

**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, 2023 to December 31, 2023



**FILED**  
09/16/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David Benson	01-01-23 to 12-31-24
Mayor	Peter D. Land	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Peter D. Land	01-01-23 to 12-31-24
President Pro Tempore of the Common Council	Dawn Stokes Chad Jeffries	01-01-23 to 12-31-23 01-01-24 to 12-31-24



**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 the audit report of the City of Crown Point (City), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 28, 2024

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CLERK-TREASURER  
CITY OF CROWN POINT

CLERK-TREASURER  
CITY OF CROWN POINT  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There was a deficiency in the internal control system of the City related to financial transactions and reporting. The City had not designed or implemented a system of internal controls, which would verify that all debt transactions were recorded in the ledgers and reported on the financial statement.

The City sold \$5,500,000 of Redevelopment District Tax Increment Revenue Bonds on June 15, 2023, to repay the 2018 Redevelopment District Bond Anticipation Note (BAN). At closing, the bond proceeds were used to repay the balance of the BAN for \$4,852,528, and the remaining \$647,472 was transferred to the City and receipted to the CP Redevelopment Debt Service Reserve fund for \$538,044 and the Redevelopment Capital Fund for \$109,428.

The City did not record or report the \$4,852,528 in bond proceeds or the corresponding disbursement for the repayment of the BAN. This resulted in the understatement of receipts and disbursements by \$4,852,528 each.

Adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City.

*Criteria*

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. 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](#)."

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:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City filed its reports as prescribed; however, the internal controls over the federal awards information entered into Gateway, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA), were not properly designed or implemented.

The federal grant information prepared and submitted in Gateway was not properly reviewed by the City to ensure that all federal grants were included on the grant schedule. The City was a subrecipient of the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds grant from Lake County to be used for the Wastewater Utility Improvement Project.

Due to the lack of internal controls, the grant schedule presented for audit omitted the COVID-19 - Coronavirus State and Local Fiscal Recovery Funds that were passed through Lake County, which understated expenditures by \$2,778,052.

Adjustments were proposed, accepted by the City, and made to the SEFA presented in the Federal Compliance Audit Report of the City.

*Criteria*

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

"The state examiner shall require from every audited entity 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](#)."

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

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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CLERK-TREASURER  
CITY OF CROWN POINT  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2024, with David Benson, Clerk-Treasurer; Andrew Kyres, Common Council member and Redevelopment Commission member; Craig R. Slosson, Redevelopment Commission member; Anthony Schlueter, Chief of Staff; David H. Nicholls, City Attorney; Juline Heidbreder, Deputy Clerk; Bette J. Babjak, Chief Deputy Clerk; and Sheri Herma, Deputy Clerk.

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COMMON COUNCIL  
CITY OF CROWN POINT

COMMON COUNCIL  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT

***DISCLOSURE OF RELATED-PARTY TRANSACTION***

*Condition and Context*

It was identified that the City had entered into related-party transaction with a vendor involving City Inspector, Keith Anderson (Anderson). Anderson is considered a "public servant" per Indiana Code 35-31.5-2-261. With respect to Crown HVAC, Inc., Anderson's wife served as the "Owner" of the entity, per a review of documents on file with the Indiana Secretary of State (SOS).

Based upon the circumstances, the Indiana State Board of Accounts (SBOA) would expect a conflict of interest disclosure for this related-party transaction to be filed. However, there was no evidence to support a conflict of interest disclosure was filed with the SBOA or the Lake County Clerk of the Circuit Court during the audit period that covered these matters. The related-party transactions in 2023 totaled \$21,479 to Crown HVAC, Inc. Additionally, subsequent period related-party transactions were identified, totaling \$13,952, to Crown HVAC, Inc.

*Criteria*

Indiana Code 35-31.5-2-261 states in part:

"'Public servant' means a person who:

- (1) is authorized to perform an official function on behalf of, and is paid by, a governmental entity;
- (2) is elected or appointed to office to discharge a public duty for a governmental entity; or
- (3) with or without compensation, is appointed in writing by a public official to act in an advisory capacity to a governmental entity concerning a contract or purchase to be made by the entity."

COMMON COUNCIL  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT  
(Continued)

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
  - (A) the state board of accounts; and
  - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

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

COMMON COUNCIL  
CITY OF CROWN POINT  
EXIT CONFERENCE

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REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT

REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT

**REDEVELOPMENT COMMISSION GENERAL FUND AND TIF ALLOCATION AREAS**

A similar comment also appeared in nine prior reports, including the three most recent Reports B58524, B59827, and B61697.

*Condition and Context*

The establishment of a Redevelopment General Fund is authorized by Indiana Code 36-7-14-28(c). 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 development." The powers granted to a Redevelopment Commission in Indiana Code 36-7-14-12.2 allow the Redevelopment 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.

There were deficiencies in the internal control system of the City related to ensuring Tax Increment Financing (TIF) allocation distributions were receipted to separate allocation area funds, as required, or expensed within the restricted uses authorized by Indiana Code.

The TIF distributions received for each TIF allocation area were to be receipted into an allocation fund for that specific allocation area per Indiana Code 36-7-14-39(b)(4). The City receipted the TIF Crown Point Sportsplex, the 2014 Redevelopment (Main Street), and I-65 W 109<sup>th</sup> Allocation Areas distributions into separate allocation area funds. However, the TIF I-65 distributions were receipted into the Redevelopment General fund (C.P. Redevelopment Fund) instead of a separate allocation area fund.

The main sources of revenue for the C.P. Redevelopment Fund in 2023 were from TIF distributions for the I-65 Allocation area of \$2,721,808 and the Indiana Department of Transportation grant reimbursements of \$110,325.

The expenses noted below from the C.P. Redevelopment Fund, which were funded by TIF distributions, were not within the restricted uses authorized in Indiana Code 36-7-14-39(b)(4):

- Purchase of annual reports for all TIF areas, totaling \$17,300.
- Purchase of holiday decor, totaling \$951.
- Legal services invoices tested noted that the legal expenses paid were for the Redevelopment Commission. The City had mistakenly recorded \$2,550 to the General Fund that was to be recorded in the C.P. Redevelopment Fund and \$1,838 to the Redevelopment Fund that should be recorded in the General Fund. However, descriptions did not always document how the expenses related to the specific TIF district. These expenses included drafting audit responses, meetings with City employees/officials and other professional service providers and consultants, and other legal services including parcel combinations, annexation, sponsorships and partnerships, and tax sale.

Additionally, the expenses noted below were determined to fall within the restricted uses authorized in Indiana Code 36-7-14-39(b)(3); however, the expense was determined to either not occur within the I-65 TIF allocation area or support was not provided to document that the work completed within the I-65 TIF allocation area.

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

- Reimbursements for one building façade grant outside of the I-65 TIF area, totaling \$25,000.
- Paid for returfing of fields four, five, seven, eight, nine, and ten that were determined to be outside the I-65 TIF area but are in the Sportsplex TIF area, totaling \$500,000.

*Criteria*

Indiana Code 36-7-14-39(b)(4) states in part:

". . . property tax proceeds . . . shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under [IC 36-1-10](#).

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission . . .

(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:

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

- (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: . . .

(M) Expend money and provide financial assistance as authorized in section 12.2(a)(27) of this chapter.

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

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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)

REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
EXIT CONFERENCE

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