

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

COMPLIANCE EXAMINATION REPORT

OF

CITY OF HAMMOND

LAKE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

11/21/2023



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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November 21, 2023

To: The Officials of the City of Hammond  
City of Hammond  
5925 Calumet Ave  
Hammond, IN 46320

This report is supplemental to the audit report of the City of Hammond (City), for the period January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the City. It should be read in conjunction with the financial statement audit report of the City, which provides an opinion on the City's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the City and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the City of Hammond, prepared by Crowe, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 5.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads 'Tammy R. White'.

Tammy R. White, CPA  
Deputy State Examiner

CITY OF HAMMOND

Lake County, Indiana  
January 1, 2022 to December 31, 2022

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CITY OF HAMMOND  
SCHEDULE OF OFFICIALS  
January 1, 2022 to December 31, 2022

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<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Term</u></b>
City Controller	Megan Flores	01-01-22 to 12-31-22
Mayor	Thomas M. McDermott, Jr.	01-01-22 to 12-31-22
President of the Board of Public Works and Safety	Kevin Margraf	01-01-22 to 12-31-22
President of the Common Council	Dave Woerpel	01-01-22 to 12-31-22

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of the City of Hammond

We have examined the City of Hammond's ("the City") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2022 to December 31, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* applicable to the City during the period January 1, 2022 to December 31, 2022, as described in items 2022-001, 2022-002, 2022-003, 2022-004, and 2022-005 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the City complied, in all material respects, with the aforementioned requirements during the period January 1, 2022 to December 31, 2022.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
October 31, 2023

CITY OF HAMMOND  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2022 to December 31, 2022

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**FINDING 2022-001: CAPITAL ASSETS**

A similar partial comment appeared in prior Reports B56533, B49726, B51340, B53551, B60257, and B61653 entitled FINDING 2016-001, FINDING 2017-001, and FINANCIAL TRANSACTIONS AND REPORTING.

***Condition and Context***

***Capital Assets - City***

There were not sufficient internal controls in place to ensure the accuracy of capital assets records for governmental activities. The City was unable to provide supporting documentation for beginning capital asset balances. As a result, we were unable to audit capital assets, accumulated depreciation, and depreciation expense for the City.

***Criteria***

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities.

According to this manual, every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**FINDING 2022-002: ADVANCE PAYMENTS**

A similar comment also appeared in 17 prior Reports, including the 3 most recent Reports B51340, B60257, and B61653.

***Condition and Context***

Employee compensation, hours, and leave time were reported by the departmental payroll clerks to the City Controller's office on a biweekly Payroll Earnings Forecast (forecast). The forecasts were submitted for payroll processing by the Monday or Tuesday prior to the pay date, which was on the following Friday. Salaried employees were paid for the prior and current week, and, therefore, were paid in advance of performing the service. The pay also did not reflect leave time used for the period covered.

***Criteria***

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

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(Continued)

CITY OF HAMMOND  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2022 to December 31, 2022

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**FINDING 2022-003: OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Reports B53551, B60257, and B61653.

***Condition and Context***

Certain cash fund balances were overdrawn due to funds with grants that operate on a reimbursement basis. Reimbursement grants require the City to expend funds and subsequently request reimbursement. The City funds with overdrawn cash balances as of December 31, 2022 are listed below:

<b>Fund</b>	<b>Fund Overdrawn</b>	<b>Amount</b>
2428	Fy2018 JAG Eqpt	\$ 2,213
2447	Fy2019 JAG Eqpt	39
2448	Fy2020 JAG Eqpt	3,325
2470	FY23 Ref Pub Sf	9,996
3342	2015 Water DSR	11,571

***Criteria***

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**FINDING 2022-004: BAD DEBT WRITE-OFF POLICY**

A similar comment also appeared in prior Reports B53551, B60257, and B61653.

***Condition and Context***

Management does not have a formally adopted bad-debt write-off policy. Management has an internal policy awaiting approval from those charged with governance.

***Criteria***

The governing body of a unit must have a written policy concerning a procedure for the writing off bad debts, uncollectible accounts receivable, or any adjustments to recorded balances. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1).

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(Continued)

CITY OF HAMMOND  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2022 to December 31, 2022

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**FINDING 2022-005: COMPENSATION AND BENEFITS**

**Criteria**

Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.”*

**Condition**

During testing of payroll expenditures, we noted that one instance, in a sample of ten, was not supported by a written contract. The biweekly expenditure was \$50 higher than the biweekly amount stated in the written executive order.

In the 2022 salary ordinance, the employee received a two percent raise from their 2021 pay rate. After the 2022 salary ordinance was issued, the employee received another raise for 2022 via an executive order that superseded the salary ordinance. However, the City improperly paid the employee a two percent raise on top of the pay rate stated in the executive order.

CITY OF HAMMOND  
EXIT CONFERENCE  
January 1, 2022 to December 31, 2022

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The contents of this report were discussed on September 25, 2023 with management and officials from the City, the Sanitary District, Stormwater Utility, Water Utility and component units, and with the City Controller.

<b>Name</b>	<b>Entity</b>	<b>Title</b>
Phil Taillon	Civil City	Chief of Staff
Barry Tyler Jr.	Civil City	Council Member
Megan Flores	Civil City	Controller
Tinisha Greenwell	Civil City	Deputy Controller of Operations
Julia Pustek	Port Authority	Finance Director
Milan A. Kruszynski	Port Authority	Director
Rachel Montes	Sanitary District	Business Manager
Marty Wielgos	Sanitary District	Chief Executive Officer
Kaleigh Boyle	Sanitary District	Lead Payroll Clerk
Monica Rubio	Sanitary District	Board Member
Owana Miller	Sanitary District	Board Member
Deborah L. Van Meter	Water Utility	Business Manager
Sharon Daniels	Water Works	Board President
Jaime Prieto	Water Works	Deputy Executive Operator
Mark McLaughlin	Water Works	Chief Executive Officer
Katie Barry	RSM	-
Artur Miller	RSM	-
Danny Parets	RSM	-
Scott Nickerson	Crowe	-
Joseph Widjaja	Crowe	-
Vicki Urbanik-Randall	SBOA	-