

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GARY

LAKE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
01/13/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	M. Celita Green	01-01-15 to 12-31-16
Mayor	Karen Freeman-Wilson	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Niquelle Allen	01-01-15 to 12-31-16
President of the Common Council	Kyle W. Allen, Sr. Ronald G. Brewer, Sr.	01-01-15 to 12-31-15 01-01-16 to 12-31-16
Executive Director of the Sanitary and Storm Water Management Districts	Daniel F. Vicari	01-01-15 to 12-31-16
President of the Boards of Sanitary and Storm Water Commissioners	Richard J. Comer Charles Jackson	01-01-15 to 04-03-16 04-04-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GARY, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Gary (City), for the period from January 1, 2015 to December 31, 2015. 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/](http://www.in.gov/sboa/).

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

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

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

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

December 15, 2016

FINANCE DEPARTMENT  
CITY OF GARY

FINANCE DEPARTMENT  
CITY OF GARY  
FEDERAL FINDING

**FINDING 2015-001 - INTERNAL CONTROLS OVER DISBURSEMENT TRANSACTIONS**

*Condition*

Several deficiencies in the internal control system of the City related to disbursement transactions were identified.

*Processing or Auditing APVs*

Part of the internal control process used by the Finance Department to audit a claim or accounts payable voucher (APV) included verifying the date of the invoice and invoice number listed on the APV to the invoice attached to the APV.

Multiple instances were noted where the invoices attached to the APVs did not agree to the invoice dates, invoice numbers and amounts listed on the APV for those that were prepared by an IT Department employee. The APVs or claims were not audited in accordance with the controls established by the City Controller. Therefore, the internal controls were not properly implemented.

*Purchasing*

Departments that requisitioned goods or services were also responsible for requesting quotes, submitting quotes to the Finance Department for the issuance of a purchase order, receiving the goods, receiving the vendor invoices, preparing the APV, attaching the invoices to the APV, and submitting the information to the Finance Department for processing. Each department was also responsible for monitoring when a purchase order was complete, and attaching the completed purchase order to the APV.

The City frequently issued "Open" purchase order to vendors with whom the City expected to make several purchases. These included, but were not limited to, utility and phone bills. They were also used for electronic device purchases. Once the final purchase was made on an open purchase order, the department attached a copy of that purchase order to the APV to inform the Finance Department that they could "close" the purchase order.

Because the departments that requisitioned were responsible for so many related activities, an IT employee was able to prevent certain invoices from being paid, attach invoices previously paid to falsified APVs, and submit incomplete documentation. The use of "Open" purchase orders also allowed for extensive purchasing of items not found in the possession of the City without detection by City officials.



FINANCE DEPARTMENT  
CITY OF GARY  
FEDERAL FINDING  
(Continued)

*Criteria*

Indiana Code 5-11-10-1.6(c) states in part:

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

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and . . ."

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 an effective system of internal controls over disbursement transactions. Management also had not conducted a risk assessment related to the City's disbursement transactions.

*Effect*

The failure to establish controls 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 have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Due to these deficiencies, vendor disbursement transactions in the financial statement were considered high risk and audited as such.

*Views of Responsible Officials*

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



**KAREN M. FREEMAN-WILSON**  
Mayor

**City Of Gary**  
**Department of Finance**  
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Gary, Indiana 46402  
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www.gary.in.us

**M. CELITA GREEN**  
Director of Finance

**MICHELE ROBY**  
Chief Accountant

## **CORRECTIVE ACTION PLAN**

### ***Section II – Financial Statement Findings***

#### ***FINDING 2015-001 – INTERNAL CONTROLS OVER DISBURSEMENT TRANSACTION***

Contact Person Responsible for Corrective Action: M. Celita Green  
Contact Phone Number: - 219 – 881-1363

**Views of Responsible Official: We concur**

#### **Description of Corrective Action Plan:**

We understand that this finding for 2015 is a repeat of last year's audit, as the Information Technology fraudulent purchases occurred in 2015. However, since August 2015, the City has established an Internal Controls Team, and made major changes in internal controls by reviewing and establishing policies and procedures, and providing training.

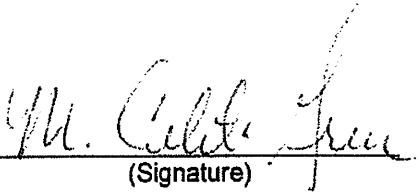
The City Council has approved ordinances on Internal Control Policies and Procedures, and Materiality. We have trained the City Council, Board Members, and relative staff on the new internal control policies and procedures mandated by legislation. Additionally, we have purchased an automatic requisitioning module as an add –on to the automated purchase order processing system to assist in reducing the risk of fraudulent purchase orders.

We have also contacted our vendors and informed them of the new purchasing processes, which includes emailing the purchase order to vendors and staff, and additionally informed vendors that they are not to do business with the City without a valid purchase order. These processes have been established to strengthen internal controls and reduce risk.

We are currently centralizing the receiving of goods and have hired a central receiving manager responsible for receiving, and tagging. We are working to automate the tagging numbering process within the financial system and have begun to train staff on asset management. In addition, we have hired an employee to review claims and invoices prior to AP entry, and to review after AP entry. We feel that these new processes will strengthen internal controls and reduce risk.

We continue to work on improving all areas of the disbursement processes including fully automating the claim process.

Anticipated Completion Date: June 2017

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
City Controller  
(Title)

\_\_\_\_\_  
December 6, 2016  
(Date)

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

**DEPOSITORIES AND INVESTMENTS**

*Approved Depository Institution*

As stated in prior Report B47027, the City's Indiana Department of Environmental Management (IDEM) Landfill trust account with a cash balance of \$1,165,841 at December 31, 2015, was previously managed by JP Morgan Chase (Chase). The account was transferred, by necessity, to a new investment manager, SDM Investments LLC, who managed the account through TD Ameritrade. Neither the investment manager nor TD Ameritrade were depositories designated by the Indiana State Board of Finance as depositories for state deposits under Indiana Code 5-13-9.5.

Indiana Code 5-13-8-1(a) states in part: "A political subdivision may deposit public funds in a financial institution only if the financial institution: (1) is a depository eligible to receive state funds . . ."

Indiana Code 5-13-9-2.5(b) states: "The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5."

*Prohibited Investment Types*

The IDEM Landfill Trust account managed by the investment manager included investments prohibited under Indiana Code 5-13-9.

Indiana Code 5-13-9-2 states:

"(a) Each officer designated in section 1 of this chapter may invest or reinvest any funds that are held by the officer and available for investment in any of the following:

- (1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:
  - (A) The United States Treasury.
  - (B) A federal agency.
  - (C) A federal instrumentality.
  - (D) A federal government sponsored enterprise.
- (2) Securities fully guaranteed and issued by any of the following:
  - (A) A federal agency.
  - (B) A federal instrumentality.
  - (C) federal government sponsored enterprise.

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) Municipal securities issued by an Indiana local governmental entity, a quasigovernmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase. A security purchased by the treasurer of state under this subdivision must have a stated final maturity of not more than five (5) years after the date of purchase."

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.).

(b) The investments described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under IC 5-13-9.5.

(c) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:
  - (A) A federal agency.
  - (B) A federal instrumentality.
  - (C) A federal government sponsored enterprise.
- (3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2). . . ."

**OVERDRAWN CASH BALANCES**

The financial statement presented for audit included funds with overdrawn cash balances at December 31, 2015. Cash balances of some of the City's funds were overdrawn due to grant funds operating on a reimbursement basis. Reimbursement grants require the City to expend funds and subsequently request reimbursement. Only those City funds with overdrawn cash balances at December 31, 2015, which were not due to the timing of reimbursements, are listed below:

Fund Name	Amount Overdrawn
General	\$ 6,662,775
Self-Insurance	572,226
Protective Services Grant I	1,033,929
Emergency Shelter	617,397
Health And Human Services	476,487
Leased Properties - Gary Bldg Corp.	276,621

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

All funds noted above, except for the Self-Insurance fund, have been overdrawn continuously for seven or more years.

A similar comment has appeared in several prior Reports.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**TEMPORARY TRANSFER OF FUNDS**

Various temporary transfers between certain funds were made and not repaid within the time frame permitted by statute. A similar comment appeared in several prior Reports. The following summarizes the temporary transfer activity of the City and the Gary Sanitary District (GSD) for 2015:

Loan To	Loan From	Loans Outstanding January 1, 2015	Loans Made	Loans Repaid	Loans Outstanding December 31, 2015
General	Other City Funds (Excluding GSD Funds)	\$ 11,925,800	\$ 2,183,215	\$ 1,965,000	\$ 12,144,015
General Other City Funds (Excluding GSD Funds)	GSD Funds	5,357,127	-	-	5,357,127
	Other City Funds (Excluding GSD Funds)	449,317	200,000	29,000	620,317
GSD Solid Waste Disposal	GSD WWTP General Operating	<u>10,162,000</u>	-	-	<u>10,162,000</u>
	Totals	<u>\$27,894,244</u>	<u>\$2,383,215</u>	<u>\$1,994,000</u>	<u>\$28,283,459</u>

Of the \$28,283,459 outstanding and not repaid by December 31, 2015, \$25,900,244 (92%) has been outstanding since 2014 or prior, as noted below:

Receiving Fund	Disbursing Fund	Outstanding Balance	Outstanding Since
General	Various GSD Funds	\$ 5,357,127	2006
General	Consolidated Area TIF District	668,000	2009
General	Lakefront TIF District	435,000	2009
General	Alcohol and Drug Treatment	80,800	2010
General	Media	400,000	2010
General	Remote Encoding Center	500,000	2010
Parks and Recreation	Consolidated Area TIF District	380,000	2010
GSD Solid Waste Disposal	GSD WWTP General Operating	500,000	2010
General	Media	600,000	2011
General	Cumulative Capital Development	170,000	2011
General	Consolidated Area TIF District	2,300,000	2011
GSD Solid Waste Disposal	GSD WWTP General Operating	897,000	2011
General	Consolidated Area TIF District	32,000	2012
Lancaster Dusable TIF District	Lakefront TIF District	40,317	2012
GSD Solid Waste Disposal	GSD WWTP General Operating	5,275,000	2012
General	Lakefront TIF District	2,225,000	2013
GSD Solid Waste Disposal	GSD WWTP General Operating	3,490,000	2013
General	Lakefront TIF District	<u>2,550,000</u>	2014
Subtotal Outstanding Since 2014		25,900,244	
General	CEDIT	653,215	2015
General	Public Safety Income Tax	530,000	2015
Midwest Center TIF District	Blight Elimination Program	200,000	2015
General	Lakefront TIF District	<u>1,000,000</u>	2015
Total		<u>\$28,283,459</u>	

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additionally, the loan repayments from the Parks and Recreation fund to the Consolidated Area TIF District fund and from the Midwest Center TIF District fund to the Blight Elimination Program fund were not included in an ordinance to extend the date of payment.

Indiana Code 36-1-8-4, concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash low purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

***RECORDING OF TAX INCREMENT FINANCING RECEIPTS***

The City's December 2015 property tax settlement received from the County Auditor included a negative \$3,001,749 adjustment. The adjustment decreased the amount of the tax settlement received due to a refund owed a taxpayer for an assessment appeal.

The adjustment affected certain parcels within the City's tax incremental financing (TIF) areas; including within the area of a previous TIF district which had been closed. The refund of taxes previously paid was primarily within the previous SR 912 No. 1 TIF District.

The City erroneously netted an adjustment of \$3,078,022 to the Lakefront TIF District fund which is a separate TIF district and fund. Since the refund applied to a closed TIF district which no longer existed, the adjustment should have been applied to the General fund.

Thus, the General fund owed the Lakefront TIF District fund for the erroneous posting of the refund.

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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: . . ."

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

**CREDIT CARDS AND TRAVEL**

The City's credit card policy stated in part: "Credit cards may be utilized by the above listed officials of the City of Gary for payment of Expenses for city business only." The credit card policy also stated in part: "Supporting documents such as paid bills and receipts must be available."

In testing payments of credit card purchases for compliance with the City's credit card use policy, we noted six purchases totaling \$2,094 charged to the various City departments that were not in compliance. In five of these instances, supporting documentation corresponding to charges on the credit card statement was missing. Additionally, some of these exceptions included travel expenditures for which documentation to support the business nature of the expense was not available.

In addition, the City's travel policy permitted the reimbursement of meals purchased by "High ranking city officials." The City's travel policy stated: "Written documentation outlining the nature of the business that precipitated the need for the meal is required." One of the exceptions noted above contained charges for meals at restaurants within the city limits. Documentation establishing the business nature of these meals was not provided or attached to the payment documentation.

A similar comment appeared in prior Report B47027.

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

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

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

(1) there is a fully itemized invoice or bill for the claim . . ."

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



FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMPENSATION FOR WORKING IN TWO POSITIONS**

An employee of the City was compensated during 2015 for working in two separate positions. The employee's primary position was as an Assistant Chief for Logistics for the Fire Department. This was a salaried position with a set bi-weekly amount per the City's salary ordinance. In addition, the Assistant Chief was compensated at an hourly rate for hours worked at the City's vehicle maintenance division. Records showing the rates paid and the hours worked by the Assistant Chief for each position were not adequately maintained.

For example, the hourly rate paid for the vehicle maintenance position could not be verified. The payroll form used did not document how the hourly rate was computed and the actual rate paid did not agree to any compensation approved on the City's salary ordinance.

The days worked by officers and employees at the fire department were recorded on "Station Logs." The Station Logs noted "Time 07:00," which per inquiry of the Human Resources Department personnel indicated 7:00 a.m. as the start of a shift that ended at 3:00 p.m. However, for the Assistant Chief, handwritten behind his name in parentheses was a time in military hours, for example "(Time 1200)." The Station Logs presented for audit did not clearly indicate the time a shift started, an end time, or the total hours worked.

The dates and hours worked at the vehicle maintenance division were recorded on "Bi-Weekly Time Sheets" (Time Sheets) and signed by employees and supervisors. For the Assistant Chief and using 7 a.m. to 3 p.m. as the basis for a regular workday at the fire department, 83 hours reported on the vehicle maintenance division Time Sheets overlapped with hours the Assistant Chief also reported working at the fire department.

Rather than being paid at regular intervals as other City employees in other positions, the Assistant Chief was compensated one time in December 2015 for the vehicle maintenance hours worked dating back to July 2015.

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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



## City Of Gary

### Department of Finance

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**KAREN M. FREEMAN-WILSON**

Mayor

**M. CELITA GREEN**

Director of Finance

**MICHELE ROBY**

Chief Accountant

December 27, 2016

State Board of Accounts  
Mr. Paul Joyce, State Examiner  
302 W. Washington Street  
Indianapolis, Indiana 46204

RE: 2015 Audit Results and Comments – Finance Department

- I. Depositories and Investments – The City has contacted several financial institutions since the last audit, and after the various institution’s analysis of the investment, each institution declined to purchase the investment due to the various restrictions governing the investment. We have since obtained a listing of the state approved depositories, and contacted a financial institution in the area regarding the managing of this investment. We hope to identify a financial institution that will agree to manage this investment within the next 60 days.
- II. Overdrawn Cash Balances- Since the economic down-turn and the enactment of property tax caps, along with low property tax collection rates, the City has not been able to eliminate the overdrawn cash balances for several funds. The City continues to explore new revenue streams to assist in reducing these deficit balances.
- III. Temporary Transfer of Funds – The City has a number of temporary inter-fund loans outstanding that were made during the period when the method changed for property tax assessment. During this time, property tax distributions were delayed for several months and inter-fund loans were made to operate until taxes were received. In addition, during this same period, property tax caps were being enacted and there was an economic down-turn where these circumstances became critical to the city’s

ability to repay the temporary inter-fund loans from the prior years in a timely manner. The City continues to consistently repay loans each year to reduce the outstanding balance, although the rate and amount of repayment is slower than statute requires.

- IV. Recording of Tax Increment Financing Receipts- There was a settlement with a taxpayer to refund Property Taxes in one TIF district. Some of the taxes were to be refunded by TIF, and some were to be refunded by General Fund. The City made a request to the County to pay in advance of the distribution some of the refund, and that request was denied. Instead, the County issued negative distributions to all of the TIF districts, instead of the TIF district that owed the refund. The City charged the negative distributions to the responsible TIF district.
- V. Compensation – Prior to State Board of Accounts audit engagement, an internal audit was being completed by the City to determine whether there were any inconsistencies in the employee's time sheets for both the Fire Department and Vehicle Maintenance Superintendent positions. The City discovered that inconsistencies existed, and informed the employee that repayment must be made for all inconsistencies. This information was shared with State Board of Accounts during the audit.

FINANCE DEPARTMENT  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Karen Freeman-Wilson, Mayor; Dayna Bennett, Chief of Staff; Ronald G. Brewer, Sr., President of the Common Council; M. Celita Green, Controller; Michelle Roby, Deputy Controller; Roxanne Williams, Internal Auditor; and Lisa Jackson, Grant Administrator.

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CLERK  
CITY OF GARY

CLERK  
CITY OF GARY  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS**

A complete and accurate Cash Bond Register and Trust Register that reflected the Cash Book balances of \$621,533 and \$102,694, respectively, was not available for audit.

The Clerk's office researched the manual records to find recording errors from prior years in both the Cash Bond Register and the Trust Register from the Criminal Division. Transactions since April 30, 2005, have been recorded using a computer system. Personnel researched the old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 30, 2005, for both Cash Bonds and Trust items. As the Clerk's office personnel researched the old dockets, they recorded in the computer system the detail amounts from prior to April 30, 2005, that are still held in Cash Bonds or Trust. While the Clerk's office researched open balances, there were substantial amounts of open cash bond deposits that have been held since 1990 and still on hand as of December 31, 2015. Indiana Code requires the Court to forfeit bonds when a defendant fails to appear in Court and transfer the amount to the State Common School fund.

Similar comments have appeared in prior Reports.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

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.



CLERK  
CITY OF GARY  
AUDIT RESULT AND COMMENT  
(Continued)

(b) In a criminal case, if the court having jurisdiction over the criminal case receives written notice of a pending civil action or unsatisfied judgment against the criminal defendant arising out of the same transaction or occurrence forming the basis of the criminal case, funds deposited with the clerk of the court under section 3.2(a)(2) of this chapter may not be declared forfeited by the court, and the court shall order the deposited funds to be held by the clerk. If there is an entry of final judgment in favor of the plaintiff in the civil action, and if the deposit and the bond are subject to forfeiture, the criminal court shall order payment of all or any part of the deposit to the plaintiff in the action, as is necessary to satisfy the judgment. The court shall then order the remainder of the deposit, if any, and the bond forfeited.

(c) Any proceedings concerning the bond, or its forfeiture, judgment, or execution of judgment, shall be held in the court that admitted the defendant to bail.

(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 a 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. . . ."



Criminal Division

555 Polk Street  
Gary, Indiana 46402  
(219) 881-1263  
Fax (219) 881-1182

**Gary City Clerk  
Suzette Raggs**

Civil Division

555 Polk Street  
Gary, Indiana 46402  
(219) 881-1354  
Fax (219) 881-1439

December 29, 2016

Mr. Paul Joyce  
State Examiner  
State Board of Accounts  
302 W. Washington Street, Room E-418  
Indianapolis, Indiana 46204

Re: Official Response to the 2015 Audit Results & Comments

Dear Mr. Joyce:

This correspondence is in response to the receipt of the 2015 Results & Comments from the State Board of Accounts regarding its audit for the Criminal & Civil Divisions of the Gary City Clerk's Office for the Period of January 1, 2015 to December 31, 2015.

Although repetitious, it is very true how much we continue to appreciate the observations and comments shared by the State Board of Accounts' representatives and will incorporate changes wherever necessary to comply with those guidelines which subsequently further reflect our continued commitment toward the implementation of a more efficient work environment.

State Board of Accounts representatives met with the Clerk, Chief Deputy Clerk, and Fiscal Manager during a scheduled exit conference to discuss the contents of their report. The following is hereby submitted as our official response to that report.

CONDITION OF RECORDS

State Board of Accounts noted that "a complete and accurate Cash Bond Register and Trust Register that reflects the Cash Book balances of \$921,533 and \$102,694, respectively, was not available for audit . . . While the Clerk's Office is researching open balances, there is a substantial amount of open cash bond deposits that have been held since 1990 still on hand as of December 31, 2015. Indiana Code requires the court to forfeit bonds when a defendant fails to appear in court and transfer the amount to the State Common School fund."

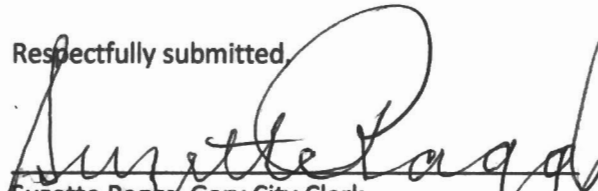
When the Gary City Clerk's Office began researching old dockets from 1985 to 2005 to determine an accurate detail of the amount on hand as of April 30, 2005, an excel spreadsheet was created as an internal document by year that lists the activity of each bond issued during those years. The spreadsheet was developed for the sole purpose of tracking information that would become available

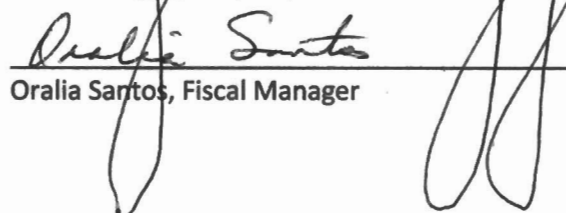
as older bonds were disbursed. Even through the activity detail of each bond transaction is readily available, the spreadsheet did not provide for a reconciliation of the older bond balances at each fiscal year-end. The spreadsheet has now been changed to reflect an end-of-year cutoff to assist in maintaining the balances.

Please be reminded that Cash Bond and Trust Registers had not been reconciled for a vast number of years prior to my administration and various records (some dating back to 1985) still cannot be located. However, a significant number of Cash Bonds and Trust Items have been identified within the past eight (8) years and successfully forfeited through the court in accordance with State Board of Account procedures.

Our office is especially blessed this year to have the addition of a more experienced fiscal manager and other qualified staff to implement those changes that will provide for greater compliance.

Respectfully submitted,

  
Suzette Raggs, Gary City Clerk

  
Oralia Santos, Fiscal Manager

CLERK  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Karen Freeman-Wilson, Mayor; Dayna Bennett, Chief of Staff; Ronald G. Brewer, Sr., President of the Common Council; M. Celita Green, Controller; Michelle Roby, Deputy Controller; Roxanne Williams, Internal Auditor; Lisa Jackson, Grant Administrator; Suzette Raggs, Clerk; Nancy Kim Reynolds, Chief Deputy Clerk; and Oralia Santos, Fiscal Manager.

SANITARY DISTRICT  
CITY OF GARY

SANITARY DISTRICT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

**TEMPORARY TRANSFER OF FUNDS**

As stated in several prior Reports, various temporary transfers between certain funds have been made and not repaid within the time frame permitted by statute. The following summarizes the temporary transfer activity of the City and the Gary Sanitary District (GSD) for 2015:

Loan To	Loan From	Loans Outstanding January 1, 2015	Loans Made	Loans Repaid	Loans Outstanding December 31, 2015
General (City)	GSD Funds	\$ 5,357,127	\$ -	\$ -	\$ 5,357,127
GSD Solid Waste Disposal	GSD WWTP General Operating	<u>10,162,000</u>	-	-	<u>10,162,000</u>
Totals		<u>\$15,519,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,519,127</u>

All of the amounts outstanding were not repaid by December 31, 2015, and have been outstanding since 2013 or prior as noted below:

Receiving Fund	Disbursing Fund	Outstanding Balance	Outstanding Since
General (City)	GSD Equipment Replacement	\$ 3,857,127	2006
General (City)	GSD Capital Improvement	1,500,000	2006
GSD Solid Waste Disposal	GSD WWTP General Operating	500,000	2010
GSD Solid Waste Disposal	GSD WWTP General Operating	897,000	2011
GSD Solid Waste Disposal	GSD WWTP General Operating	5,275,000	2012
GSD Solid Waste Disposal	GSD WWTP General Operating	<u>3,490,000</u>	2013
Total		<u>\$ 15,519,127</u>	

Indiana Code 36-1-8-4, concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

SANITARY DISTRICT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

**FUND SOURCES AND USES**

As stated in the prior Report B47027, the GSD had various funds to account for its activities. The GSD WWTP General Operating fund (Operating) was to account for the receipts and disbursements associated with the operation, construction, and maintenance of the wastewater treatment plant. The GSD Solid Waste Disposal fund (Solid Waste) was to account for the receipts and disbursements associated with the collection and disposal of trash, garbage and solid waste. The receipts and costs related to these activities were to be recorded in the related fund created to account for the activity.

The City established separate user charges for funding the operation and maintenance of the wastewater treatment plant and the collection and disposal of trash, garbage and solid waste. However, the Operating fund subsidized the Solid Waste fund.

Upon receipt of collections from customers, all user fees were recorded in the Operating fund. This included all user fees collected for the Solid Waste fund.

The user fees for trash collections were not transferred to the Solid Waste fund. Instead, the GSD determined that \$4,820,000 was needed to cover the expenses of the Solid Waste fund. Thus, \$400,000 or \$410,000 was transferred monthly from the Operating fund to the Solid Waste fund to cover the monthly expenses. This method of accounting does not accurately reflect the activity of the funds.

For 2015, if the GSD had recorded the monthly user fees into the Solid Waste fund and used those collections to pay for the related costs, disbursements would have exceeded receipts by \$1,861,515. In addition, because the trash collections user fees were recorded in the Operating fund and transfers to the Solid Waste fund exceeded those user fees, the Operating fund subsidized \$1,230,814 of the 2015 solid waste operations as follows:

Explanation	Amount
Trash fees collected and posted to GSD WWTP General Operating	\$ 3,589,186
Less: GSD Solid Waste Disposal fund disbursements	<u>5,450,701</u>
Insufficient collections	<u>\$ (1,861,515)</u>
GSD WWTP General Operating transfers to GSD Solid Waste Disposal fund	\$ 4,820,000
Less: Trash fees collected and posted to GSD WWTP General Operating	<u>3,589,186</u>
GSD WWTP General Operating subsidy of GSD Solid Waste Disposal	<u>\$ 1,230,814</u>

SANITARY DISTRICT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-9-25-11 states in part:

"(a) In connection with its duties, the board may fix fees for the treatment and disposal of sewage and other waste discharged into the sewerage system, collect the fees, and establish and enforce rules governing the furnishing of and payment for sewage treatment and disposal service. The fees must be just and equitable and shall be paid by any user of the sewage works

...

(b) The board may change fees from time to time. The fees, together with the taxes levied under this chapter, must at all times be sufficient to produce revenues sufficient to pay operation, maintenance, and administrative expenses, to pay the principal and interest on bonds as they become due and payable, and to provide money for the revolving fund authorized by this chapter. . . ."

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)

Fund means "cash" or a group of accounts set aside for the purpose of accounting for moneys or other resources of general functions or specific activities such as utilities, construction projects or other activities of a city or town in accordance with a system of accounts prescribed by the State Board of Accounts or as required by statute. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

GAAFR defines a fund as: "A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations." A further discussion of the types of funds GAAFR requires will be found in Chapter 2, Section B, Page 7-1. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

### ***DELINQUENT WASTEWATER ACCOUNTS***

Delinquent wastewater fees and penalties have not been certified to the County Auditor since 2009. The delinquent fees have been recorded with the County Recorder more frequently, but not certified to the County Auditor.

A similar comment appeared in prior Reports B47027 and B44236.

Indiana Code 36-9-23-33 states in part:

". . . (c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.



SANITARY DISTRICT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (B) A description of the premises, as shown by the records of the county auditor.
- (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."
- (d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
- (f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

***SUBSEQUENT EVENT - GOVERNMENT EMPLOYEE HOLDING OFFICE***

Indiana Code 3-5-9-7 permits government employees who also held elective office as of January 1, 2013, to continue holding elected office until the end of term of office. The Gary Common Council has an elected member, Mary M. Brown, who also works for the GSD as the Director of Customer Service.

The GSD was created by ordinance and is considered to be a department of the City. Indiana Code 36-9-25-3 states in part: "(a) A department of public sanitation is established as an executive department of the municipality. . . ."

As stated in prior Report B47027, Council member Mary M. Brown's term of office affected by Indiana Code 3-5-9-7 expired as of December 31, 2015. Council member Brown was re-elected in November 2015 and began a new term of office on January 1, 2016. Council member Brown, who was employed with the GSD during the previous term of office, has continued employment with the GSD in 2016 and has not complied with the requirements of Indiana Code 3-5-9-5. As a result, Mary M. Brown is deemed to have resigned her employment with the GSD on January 1, 2016. Any compensation paid to Mary M. Brown subsequent to October 14, 2016 (date of the prior Report B47027), related to employment with the GSD, may be the personal responsibility of Council member Mary M. Brown. The compensation paid to Mary M. Brown for time worked after October 14, 2016, with GSD until December 1, 2016, totaled \$6,308.

Indiana Code 3-5-9-1 states:

"As used in this chapter, 'elected office' refers only to the following:

- (1) The executive or a member of the executive body of a unit.
- (2) A member of the legislative body or fiscal body of a unit. "

Indiana Code 3-5-9-2 states: "As used in this chapter, 'government employee' refers to an employee of a unit. The term does not include an individual who holds only an elected office."

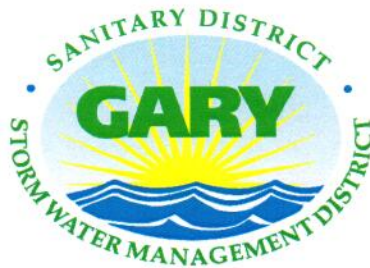
Indiana Code 3-5-9-5 states: "Except as provided in section 7 of this chapter, an individual is considered to have resigned as a government employee when the individual assumes an elected office of the unit that employs the individual."

SANITARY DISTRICT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 3-5-9-7 states in part:

"(a) Notwithstanding sections 4 and 5 of this chapter, a government employee who assumes or holds an elected office on January 1, 2013, may continue to hold the elected office and be employed as a government employee until the term of the elected office that the government employee is serving on January 1, 2013, expires.

(b) After the expiration of the term of the elected office that the government employee referred to in subsection (a) is serving on January 1, 2013, the government employee is subject to section 5 of this chapter with respect to assuming or holding an elected office and being employed by the unit that employs the government employee."



**2015 INDIANA STATE BOARD OF ACCOUNTS  
AUDIT COMMENT RESPONSES  
DECEMBER 28, 2016**

**GARY SANITARY DISTRICT  
GARY STORM WATER MANAGEMENT  
DISTRICT**

**MS. VERN E. WHITE  
DIRECTOR OF ADMINISTRATION  
3600 WEST 3RD AVENUE  
GARY, IN 46406**

**(219) 944-0595 Ext. 1813**



**Mayor Karen Freeman-Wilson**  
**Special Administrator**

**Daniel F. Vicari, P.E., BCEE**  
**Executive Director**

**Main Office**  
**3600 West 3<sup>rd</sup> Avenue**  
**Gary, IN 46406**  
**Telephone: 219-944-0595**  
**Fax: 219-977-8318**

**Customer Service**  
**839 Broadway**  
**Gary, IN 46402**  
**Telephone: 219-883-1027**  
**Fax: 219-883-1029**

**Gary Sanitary District**  
**Board of Commissioners**  
**&**  
**Gary Storm Water**  
**Management District**  
**Board of Directors**

**Charles W. Jackson, Jr.**  
**President**

**Tramel R. Raggs**  
**Vice President**

**Ola V. Morris**  
**Secretary/Treasurer**

**Richard J. Comer**  
**Member**

**Jewell Harris, Jr., Attorney**

**Website:**  
**[www.garysanitary.com](http://www.garysanitary.com)**

## **Gary Sanitary District**

### **2015 Audit Comment Responses**

#### **Temporary Transfer of Funds (includes City Funds)**

We concur with the outstanding loan balance between the City of Gary and the Gary Sanitary District (GSD). The City of Gary has made periodic payments over a period of time to eliminate the outstanding debt. GSD has continued to extend the loan and declare it is an emergency in accordance with the state statute.

The Gary Sanitary District made interfund loans between its General Operating Fund (670) and Solid Waste Fund (672) between 2009 and 2013. The interfund loans were required to cover the costs of solid waste expenses due to the low solid waste collection rate. In 2014, a decision was made to account for the transactions as transfers between the funds. GSD management is evaluating plans to address the outstanding loan and will seek board approval once a final resolution has been determined.

#### **Fund Resources and Uses**

GSD management is evaluating various alternatives to resolve the solid waste collection rate and increase revenue. The district is also evaluating utility billing software to eliminate manual accounting for sewer user funds and solid waste funds.

#### **Delinquent Wastewater Accounts**

The district is evaluating a billing software system to automate the sewer lien process and to enhance the certification and recording process. In the interim, the district will revisit this with staff to ensure delinquent wastewater fees and penalties are sent to the County Auditor's Office to be certified as we have sent them to be recorded with the Recorder's Office.

**An Equal Opportunity Employer**

*"Producing Living Water for a Quality Environment"*



**Mayor Karen Freeman-Wilson**  
**Special Administrator**

**Daniel F. Vicari, P.E., BCEE**  
**Executive Director**

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**Richard J. Comer**  
**Member**

**Jewell Harris, Jr., Attorney**

**Website:**  
**[www.garysanitary.com](http://www.garysanitary.com)**

## **Gary Sanitary District** **2015 Audit Comment Responses (Page 2.)**

### **Subsequent Event – Government Employees Holding Office**

GSD legal counsel has advised us that while the issue of dual lucrative offices, as defined by Indiana Constitution Article 2, Section 9 has been litigated in the Lake Circuit Court under Cause Number; 45C01-1512-PL-104, GSD has been advised that the case is being appealed. GSD will address this issue upon the conclusion of the litigation.

December 28, 2016

Submitted by,

Ms. Vern E. White  
Director of Administration  
Gary Sanitary District  
Gary Storm Water Management District  
vern@garysan.com  
219.944.0595 Ext. 1813  
219.944.0250 Fax. No.

**An Equal Opportunity Employer**

*“Producing Living Water for a Quality Environment”*

SANITARY DISTRICT  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Karen Freeman-Wilson, Mayor; Dayna Bennett, Chief of Staff; Ronald G. Brewer, Sr., President of the Common Council; M. Celita Green, Controller; Michelle Roby, Deputy Controller; Roxanne Williams, Internal Auditor; Lisa Jackson, Grant Administrator; Vern White, Director of Administration; and Charles Jackson, President of the Boards of Sanitary and Storm Water Commissioners.

COMMON COUNCIL  
CITY OF GARY

COMMON COUNCIL  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

**TEMPORARY TRANSFER OF FUNDS**

Various temporary transfers between certain funds were made and not repaid within the time frame permitted by statute. A similar comment appeared in several prior Reports. The following summarizes the temporary transfer activity of the City and the Gary Sanitary District (GSD) for 2015:

Loan To	Loan From	Loans Outstanding January 1, 2015	Loans Made	Loans Repaid	Loans Outstanding December 31, 2015
General	Other City Funds (Excluding GSD Funds)	\$11,925,800	\$2,183,215	\$1,965,000	\$12,144,015
General	GSD Funds	5,357,127	-	-	5,357,127
Other City Funds (Excluding GSD Funds)	Other City Funds (Excluding GSD Funds)	449,317	200,000	29,000	620,317
GSD Solid Waste Disposal	GSD WWTP General Operating	<u>10,162,000</u>	-	-	<u>10,162,000</u>
	<b>Totals</b>	<u>\$27,894,244</u>	<u>\$2,383,215</u>	<u>\$1,994,000</u>	<u>\$28,283,459</u>

Of the \$28,283,459 outstanding and not repaid by December 31, 2015, \$25,900,244 (92%) has been outstanding since 2014 or prior, as noted below:

Receiving Fund	Disbursing Fund	Outstanding Balance	Outstanding Since
General	Various GSD Funds	\$ 5,357,127	2006
General	Consolidated Area TIF District	668,000	2009
General	Lakefront TIF District	435,000	2009
General	Alcohol and Drug Treatment	80,800	2010
General	Media	400,000	2010
General	Remote Encoding Center	500,000	2010
Parks and Recreation	Consolidated Area TIF District	380,000	2010
GSD Solid Waste Disposal	GSD WWTP General Operating	500,000	2010
General	Media	600,000	2011
General	Cumulative Capital Development	170,000	2011
General	Consolidated Area TIF District	2,300,000	2011
GSD Solid Waste Disposal	GSD WWTP General Operating	897,000	2011
General	Consolidated Area TIF District	32,000	2012
Lancaster Dusable TIF District	Lakefront TIF District	40,317	2012
GSD Solid Waste Disposal	GSD WWTP General Operating	5,275,000	2012
General	Lakefront TIF District	2,225,000	2013
GSD Solid Waste Disposal	GSD WWTP General Operating	3,490,000	2013
General	Lakefront TIF District	<u>2,550,000</u>	2014
Subtotal Outstanding Since 2014		25,900,244	
General	CEDIT	653,215	2015
General	Public Safety Income Tax	530,000	2015
Midwest Center TIF District	Blight Elimination Program	200,000	2015
General	Lakefront TIF District	<u>1,000,000</u>	2015
Total		<u>\$28,283,459</u>	



COMMON COUNCIL  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additionally, the loan repayments from the Parks and Recreation fund to the Consolidated Area TIF District fund and from the Midwest Center TIF District fund to the Blight Elimination Program fund were not included in an ordinance to extend the date of payment.

Indiana Code 36-1-8-4, concerning temporary transfer states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash low purposes from another fund of the political subdivision if all these conditions are met: . . .

(3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.

(4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

(1) Passes an ordinance or a resolution that contains the following:

(A) A statement that the fiscal body has determined that an emergency exists.

(B) A brief description of the grounds for the emergency.

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

(2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

***SUBSEQUENT EVENT - GOVERNMENT EMPLOYEE HOLDING OFFICE***

Indiana Code 3-5-9-7 permits government employees who also held elective office as of January 1, 2013, to continue holding elected office until the end of term of office. The Gary Common Council has an elected member, Mary M. Brown, who also works for the GSD as the Director of Customer Service.

The GSD was created by ordinance and is considered to be a department of the City. Indiana Code 36-9-25-3 states in part: "(a) A department of public sanitation is established as an executive department of the municipality. . . ."

COMMON COUNCIL  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

As stated in prior Report B47027, Council member Mary M. Brown's term of office affected by Indiana Code 3-5-9-7 expired as of December 31, 2015. Council member Brown was re-elected in November 2015 and began a new term of office on January 1, 2016. Council member Brown, who was employed with the GSD during the previous term of office, has continued employment with the GSD in 2016 and has not complied with the requirements of Indiana Code 3-5-9-5. As a result, Mary M. Brown is deemed to have resigned her employment with the GSD on January 1, 2016. Any compensation paid to Mary M. Brown subsequent to October 14, 2016 (date of the prior Report B47027), related to employment with the GSD, may be the personal responsibility of Council member Mary M. Brown. The compensation paid to Mary M. Brown for time worked after October 14, 2016, with GSD until December 1, 2016, totaled \$6,308.

Indiana Code 3-5-9-1 states:

"As used in this chapter, 'elected office' refers only to the following:

- (1) The executive or a member of the executive body of a unit.
- (2) A member of the legislative body or fiscal body of a unit. "

Indiana Code 3-5-9-2 states: "As used in this chapter, 'government employee' refers to an employee of a unit. The term does not include an individual who holds only an elected office."

Indiana Code 3-5-9-5 states: "Except as provided in section 7 of this chapter, an individual is considered to have resigned as a government employee when the individual assumes an elected office of the unit that employs the individual."

Indiana Code 3-5-9-7 states in part:

"(a) Notwithstanding sections 4 and 5 of this chapter, a government employee who assumes or holds an elected office on January 1, 2013, may continue to hold the elected office and be employed as a government employee until the term of the elected office that the government employee is serving on January 1, 2013, expires.

(b) After the expiration of the term of the elected office that the government employee referred to in subsection (a) is serving on January 1, 2013, the government employee is subject to section 5 of this chapter with respect to assuming or holding an elected office and being employed by the unit that employs the government employee."

COMMON COUNCIL  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Karen Freeman-Wilson, Mayor; Dayna Bennett, Chief of Staff; Ronald G. Brewer, Sr., President of the Common Council; M. Celita Green, Controller; Michelle Roby, Deputy Controller; Roxanne Williams, Internal Auditor; and Lisa Jackson, Grant Administrator.

The comment entitled "Subsequent Event - Government Employee Holding Office" was sent by certified mail to Mary M. Brown, Council member, on December 15, 2016.

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PARK DEPARTMENT  
CITY OF GARY

PARK DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS - GOLF COURSE***

Golf course personnel brought envelopes with the cash collections and credit card receipt copies to the Park Administrative office. Golf course staff wrote the amount of the cash on the face of the envelope. The Park Department Secretary counted and verified the cash to the amount stated on the envelope.

However, the Secretary was not able to verify the cash with a daily sales report or cash register "Z-tape," since the golf course did not remit this documentation. When we requested this documentation for audit, it was not provided. We were advised that the golf course had retained the 2015 daily sales report or Z-tapes, but they were not remitted to the Park Administrative office. Thus, the completeness of golf course collections could not be tested.

The golf course started attaching the Z-tapes to the daily collection remitted to the Park Secretary in 2016.

A similar comment appeared in prior Report B47027.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

***RECEIPT ISSUANCE AND FEES***

***Marquette Park Pavilion***

The Marquette Park Pavilion collections were not remitted timely to the Finance Department. Collections were remitted between four to six days after the collection date.

***Marquette and Lake Street Beach Parking***

Marquette Beach parking: The daily sales reports for the credit card payments were not presented for audit. The daily report from the cash register had only cash sales for the day. The daily folders with tickets issued did not contain tickets to support the credit card parking payments.

Lake Street Beach parking: The cash register system did not print daily sales reports. Daily sales reports were not retained or available for audit.

PARK DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***Park Receipt Issuance - Parking Collection***

The Park Department secretary did not issue receipts for the parking collections remitted to her. The Marquette and Lake Street Beach staff remitted the collections to the Park secretary, who counted the cash and took these collections to the Finance Department for deposit. Receipts were not written at the Park Department at the time the collections were remitted.

In addition, the parking collections were not remitted timely to the Finance Department. Collections were remitted between four to six days after the collection date.

***Hudson Campbell***

The facility did not charge the fees according to the fee schedule. The daily guest fee was changed to attract more customers but the change was not approved by the Park Board.

A similar comment appeared in the prior Report B47027.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

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)

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 5-13-6-1(d) states in part: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds. . . ."

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



**CITY OF GARY**  
**DEPARTMENT OF PUBLIC PARKS & RECREATION**

**Board of Commissioners**  
Rev. Dwight Gardner, President  
Renee Ceaser Patterson, Vice President  
Juanita Jackson, Secretary  
Tommy Williams, Member

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**Karen Freeman-Wilson**  
*Mayor, City of Gary*

**McKenya Dilworth, MAED, CPP**  
*Superintendent of Parks & Recreation*

**MEMO**

TO: CELITA GREEN

FROM: MCKENYA DILWORTH

SUBJECT: AUDIT RESULTS AND COMMENTS RESPONSE

DATE: TUESDAY, DECEMBER 27, 2016

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**INTERNAL CONTROLS**

The audit results of the three (3) revenue centers centered round inefficiencies related directly to internal controls. Cash handling processes were noted as inefficient and the reports detailing all transactions including credit card usage were not evident in the cases of the Hudson & Campbell, Marquette Park and Beach parking.

In order to rectify these areas within the internal control processes, receipts will be given by the administrative office manager upon receipt of the monies from the revenue centers. In this way, stronger accountability is in place before the monies reach the Finance Office at City Hall.

**RECEIPTS**

Daily sales reports have been missing in the past audit findings but we are seeking to make sure that all reports are accompanied with monies at the time of the deposits. All revenue centers now have their own receipt books and sequential numbering system.

**FEES**

Any and all fees associated with the Department of Public Parks & Recreation will be approved by the Board of Commissioners. In this way, the Department stays in compliance with State statute and avoids any wrong doing in regards to this area.



PARK DEPARTMENT  
CITY OF GARY  
EXIT CONFERENCE

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GENESIS CONVENTION CENTER  
CITY OF GARY

GENESIS CONVENTION CENTER  
CITY OF GARY  
AUDIT RESULT AND COMMENT

**GENESIS CONVENTION CENTER CONTRACTS AND FEES**

The Genesis Convention Center (GCC) was funded by user charges for room rentals and food sales.

The GCC entered into contracts with customers based upon needs of the events. Internal controls, including segregation of duties, had not been established for the calculation of the user charge, receipt of charges, and approval of the contracts. The Executive Manager prepared, calculated, and approved (signed) the rental contracts.

Based upon the fee schedule, the room charge could be waived if sufficient food sales occur. We noted that the fees charged and collected were not in accordance with the established fee schedule which resulted in both under and over charging of customers. The following discrepancies were noted:

1. Meal fees charged were not in accordance with the fee schedule.
2. The room rental waivers for events of 100 or more individuals were not properly calculated.
3. Room rental fees were not in accordance with the schedule.
4. Sales tax was calculated incorrectly.

Additionally, the Z-tape report was not provided for the Wednesday night Stepper event on January 28, 2015.

Finally, the policy adopted by the GCC Board granted additional discounts to the Board of Managers and the Board Attorney. The discount for the Board of Managers is 50 percent on food and no room rental charge and a 40 percent discount for the Board Attorney. These discounts resulted in the reduction or elimination of profits for these qualifying rentals. These discounts could have resulted in a taxable fringe benefit to the City employees and may have required reporting on the employees' Wage and Income Statement, Internal Revenue Service Form W-2.

A similar comment appeared in the prior Report B47027.

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)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

GENESIS CONVENTION CENTER  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Karen Freeman-Wilson, Mayor; Dayna Bennett, Chief of Staff; Ronald G. Brewer, Sr., President of the Common Council; M. Celita Green, Controller; Michelle Roby, Deputy Controller; Roxanne Williams, Internal Auditor; Lisa Jackson, Grant Administrator; Deborah Hendricks Black, Executive Manager; and Brenda Tucker, President of the Genesis Convention Center Board.

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FIRE DEPARTMENT  
CITY OF GARY

FIRE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS

***EMERGENCY MEDICAL SERVICES (EMS) BILLINGS***

The City contracted with a vendor to bill and collect fees for ambulance services provided by the Fire Department. The Gary Fire Department did not compare the Patient Care Reports (PCR) generated by the Fire Department from EMS runs to the Charge Detail Report from vendor. The Fire Department did not review the Vendor Summary Reports and compare it to the actual deposit. The Fire Department did not have adequate internal controls over customer billing as well as electronic payments and deposits.

The mileage for a few customers reported to the billing vendor was rounded up to the next mile, while other customer's reported mileage was not rounded, but was carried out to the first decimal point. The customers whose miles were rounded were overcharged ranging from \$1 - \$9 for the service provided.

The classification as Basic or Advance Highest experience at Scene on the PCR did not always agree with the Charge Detail Report. Customers were charged as a Basic instead of an Advance charge as stated on the PCR.

A similar comment appeared in the prior Report B47027.

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)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***COMPENSATION FOR WORKING IN TWO POSITIONS***

An employee of the City was compensated during 2015 for working in two separate positions. The employee's primary position was as an Assistant Chief for Logistics for the Fire Department. This was a salaried position with a set bi-weekly amount per the City's salary ordinance. In addition, the Assistant Chief was compensated at an hourly rate for hours worked at the City's vehicle maintenance division. Records showing the rates paid and the hours worked by the Assistant Chief for each position were not adequately maintained.

For example, the hourly rate paid for the vehicle maintenance position could not be verified. The payroll form used did not document how the hourly rate was computed and the actual rate paid did not agree to any compensation approved on the City's salary ordinance.

The days worked by officers and employees at the fire department were recorded on "Station Logs." The Station Logs noted "Time 07:00," which per inquiry of the Human Resources Department personnel indicated 7:00 a.m. as the start of a shift that ended at 3:00 p.m. However, for the Assistant Chief, handwritten behind his name in parentheses was a time in military hours, for example "(Time 1200)." The Station Logs presented for audit did not clearly indicate the time a shift started, an end time, or the total hours worked.



FIRE DEPARTMENT  
CITY OF GARY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The dates and hours worked at the vehicle maintenance division were recorded on "Bi-Weekly Time Sheets" (Time Sheets) and signed by employees and supervisors. For the Assistant Chief and using 7 a.m. to 3 p.m. as the basis for a regular workday at the fire department, 83 hours reported on the vehicle maintenance division Time Sheets overlapped with hours the Assistant Chief also reported working at the fire department.

Rather than being paid at regular intervals as other City employees in other positions, the Assistant Chief was compensated one time in December 2015 for the vehicle maintenance hours worked dating back to July 2015.

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

FIRE DEPARTMENT  
CITY OF GARY  
EXIT CONFERENCE

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