B30768

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

AUDIT REPORT
OF

PARK DEPARTMENT
TOWN OF HIGHLAND
LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006

FILED
10/23/2007

TABLE OF CONTENTS

TOWN OFFICIALS

Office	Official	Term
Clerk-Treasurer	Michael W. Griffin	01-01-04 to 12-31-07
Park Director	Alex M. Brown	01-01-06 to 12-31-07
President of the Town Council	Joseph Wszolek	01-01-06 to 12-31-06
	Daniel Dernulc	01-01-07 to 12-31-07
President of the Park Board	Thomas P. Arnold	01-01-06 to 12-31-07

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF HIGHLAND

We have audited the records of the Park Department for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report of the Town of Highland for the year 2006.

STATE BOARD OF ACCOUNTS

August 15, 2007

PARK DEPARTMENT
TOWN OF HIGHLAND
AUDIT RESULTS AND COMMENTS

CLAIMS

Our test of claims for the Town included two payments for umpires hired by the Park Department. The claims were not detailed as to hours, days, or games umpired. One claim, totaling $240, was for 16 hours, and the second, totaling $1,140, was for 76 hours.

Another claim in our claim test was for the payment of three cash prizes for tournaments totaling $650. It was unclear whether this was the actual prize winner, or paid to a person that cashed the check and then distributed it to the three winners.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT DEPOSITS

The composition of the Park Department's receipts did not always agree to what was remitted and recorded on receipts issued by the Clerk-Treasurer.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONCESSION STAND INVENTORIES

The Park Department operates a centralized concession stand at its softball fields. The concession stand sells many "concession type" items. A system for accounting for inventory of the concession stand has not been implemented by the Park Department.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconcilement of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconcilement should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

The Park Department has sponsored monthly dances for the local middle school students at the Lincoln Center. We noted the following lack of internal controls:

1. Prenumbered tickets were not used.

2. The price on the ticket stated $5, even though the tickets were sold in advance for $3.

3. Ticket sales reports were not compiled.

4. Tickets collected at the dance were not retained for audit.

5. Expenditures for security personnel were paid from the cash proceeds.

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)

VENDING MACHINE COLLECTIONS

During our review of the Park Department's Lincoln Center's (Park) vending machine sales, we determined that the deposits made to the Park's bookkeeper were $9,480.18 less than the amounts that we calculated as actual sales.

The Park has five vending machines that it maintains. These vending machines sell Pepsi products, including Gatorade, and water. In addition, the Park uses the vending inventory to sell at special events in the Park's Main Square Park. A detailed inventory of these products is maintained. Also, detailed records are maintained of the dates and amount of each product that is stocked (fill sheets) into the machines and for the products taken to the special events. The inventory is kept in a locked storage room. We used the detailed fill sheets, which materially agree to the inventory usage, to calculate the actual sales of products.

One Park employee handles all vending duties. The duties include ordering products and maintaining the physical inventory, maintaining the inventory sheets, filling the machines, compiling the fill sheets, emptying the cash collections from the machines and remitting it to the Park bookkeeper, and determining what products to take and sell at the special events at the Main Square Park.

Our review of the official park receipts indicate that money was not remitted to the Park bookkeeper each time that the vending machines were filled. Also, money was not remitted to the Park bookkeeper from each event held at the Main Square Park. Although the records show that there were six nights of "Theatre in the Park," at Main Square Park, only one receipt for $75 was noted. For the six events of "Summer Concerts," we noted only two receipts totaling $350. For the two "Movies in the Park" events, we noted two receipts totaling $471. We could not find any receipts for the two "Senior Games" events held at the Lincoln Center.

Our reviews and calculations determined that the amount of sales from the vending machines should have been $12,387. The actual receipts turned over to the Park's bookkeeper, for vending machine sales, were $7,926.82. This leaves a shortage of $4,460.18 in vending machine sales that has not been receipted. Also, our reviews and calculations determined that the amount of sales from the items sold at the special events should have been $5,916. The actual receipts turned over to the Park's bookkeeper, for special events, were $896. This leaves a shortage of $5,020.

At times, bottled water and soft drinks were given out without a charge to the "Seniors" at their meetings and events. In our review of the Park Board minutes, we did not note any approval of free refreshments to any groups, nor did the Park Director indicate that he approved the action.

Although our calculations of sales at Main Square Park were based upon the vending inventory usage, we were advised that candy and popcorn from the "Softball Concessions" were also sold. We had no information available to calculate the amount of sales for these additional items.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

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 51)

RENTAL DEPOSITS

The Park Department charges a security deposit on certain room rentals. The renter must write a separate check for the deposit. The Park Department does not receipt these deposits for subsequent remittance to the Clerk-Treasurer for bank depositing. These checks are kept in the Park Department safe until after the rental date, at which time the check is returned if there was no breach of the rental rules. These deposits should be receipted to the Clerk-Treasurer for deposit and subsequently refunded to the renter by Town warrant.

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK DEPARTMENT
TOWN OF HIGHLAND
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2007, with Michael W. Griffin, Clerk-Treasurer; Daniel Dernulc, President of the Town Council; Thomas P. Arnold, President of the Park Board; Alex M. Brown, Park Director; Carol L. Morrison, Deputy Clerk-Treasurer; and Richard Underkofler, Town Manager. The official response has been made a part of this report and may be found on pages 8 through 15.

Highland Parks & Recreation

PARKS AND RECREATION

2450 Lincoln • Highland, Indiana 46322 • (219) 838-0114

Staff

Alex M. Brown
Superintendent

Chris Kubisz
Park Director

Pamela Baldin
Recreation Director

Thursday, October 4, 2007

Bruce Hartman, C.P.A.
State Examiner
Indiana State Board of Accounts
Indiana Government Center South E 418
302 W. Washington Street
Indianapolis, Indiana 46204-2738

Re: Corrective Action Plan in Response to the Audit Results and Comments Filed for the Parks and Recreation Department of the Town of Highland for its Audit Period ending December 31, 2006.

Dear Mr. Hartman:

The proper officers of the Town of Highland, Lake County, Indiana, met with the Field Examiners of the State Board of Accounts in August 15 2007, for what is commonly called an exit conference regarding the audit findings for the audit conducted for the fiscal year ended December 31, 2006, all pursuant to IC 5-11-1-8 and IC 5-11-1-25(a)(5). At that time, the field examiners presented to the proper officers written audit results and comments. In addition, a special second briefing regarding comments related to the Parks and Recreation Department occurred on August 28, 2007. In order to complete and more fully inform the final record of this review, the Parks and Recreation Department of the Town of Highland through its proper officers makes this response to the examiners' written comments.

Audit Result and Comment No. 1. Claims (Accounts Payable Vouchers). The Examiners indicated that their test of claims for the Town included two payments for umpires hired by the Park Department. The claims were not detailed as to hours, days, or games umpired. One claim, totaling $240, was for 16 hours, and the second, totaling $1,140, was for 76 hours. The examiners further indicated that another claim, in their claim test, was for the payment of three cash prizes for tournaments, totaling $650. It was unclear whether this was the actual prize winner, or paid to a person that cashed the check and then distributed it to the three winners.

The examiners suggested that accounts payable vouchers should have better supporting documentation and referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Corrective Action Plan and Response to Comment No. 1. This responder generally concurs in the examiners' finding. A new form has been developed and reviewed by the Office of the Clerk-Treasurer, pursuant to IC 36-5-6-6 (3) & (4), that will clarify the number of games and days officiated by each contracted umpire.

This responder notes that for league awards, it is possible that a person manages multiple teams, which may win more than one award per season. However, the Department will better clarify the league(s) and division for which each money prize is awarded.

In short, it is hoped that the actions already taken as well as those proposed in this response sufficiently address the examiners' remarks set forth in **Audit Result and Comment No. 1**

Audit Result and Comment No. 2. Receipts. The examiners reported that the composition of the Park Department receipts did not always agree to what was remitted and recorded on receipts issued by the Clerk-Treasurer.

The examiners indicated that public funds shall be deposited in the same form in which they were received. and referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7).

Corrective Action Plan and Response to Comment No. 2. This responder generally concurs in the examiners' finding. This responder notes that when a participant registers for a class or program, there is a place on the computer registration to indicate whether the person paid by check, cash, or a combination of the two. Further, Section §36.03(B)(2) of the Highland Municipal Code provides that *"all public funds shall be deposited in the same form in which they were received."*

This responder assures that staff will be instructed exercise greater care when indicating the form of payment as "check" or "cash" on receipts of the Parks and Recreation Department.

Audit Result and Comment No. 3. Concession Stand Inventories. The examiners noted that the Park Department operates a centralized concession stand at its softball fields. It was further noted that the concession stand sells many "concession type" items. The examiners suggested that a system for accounting for inventory of the concession stand has not been implemented by the Park Department.

The examiners instructed that internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconcilement of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconcilement should provide an accurate accounting. Persons with access to vending should be properly designated and access should be limited to those designated. The examiners referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7).

Corrective Action Plan and Response to Comment No. 3. This responder notes that the Park Department has operated a concession stand at the Sharp Athletic Complex for many years. This responder wishes to state that it has not been his experience that a system for accounting for inventory had been performed or in place. However, this responder notes the import of this comment. Based upon the forgoing, and the limitations in organizational capacity of the Park and Recreation Department, the staff will recommend to the Park and Recreation Board to contract-out the operation and services for this concession stand beginning in 2008.

It is hoped that the action proposed in this response sufficiently addresses the examiners' remarks set forth in **Audit Result and Comment No. 3**

Audit Result and Comment No. 4. Internal Controls. The examiners noted that the Park Department has sponsored monthly dances for the local middle school students at the Lincoln Center. The examiners reported the following lack of internal controls:

1. Prenumbered tickets were not used.
2. The price on the ticket stated $5, even though the tickets were sold in advance for $3.

3. Ticket sales reports were not compiled.
4. Tickets collected at the dance were not retained for audit.
5. Expenditures for security personnel were paid from the cash proceeds.

The examiners instructed that 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. The examiners referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Corrective Action Plan and Response to Comment 4. This responder notes that the Parks and Recreation Department has sponsored Middle School dances for many years. This responder further notes that tickets are printed on card stock and sold at the Middle School before and after school hours from a card table in the hallway. Tickets are also sold at the Lincoln Center in advance of the dances. Deposits are made after the sale of the tickets. The teens are allowed into the dance with their ticket on the night of the dance. It was believed that the use of a different color for tickets differentiating each month provided a form of internal control. Owing to the use of different colors, this responder notes that the tickets have not been historically kept.

However, this responder assures that the department will employ a numbered, dual-ticket stamped to denote its use for admission to the Park Department Middle School dance. Further, this responder assures that a report will be generated and retained indicating the number of tickets sold and the amount of the deposit associated with the dance. The deposit will include a memo stating the number of tickets sold. Ticket stubs will be retained for audit. Finally, this responder assures that Police officers or security personnel will be instructed to sign-in and will be paid on an accounts payable voucher according to the usual procedures for allowance of accounts payable vouchers as set forth in IC 5-11-10, IC 36-5-4 and IC 36-10-3.

It is hoped that the actions proposed in this response sufficiently address the examiners' remarks set forth in **Audit Result and Comment No. 4.**

Audit Result and Comment No. 5. Vending Machine Collections. The examiners reported that during reviews of the Park Department's Lincoln Center's (Park) vending machine sales, the examiners determined that the deposits made to the Park's bookkeeper were $9,480.18 less than the amounts that the examiners calculated as actual sales.

The examiners noted that the Park maintains five vending machines. These vending machines sell cold beverages including Pepsi products, Gatorade, and water. The examiners further noted that, the Park uses the vending inventory to sell at special events in the Park's Main Square Park. A detailed inventory of these products is maintained. Also, detailed records are maintained of the dates and amount of each product that is stocked (fill sheets) into the machines and for the products taken to the special events. The inventory is kept in a locked storage room. The examiners stated that they used the detailed fill sheets, which materially agree to the inventory usage, to calculate the actual sales of products.

The examiners further noted that one Park employee handles all vending duties. The duties include ordering products and maintaining the physical inventory, maintaining the inventory sheets, filling the machines, compiling the fill sheets, emptying the cash collections from the machines and remitting it to the Park bookkeeper, and determining what products to take and sell at the special events at the Main Square Park.

The examiners further stated that the examiners' review of the official park receipts indicate that money was not remitted to the Park bookkeeper each time that the vending machines were filled. The examiners further stated that money was not remitted to the Park bookkeeper from each event held at the Main Square Park. The examiners reported that although records show that there were six nights of "Theatre in the Park", at Main Square Park, only one receipt for $75 was noted. For the six events of "Summer Concerts", we noted only two receipts totaling $350. For the two "Movies in the Park" events, we noted two receipts totaling $471. The examiners stated that they could not find any receipts for the two "Senior Games" events held at the Lincoln Center.

The examiners' reviews and calculations determined that the amount of sales from the vending machines should have been $12,387.00. The actual receipts turned over to the Park's bookkeeper, for vending machine sales, were $7,926.82. This leaves a shortage of $4,460.18 in vending machine sales that has not been receipted. Also, the examiners' reviews and calculations determined that the amount of sales from the items sold at the special events should have been $5,916.00. The actual receipts turned over to the Park's bookkeeper, for special events, were $896.00. This leaves a shortage of $5,020.00.

The examiners further noted that sometimes bottled water and soft drinks were given out without a charge to the senior citizens a their meetings and events. In their review of Park Board minutes, the examiners stated that they did not note any approval of free refreshments to any groups, nor did the Park Director indicated that he approved the action.

The examiners further indicated that although our calculations of sales at Main Square Park were based upon the vending inventory usage, they were advised that candy and popcorn from the "Softball Concessions" were also sold. The examiners reported that they had no information available to calculate the amount of sales for these additional items.

The examiners instructed the Park Department regarding the duty of care and accounting for public funds and that failure to meet that duty of any officer or employee may be the personal obligation of the responsible officer or employee. The examiners referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

The examiners further instructed that 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. The examiners referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

Corrective Action Plan and Response to Comment 5. This responder as well as the officers of the Department and the Municipality take the issues presented in this comment very seriously. This response will not fully report the entirety of the response to this comment, which may be taken by the responder or the Park and Recreation Board, in consequence of this comment. However, this responder will offer some corrective measures that have been taken. This responder assures that the vending machines described in the comment, located at the Lincoln Center, were turned over to Pepsi on Thursday, August 30. By this action, Pepsi employees will stock the machines and collect the money. The Parks and Recreation Department will receive a monthly compensation check, representing commissions for sales conducted at the Center. This responder assures that Parks and Recreation Department personnel will no longer have access to the machines. Finally, this responder further reports that Pepsi consented to repurchase the unused inventory from the Parks and Recreation Department.

While it is not comprehensive, it is hoped that the actions proposed in this response sufficiently address the examiners' remarks set forth in **Audit Result and Comment No. 5.**

Audit Result and Comment No. 6. Rental Deposits. The examiners noted that the Park Department charges a security deposit on certain room rentals. The renter must write a separate check for the deposit. The examiners reported that the Park Department does not receipt these deposits for subsequent remittance to the Clerk-Treasurer for bank depositing. These checks are kept in the Park Department safe until after the rental date, at which time the check is returned if there was no breach of the rental rules. The examiners stated that such deposits should be receipted to the Clerk-Treasurer for deposit and subsequently refunded to the renter by Town warrant.

The examiners instructed that persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. The examiners referred to the proper written guidance document. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Corrective Action Plan and Response to Comment 6. This responder basically concurs in the finding and comment. This responder notes that the Park Department has historically charged a security deposit for certain room rentals at the Lincoln Center. A separate check was required and was held in the safe in a marked envelope. When the rental was complete and the room was inspected, the check was either deposited or returned to the renter. This responder assures that a new system has been implemented. Security deposits charged in whatever form received (cash or check) will be properly deposited. Following a favorable inspection of the rented room, a refund be processed and mailed back to the renter pursuant to the usual procedures for allowance of accounts payable vouchers as set forth in IC 5-11-10, IC 36-5-4 and IC 36-10-3.

Conclusion

I am joined by the members of the Park and Recreation Board and the proper officers of the Town in the hope that this reply and comment will be included in the final audit report. Further, they join me in thanking the State Board of Accounts for performing a comprehensive audit of the financial records. I believe that these audit reviews assist the Parks and Recreation Department and the Town to better serve the people of Highland by informing the municipality of the ways in which our stewardship may be more fully perfected.

Sincerely,

Alex M. B

Alex M. Brown, CPRP
Superintendent of Parks and Recreation

Cc: Mary Jo Small, CPA, SBA District Supervisor
Highland Town Council
Park and Recreation Board
Michael W. Griffin, IAMC/CMC/CPFA, Clerk-Treasurer
Carol L. Morrison, IAMC/CMC, Deputy Clerk-Treasurer
Richard Underkofler, Town Manager