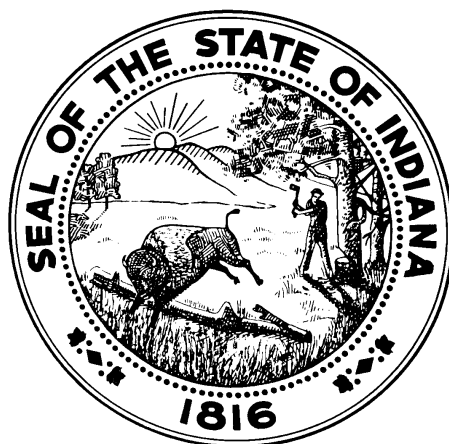


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

GENESIS CONVENTION CENTER
CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2007 to December 10, 2008



FILED
05/13/2009

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Manager	Pat Wagner	01-01-07 to 12-31-09
President of the Board of Managers	Londale Micou	01-01-07 to 12-31-07
	Kimberly Collins	01-01-08 to 12-31-08
	Brenda Tucker	01-01-09 to 12-31-09
Controller	M. Celita Green	01-01-07 to 12-31-09
Mayor	Rudolph Clay, Sr.	01-01-07 to 12-31-10
President of the City Council	Jerome Prince	01-01-07 to 12-31-07
	Ronier Scott	01-01-08 to 12-31-09
President of the Board of Works and Safety	Geraldine Tousant	01-01-07 to 12-31-09



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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 CITY OF GARY

We have audited the records of the Genesis Convention Center for the period from January 1, 2007 to December 10, 2008, 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 Annual Reports of the City of Gary for the years 2007 and 2008.

STATE BOARD OF ACCOUNTS

January 21, 2009

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

Receipts issued by the Genesis Convention Center (GCC) are to be taken to the City Controller's office, for deposit and posting into the City's financial accounting system. Since receipts were not remitted in numerical sequence to the Controller's office, receipt testing was expanded to verify remittance. GCC receipts from March 2007 through December 9, 2008, were reviewed, as well as GCC Daily Cash Logs, City Controller receipts, and bank statements.

The daily cash log lists the receipt number and type, the event and event date, the amount and payment type. This log is prepared by GCC staff after remitting collections for deposit and details the amount remitted for deposit. The receipt received from the Controller is attached to the log. The Controller's office then deposits the funds into a separate bank account for the GCC.

The following receipts were issued but could not be verified to a daily cash log, a controller receipt or a bank deposit:

1. Seventy-eight receipts issued between April 13 and June 15, 2007, totaling \$3,857.63. These receipts were issued for the GCC's share of concession sales at basketball games.
2. Four receipts issued between April 20 and July 10, 2007, totaling \$1,022. These receipts were for events scheduled, a Wednesday night bar total sales, and a reimbursement.
3. Nine receipts issued between November 5, 2007 and January 2, 2008, totaling \$9,766.90. These receipts were for bar collections (including those for the Super Cop Boxing Event), cover charges, parking, and a luncheon event.

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 7)

We were unable to specifically identify the individual(s) responsible for the Genesis Convention Center \$14,646.53 in receipts not deposited. (See Summary, page 28)

RECEIPTS NOT DEPOSITED FROM BAR SALES

A "Cash Bank/Cash Tally Form" (bar sheet) is completed by the person who collects money in the bar for various events and is also used for "hawkers" at basketball games. (Hawkers pedal beer in the stands during games.) Each bar tender or hawker completes the bar sheet for the night's collections. The bar sheets are put in a bag with the money, and placed in the safe at the box office. Box office staff open the bags, file the bar sheets, write the receipt, prepare the cash log, and take the money to the controller's office for bank depositing and recording in the financial records. We found 17 bar sheets, in the period from April 19, 2007 to August 15, 2007, totaling \$4,278.75, that could not be traced to a receipt, a cash log sheet, or a deposit in the bank. We also found one bar sheet dated December 8, 2007, for a Christmas party, for \$30 that could not be traced to a deposit.

In the period from January 1, 2008 to December 10, 2008, we found three bar sheets totaling \$1,362.05 that could not be traced to a receipt, a cash log, or a bank deposit. We consider the collections listed on the bar sheets that could not be traced to receipts or subsequent deposits to be receipts not deposited.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

We considered any disbursements made from cash collections as noted on the bar sheets in our calculation of the requested reimbursement.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 7)

We were unable to specifically identify the individual(s) responsible for the Genesis Convention Center \$5,670.80 in bar sheet receipts not deposited. (See Summary, page 28)

AUDIT COSTS – RECEIPTS NOT DEPOSITED

Additional audit costs of \$5,079.26 were incurred by the State of Indiana in the investigation of receipts not deposited.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INFORMATIONAL COMMENT – INSURANCE COVERAGE

The Genesis Convention Center has a crime coverage policy with Travelers Casualty and Surety Company of America.

GENESIS CENTER RENTALS

The Genesis Convention Center (GCC) generates revenues from the leasing of the facilities and food and beverage sales related to those leases. Lease contracts are prepared for the various events and the GCC - User Guidelines are an extension of the lease agreements. Several items were noted during the review of the leases:

1. Individuals other than governmental units were allowed to pay the event fees after the event and with a personal check. The user guidelines require payments three or seven days prior to an event, seven when the event involves food service. The guidelines also state that no personal checks will be allowed.
2. A governmental unit leased space for two events at GCC. No payment for this lease could be located. There was no evidence that the Board or the manager waived the fee.
3. Leases with the City of Gary involving food service were not charged the 15% food service charge required by the user guidelines. No formal Board policy has been adopted regarding this practice.
4. Four of nine leases had errors either in the calculation of charges or a price reduction which was not documented in the contract.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

5. Security fees charged for an event sponsored by another governmental unit did not agree with the fees in the rental rate schedule. The reduction in fees charged, was approved by City Hall and not by the GCC Board.
6. Several event folders, used to account for facility rental and related food and beverage sales, could not be located.

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)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PETTY CASH

The Genesis Convention Center (GCC) has a petty cash fund of \$1,000. Additionally, GCC has a cash change fund of \$3,000; its statutory purpose is for making change. There were nine petty cash fund reimbursements for 2007, which exceeded the \$1,000 petty cash fund amount. Of the nine reimbursements, three of them exceeded the combined petty cash and cash change amounts of \$4,000. These three amounts ranged from \$4,505 to \$7,180, indicating that cash collections were used to make purchases.

Disbursements from petty cash did not appear to meet the defined use of petty cash. Cash advances of per diem to Board members for travel, and purchases of money orders to pay for travel costs, subscriptions, invoices and services were noted. Petty cash was also used to pay an employee who had been underpaid due to a payroll error.

A cash count was performed, on December 9, 2008, which resulted in the discovery of purchases made without adequate supporting documentation. An employee was given \$50 for a purchase and returned a receipt for less than the purchase amount. The difference of \$8.73 was not returned, causing the petty cash fund to be short. A disbursement for a deposit for equipment repair was missing an invoice.

The reimbursement claims submitted to the Controller's office for 2007 lacked adequate documentation. Many claims contained only a purchase requisition with general descriptions and no invoices. Several claims were submitted with photocopies of invoices and not the original invoices.

IC 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter. (b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund. (c) The custodian of a petty cash fund shall periodically

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursement must be approved and made in the same manner as is required for other expenditures of the political subdivision."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPTS

Duplicate receipts (General Form 352) are used by GCC staff to account for collections. The following deficiencies with the receipt forms were noted:

1. Both the original and duplicate receipts for Receipt Numbers 16705 to 16710 were missing.
2. Several receipts were voided without retention of the original receipt.
3. The receipt forms in use have not been updated to agree with the current prescribed form. The receipt forms are missing the payment type category for Money Order, Electronic Funds Transfer (EFT), and Other.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELINESS OF DEPOSITS

Receipts were not remitted timely to the City Controller for deposit. A review of the receipts noted the following:

1. For the period of April to December 2007, most collections were usually held 6 or more days before being deposited. We observed a number of collections being held by GCC between 21 to 65 days before being remitted to the City Controller. In 2008, receipts were often held a week or more before being remitted to the controller.
2. For a number of receipts, select receipts written for cash collected were held and not deposited in sequential order. The receipts held back were held anywhere between 1 month and 7 months before being remitted to the City Controller. The held receipts were almost always for cash. This occurred in both 2007 and 2008.
3. Parking collections were not remitted to the GCC box office daily for receipt and subsequent deposit by the City Controller. Cash collections were often remitted to be receipted once a week by the Parking Supervisor.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts by the political subdivision should be deposited intact. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2007)

CASH REGISTERS

Waiters and waitresses are to attach the cash register tape to the "Cash Tally Form" when reconciling their drawer at the end of their shift. For the period from May 1, 2007 to August 31, 2007, cash register tapes that were attached to "Cash Tally Forms" showed \$1,135.25 more in sales than that submitted for deposit and receipted into the records. For the period from September 1, 2007 to December 31, 2007, cash register tapes showed \$1,291.50 more in sales than that submitted for deposit and receipted into the records. Controls over these collections were inadequate. Officials indicated that the bar manager was to supervise the counting of the drawer by the wait staff. However, no documentation of this supervision was noted on the "Cash Tally Forms."

In August 2008, the Genesis Convention Center stopped using cash registers in the bar and for various events. In the period from January 1, 2008 to July 31, 2008, cash register tapes were not attached to the daily "Cash Tally Form", 44% of the time. For the period from January 1, 2008 to July 31, 2008, cash register tapes that were attached to the "Cash Tally Forms" showed \$2,474 more in sales than that submitted for deposit and receipted into the records.

In 2007 and 2008, fees for cover charges were collected without using the cash register or without issuing prenumbered tickets. There is no accountability for cover charge collections.

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)

CASH DISBURSEMENTS

The Genesis Convention Center (GCC) paid for food, beer, rentals, equipment repair, and disc jockeys (DJs) out of the daily cash collections. In addition, photocopies of vendor invoices were attached to the "Cash Tally Sheet" instead of original invoices. Payments in this manner circumvent the claim process and weaken internal controls. (Also see "Preparation of 1099 Miscellaneous" comment below).

Payments for DJs and other entertainers for the Red Ribbon Lounge were made from cash collections, petty cash, and by checks from the Controller's office. Due to the multiple sources of payment used by the GCC staff, there were several instances of duplicate payment to DJs totaling \$700.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PREPARATION OF 1099 MISCELLANEOUS

The Genesis Convention Center pays DJs (disc jockeys) in cash from bar collections. The same DJs are also paid by check from the City Controller or by petty cash. The City issues 1099 Miscellaneous forms to the DJs based on the checks written in the accounting system. The Genesis Convention Center does not provide the City with information of the additional cash payments to the DJs made from bar collections or through petty cash. Hence, the 1099 Miscellaneous forms are issued for the incorrect amounts. The cash payments are not included on the forms.

File Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business. (Internal Revenue Service Publication 15, Circular E)

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)

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

CONTROLS OVER CREDIT CARD SALES

The box office sells tickets to events by allowing customers to pay by major credit cards. Controls over credit card sales are inadequate. GCC staff members copy the customer's signed credit card slip and write an official receipt for the sales. A credit card settlement report, showing sales and refunds, is not always generated for each day and is not retained for audit. The receipt written is not always traceable to the bank deposit made by the credit card company. We could not determine if all credit card sales transactions were recorded in the records by properly issuing a GCC receipt. The City Controller's office reconciles the GCC's bank account. Several monthly reconciliements noted "Unrecorded" credit card receipts.

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.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

FACILITY AND MEAL DISCOUNTS

The GCC Board of Managers (Board) previously adopted policy I-94. This policy grants discounts of 25% to 50% off food for staff and management, and 60% to Board members for events they hold at GCC. Both employees and the Board also use the facilities without paying rent, even if the number of meals served is below 100. (Rent is waived for all facility users that have 100 meals or more.) No taxable benefits were reported for the discounts given to employees or Board members.

Additionally, discounts were given on contracts signed by staff and paid for by someone else other than the staff member.

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)

Exclusion from wages. You can generally exclude the value of an employee discount you provide an employee from the employee's wages, up to the following limits. For a discount on services, 20% of the price you charge nonemployee customers for the service. For a discount on merchandise or other property, your gross profit percentage times the price you charge nonemployee customers for the property. (Internal Revenue Service Publication 15-B)

AUTOMATIC TELLER MACHINE (ATM)

There is a privately owned ATM located in the lobby of the GCC. The owner does not have a contract with GCC, nor does the owner remit any compensation to GCC in exchange for permission to place the machine in the GCC.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CANCELLED CONCERT RECORDS

A concert scheduled for July 5, 2007, was cancelled that night due to a power outage. The concert was later rescheduled for August 24, 2007. Ticket holders were able to obtain a refund for their ticket, or trade their ticket in for a new ticket for the rescheduled date. If the ticket holder processed their refund at the Genesis Center, they could also get a refund of their parking fee. Refunds were to be handled in the same form as the original payment.

No records were provided for audit to support the transactions for refunded or exchanged tickets, and the related parking fee refunds. Ticket stubs and related reports could not be located by GCC staff.

GENESIS CONVENTION CENTER
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

Records related to the original sale of tickets were not complete. For several sale dates, either a tally sheet or a ticket distribution sheet was provided, but not both. The tally sheets tracked the amounts of sales and the distribution sheet tracked the type of ticket sold. Both were necessary for audit, as the Ticket Master reports did not provide sufficient information for audit of ticket sales for only the GCC location.

The concert promoter was paid \$12,000 in cash on July 3, 2007, supported by a receipt signed by the promoter. The receipt states it is for a partial payment of ticket sales for the concert. Staff stated that the payment was made from collections on hand. We were unable to verify the source of the funds used for payment, since a review of the concert ticket sale tally sheets presented for audit indicated insufficient cash to pay the promoter the \$12,000.

IC 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."

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)

GENESIS CONVENTION CENTER
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2009, with Brenda Tucker, President of the Board of Managers; Christine Clay, Board Treasurer; and Pat Wagner, Executive Manager. The official response has been made a part of this report and may be found on pages 13 through 27.

The contents of this report were discussed on March 31, 2009, with Rudolph Clay Sr., Mayor; Ronier Scott, President of the City Council; Shirley Stanford, Council member; Mary Brown, Council member; M. Celita Green, City Controller; Arlene Colvin, Chief of Staff; and Susan M. Severtson, Law Department Attorney.

**GENESIS CONVENTION CENTER
CITY OF GARY
RESPONSES TO AUDIT RESULTS AND COMMENTS**

GENERAL OVERVIEW

Under Indiana State Law, the Genesis Convention Center (GCC) Board of Managers (Board) has the right, authority and responsibility to operate, manage and oversee the Genesis Convention Center; and to perform duties and take action incidental to, and in furtherance of, said operation, maintenance and oversight.

The recent State Board of Accounts audit has accentuated the urgent need for the Genesis Center Board to aggressively pursue the development and enforcement of policies and procedures required to ensure that internal controls are in effect which provide reasonable assurance regarding the reliability of the financial information and records, effectiveness and efficiency of operations, proper execution of management objectives, and compliance with laws and regulations. Accordingly, the GCC Board has served notice on employees – from top management to all staffing levels – that all policies and procedures must be strictly adhered to. Non-compliance will result in disciplinary action, up to and including termination.

The current Board has already shown its commitment to making positive changes. On March 25, 2009, the Board adopted By-Laws for the Board of Managers. Pursuant to said By-Laws, the Board has created a two-member Policy Committee (Standing Committee), charged with the responsibility to review, revise and establish policies and procedures, subject to approval by the Board. The Policy Committee will be instrumental in formulating a corrective action plan to correct and address audit findings; and setting up mechanisms and internal controls designed to restore the financial integrity of the Genesis Center.

More recently, at a meeting of the Board of Managers held April 1, 2009, the Board appointed Gwen Williams as the Interim Executive Manager, effective immediately. In the past, employees have ignored procedural memos and directives. Mrs. Williams has been advised, however, that the Board will look to her for enforcement of procedures; and that she will be held accountable for employee compliance. Employees who fail to comply will be disciplined in accordance with the City's progressive discipline personnel policy.

In addition, the Genesis Center Board has enlisted the assistance of Nathaniel Williams, the City's Internal Auditor. Mr. Williams has agreed to help the Board in its efforts to put fiscal procedures and internal controls in place as soon as possible.

Be further advised that Brenda Tucker, the GCC Board President, Christine Clay, Secretary-Treasurer, the Interim Executive Manager, and the Board Attorney made a surprise visit to the GCC box office on Thursday, April 9, 2009, to observe the counting of the previous Wednesday night's Red Ribbon Lounge proceeds. As a part of said visit, the Board President went to the Red Ribbon Lounge to ascertain whether the cash registers were working properly, and to obtain original cash register receipts, bartender receipts, server (waitress) receipts and admission cover charge receipts. It was clear that receipt forms were not being properly completed and signed off on by Red Ribbon Lounge employees; and that proper accounting procedures were not being followed in the box office, as well. Overall, there was no accountability, internal controls were lacking; and no check and balance system was in place.

The Board has resolved that it will continue to monitor the staff, and to make periodic impromptu inspections to make sure that proper procedures are being followed to protect cash and other Genesis Center assets.

The Genesis Center's responses to the Audit Results and Comments are as follows:

RECEIPTS NOT DEPOSITED

At present, four (4) GCC staff persons (2 full-time/2 part-time) have access to the receipt book and prepare receipts in the box office. The Board is considering limiting access to the receipt book to two (2) persons; and may consider elimination of the practice of accepting cash in the box office (except for Ticket Master transactions). The GCC Board will investigate the current procedures and formulate a workable policy, incorporating checks and balances and internal controls. A revised policy will be drafted by the Policy Committee, and will be brought back to the Board for approval.

Going forward, the GCC will implement the following measures, as well:

- All receipts/transactions shall be verified to a daily log, a controller's office receipt and a bank deposit.
- Safeguards shall be established to ensure that all monies collected are deposited.
- The Box Office Manager must break down deposits, make copies of everything which is transmitted to the Controller's Office; and maintain a separate file for all related documents/transactions. The Interim Executive Manager and/or her designee must sign off on all documents. The City Controller's Office must sign off on all documents, as well.

RECEIPTS NOT DEPOSITED WITH BAR SALES

Servers (waitresses) will be eliminated on Wednesday nights in the Red Ribbon Lounge.

The Beverage Coordinator shall obtain receipt(s) from each bartender's cash register and require the bartender to sign off on the receipt(s). Each bartender shall complete the bar sheet for the night's collections. Receipts shall be stapled to the bar sheet, and verified. Both the bartender and the supervisor shall sign the bar sheet. All receipts shall be deposited with bar sales.

A detailed procedure will be developed to address State Board of Accounts audit findings.

AUDIT COSTS – RECEIPTS NOT DEPOSITED

Going forward, an individual will be designated to ensure that receipts will be deposited; and all necessary sign-offs will be obtained.

INFORMATIONAL COMMENT – INSURANCE COVERAGE

The Interim Executive Manager will file a claim under the GCC crime coverage insurance policy. The deductible is \$2,500.00.

GENESIS CENTER RENTALS

Going forward, GCC will review and revise its User Guidelines. GCC will provide and maintain documentation with respect to contracts, rentals, rate schedules, food and beverage sales, waivers, etc. A policy will be developed relating to the City of Gary's not being charged 15% food service charge required by the User Guidelines.

The GCC Board is considering adopting a policy, providing that personal checks will be accepted for initial rental payments, i.e., security deposits. However, personal checks will not be accepted for final payments; and the final payment must be paid seven (7) days prior to the date of the event or the event will be cancelled.

PETTY CASH

At the parties' settlement conference, it was recommended that the GCC establish a petty cash checking account in the amount of \$5,000 for special disbursement items which cannot be paid for out of the regular petty cash fund. An official petty cash policy will be established, and the GCC will work with the Controller's Office to draft and submit an ordinance to the Common Council to authorize the Genesis Center to establish such a checking account.

The Genesis Center will establish a petty cash fund in accordance with state statute. The petty cash fund shall be used to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund. The custodian of the petty cash fund will periodically file a voucher with an original receipt totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for

expenditures from it. The board is contemplating a petty cash fund in the amount of \$250.00.

RECEIPTS

Going forward, receipts will be pre-numbered, and original voided receipts shall remain in the receipt book or stapled thereto. Any person who writes a subsequent receipt sequentially after a missing receipt must immediately report the missing receipt to the Interim Executive Manager. As the receipt forms in use have not been updated, the staff must write in the missing information on the current form.

TIMELINESS OF DEPOSITS

Receipts will be taken to City Hall on a daily basis. The Interim Executive Manager will sign off on said receipts. The receipts shall be counted by one staff person and verified by another person. Parking collections will be remitted to the GCC box office on a daily basis.

CASH REGISTERS

The Genesis Center is in the process of purchasing new cash registers. The Genesis Center will establish and implement controls over the receipting, disbursing, recording and accounting for the financial activities which are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision-making.

CASH DISBURSEMENTS

Going forward, the GCC will no longer pay for food, beer, rental equipment, and Disc Jockeys (DJs) out of daily cash collections. Original vendor invoices will be attached to the "Cash Tally Sheet". Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state law.

PREPARATION OF 1099 MISCELLANEOUS

The GCC shall no longer pay DJs in cash out of the bar collections or by petty cash. File Form 1099 – Miscellaneous Income shall be used to report payments of \$600 or more to persons not treated as employees.

CONTROLS OVER CREDIT CARD SALES

The Genesis Center shall establish controls and safeguards over credit card sales. A credit card settlement report, showing sales and refunds, shall be generated on a daily basis, and retained on a daily basis. All receipts written shall be traceable to the bank

deposit made by the credit card company. All credit card sales transactions shall be recorded in the records by properly issuing a GCC receipt. Copies of all credit card records shall be sent to the credit card company at the end of the day; and copies of all card receipts/documentation shall be taken to the Controller's Office daily for reporting and verification.

FACILITY AND MEAL DISCOUNTS

The GCC Board Policy Committee is currently reviewing previously adopted policy I-84, and will make a recommendation to the Board upon completion of the review. The GCC will comply with all rules, regulations, guidelines and directives of the Internal Revenue Service and the Indiana Department of Revenue.

AUTOMATIC TELLER MACHINE (ATM)

An ATM Space License Agreement exists between the Genesis Convention Center and Watkins Management Company (Watkins), dated April 24, 2002. (See attachment) By the Agreement, the Genesis Center agrees to license ATM space to Watkins and Watkins agrees to license from the Genesis Center certain ATM space within the Genesis Center on the terms and conditions of the Agreement. LaNita Nickson, a former GCC board president, signed on behalf of the Genesis Center.

The Term of the Agreement (Paragraph 11) commences on the "Effective Date" (April 24, 2002) and continues for three (3) years from the installation date of the latest ATM installation. The license shall automatically renew for an additional period of one year upon expiration unless terminated by either party giving the other party written notice of intent not to renew at least ninety (90) days prior to the expiration date of the original termination or any renewal thereof.

The amount of Rent to be paid is stipulated under Paragraph 9 of the Agreement, which refers to Exhibit B. The original Exhibit B provides that Watkins will pay the Genesis Center \$100 per month for the license. The aforesaid Exhibit B was modified on May 15, 2005 to require Watkins to pay the Genesis Center in accordance with a "payoff schedule".

The GCC Board Attorney has rendered an opinion concluding that a binding legal contract exists between the Genesis Center and Watkins. The Agreement expired April 24, 2005, but automatically renewed from year to year thereafter in the absence of a 90-day written notice of intention not to renew.

The GCC Board will request a financial history or accounting in regard to all withdrawals (transactions) relating to the ATM unit, as well as any rent payments which have been made to the Genesis Center. A demand will be made for any rent payments due and owing under the original and modified payment schedules. The GCC Board will consider negotiation of a new space rental fee.

CANCELLED CONCERT RECORDS

Due to mistake and inadvertence, paper work in regard to the cancelled concert was not retained. The GCC Board concedes that record keeping is lacking. Going forward, all original records are being kept in the Interim Executive Manager's office, including, but not limited to, receipts of daily deposits, contracts and documentation, information pertaining to monthly events, Red Ribbon Lounge receipts, parking receipts, bartender receipts and bar sheets, etc. In the future, supporting documentation, such as receipts, cancelled checks, tickets, invoices, bills, contracts and all other public records will be available for audit to provide supporting information for the validity and accountability of monies disbursed.

Respectfully submitted,

GENESIS CONVENTION CENTER

BY:


BRENDA TUCKER, PRESIDENT
BOARD OF MANAGERS

DATE: APRIL 24, 2009

Attachment: (1) ATM Space License Agreement

C: The Honorable Rudolph Clay, Mayor, City of Gary
Genesis Convention Center Board of Managers
M. Celita Green, Gary City Controller
Gwen Williams, GCC Interim Executive Manager
Files

WATKINS MANAGEMENT COMPANY

ATM SPACE LICENSE AGREEMENT

THIS SPACE LICENSE (hereinafter referred to as the "License") is made this _____ day of _____, ("Effective Date") by and between **GENESIS CONVENTION CENTER** ("Licensor"), and **WATKINS MANAGEMENT COMPANY**, (Licensee) an Indiana Corporation, referred to as ("WMC").

Licensor owns or licenses certain Buildings, addresses of which are listed on Exhibit A attached to this license. Licensor operates a **Convention Center** in Building (or Store). Licensor desires to license to WMC and WMC desires to license from Licensor certain space within the building/ business on terms and conditions hereinafter set forth.

Now, therefore, in consideration of the forgoing recitals, covenants, and conditions hereinafter set forth, the parties here to agree as follows:

1. **Use.** ("WMC") shall install and occupy building for the sole purpose of operating therein an automated teller machine ("ATM"); ("WMC") shall install the ATM at its expense. WMC shall obtain any ATM and related equipment needed for the future Installations from the vendor of It's choosing. Licensor shall not have any other ATM unit in any Building during the term of this license without written consent from WMC. This does not apply to any check cashing services.
2. **Installation and Operating of the ATM.** WMC may install ATM's in the locations identified as soon as practicable after the signing of this license. Licensee will operate and maintain the ATM during the term of this License. The expansion of locations may occur with the consent of both parties.
3. **Building Closing or Remodelling.** If WMC is required to permanently or temporarily remove or relocate an ATM because of actions taken by Licensor, including, without limitation, closing or remodeling a building in which a ATM is located, Licensor shall reimburse WMC for the costs of de-Installing, relocating and reinstalling the ATM. These costs shall not exceed \$300 Dollars.
4. **ATM Space.**
 - (a) Licensor shall make available to WMC so much of the space within the Building in which WMC operates an ATM as is necessary to enable customers to have access to the ATM and for maintenance and servicing of the ATM.
 - (b) The ATM shall be placed in a mutually agreeable location

that will provide easy access or in front of building and good visibility to Licensor's customers.

(c) For the term of this License, Licensor grants to WMC and third party servicing agents access to ATMs and/or related property within its facilities during Licensor's hours of operation or such other designated time that is mutually agreed to by WMC and Licensor.

5. **Maintenance and Service.**

(a) WMC shall supply paper for transaction receipts and printer ribbons at no charge. Licensor shall notify WMC whenever supply items are needed.

(b) Licensor shall supply routine custodial services, including the cleaning of the exterior of the ATM. Licensor shall maintain the space surrounding the ATM in a safe, neat and orderly condition and shall take due care and caution as to prevent Licensor's employees, representatives and customers from damaging the ATM.

(c) Licensor shall provide heat and air conditioning for the space the ATM is located at a level consistent with and in kind like other portions of the Building.

(d) Licensor, at its expense, shall be responsible for electrical services for the ATM by providing a dedicated 110-amp line to each ATM and, WMC providing dedicated dial-up telephone circuit(s). The power supply and telephone should not be more than 3ft. apart.

(e) **Licensee** shall be responsible for monthly telephone expense.

(f) **** Licensee** shall be responsible for providing and loading of necessary cash for the ATM machine. Refer to Exhibit A for payment schedule.

(g) WMC shall provide receipt tape and printer ribbon for machine loading.

(h) WMC shall provide service. WMC will provide preventive maintenance/ and any necessary repair service.

6. **Title: Risk of Loss.**

(a) The ATM shall remain the property of WMC.

(b) Licensor agrees to execute and deliver to WMC documentation to evidence and put third parties on notice of WMC interest in each ATM.

(c) The licensee shall be responsible for all loss and damage to each ATM. Licensee shall carry and give evidence to the Genesis Convention Center of comprehensive general liability in the amount of \$25,000.

(d) Licensor shall provide customary security measures for all of its Buildings.

7. Taxes and Liens.

(a) WMC shall pay all personal property taxes or similar assessments directly relating to the ATM located in the Building as the same become due.

(b) WMC shall be responsible for all sales taxes (if any) incurred in connection with the operation of the ATM.

(c) Licensee shall be responsible for all sales taxes (if any) incurred in connection with the operation of the ATM.

8. Liability.

(a) Each party shall be excused from performance, and shall have no liability, for any period and to the extent that such party is prevented, hindered or delayed from performing any services or other obligations under this License, in whole or in part, as a result of acts or omissions out of the reasonable control of such party, acts or omissions of the other party, third party nonperformance, failure or malfunctions of computer, ATM or telecommunications hardware or software, breach or other nonperformance by vendors and suppliers, strikes, or labor disputes, riots, war, fire, acts of God or government regulations.

9. Rent. See Exhibit "B"

10. Signage. Licensor will permit WMC to place mutually agreed upon signage on the exterior of each Building, in which an ATM is operated, which prominently advertises the ATM at WMC's expense. Licensor will permit WMC to place any advertising or signage mutually agreed upon, on any ATM or any ATM receipts.

11. **Term.** The term of this license shall commence on the "Effective Date" and shall continue for three (3) years from the Installation date of the last ATM installed under this Agreement. This license shall automatically renew for an additional period of one (1) year upon expiration unless terminated by either party giving the other party written notice of Intent not to renew at least ninety (90) days prior to the expiration date of the original term or any renewal thereof.

12. **Termination Upon Bankruptcy or Insolvency.** In the event that (a) a Party shall become insolvent; (b) a party shall make an assignment of its property for the benefit of creditors or shall seek liquidation or recognition under any insolvency or bankruptcy law; (c) a petition is filed by or against a party under any provision of the United States Bankruptcy Code which is not dismissed or stayed within (60) days after its filing; or (d) a receiver or trustee for a party shall not have been discharged within (60) days from the date of appointment, then the other Party may immediately terminate this agreement and pursue all other available remedies at law or in equity.

13. **ATM Removal.** WMC may remove any ATM from the Licensor premises
If the monthly volume, five months after installation, falls below 300 cash withdrawals for three consecutive months.

14. **Cancellation.** WMC has the right to cancel this agreement with 30 days notice to Licensor based on lack of ATM transaction volume described in item 13.

15. **Right to Match.** In the event, this license is terminated for any reason, Licensor grants, upon such termination, to WMC a right to match any bona fide third party offer in connection with use and/or operation of an ATM. Such right shall last for the period of time that otherwise would have been the remaining portion of the term if no termination had occurred.

16. **Trade Secrets.** The ATM consists in part of computer programs, procedures, forms and other related materials, which have been acquired, developed by WMC or third parties at substantial expense. Licensor acknowledges that the forgoing are trade secrets, which are of great value to WMC, and disclosure to others of any of the programs, procedures, forms and other related materials with respect to the ATM will result in loss and irreplaceable damage to WMC. Licensor therefore agrees not to disclose to others any of the aforementioned information regarding the ATM except as required in the proper performance of this Agreement. Licensor acknowledges that the ATM, certain service and trademarks, computer programs, procedures, forms and other related materials belongs to and are trade secrets

of third parties and shall not in any way reconfigure or reverse engineer such in any manner whatsoever.

17. **Entire Agreement.** This Agreement and the exhibits attached hereto constitute the entire Agreement between WMC and Licensor with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings. This Agreement may not be relicensed, discharged, abandoned, changed or modified in any manner except by an instrument in writing signed by a duly authorized officer or representative of both WMC and Licensor.

18. **Waiver.** The failure of either Party to enforce at any time any provision of this Agreement or to exercise any right herein provided shall not in any way be construed to be a waiver of such provision or right in connection with any subsequent breach or default, and shall not in any way affect the validity of this Agreement or any part hereof, or limit, prevent or impair the right of such Party subsequently to enforce such provision or exercise such right.

19. **Notices.** Any notice required or permitted thereunder shall be in writing and may be given by personal service or by depositing same in the United States mail, first class postage prepaid, to the address of the Party receiving notice as appears on the signature page of this License or as changed through written notice to the other party.

20. **Governing Law.** This Agreement shall be constructed in accordance with Indiana law, and venue for any actions pertaining to this Agreement shall be in Indiana.

21. **Binding Effect; Successors and Adjustments.** This Agreement is binding on the Parties and their respective successors and assigns. Licensee may not assign the agreement without the prior written consent of Licensor. Licensor shall give Licensee the first option to install any additional ATM machines if needed.

22. **Captions.** Captions contained in this License are inserted only as a matter of convenience and in no way define, limit, or extend the scope or intent of this License or any provision hereof.

23. **Relationships of the Parties.** It is expressly understood and acknowledges that it is not the intention or purpose of this License to create, nor shall the same be constructed as creating, any type of partnership, relationship or joint venture.

24. **Compliance with Laws.** Each Party will perform its obligations under this license in strict compliance with all applicable laws, orders or regulations of all appropriate jurisdictions.

[Licensor]

Genesis Convention Center

1 Genesis Center Plaza

Gary, Indiana 46402

By: Gwendolyn B. Emmons
Signature

Printed Name: Gwendolyn B. Emmons

Title: Exec. Mgr.

Date: 7/28/01

[Witness]

Signature

Print

Date

[ATM Owner]

Watkins Management Co. (WMC)

3501 Broadway

Gary, Indiana 46409

By: Willie Watkins
Signature

Printed Name: Willie Watkins

Title: President

Date: _____

EXHIBIT A

Business/ Store Locations

24. **Compliance with Laws.** Each Party will perform its obligations under this license in strict compliance with all applicable laws, orders or regulations of all appropriate jurisdictions.

[Licensor]

[ATM Owner]

Genesis Convention Center

Watkins Management Co. (WMO)

1 Genesis Center Plaza

3501 Broadway

Gary, Indiana 46402

Gary, Indiana 46409

By: _____
Signature

By: Willie Watkins
Signature

Printed Name: _____

Printed Name: Willie Watkins

Title: _____

Title: President

Date: _____

Date: _____

[Witness]

Lanita Nickson
Signature

Lanita Nickson
Print

4/24/02
Date

EXHIBIT A

Business/ Store Locations

COMPLETE ATM LICENSE

#1. **Name:**
Address:
City/ State:
Contact:
Phone Number:
Business Hours: Indicate 24hrs. Operation _____

Monday thru Friday - Open _____ Close _____

Saturday - Open _____ Close _____

Sunday - Open _____ Close _____

EXHIBIT B

ATM Payment Schedule: WATKINS MANAGEMENT COMPANY will supply the ATM unit as well as perform all maintenance on the unit and will pay Licensor (**Genesis Convention Center**) \$100.00 per month. Licensee will provide and pay for monthly telephone service. Licensee (WMC) will install ATM unit, provide supplies, and maintain the Triton Model Cassette ATM unit. WMC will sell to, at the option of Licensor **Genesis Convention Center** the Model 9640 ATM unit at the end of the (3-year) License period for \$4,500.00, plus applicable sales taxes.

WMC will pay first month rent the date of installment. All payments will be mailed after the 20th of the month. The surcharge amount per cash withdrawal transaction will be \$1.75.

EXHIBIT ABusiness / Store Locations**COMPLETE ATM LICENSE**

#1. Name: _____
 Address: _____
 City/State: _____
 Contact: _____
 Phone Number: _____
 Business Hours: Indicate 24hrs. Operation _____
 Monday thru Friday - Open _____ Close _____
 Saturday - Open _____ Close _____
 Sunday - Open _____ Close _____

EXHIBIT B

ATM Payment Schedule: WATKINS MANAGEMENT COMPANY will supply the ATM unit as well as perform all maintenance on the unit and will pay Licensor (Genesis Convention Center) (see payout schedule). Licensee will provide and pay for monthly telephone service. Licensee (WMC) will install ATM unit, provide supplies, and maintain Triton Model Cassette ATM unit. WMC will sell to, at the option of Licensor Genesis Convention Center the Model 9640 ATM unit at the end of the (3-year) License period for \$4,500.00, plus applicable sales taxes.

WMC will pay first month rent the date of installment. All payments will be mailed after the 20th of the month. The surcharge amount per cash withdrawal transaction will be \$8.00. *200*

PAYOUT SCHEDULEFee Income - Based on \$3.00 ATM SurchargeBUSINESS OWNER

**Under 300 monthly withdrawals

\$0.00 Monthly Residuals

Over 301 monthly withdrawals
 Monthly check mailed or ACH Business Account

\$100.00 per withdrawal

Over 401 monthly withdrawals
 Monthly check mailed or ACH Business Account

\$200.00 per withdrawal

Modified 05-13-05

GENESIS CONVENTION CENTER
CITY OF GARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Unknown:			
Receipts Not Deposited, page 4	\$ 14,646.53	\$ -	\$ 14,646.53
Receipts Not Deposited From Bar Sales, pages 4 and 5	<u>5,670.80</u>	<u>-</u>	<u>5,670.80</u>
Totals	<u>\$ 20,317.33</u>	<u>\$ -</u>	<u>\$ 20,317.33</u>

AFFIDAVIT

STATE OF INDIANA)
Lake COUNTY)

We, Jane E. Elder, Cynthia M. David, and Kelly Wenger, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Genesis Convention Center, Lake County, Indiana, for the period from January 1, 2007 to December 10, 2008, is true and correct to the best of our knowledge and belief.

Jane E. Elder

Cynthia M. David

Kelly Wenger
Field Examiners

Subscribed and sworn to before me this 6th day of May, 2009.

Sylvia J. Richbets
Notary Public

My Commission Expires: 1/12/15

County of Residence: Lake

