appraisals to the fiscal body."

Indiana Code 36-1-10.5-6 states: "A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received under section 5 of this chapter."

APPROVAL OF FEES

Cemetery and Park Fees

The fees collected by the City Park Department and Cemetery were approved by the Board of Works, not by the City Council through an ordinance or resolution. A search of the City Code did not indicate a transfer of power to the Board of Works.

COMMON COUNCIL
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS
(Continued)

Police Department

The ordinances establishing the \$8 accident report, \$7 background check, \$4 incident report, or \$8 fingerprint services fees collected by the Police Department were not provided nor were they found in the 2016 City Code.

Indiana Code 9-29-11-1(a) states:

"Except as provided in subsection (c), the main department, office, agency, or other person under whose supervision a law enforcement officer carries on the law enforcement officer's duties may charge a fee that is fixed by ordinance of the fiscal body in an amount not less than five dollars (\$5) for each report."

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-9-4 states in part:

"(a) The city legislative body shall, by ordinance passed upon the recommendation of the city executive, establish the executive departments that it considers necessary to efficiently perform the administrative functions required to fulfill the needs of the city's citizens.

(b) The head of each city department or agency is under the jurisdiction of the executive.

(c) The following departments may be established:

- (1) Department of finance or administration.
- (2) Department of law.
- (3) Department of public works.
- (4) Department of public safety.
- (5) Department of parks and recreation.
- (6) Department of human resources and economic development.
- (7) Any other department considered necessary.

These departments shall perform the administrative functions assigned by statute and ordinance.

(d) The city legislative body may, by ordinance passed upon the recommendation of the city executive:

- (1) terminate departments established under subsection (c); and
- (2) transfer to or from those departments any powers, duties, functions, or obligations."

COMMON COUNCIL
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; and David N. Nicholls, City Attorney.

PARK DEPARTMENT
CITY OF CROWN POINT

PARK DEPARTMENT
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

PARK FEES AND SCHEDULE

Fees collected for some Sportsplex rentals and some park programs were not included in the adopted park fee schedule.

The Park Department used a computerized system to issue receipts for amounts received by the park staff. When the Park Department received a donation or other collections which were not set up in the computerized system, they did not issue a receipt at the point of collection. Instead these collections were remitted to the Clerk-Treasurers Office, at which point a receipt was issued.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Citi and Towns, Chapter 7)

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



CITY OF CROWN POINT

PARKS & RECREATION

David D.F. Uran
Mayor

Jennie Burgess
Parks Director

OFFICIAL RESPONSE

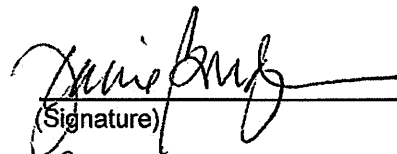
Parks Fees and Schedule

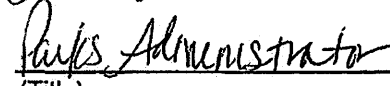
Contact Person Responsible for Corrective Action: **Jennie Burgess**
Contact Phone Number: **(219) 661-2271**

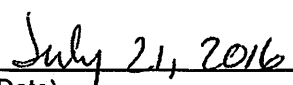
In 2016, I was granted the permission to prorate approved rental fees. The next step will be to seek the same permission from City Council.

The Parks Department made changes to our policy and began issuing receipts to registrants paying for a leagues, programs, memberships or any other Parks department transactions not registered through our computer system.

When there is a change of fees requested or a new program to the department, I request approval of the at the Board of Public Works and Safety meetings. We will be sure to update the fees/approvals quarterly to be sure all fees are approved as per state statute.



(Signature)


(Title)


(Date)

PARK DEPARTMENT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; Jennie Burgess, Park Administrator; and David N. Nicholls, City Attorney.

POLICE DEPARTMENT
CITY OF CROWN POINT

POLICE DEPARTMENT
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

POLICE DEPARTMENT FEES

The ordinances establishing the \$8 accident report, \$7 background check, \$4 incident report, or \$8 fingerprint services fees collected by the Police Department were not provided nor were the fees found in the 2016 City Code.

The City background check, incident report, and fingerprint services fees were deposited into the Local Law Enf. Cont. Educ fund. However, these fees should have been deposited into the General Fund or other separate fund created by ordinance. Per statute, these type of fees are not permitted to be deposited into the local law enforcement continuing education program.

In addition, the Police Department remitted the receipts to the Clerk-Treasurer only once a month. They are required to remit the receipts at least once a week.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 9-29-11-1(a) states:

"Except as provided in subsection (c), the main department, office, agency, or other person under whose supervision a law enforcement officer carries on the law enforcement officer's duties may charge a fee that is fixed by ordinance of the fiscal body in an amount not less than five dollars (\$5) for each report."

The following types of revenue shall be deposited into the local law enforcement continuing education fund established under IC 5-2-8-2:

1. Law Enforcement Continuing Education fees (IC 33-37-5-8)
2. Inspection of Motor Vehicles fees (IC 9-29-4-2)
3. Vehicle Accident Report fees (IC 9-29-11-1)
4. Handgun Licenses fees (IC 35-47-2-3)
5. Proceeds from the Sale of Confiscated Weapons (IC 35-47-3-2)

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

"The state board of accounts shall establish rules for the proper accounting and expenditure of funds collected under this subsection." (IC 35-47-2-3(b))

In keeping with the provisions of this statute, the following procedure is prescribed for accounting for such application fees:

1. Issue a Receipt, General Form Number 352, for each fee collected.
2. Remit receipts to the clerk-treasurer or controller at least once each week. . . .

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



CITY OF CROWN POINT

POLICE DEPARTMENT

David D.F. Uran
Mayor

Peter D. Land
Chief of Police

Jim T. Janda
Deputy Chief

OFFICIAL RESPONSE

Comments – Police Department Fees


Contact Person Responsible for Corrective Action: Chief Peter D. Land
Contact Phone Number: (219) 662-3247


On July 7th, 2016 I was present in a meeting with personnel from the Indiana State Board of Accounts regarding their audit findings for the years 2014 and 2015 of the police department's financials. During this meeting, I was notified that their audit discovered that certain fees collected by the department as part of its normal operations were not all being deposited into the appropriate City accounts, that certain fees could not be found in the City Ordinance to govern their collection and that these deposits should be made more frequently than was being done.

With respect to the frequency of our deposits with the Clerk Treasurer's Office, they reported at times our Records Division was presenting the deposits once a month while the reported rules require such deposits be made once a week. Corrective action was immediately taken on this point with our Records staff with all deposits now being made weekly with no exceptions.

The second finding was related to the normal fees we collect specifically for background checks, incident reports and fingerprint services. Their report claims they could not locate in the City Ordinance provisions establishing these specific fees. Additionally, that these fees were being deposited into the Local Law Enforcement Continuing Education Fund when they are supposed to be deposited into the City's General Fund or a separate fund created by Ordinance. The current Clerk Treasurer was made aware of the audit results on this issue for corrective action by her staff.


(Signature)


(Title)


(Date)

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Fax (219) 662-3246

POLICE DEPARTMENT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; Peter Land, Police Chief; and David N. Nicholls, City Attorney.

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

REDEVELOPMENT COMMISSION GENERAL FUND AND TIF ALLOCATION AREA

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 C. P. Redevelopment Fund (Redevelopment General Fund) was not presented for audit. The Redevelopment General Fund revenue sources included Tax Increment Finance (TIF) distributions for the I-65 Allocation Area, Indiana Department of Transportation grant reimbursements, donations, rent, bond proceeds, and miscellaneous reimbursements.

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.

TIF Receipts and Disbursements

The TIF distributions received were not posted into an allocation area fund as required by Indiana Code 36-7-14-39(b)(3).

The City made disbursements from the Redevelopment General Fund for operating expenses and expenses incurred outside of the I-65 Allocation District, such as costs related to the City's participation in the International Council of Shopping Center Conference (including travel), membership dues with various economic related organizations, newspaper advertisements and billboards promoting the City, professional services for the preparation of the Redevelopment Commission Annual Report, official bonds for Redevelopment Commissioners, portable radios for the Police Department, bike trailhead project, engineering costs, various legal costs, and purchase of a 26 passenger Trolley. These operating expenses and expenses unrelated to the allocation area should have been made from other appropriate funds.

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.

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT
(Continued)

(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, 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."

The uses of TIF funds are restricted to those set forth in the Indiana Code. The power of a redevelopment commission to expend such funds is limited to the express statutory powers as set forth in Indiana Code 36-7-14. The use of TIF funds for ongoing maintenance of redeveloped property is not an expressly or impliedly permitted use, except as provided in Indiana Code 36-7-1-18(7) for repairing and maintaining buildings acquired before redevelopment is complete. (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 (Ind. App., 2015) trans. denied, 34 N.E.3d 251)

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)



CITY OF CROWN POINT

OFFICE OF THE MAYOR

David D.F. Uran
Mayor

Greg Falkowski
Chief of Staff

OFFICIAL RESPONSE

Redevelopment Commission General Fund and TIF Allocation Area
Contact Person Responsible for Corrective Action: **Mayor David Uran**
Contact Phone Number: **(219) 662-3240**


Views of Responsible Official: **Acknowledged**

Description of Corrective Action Plan: **See Attached**

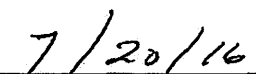
Anticipated Completion Date:



(Signature)



(Title)



(Date)

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July 19, 2016

RE: Audit Finding 2015 -Tax Increment Finance Receipts and Disbursements

The Audit results and comments note several disbursements from the Redevelopment Fund which the Audit comments state should have been made from other appropriate funds. The items include:

- Professional fees including legal and financial expenses
- Engineering Fees
- Portable radios for the police department
- Purchase of Trolley
- Costs of promotion of the City

The City understands that TIF revenue cannot be used for operating costs. The City does not believe the above are operating costs since operating costs are normally general administrative overhead expenses not allocated to a specific project. It is the City's understanding that SBOA has not taken exception in the past to professional fees and engineering fees that are necessary for TIF projects. Cities throughout the State incur professional fees for project and maintenance of the TIF area.

The City believes that the purchase of portable radios for the police department and the trolley are allowable capital expenditures that are in or serving the allocation area and have a useful life more than one year.

Please also note that there is non-TIF revenue deposited into the Redevelopment Fund that could be used for other purposes.

The promotion expenses were directly assignable to the TIF area. Promotion of economic development in the TIF area is important to the development community to know of the various incentives within the City.

Corrective Action

The City will review its allocation of expenses to the Redevelopment Fund and record expenses for promotion of the City in an appropriate fund, but will continue to assign development within the TIF area to TIF.

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2016, with Kristie L. Dressel, Clerk-Treasurer; David D.F. Uran, Mayor; Laura Sauerman, President Pro Tempore of the Common Council; Patti Olson, former Clerk-Treasurer; Greg Falkowski, Chief of Staff; Bradley Bosse, Redevelopment Commission President; and David N. Nicholls, City Attorney.

CITY COURT
CITY OF CROWN POINT

CITY COURT
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT - COURT

The City Court Clerk (Clerk) operated outside the normal business of the Clerk-Treasurer's Office. The Clerk maintained records and reported financial information to the Clerk-Treasurer's Office for inclusion in the City's financial statement. The Clerk also completed a report detailing the accounts/funds that were maintained.

The report provided to the Clerk-Treasurer's Office by the Clerk included inaccurate information. The Clerk reported bank activity instead of record activity, which resulted in the overstatement of the beginning balance by \$27,792. In addition, due to differences between record activity and the bank activity, the ending cash balance was overstated by \$80,412.

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

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

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

Trust items held in excess of five years were on the Court's records. The Clerk had not implemented policies and procedures for reporting unclaimed property and remitting that property to the Attorney General after the five year holding period. There was \$3,314 on hand as of December 31, 2014, which had not been remitted.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

Indiana Code 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

CITY COURT
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS
(Continued)

CASH BONDS - COURT

Individuals who were arrested were required to pay a cash bail bond to the City Court in order to be released and to ensure their appearance at the appropriate legal proceedings. Review of the Cash bonds records noted some bonds on hand were more than five years old and dated as far back as 2006. The records contained a notation that a warrant for arrest had been issued due to the individual's failure to appear in Court. These older bonds had not been declared forfeited or transferred to the State Common School Fund in accordance with statute.

Indiana Code 35-33-8-7 states in part:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest. . . .

(d) After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment.

(e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk);
and
- (2) any amount collected in satisfaction of the judgment. . . ."

CITY COURT
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2016, with Kent A. Jeffirs, City Judge; Mary Jane Hinson, Court Clerk; Jean Gini Mojica, Court Clerk; and Christine L. Stern, Court Clerk.