

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

EXAMINATION REPORT
OF
CITY OF BEECH GROVE
MARION COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
11/12/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sarah M. Kincaid	01-01-08 to 12-31-11
Mayor	Donald J. Wright	01-01-08 to 12-31-11
President of the Common Council	John Jennings	01-01-09 to 12-31-10
President of the Board of Public Works and Safety	Donald J. Wright	01-01-09 to 12-31-10



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BEECH GROVE, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the City of Beech Grove (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 28, 2010

CITY OF BEECH GROVE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 2,281,321	\$ 15,316,709	\$ 17,310,681	\$ 287,348
RDAF - Allocation General	-	100,000	99,890	110
Rainy Day	173,289	299,901	-	473,190
Mayor's Donation	1,212	444	1,652	4
Public Safety	437,348	1,077,475	1,166,763	348,060
Motor Vehicle Highway	(134,194)	1,181,171	972,227	74,750
Local Road and Street	62,072	295,560	323,065	34,567
Parks Non-Reverting	10,376	-	9,857	518
Parks - Softball	1,218	-	-	1,218
Parks Donation	40,542	13,610	52,375	1,777
Senior Citizens Donation	28,777	4,666	3,692	29,752
Police Donation	4,133	8,330	10,861	1,601
Fire Donation	276	2,096	204	2,168
Cable Donation	102	-	-	102
Police/Fire Trust	2,530	-	-	2,530
Law Enforcement Continuing Education	13,792	15,639	15,716	13,716
2006 Bond Issue	20,596	-	-	20,596
Cumulative Capital Development	11,019	-	8,400	2,619
Revolving Loan	140,760	38,265	42,239	136,787
Criminal Investigation	182,310	183,242	118,288	247,264
RDAF - Debt Service Reserve	583,481	292	-	583,773
RDAF - General Account	384,317	2,301,106	2,661,461	23,962
RDAF - 2005 Bond Capital	34,240	56,890	91,130	-
Bond and Interest	-	220,056	325,223	(105,167)
Proprietary Funds:				
Sewage Utility Operating	433,440	2,265,841	2,383,280	316,001
Utility Bond and Interest	90,771	209,255	204,923	95,103
Utility Construction	314	-	-	314
Utility Bond and Interest Reserve	175,058	54,803	-	229,860
Fiduciary Funds:				
Health - Retirees	1,627	74,986	69,824	6,789
Fire Pension	63,927	558,362	543,409	78,880
Police Pension	93,374	797,626	867,584	23,416
Payroll	56,839	7,618,058	7,631,922	42,975
City Court Fees	225	172,467	163,611	9,081
Totals	<u>\$ 5,195,094</u>	<u>\$ 32,866,849</u>	<u>\$ 35,078,278</u>	<u>\$ 2,983,665</u>

The accompanying notes are an integral part of the financial information.

CITY OF BEECH GROVE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, planning and zoning, wastewater and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depositary Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF BEECH GROVE
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF BEECH GROVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Street Sweeper	\$ 55,315	\$ 38,222
Dump Truck	5,626	5,723
Claims and judgments		
Notes and loans payable		
Emergency Property Tax Shortfall Loan	26,303	58,585
Bonds payable:		
General obligation bonds:		
Issue of 2002 - \$800,000	365,000	94,095
Issue of 2006 - \$995,000	650,000	230,090
Tax Increment Financing bonds:		
Issue of 2005 - \$2,995,000	2,570,000	285,200
Issue of 2007 - \$2,995,000	<u>2,905,000</u>	<u>283,146</u>
Total governmental activities debt	<u>\$ 6,577,244</u>	<u>\$ 995,061</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Trash Truck	\$ 43,612	\$ 44,393
Trash Totes and Carts	51,417	52,336
Front Loader	64,568	23,121
Notes and loans payable		
State Revolving Loan	1,631,170	Note 1
Revenue bonds:		
Series 2005 A	<u>799,102</u>	<u>72,234</u>
Total Wastewater Utility	<u>2,589,869</u>	<u>192,084</u>
Total business-type activities debt	<u>\$ 2,589,869</u>	<u>\$ 192,084</u>

Note 1:

The State Revolving Fund Loan was approved in 2004 for a total amount of \$1,880,898. As of December 31, 2009, the total amount of the loan has not been drawdown and a repayment schedule has not been finalized. The City began repayment of the principal amount as required by the loan agreement in January 2006. Payments made in 2009 totaled \$68,040.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of examination:

- Bank accounts were not reconciled in a timely manner.
- Adjustments to the 2008 financial records were made in May 2009.
- Receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2008 were not recorded in the unit's records.
- Accurate capital asset records were not provided for examination.
- Minutes of the Beech Grove Redevelopment Commission were not presented for review.
- Many errors were found on the annual report provided for examination, including beginning balances not agreeing to prior ending balances and receipts and disbursements not agreeing to the ledgers.
- Many posting errors were discovered, including deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

A similar comment appeared in prior Report B35763.

- Some transactions were recorded as "negative" receipts and disbursements.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

RECEIPT DEPOSITS

The Police Department did not always remit collections to the Clerk-Treasurer in a timely manner. Two remittances tested took thirteen or more days to be delivered to the clerk-treasurer for deposit. Furthermore, four remittances subsequent to December 31, 2009, were noted to be untimely. The four remittances noted took ten or more days to be delivered to the Clerk-Treasurer for deposit.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

The City of Beech Grove has a Code of Ordinances concerning various permits and licenses. Several building and electrical permit fees were not charged to customers in accordance with the Code of Ordinances.

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)

CRIME INSURANCE POLICIES

General Ordinance Number 1, 2001, authorized the purchase of a blanket bond to cover the faithful performance of all employees, board members, and persons acting on behalf of the City in accordance with IC 5-4-1-18. Therefore, the City of Beech Grove purchased crime insurance policies in lieu of annual bond coverage. Policy PKG80110251 was purchased for the period December 19, 2008 to December 19, 2009, with a limit of coverage per crime loss amount of \$100,000. In order to be in compliance with minimum coverage requirements for 2009, the amount of coverage should have been no less than \$375,000. In addition, the crime insurance policy was not payable to the State of Indiana and had not been filed in the office of the County Recorder.

IC 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING

Receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2009 were not recorded in the unit's records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not prepared timely, as the December 2009 reconciliation was not completed until March 2010. A similar comment appeared in Report B35763.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Two Board of Public Works members received \$2,492.06 each, in payment for their services in 2009. The salary ordinance allotted \$2,340 each; therefore, each member was overpaid \$152.06.

Additionally, hourly employees were not always included in the approved salary ordinance or salary schedule adopted by the Board.

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)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

SALARY OF THE CLERK OF THE COURT

The City Court Clerk has been placed in the classification of Office Manager and her salary is distributed equally between the General Fund and the Sewage Works Fund. She does not perform duties that would be paid from these funds.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the Bond and Interest Fund was overdrawn by \$105,167 on December 31, 2009. A similar comment appeared in previous reports, most recently B35763.

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

ANNUAL REPORT

An annual report for 2009 was not presented for examination until May 25, 2010. A similar comment appeared in prior reports, most recently B35763.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TRAVEL POLICY

The travel guidance presented for examination is part of the Personnel Manual/Code of Ordinances book (section 37.09) and is dated 1994. The verbiage states that mileage will be reimbursed at the same rate the State of Indiana reimburses mileage. In 2009, the State reimbursement rate was \$.40 cents per mile. The City of Beech Grove reimbursed mileage at the rate of 48.5 cents per mile.

No mention is made in the city's travel guidance regarding hotel/motel room costs and meals reimbursement.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained properly or on the approved form for all officers and employees. In addition, the police department is using an internal form to keep track of employee leave times, rather than using the General Payroll Form 99A, Employee's Service Record.

A similar comment appeared in prior Report B35763.

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)

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

SICK LEAVE POLICY

The City is not completing the Employee Service Record appropriately; therefore, we were not able to determine if all employees are in compliance with the City's sick leave policy. Sick leave may be accumulated to a maximum of 1,440 hours, per the City Personnel Manual. There was no documentation as to leave time for two employees tested.

A similar comment appeared in prior Report B35763.

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)

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)

CAPITAL ASSET RECORDS - CITY

The City records capital asset additions, but does not maintain a comprehensive listing of all assets of the City. For example, the record does not include any value for land. The only value included in the building category is for the Fire Department and several of those entries are actually machinery and equipment. A similar comment appeared in prior Report B35763.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS - UTILITY

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded. A similar comment appeared in prior Report B35763.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

Deficiencies were noted on claims paid during the examination period. Claims were not adequately itemized. Payments were sometimes made from photocopied bills and receipts. Also, some non-itemized credit card slips were used as documentation. A similar comment appeared in prior Report B35763.

IC 5-11-10-1.6 states in part:

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

FEES

Fees were collected at the Community Center for animal licenses, dog park applications, fitness center memberships and classes, and facility and shelter rental. Minutes of the Park Board, City Council or Board of Works, for 2009 and 2010, did not indicate an approved fee schedule for any of these charges. The Code Book for the City only outlines and establishes fees for Animal Licenses and Shelter rental.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER PARK RECEIPTS

Controls for receipts generated by the sales of Dog Park applications, Dog and Cat licenses, Fitness Center memberships and class fees, and Facility and Shelter Rental fees are insufficient.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Dog Park applications are not prenumbered and accounted for. There is a charge for a key to enter the Park; however, an inventory over those accountable items doesn't exist. Upon completion of a Dog Park application, an individual is required to obtain a dog license. Per the City Code Book, there is at least a \$2 fee for that license. This fee is not being collected by the Park Department. Additionally, an inventory over the licenses, which are prenumbered and accountable, is not maintained.

The Fitness Center sells memberships and charges individuals to participate in classes. The membership cards are not prenumbered or accounted for and waivers or extensions of memberships are allowed without authorization from the Park Board. Class participation rosters were not presented for examination.

Facility rental forms are prenumbered; however, the appropriate fee to charge for the rental could not always be determined. Also, several prenumbered forms could not be accounted for. A calendar is maintained logging the use of the facility and it reflected significantly more rentals than there were signed rental agreements. This was determined to be from not-for-profit or charitable entities using the Community Center and not paying a fee. Lastly, amendments, waivers, or refunds were made to renters without Park Board approval or authorization.

Shelter rentals have a separate series of prenumbered forms; however, we found several forms that did not have a number on them; a few forms with the same number were submitted twice with different names on the forms. Waivers for rental fees were allowed without authorization from the Park Board.

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)

CITY OF BEECH GROVE
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2010, with Donald J. Wright, Mayor; Sarah M. Kincaid, Clerk-Treasurer; Jessica Albright, Grant Administrator; and Jeffrey C. Peters, Consultant. The official responses have been made a part of this report and may be found on pages 16 through 38.

The contents of the report were also discussed on July 22, 2010, with Thomas E. Hannan, Parks Director; and Nancy Roberts, Park Department Office Manager.



August 17, 2010

State Board of Accounts
State of Indiana
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

**RE: OFFICIAL RESPONSE
SBOA Audit for Calendar Year 2009
City of Beech Grove, Indiana**

Ladies and Gentlemen:

This letter will serve as my response to the draft Audit Report which we recently received for the above referenced audit period. It also serves to supplement my discussions with Auditor Eileen Blanke that occurred on July 28, 2010 and throughout the audit process. We appreciate your consideration of this response and its inclusion in your final report. This response will be organized by category as listed in the Audit Report.

1. **Receipt Deposits**

The Audit Report provides in part that “the Police Department did not always remit collections to the clerk-treasurer in a timely manner”.

Response

The Police Department has been notified that daily collections of monies must be turned in to the Clerk Treasurer in a timely manner. Collections in the future will be transported to City Hall within 24 hours of their receipt.

2. **Ordinances and Resolutions**

The Audit Report provides in part that “several building and electrical permits did not get charged to customers properly”.

Response

While the fee structure for permits is outlined in the city ordinance manual, at times unique circumstances and cases were present. Most, if not all, of the permit fees not properly calculated and collected were a result of the recommendation of the building inspectors' adjustment. Proper documentation procedures were not followed in every circumstance. Moving forward, the City will document all special circumstances directly in the permit file and note any and all reasons as to how the charge was calculated. Additionally, the current ordinance will be reviewed and amended to create a process for waiving and amending fees.

3. Crime Insurance Policies

The Audit Report provides in part that "the crime insurance policy was not payable to the State of Indiana and had not been filed in the office of the County Recorder".

Response

Following the exit interview on the 2009 Audit Report, I contacted our insurance company, Walker & Associates, to ensure that the current policy was payable to the State of Indiana. I have also filed the policy with the office of the County Recorder. Therefore, both issues have been addressed and corrected.

4. Transaction Recording

The Audit Report provides in part that the "receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2009 were not recorded in the units records".

Response

Since the Keystone software program used by the City tracks financial transactions differently than the internal system used by our financial institution, Regions, it may appear that not all receipts and disbursements were recorded. However, all money was accounted for in 2009. I will be scheduling a meeting with Regions soon to discuss obtaining documentation that better corresponds with our system.

5. Bank Account Reconciliations

The Audit Report provides in part that the "depository reconciliations of the fund balances to the bank account balances were not prepared timely, as the December 2009 reconciliation was not completed until March 2010".

Response

While bank reconciliations were delayed in 2009, they are current for 2010, and I will try my best to complete them on a monthly basis from this point forward to comply with IC 5-13-6-1(e).

6. **Compensation and Benefits**

The Audit Report provides in part that two Board of Public Works board members were overpaid for their services in 2009 in the amount of \$152.06.

Response

The overpayment of the two Board of Works board members was a clerical error by the City. A Common Council amendment will be made to the salary ordinances of 2008 and 2009 to reflect the amount paid to each board member. For the 2010 calendar year, this issue has been corrected; this year, each member will be paid according to the 2010 salary ordinance.

7. **Salary of the Clerk of the Court**

The Audit Report provides in part that “the city court clerk has been placed in the classification of Office Manager and is paid half from the General Fund and half from the Sewage Works Fund”.

Response

When the City Court first opened in March 2008, the court clerk did not have a full workload of court task, so the Mayor assigned her tasks unrelated to the court. For a portion of the 2009 calendar year, the court clerk still had duties outside the court. However, when the case load for the court increased in late 2009, the Mayor assigned the non-court duties that the clerk was handling to other employees. For the 2010 calendar year, the court clerk only handles court responsibilities and is only paid from the General Fund. The Court Clerk salary now comes completely from the Court budget.

8. **Compensation and Benefits**

The Audit Report provides in part that hourly employees were not always included in the approved salary ordinance adopted by the Board and that there were no set hourly rates mentioned in the ordinance.

Response

The 2009 salary ordinance included hourly and salary employees for the 2009 calendar year, but the City failed to address which employees were hourly and salary. For hourly

employees, the City simply divided the salary rate into an hourly rate. Moving forward, the City will ensure that it is classifying each salary and hourly employee in the ordinance correctly, detailing the method of payment for each employee.

9. **Overdrawn Cash Balances**

The Audit Report provides in part that “the Bond and Interest Fund was overdrawn during 2009”.

Response

The negative cash balance in the Bond and Interest Fund corresponded directly to money that was expected but not timely received by the City from delinquent property tax distributions. In the future, action will be taken by the Common Council to address any foreseen negative account balances.

10. **Annual Report**

The Audit Report provides in part that the “annual report for 2009 was not presented for audit until May 25, 2010”.

Response

I understand that Indiana Code requires the annual report to be completed within 60 days after the expiration of the calendar year and that the City can communicate with the State Board of Accounts to coordinate a formal extension of time to file and/or coordinate multiple filings as delinquent information is received.

11. **Travel Policy**

The Audit Report provides in part that a travel policy was not presented for audit. In addition, the Report provides that the verbiage on the travel policy in the City Personnel Manual states that mileage will be reimbursed at the same rate the State of Indiana reimburses mileage but that the City of Beech reimbursed mileage at a higher rate than the State of Indiana. The Report also states that the City has no policy regarding hotel/motel costs and meals reimbursement.

Response

The travel policy in the City Personnel Manual, which was created in 1984 (as opposed to the date of 1994 as stated in the Audit Report), does in fact state that mileage will be reimbursed at the same rate as the State of Indiana. The City of Beech Grove was reimbursing at a higher rate than stated in the manual, but during discussions on a new manual, the City returned to the published policy of reimbursing mileage at the same rate as the State of Indiana.

As to the lack of a policy on hotel/motel room costs and meals reimbursement, the City is amending the travel policy in a new manual and will mention hotel/motel room costs and meals reimbursement. The current City Personnel Manual was published July 1, 1979 and only twice since then has the manual been amended, with the last occurrence being October 2, 1995. Therefore, there are several policies within the manual that need amended, corrected, or rewritten. A committee of department leaders and members of the City administration started revising the manual in 2009. It has been presented to members of the Common Council, but no movement has been made on its adoption. The City hopes to adopt the new manual by the end of 2010. The new manual will state that the City will follow the State of Indiana's policy on reimbursement for hotel/motel costs and meals.

With new policies in place, city employees should have a clearer understanding of the travel policy, including reimbursement for hotel/motel costs and meals reimbursement, as well as other policies that affect them. Until the new manual is adopted, the Board of Public Works & Safety will adopt the State of Indiana's policy on hotel/motel costs and meals reimbursement for the City. I have also issued a Memorandum to all city departments outlining the City's mileage and travel procedures. A copy of the Memorandum is attached hereto as Exhibit "A".

12. Service and Time Records

The Audit Report provides in part that "employee time, attendance, or service records were not maintained properly or on the approved form for all officers and employees, and the police department is using an internal form to keep track of employee leave times rather than using the General Payroll Form 99A, Employee's Service Record".

Response

All department heads have been provided the Form 99A for their employees to properly track time and attendance. Additionally, the City has issued a memo to all city departments that the Kronos time system that the City purchased must be used by all employees starting September 27, 2010. A copy of the Memorandum is attached hereto as Exhibit "B".

13. Sick Leave Policy

The Audit Report provides in part that "not all employees are in compliance with the City's sick leave policy".

Response

The current City Personnel Manual was published July 1, 1979 and only twice since then has the manual been amended, with the last occurrence being October 2, 1995. Therefore, there are several policies within the manual that need amended, corrected, or rewritten. A committee of department leaders and members of the City administration

started revising the manual in 2009. It has been presented to members of the Common Council, but no movement has been made on its adoption. The City hopes to adopt the new manual by the end of 2010.

The new manual will clearly state that after an employee has used the allotted 180 days of sick leave, no further sick leave will be recognized by the City. This policy is one the City currently follows, but with the language added to the handbook, city employees will have a clearer understanding of the sick leave policy.

14. Capital Asset Records - City

The Audit Report provides in part that the City does not have a comprehensive listing of all assets of the City.

Response

The City does maintain current asset records for all equipment according to the city's asset policy. However, historical data is not present. Such a task requires a large amount of time and money to assess. The City does wish to be compliant in this area. Being mindful of utilizing the most efficient and cost effective resources, the City is investigating methods to attain this data and obtain compliance.

15. Capital Asset Records – Utility

The Audit Report provides in part that “the Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts”. It further states that “records providing historical costs for some of the Utility’s capital assets are not available, and records classifying and summarizing the Utility’s capital assets are incomplete”. Moreover, “deletions or disposals of capital assets are not recorded”.

Response

The City does maintain current asset records for all equipment according to the city's asset policy. However, historical data is not present. Such a task requires a large amount of time and money to assess. The City does wish to be compliant in this area. Being mindful of utilizing the most efficient and cost effective resources, the City is investigating methods to attain this data and obtain compliance.

16. Condition of Records

The Audit Report provides in part that there were several deficiencies found in this audit that were cited in the prior audit, which include:

- (a) “Bank accounts were not reconciled in a timely manner.
- (b) Adjustments to the 2008 financial records were made in May 2009.
- (c) Receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2008 were not recorded in the units’ records.

- (d) Accurate capital asset records were not provided for examination.
- (e) Minutes of the Beech Grove Redevelopment Commission were not presented for review”.

In addition, the Audit Report states in part that:

- (a) “Record balances were not timely reconciled to depository balances during the review period.
- (b) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.
- (c) Some transactions were recorded as “negative” receipts and disbursements”.

Response

In the brief amount of time the City has had to work to resolve issues presented in the 2008 audit report, many improvements have been made to the deficiencies found in 2008. The City continues to strive for use of prescribed manners stipulated in the Cities and Towns manual. In 2010, the City has made improvements in the timeliness of reconciliations and adjustments. Several of these corrections have been discussed in responses to other comments within this report. While errors were present, I maintain that the records have been corrected to ensure accuracy. Finally, the Redevelopment Commission minutes were requested from the Redevelopment Commission Secretary before the audit but were not, and still have not been, provided to me for your review.

17. Errors on Claims

The Audit Report provides in part that “claims were not adequately itemized. Payments were sometimes made from photocopied bills and receipts. Also, some non-itemized credit card slips were used as documentation”.

Response

This issue appeared in the 2008 Audit Report as well. However, since the Audit Report was completed in November 2009, the City did not have an opportunity to fully implement its updated process and procedures to ensure compliance with IC 5-11-10-1.6. I have reissued a Memorandum outlining this process. A copy of the Memorandum is attached hereto as Exhibit “C”.

18. Fees

The Audit Report provides in part that the minutes of the Park Board, City Council or Board of Works for 2009 and 2010 do not indicate an approved fee schedule for fees collected at the Community Center for animal licenses, dog park applications, fitness center memberships and classes, and facility and shelter rentals. The Report also states that “the Code Book for the City outlines and establishes fees for [only] Animal Licenses and Shelter rental”.

Response

Because the Parks Department is not part of the City audit every year, there are many procedures that the City has put into place that were never reviewed before this year. This audit has revealed that many procedures regarding fees and rentals and many ordinances relating to the work of the Parks Department need amending. I will speak with the Parks Board about approving a fee schedule annually to address animal licenses, dog park applications, fitness center memberships and classes, and facility and shelter rentals. Moreover, every time the fee schedule is adopted, the City will review its ordinances to ensure consistent policies. Finally, the City will edit the current Code Book to include any missing ordinances related to fees charged by the Parks Board.

19. Internal Controls

The Audit Report provides in part the following:

- (a) "Controls for receipts generated by the sales of Dog Park applications, Dog and Cat licenses, Fitness Center memberships and class fees, and Facility and Shelter Rental fees are insufficient."
- (b) "Dog Park applications are not prenumbered and accounted for; the fees are different if you are a new or existing member; a charge for a key to enter the park is also collected and controls or an inventory over those accountable items doesn't exist." In addition, the \$2 fee for a dog license is not being collected by the Parks Department. Finally, "an inventory over the licenses, which are prenumbered and accountable, is not maintained".
- (c) The Fitness Center "membership cards are not prenumbered or accounted for" and "waivers or extensions to memberships are allowed without authorization from the Park Board". Moreover, "class participation rosters were not presented to review for audit".
- (d) While facility rental forms are pre-numbered, the "appropriate fee to charge for the rental could not always be determined". Moreover, "several prenumbered forms could not be accounted for". In addition, the calendar that maintains use of the facility does not distinguish between entities paying for the facility and those who receive free rentals. Finally, "amendments, waivers, or refunds were made to renters without Park Board approval or authorization".
- (e) Several shelter rental forms "did not have a number on them; a few of the same pre-numbered forms were submitted twice with different renters names on them; and waivers for the rental of the fees was allowed without authorization from the Park Board".

Response

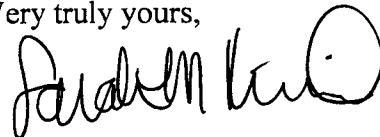
- (a) The Parks Board will review its current method of generating receipts and develop a consistent accounting method for each area of fees collected.
- (b) The Parks Board will order prenumbered forms from Boyce Systems for its dog park applications. Also, the fee policy for new and existing members will be

outlined in a fee schedule adopted by the Board and an inventory will be maintained of each type of membership. Further, the Board will create an inventory of all keys that are distributed for the dog park. Finally, the Parks Board will not issue a dog park key until the \$2 for a dog license has been collected by the City Hall or the Parks Department, and an inventory will be maintained by City Hall on all dog licenses.

- (c) The Parks Board will create prenumbered membership cards or order them from Boyce Systems, or a similar company, to prevent forged membership cards. It will also maintain a database to track memberships. Moreover, the Board will create a policy to address waivers and extensions on fitness memberships. Finally, the Parks Board will create and maintain class participation rosters for all fitness classes.
- (d) The Parks Board will order prenumbered forms from Boyce Systems for its facility rental forms to ensure they can be tracked and the type of rental options are clearly defined so that the appropriate room and fee amount is selected for every application. The Parks Board will also develop a system for indicating on the calendar which facility rentals are chargeable. Finally, the Board will create a policy to address amendments, waivers, and refunds for facility rentals.
- (e) The Parks Board will order prenumbered forms from Boyce Systems for its shelter rentals to ensure there are no duplicate forms. In addition, the Board will create a policy to address waivers on shelter rentals.

The City realizes that there are issues that need to be addressed to comply with all legal and State Board of Accounts requirements. I will continue to work with my staff, the City administration, and other elected and appointed officials to move toward full legal compliance and reporting responsibilities for the City of Beech Grove for the remainder of my term. If you should have any questions, feel free to contact me at your convenience.

Very truly yours,



Sarah M. Kincaid, Clerk-Treasurer
City of Beech Grove, Indiana

Attachments

Memo

To: All Department Heads
From: Sarah Kincaid
CC: Joe Wright
Date: August 16, 2010
Re: Mileage and Travel Reimbursement Procedures

In an effort to continue to address proper procedures and address specific problems recently noted, please utilize the following information related to the proper mileage reimbursement procedures. Please note that mileage and travel reimbursement claims will not be paid unless all of the following procedures have been followed:

1. Mileage claims must be completed on General Form 101. Forms are available from the Clerk Treasurer.
2. Mileage and travel rates are based on current State of Indiana rates, which can be found at: <http://www.in.gov/idoa/2459.htm>
3. All mileage and travel claims must include original itemized receipts. Copies will not be accepted.
4. All claims must be signed and appropriated by a Purchasing Authority on a purchase order form.
5. All travel and mileage claims must be approved by the Board of Works prior to reimbursement. The Boards meet the first and third Wednesday of every month. Complete and verified claims must be returned to the Clerk Treasurer in a timely fashion to ensure timely reimbursement.
6. Petty cash may not be used to pay for any travel or mileage expenses. All such claims should be submitted to the Clerk Treasurer for proper reimbursement.
7. Diversion from any such policy will be considered on a case by case basis by the Clerk Treasurer and discussed with the Department Head.

Memo

To: All Department Heads
From: Sarah Kincaid
CC: Joe Wright
Date: August 16, 2010
Re: Timekeeping Procedures

In an effort to continue to address proper procedures per State Board of Accounts related to proper timekeeping, the City of Beech Grove will be utilizing the Kronos system for all timekeeping. Effective September 27, 2010, all departments should begin to record time and attendance via Kronos. Please note that Kronos should serve as the predominant record keeper for all time, including sick, vacation and compensatory. Kronos will link directly to the payroll system for hours paid.

In addition to the use of Kronos, please note the following regulations with regard to timekeeping as it relates to the Sick Leave Policy. This policy currently states that employees may carry sick leave up to 180 days. Please ensure that all records reflect this policy and that hours above and beyond the 180 days are not kept as part of the official records.

Should each department choose to keep supplement records, these records must be kept on the State Board of Accounts recognized Form 99A.

Your cooperation is appreciated in this effort to make city records and the timekeeping process compliant with statewide standards.

Memo

To: All Department Heads (Purchasing Authorities)
From: Sarah Kincaid
CC: Joe Wright
Date: August 16, 2010
Re: Claims Procedures

In an effort to continue to address proper procedures and address specific problems recently noted, please utilize the following information related to the proper claims process. This information should supplement and detail recent meetings on this topic. Please note that claims will not be paid unless all of the following procedures have been followed:

1. Claims must be fully itemized. Original invoices or itemized original receipts should ideally be submitted. In the event that an original invoice is not provided by the vendor, the copy or facsimile should be marked in the condition it was received in (noted as "Received as _____".) Claims will not be paid from statements or any diversion from the above noted formats.
2. All claims must include confirmation of receipt of goods or services by signature. If using a purchase order, a line for signature is provided. Sales orders, packaging slips and the like may be used as a supplement to confirm receipt of goods or services if provided at the time of receipt. Please note that anyone receiving such goods or services can confirm receipt by signature.
3. All claims must be signed and appropriated by a Purchasing Authority. Purchasing Authorities for the City of Beech Grove include all Department Heads and the Mayor.
4. Claims must be approved by the Board of Works or Board of Sanitation prior to payment. The Boards meet the first and third Wednesday of every month. Complete and verified claims must be returned to the Clerk Treasurer in a timely fashion to ensure proper payment prior to due date.
5. Sales tax shall not be paid or reimbursed (in the case of a purchase paid for outside of city funds to be reimbursed by the city). Tax exemption forms are available from the Clerk Treasurer and will be provided as needed.
6. Diversion from any such policy will be considered on a case by case basis by the Clerk Treasurer and discussed with the Department Head.

Thank you for your attention to proper claims procedures!



August 18, 2010

State Board of Accounts
State of Indiana
302 West Washington Street, Room E418
Indianapolis, Indiana 46204

**RE: Mayor's Response to SBA Audit for Calendar Year 2009
City of Beech Grove, Indiana (the "City")**

Ladies and Gentlemen:

This letter will serve as my response as the Mayor of the City of Beech Grove to the Examination Results and Comments which we received from your office, a copy of which is attached as Exhibit "A" (the "SBOA Audit"). As recognized in the SBOA Audit, most of the deficiencies and errors noted are the responsibility of the elected Clerk Treasurer for the City of Beech Grove (the "Clerk Treasurer"). As Mayor, my role and input into most of these issues is limited by the Clerk Treasurer's responsibilities and obligations as outlined in Indiana statute and your office's policies and procedures. However, in order to ensure that the best interests of the citizens of Beech Grove are being furthered under this administration, I strive to make sure that operational issues within my control are handled in accordance with the law and the policies and procedures prescribed by your office.

As you may know, the current Clerk Treasurer has tendered her resignation to the City as of August 27, 2010. It is my understanding that she has already provided a written detailed response on how the issues raised in the SBOA Audit are going to be and/or have been addressed by her office. While my role in rectifying many of these issues is limited by the obligations and responsibilities of the Clerk Treasurer, I will strive to ensure that as many of these issues as possible are addressed with her before her effective resignation and that a transition checklist is recommended for the incoming Clerk Treasurer who is yet to be appointed.

As part of this plan, I wanted to provide you with this response and my independent comments to the SBOA Audit. This is intended to supplement any actions being suggested by and/or performed by the current Clerk Treasurer to address the issues that have been raised in the SBOA Audit. In an effort to address certain operational issues within my authority and control as they relate to items contained in the SBOA Audit, I am attaching a Memo as directed and distributed to All Park Board Members from me as Exhibit "B" to address and remedy items raised in the "Fees" and "Internal Controls Over Park Receipts" sections of the SBOA Audit. I am also attaching a Memo as directed and distributed to All Department Heads to address certain operational issues within my authority and control as they relate to items raised in the "Receipt Deposits", "Collection of Fees", and "Employee Service Records" sections of the SBOA Audit.

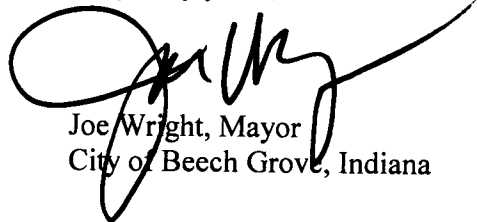
With regard to the section of the SBOA Audit entitled "Salary of the Clerk of the Court," in 2009, the Court Clerk performed various office administrative tasks for the City properly allocable to the General Fund and Sewage Works Fund in addition to those required in her role of court clerk; however, as the Court's activity has increased, she now dedicates all of her time to court administration, and therefore, her entire salary for 2010 has been designated from the Court's budget. This matter is therefore resolved for 2010 and following years.

With regard to the section of the SBOA Audit entitled "Compensation and Benefits" as it relates to hourly employees not always included in the approved salary ordinance or schedule adopted, this matter will be rectified for the salary ordinance adopted in 2010. If an amendment to the 2009 salary ordinance is required to rectify this matter, please advise and proper action will be taken.

In addition to the action items set forth above, I will also provide a copy of the SBOA Audit to the incoming Clerk Treasurer once that person is appointed and will ask that a plan of action be submitted in writing within 45 days after that person is appointed. Hopefully, this will be an additional positive step to ensure we all work together as an administration so these items are addressed by the appropriate official(s).

As stated above, the current Clerk-Treasurer is leaving office effective August 27, 2010 which creates not only mid-term transitional challenges, but additional challenges to rectify accounting discrepancies left for her successor. I will continue to work with and encourage the current Clerk-Treasurer in her limited time remaining in office, the incoming Clerk-Treasurer when selected, other elected and appointed officials, and our staff, to move toward full legal compliance and reporting responsibility for the City of Beech Grove. If you should have any questions, feel free to contact me at your convenience.

Very truly yours,



Joe Wright, Mayor
City of Beech Grove, Indiana

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were present during our period of examination:

- Bank accounts were not reconciled in a timely manner.
- Adjustments to the 2008 financial records were made in May 2009.
- Receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2008 were not recorded in the units' records
- Accurate capital asset records were not provided for examination.
- Minutes of the Beech Grove Redevelopment Commission were not presented for review.
- Many errors were found on the annual report provided for examination, including beginning balances not agreeing to prior ending balances and receipts and disbursements not agreeing to the ledgers

A similar comment appeared in prior report B35763.

- (1) Record balances were not timely reconciled to depository balances during the review period.

IC 5-13-6-1(e) states, in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

- (3) Some transactions were recorded as "negative" receipts and disbursements.

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)

RECEIPT DEPOSITS

The Police Department did not always remit collections to the clerk-treasurer in a timely manner. Two remittances tested took thirteen or more days to be delivered to the clerk-treasurer for deposit. Furthermore, four remittances subsequent to December 31, 2009 were noted to be untimely. The four remittances noted took ten or more days to be delivered to the Clerk-Treasurer for deposit.

IC 5-13-6-1(d) states, in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

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)

IC 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

ORDINANCES AND RESOLUTIONS

The City of Beech Grove has a Code of Ordinances concerning various permits and licenses. However, several building and electrical permits did not get charged to customers properly.

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)

CRIME INSURANCE POLICIES

General Ordinance Number 1, 2001, authorized the purchase of a blanket bond to cover the faithful performance of all employees, board members, and persons acting on behalf of the City in accordance with IC 5-4-1-18. Therefore, the City of Beech Grove purchased crime insurance policies in lieu of annual bond coverage. Policy No. PKG80110251 was purchased for the period 12/19/08 to 12/19/09 with a limit of coverage per crime loss amount of \$100,000. In order to be in compliance with minimum coverage requirements for 2009, the amount of coverage should have been no less than \$375,000. In addition, the crime insurance policy was not payable to the State of Indiana and had not been filed in the office of the County Recorder.

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING

Receipts and disbursements related to the Tax Anticipation Refunding Warrants (General Fund) Series 2009 were not recorded in the units' records.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not prepared timely, as the December 2009 reconciliation was not completed until March 2010. A similar comment appeared in Report B35763.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the

amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

The two Board of Public Works board members received \$2,492.06 each, in payment for their services in 2009. The salary ordinance allotted \$2,340 each; therefore each member was overpaid \$152.06.

Additionally, hourly employees were not always included in the approved salary ordinance or salary schedule adopted by the Board.

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)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

SALARY OF THE CLERK OF THE COURT

The city court clerk has been placed in the classification of Office Manager and her salary is distributed equally between the General Fund and the Sewage Works Fund. She does not perform duties that would be paid from these funds.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

OVERDRAWN CASH BALANCES

The cash balance of the Bond and Interest Fund was overdrawn by \$105,167 on December 31, 2009. A similar comment appeared in previous reports, most recently B35763.

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

ANNUAL REPORT

An annual report for 2009 was not presented for examination until May 25, 2010. A similar comment appeared in prior reports, most recently B35763.

IC 5-3-1-3(a) states, in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TRAVEL POLICY

A travel policy was not presented for examination. The travel guidance presented for examination is part of the Personnel Manual/Code of Ordinances book(section 37.09) and is dated 1994. The verbiage states that mileage will be reimbursed at the same rate the State of Indiana reimburses mileage. In 2009, the State reimbursement rate was \$.40 cents per mile. The City of Beech Grove reimbursed mileage at the rate of 48.5 cents per mile.

No mention is made in the city's travel guidance regarding hotel/motel room costs and meals reimbursement.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained properly or on the approved form for all officers and employees. In addition, the police department is using an internal form to keep track of employee leave times rather than using the General Payroll Form 99A, Employee's Service Record.

A similar comment appeared in prior report B35763.

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)

SICK LEAVE POLICY

The city is not completing the Employee Service Record appropriately; therefore, we were not able to determine if all employees are in compliance with the City's sick leave policy. Sick leave may be accumulated to a maximum of 1,440 hours, per the City Personnel Manual. Two employees tested did not have any documentation as to their leave time.

A similar comment appeared in prior report B35763.

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)

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)

CAPITAL ASSET RECORDS - CITY

The City records capital asset additions, but it is not a comprehensive listing of all assets of the City. For example, the report does not include any value for land, and the only value included in the building category is for the Fire Department, of which several of those items are actually machinery and equipment. A similar comment appeared in prior Report B35763.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS - UTILITY

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded. A similar comment appeared in prior Report B35763

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

Deficiencies were noted on claims during the examination period. Claims were not adequately itemized. Payments were sometimes made from photocopied bills and receipts. Also, some non-itemized credit card slips were used as documentation. A similar comment appeared in prior Report B35763.

IC 5-11-10-1.6 states, in part:

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

FEES

Fees were collected at the Community Center for animal licenses, dog park applications, fitness center memberships and classes, and facility and shelter rental. Minutes of the Park Board, City Council or Board of Works, for 2009 and 2010, did not indicate an approved fee schedule for any of these charges. Additionally, the Code Book for the City only outlines and establishes fees for Animal Licenses and Shelter rental.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER PARK RECEIPTS

Controls for receipts generated by the sales of Dog Park applications, Dog and Cat licenses, Fitness Center memberships and class fees, and Facility and Shelter Rental fees are insufficient.

Dog Park applications are not prenumbered and accounted for. There is a charge for a key to enter the park; however, an inventory over those accountable items doesn't exist. Upon completion of a Dog Park application, an individual is required to obtain a dog license. Per City Code Book, there is at least a \$2 fee for that license. This fee is not being collected by the Park Department. Additionally, an inventory over the licenses, which are prenumbered and accountable, is not maintained.

The Fitness Center sells memberships and charges individuals to participate in classes. The membership cards are not prenumbered or accounted for and waivers or extensions to memberships are allowed without authorization from the Park Board. Class participation rosters were not presented for examination.

Facility rental forms are prenumbered; however, the appropriate fee to charge for the rental could not always be determined. Also, several prenumbered forms could not be accounted for. A calendar is maintained logging the use of the facility and it had significantly more rentals documented than there were signed rental agreements. This was determined to be from not for profit or charitable entities using the Community Center and not paying a fee. Lastly, amendments, waivers, or refunds were made to renters without Park Board approval or authorization.

Shelter rentals have a separate series of prenumbered forms; however, we found several forms that did not have a number on them; a few of the same prenumbered forms were submitted twice with different names on the form and waivers for the rental of the fees was allowed without authorization from the Park Board.

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)

Memo

To: All Park Board Members
From: Mayor Joe Wright
Date: August 18, 2010
Re: Internal Administrative Procedures to Address Immediately

It has been brought to our attention by the State Board of Accounts that there are a few accounting and administration procedures that need to be addressed immediately by the Park Board to be in compliance with State law.

- Fees Collected
 - Any fees collected by the Park Board must be done so in accordance with any adopted ordinances, resolutions, or policies. Fees collected at the Community Center include animal licenses, dog park applications, fitness center memberships and classes, and facility and shelter rental. Should a fee schedule not exist, one must be adopted by the Park Board or the Board of Public Works.
- Internal Control over Park Receipts
 - There must be a control process in place for the receipting, disbursing, recording and accounting for all financial and transactional activities of the Community Center and Parks Department, including the receipt of all fees. The list of activities set forth below is not an all inclusive list to include in this review and implementation of proper control processes but is merely a starting point:
 - Dog Park Applications and Fees
 - Dog and Cat Licenses and Fees
 - Fitness Center Membership Forms and Fees
 - Fitness Center Class Registrations and Fees (including class rosters)
 - Facility and Shelter Rental Fees.

The above compliance items are not suggestions but are directions from the State and from the City. Adherence to these policies and procedures are critical for proper accounting and administration of the City. The State Board of Accounts' specific comments regarding these matters are attached.

Thank you and please contact me should you have any questions.

FEES

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Memo

To: All Department Heads
From: Mayor Joe Wright
Date: August 18, 2010
Re: Internal Administrative Procedures to Address Immediately

It has been brought to our attention by the State Board of Accounts that we have a few accounting and administration procedures that we need to revisit and reinforce across all departments to be in compliance with State law. These requirements are not optional and are required by state law.

- Receipt Deposits
 - Any funds received or collected by your department must be remitted to the Clerk-Treasurer's Office no later than the next business day.
- Collection of Fees
 - Any fees received by the City must be done so in accordance with any adopted ordinances, resolutions, or policies. Should any deviation occur from the fee schedule or guidance as set forth in ordinance, resolution, or policy (such as fee waivers, etc.) complete and proper documentation and approval must occur and such documentation must be filed appropriately.
- Employee Service Records
 - Employee time, attendance and service records for all City employees (to include any and all leave time used) must be kept current for all officers and employees on *General Payroll Form 99A, Employee's Service Records*. This includes public safety employees.
 - Each department head is hereby directed to review sick leave documentation for each City employee to assure that adequate documentation of each employee's accumulated sick leave is available, accurate and maintained.

The above compliance items are not suggestions but are directions from the State and from the City. Adherence to these policies and procedures is critical for proper accounting and administration of the City.

Thank you and please contact me should you have any questions.