

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF HAMMOND

LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Robert Lendi, CPA (Vacant) Heather Garay	01-01-14 to 04-30-14 05-01-14 to 05-11-14 05-12-14 to 12-31-16
Mayor	Thomas M. McDermott, Jr.	01-01-12 to 12-31-19
Clerk	Robert J. Golec	01-01-12 to 12-31-19
City Judge	Jeffrey Harkin Gerald P. Kray	01-01-14 to 04-22-16 04-23-16 to 12-31-16
President of the Board of Public Works and Safety	Robert Lendi, CPA Edward Krusa Stanley Dostatni	01-01-14 to 05-07-14 05-08-14 to 10-28-15 10-29-15 to 12-31-16
President of the Common Council	Michael Opinker Janet Venecz	01-01-14 to 07-28-16 07-29-16 to 12-31-16
President of the Redevelopment Commission	Jimmie Lambert Anthony Hauprich	01-01-14 to 08-19-14 08-20-14 to 12-31-16
Sanitary District Manager	Marty J. Wielgos	01-01-14 to 12-31-16
Sanitary District Business Manager	Rachel Montes	01-01-14 to 12-31-16
President of the Sanitary District Board of Commissioners	Stanley J. Dostatni Dean Button	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Chief Executive Operator of the Water Utility	Edward Krusa	01-01-14 to 12-31-16
Water Utility Office Manager	Deborah L. Van Meter	01-01-14 to 12-31-16
President of the Utility Service Board	Sharon M. Daniels	01-01-14 to 12-31-16
Director of the Port Authority	Milan A. Kruszynski	01-01-14 to 12-31-16
Chairman of the Port Authority Board of Directors	Scott Rakos Thomas E. Kuhn	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Port Authority Financial Director	Richard A. Szany	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE CITY OF HAMMOND, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Hammond (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 3, 2016

CITY CONTROLLER
CITY OF HAMMOND

CITY CONTROLLER
CITY OF HAMMOND
FEDERAL FINDING

FINDING 2014 -001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were the following deficiencies in the internal control system of the City related to financial transactions and reporting that constituted material weaknesses:

1. *Lack of Segregation of Duties*: The City had not separated incompatible activities related to receipts and disbursements.

City

- a. One person in the Controller's office recorded receipts, prepared deposits, and took the collections to the depository. A control related to preparation of the deposits was not documented.
- b. Employees who entered the payroll information into the financial system also had the ability to adjust the pay rate of employees.
- c. The City contracted with a third-party administrator to process medical claims. The Controller's office recorded the individual vendor payments in the City's ledger and also mailed the checks to the vendors as funds were available in the Self-Insurance fund. Supporting documentation was not submitted with the checks prepared by the third-party administrator; therefore, the City did not review the claims for completeness and accuracy. The City had not implemented any other procedures to verify the claims for completeness and accuracy. Additionally, the employee responsible for creating the claim for payment also authorized them using a stamp with the official's name.
- d. The Payroll Clerk generated the withholdings disbursements, reviewed the quarterly withholding reports, and made any necessary changes in the RDS system.

Port Authority

- e. The employee who created the purchase orders and accounts payable vouchers also authorized them as instructed, using a stamp with the official's name.
- f. Audit evidence was not available to verify that the monthly or year-to-date financial statements, which were prepared by an outside firm, were reviewed for completeness and accuracy.

Sanitary District

- g. The Accounts Receivable Clerk prepared the receipts, recorded the receipts to the accounting systems, and prepared collections for deposit. The Accounts Receivable Clerk could have also adjusted bills in the system after they had been recorded.
- h. The Accounts Payable Clerk prepared the checks and recorded the invoices to the accounting system.
- i. The software system allowed for duplicate check printing and for changes to be made to a check after it had been issued. Checks with duplicate check numbers occurred on a monthly basis.

CITY CONTROLLER
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

j. The Payroll Manager was responsible for the entire payroll process and was able to make payroll rate changes in the computer system.

k. The Business Manager prepared the bank reconcilements. The monthly reconcilements were not reviewed for completeness and accuracy.

l. The Business Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy.

Water Utility

m. The Office Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy

2. *Monitoring of Controls:* An evaluation of the City's system of internal control had not been conducted. Additionally, the City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

Cash and investments and bank reconcilements - the City implemented a control over cash and investments and bank reconcilements which did not operate effectively. The control did not detect that the bank reconcilements initially provided for audit did not agree to the City's record balances. The control also did not detect that trust account activity was not being reconciled to, or recorded in, the City's records. Management did not obtain the trust statements in order to verify the existence, completeness, or accuracy of the bank reconciliation and many of the trust statements were unaccounted for when initially requested for audit.

3. *Preparing Financial Statement:* Effective internal control over financial reporting involved the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. In addition, management of the City had not established a process for final review of the financial statement after compilation.

The City Controller prepared the Annual Financial Report (AFR) and electronically submitted it to the State Board of Accounts. The AFR was the basis for the City's financial statement. The financial statement presented for audit contained the following errors:

1. The financial statement beginning cash and investment balances did not agree with the prior audit ending cash and investment balances for two funds which totaled \$1,602,313.
2. The financial statement receipts were understated by \$13,939,708 when compared to the records. This was caused by the omission of the receipt activity of trust accounts, errors when computing the regulatory basis receipts from the accrual basis revenues for the Water Utility funds, and other errors.

CITY CONTROLLER
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

3. The financial statement disbursements were understated by \$15,766,866 when compared to the records. This was caused by the omission of the disbursement activity of trust accounts, errors when computing the regulatory basis disbursements from the accrual basis expenses for the Water Utility and Sanitary District funds, and other errors.
4. The financial statement ending cash and investment balances did not agree to the records by \$224,845. This was caused by the errors and omissions addressed in the above items.

Audit adjustments were proposed, accepted by the City, and made to the financial statement. These adjustments resulted in a presentation of the financial statement that is materially correct.

Criteria

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).

Indiana Code 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."

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the City had not established a proper system of internal control. Additionally, Management had not monitored the internal control system related to the City's financial reporting and transactions.

CITY CONTROLLER
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

Effect

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Heather Garay, J.D.
Controller

CITY OF HAMMOND

November 2, 2016

CORRECTIVE ACTION PLAN

FINDING 2014-001 – FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Heather Garay, City Controller
Contact Phone Number: 219-853-6324

Corrective Action Plan:

1. Lack of Segregation of Duties:

City:

- a. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

These duties were segregated in July of 2015 to address the finding in the 2013 audit. After July, 2015, receipt clerk recorded the receipts and prepared the deposit. Another employee reviewed the deposit and took the collections to the bank. Going forward, the receipt clerk will record the receipts on the RDS system. Another employee will balance cash and credit card receipts to the system generated report, preparing the deposit. The receipt clerk will verify the deposit amount and take collections to the depository. Each employee will sign the deposit and receipt report verifying accuracy.

Anticipated Completion Date: January 1, 2017

- b. We concur with the finding.

The City's current payroll software does not allow us to enter set amounts for additional pay beyond overtime. Any other additional pay, such as wellness bonuses, acting pay, etc. must be entered on a weekly basis. Payroll Clerks in the Police, Fire and Public Works departments will continue to have the ability to enter these additional according to the department time sheets. All time sheets or employment records for additional pay must be signed by a department supervisor and copies must be submitted to the Controller's office Payroll Administrator for verification against the payroll forecast. The Payroll Administrator will sign the forecast and documentation indicating the amounts agree. The department payroll clerks will not have the ability to change regular salary amounts within the system.

Anticipated Completion Date: January 1, 2017

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
Fax: 219.853.6345
www.gohammond.com

E-mail: garayh@gohammond.com



Heather Garay, J.D.
Controller

CITY OF HAMMOND

- c. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

The City took steps to address a similar finding from the 2013 audit in July of 2015. The third party administrator provides the City with a check register of checks in the batch, claim details for each check and actual checks. The insurance administrator tests 10% of each batch for accuracy. Each tested check is audited against the check register and claim detail for accurate amounts, payee and check number. Copies of the tested checks are maintained with the batch documentation. All checks are totaled and this amount verified against the total noted on the check register. The insurance administrator will now sign a sheet for each test batch that indicates the checks tested and verified. Going forward, the insurance administrator will create a claim for each batch and will attach a copy of the check register to the claim for Council verification. All employee and other personal information will be redacted from this copy of the register. Once approved by Council, the claim will be reviewed and stamped by the accounts payable clerk like all other claims and returned to the insurance administrator to mail out checks.

Anticipated Completion Date: January 1, 2017

- d. We concur with the finding and have taken steps since the last audit to make corrections. Due to the timing of the 2013 audit, many corrections were not put in place until after the current audit year.

The City took steps to address a similar finding from the 2013 audit in July of 2015. The Payroll Administrator generates the withholding disbursements. The Deputy Controller prepares the quarterly withholding reports from the financial system. Going forward, any changes needed due to discrepancies between the disbursements and the reports will require review and signature by the Controller.

Anticipated Completion Date: January 1, 2017

2. *Monitoring of Controls:*

- a. We concur with the finding.

Management is in the process of developing and documenting an internal control plan for the City. The control plan will include guidelines for regular monitoring, testing and evaluation of controls to ensure continued effectiveness of controls and address new needs.

Management is working to improve the controls related to Cash and Investments and bank reconciliements. Management will obtain all trust statements and book activity in the system on a monthly basis. Trust information will be provided to the Banking Clerk for reconciliation. All banks will be reconciled to system generated record balances. Copies of record balances will be attached to bank reconciliements for monthly review by management.

Anticipated Completion Date: January 1, 2017

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
Fax: 219.853.6345
www.gohammond.com

E-mail: garayh@gohammond.com



Heather Garay, J.D.
Controller

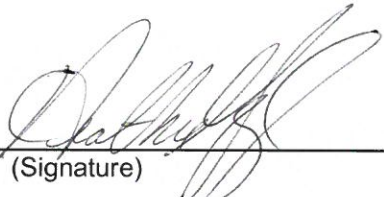
CITY OF HAMMOND

3. Preparing Financial Statements:

- a. We concur in the finding. However, it should be noted that due to the timing of the 2013 audit, prior year audited financials were not available at the original time of reporting.

The City, Water Utility, Sanitary District and Port Authority operate on separate and distinct financial software. Each business manager is responsible for entering financial information on Gateway for their unit. Business managers will be required to provide supporting documentation and explanations of all entries to the Controller for review prior submission. Documentation will include recorded balances for each fund. The Controller will verify that beginning balances for all funds match audited ending balances of prior year. Water Utility will provide the cash summary reported prepared for the Board to the Controller for verification of the clearing account. The completed financial report will be reviewed by another member of management for completeness and accuracy. The City is also exploring new financial software options that allow all units to be on the same system.

Anticipated Completion Date: February 1, 2017



(Signature)

Controller

(Title)

11/2/2014

(Date)

City of Hammond
Controller's Office
5925 Calumet Avenue
Hammond, Indiana 46320

219.853.6324
Fax: 219.853.6345
www.gohammond.com

E-mail: garayh@gohammond.com

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount
City:	
General	\$ 30,109,956
M. V. H.	1,031,461
LRS	529,051
Transit	375,309
Park	477,003
Centrex	79,474
Diesel Fuel Tax	4,256
NSP/Neighborhood Stabilization	103,972
Seatbelt Enforcement	4,773
Red P & I	152,434
SEMA Grant	40,788
Park Bond	100
Impaired Driving	4,467
Redevelopment	84,313
Local Seizure	8,188
C.D.B.G.	287,492
Ambulance Fees	374,735
Unemployment	487,511
Henry Unit	1,437,644
Park/Gaming	207,596
Afford Housing	213,916
Inspt/Rental	569,617
Golf Course	244,270
Sanitary District:	
Sewer	589,868
Port Authority:	
Payroll and Withholding	98
Total	\$ 37,418,292

Similar comments have appeared in several prior Reports, most recently Report B45294.

Funds with overdrawn cash balances as a result of grant expenditures awaiting reimbursement were not included in the list above.

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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)

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

The General fund reported expenditures in excess of budgeted appropriations of \$49,783,174. The budget for 2014 had been reduced by the Department of Local Government Finance due to the negative beginning cash balance in the fund.

The Sewer and Debt Service Exempt funds reported expenditures in excess of budgeted appropriations of \$63,047 and \$743,064, respectively.

Similar comments have appeared in several prior Reports, most recently Report B45294.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INCOME TAXES SOURCES AND USES

The City began receiving County Economic Development Income Tax (CEDIT) and Local Option Income Tax (LOIT) distributions from the County in 2014. Each tax had a specific purpose and was accounted for in separate funds. The City erroneously received \$425,153 in CEDIT distributions into the LOIT fund in 2014.

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)

CURRENT PAYMENT OF CLAIMS

Self Insurance

The City maintained a Self Insurance fund for the payment of employee health insurance claims. A third-party administrator initially received the medical claims, processed them, and produced the vendor checks for payment. The vendor checks were accumulated each month and were remitted to the City Controller's office (Controller) the following month, accompanied by a printed check register. The Controller recorded the individual vendor payments in the City's ledger and also mailed the checks to the vendors as funds were available in the Self Insurance fund.

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The October and November 2013 checks were not recorded or remitted until February and April 2014, respectively. The January and February 2014 checks were not recorded or remitted until June and July 2014, respectively. The March through July 2014 checks were not recorded or remitted until four months after receiving the checks. The August and September/October 2014 checks were not recorded or remitted until November and December, respectively.

A similar comment appeared in prior Report B45294.

Regional Development Authority

The City was delinquent in payments to the Regional Development Authority for 2013 and 2014, owing \$6,125,000 as of December 31, 2014.

Indiana Code 36-7.5-4-2(c) states in part: ". . . each fiscal officer shall transfer eight hundred seventy-five thousand dollars (\$875,000) to the development authority fund before the last business day of January, April, July, and October of each year . . . "

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF CLAIMS

The Controller paid Senior Rebates claims and claims for payment of employee self-insurance benefits. However, these claims were not approved by the Common Council.

Indiana Code 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: . . .

(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."

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

PREAPPROVED PAYMENT OF CLAIMS

The City adopted an ordinance allowing certain payments to be made in advance of Council approval. The ordinance required these payments be reviewed and approved at the Council meeting following the payment of the expense.

Payroll claims totaling \$46,918,528 dated from February 14, 2014 through November 7, 2014, were paid bi-weekly; however, the claims were not presented to the Council for review and approval until December 15, 2014.

Indiana Code 36-4-8-14(d) states: "The city legislative body or the city board having jurisdiction over the allowance of the claim shall review and allow the claim at its next regular or special meeting following the pre-approved payment of the expense."

City Ordinance § 36.006(C) states: "The city legislative body shall review and allow the claim at its next regular or special meeting following the pre-approved payment of the expense."

CREDIT CARDS

Three of ten credit card claims tested did not have sufficient documentation to support the travel related expenditures (meals, gas, hotel, registration, rental car etc.). Within these three claims, there were ten instances where the business purpose of the travel was not documented or where the amount was paid based on a statement balance instead of supporting documentation.

Five of ten credit card claims tested did not have supporting documentation related to the purchases listed on the credit card statements. These claims were paid from the statement only.

One claim included a purchase that should have been paid from the City's General fund, instead of the Gaming Revenue fund based on the City's Municipal Promotion Ordinance.

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)

City Code § 37.006 states in part: "(A) The Common Council is authorized to establish as a line item in the budget of public officials and may appropriate funds from the general fund of the city to pay the expenses of or to reimburse city officials for expenses incurred in promoting the best interest of the city. . . ."

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

PAYROLL DEFICIENCIES

A similar comment appeared in prior Report B45294.

Payment in Advance

Employee compensation, hours, and leave time were reported by the departmental payroll clerks to the Controller's Office on a bi-weekly "Payroll Earnings Forecast" (forecast). The forecasts were submitted for payroll processing by the Monday or Tuesday prior to the pay date, which was on Friday. Salaried employees were paid for the current and subsequent week and were, therefore, paid in advance up to ten days prior to performing the service. This pay also did not reflect leave time used for the period covered.

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

Salary Ordinance

Compensation was paid in 2014 for the position of crossing guard which was not included on the salary ordinance.

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)

Leave Policies

The City abided by negotiated union agreements for sick and injured leaves and benefits for police officers and firefighters. Both union agreements were effective for the period of January 1, 2014 through December 31, 2016. Neither agreement contained the details of the leave and benefits policies. We could not determine what the policies entailed; therefore, we could not determine if the City complied with the approved policies.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Employee Service Records

The Fire Department did not maintain employee service records. An attendance record was maintained which was similar to the Employee Service Record (General Form No. 99A), but it did not provide information on leave balances, leave accruals, and leave usage. Leave was also not reported on the "Payroll Earnings Forecast" which was certified by the department head. In addition, overtime hours were not recorded on the attendance record.

CITY CONTROLLER
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

The Police Department maintained Employee Service Records (General Form No. 99A); however, overtime hours worked were not reported. Leave time was not reported on the "Payroll Earnings Forecast" which was certified by the department head. Additionally, compensatory leave accruals, usage, and balances were not reported.

The Federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (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. 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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT FORMS

The Controller's office used counter receipts for certain sources of collections that were not approved as an alternate form to the prescribed General Receipt Form No. 352.

The City used an Animal License as the payer's receipt. This form had not been approved as an alternate form for General Receipt Form No. 352. No one ensured that all of the animal licenses were recorded and deposited.

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

CITY CONTROLLER
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; and Mark McLaughlin, Mayor's Chief of Staff.

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WATER UTILITY
CITY OF HAMMOND

WATER UTILITY
CITY OF HAMMOND
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were the following deficiencies in the internal control system of the City related to financial transactions and reporting that constituted material weaknesses:

1. *Lack of Segregation of Duties:* The City had not separated incompatible activities related to receipts and disbursements.

City

- a. One person in the Controller's office recorded receipts, prepared deposits, and took the collections to the depository. A control related to preparation of the deposits was not documented.
- b. Employees who entered the payroll information into the financial system also had the ability to adjust the pay rate of employees.
- c. The City contracted with a third-party administrator to process medical claims. The Controller's office recorded the individual vendor payments in the City's ledger and also mailed the checks to the vendors as funds were available in the Self-Insurance fund. Supporting documentation was not submitted with the checks prepared by the third-party administrator; therefore, the City did not review the claims for completeness and accuracy. The City had not implemented any other procedures to verify the claims for completeness and accuracy. Additionally, the employee responsible for creating the claim for payment also authorized them using a stamp with the official's name.
- d. The Payroll Clerk generated the withholdings disbursements, reviewed the quarterly withholding reports, and made any necessary changes in the RDS system.

Port Authority

- e. The employee who created the purchase orders and accounts payable vouchers also authorized them as instructed, using a stamp with the official's name.
- f. Audit evidence was not available to verify that the monthly or year-to-date financial statements, which were prepared by an outside firm, were reviewed for completeness and accuracy.

Sanitary District

- g. The Accounts Receivable Clerk prepared the receipts, recorded the receipts to the accounting systems, and prepared collections for deposit. The Accounts Receivable Clerk could have also adjusted bills in the system after they had been recorded.
- h. The Accounts Payable Clerk prepared the checks and recorded the invoices to the accounting system.
- i. The software system allowed for duplicate check printing and for changes to be made to a check after it had been issued. Checks with duplicate check numbers occurred on a monthly basis.

WATER UTILITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

j. The Payroll Manager was responsible for the entire payroll process and was able to make payroll rate changes in the computer system.

k. The Business Manager prepared the bank reconcilements. The monthly reconcilements were not reviewed for completeness and accuracy.

l. The Business Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy.

Water Utility

m. The Office Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy

2. *Monitoring of Controls:* An evaluation of the City's system of internal control had not been conducted. Additionally, the City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

Cash and investments and bank reconcilements - the City implemented a control over cash and investments and bank reconcilements which did not operate effectively. The control did not detect that the bank reconcilements initially provided for audit did not agree to the City's record balances. The control also did not detect that trust account activity was not being reconciled to, or recorded in, the City's records. Management did not obtain the trust statements in order to verify the existence, completeness, or accuracy of the bank reconciliation and many of the trust statements were unaccounted for when initially requested for audit.

3. *Preparing Financial Statement:* Effective internal control over financial reporting involved the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. In addition, management of the City had not established a process for final review of the financial statement after compilation.

The City Controller prepared the Annual Financial Report (AFR) and electronically submitted it to the State Board of Accounts. The AFR was the basis for the City's financial statement. The financial statement presented for audit contained the following errors:

1. The financial statement beginning cash and investment balances did not agree with the prior audit ending cash and investment balances for two funds which totaled \$1,602,313.
2. The financial statement receipts were understated by \$13,939,708 when compared to the records. This was caused by the omission of the receipt activity of trust accounts, errors when computing the regulatory basis receipts from the accrual basis revenues for the Water Utility funds, and other errors.

WATER UTILITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

3. The financial statement disbursements were understated by \$15,766,866 when compared to the records. This was caused by the omission of the disbursement activity of trust accounts, errors when computing the regulatory basis disbursements from the accrual basis expenses for the Water Utility and Sanitary District funds, and other errors.
4. The financial statement ending cash and investment balances did not agree to the records by \$224,845. This was caused by the errors and omissions addressed in the above items.

Audit adjustments were proposed, accepted by the City, and made to the financial statement. These adjustments resulted in a presentation of the financial statement that is materially correct.

Criteria

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).

Indiana Code 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."

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the City had not established a proper system of internal control. Additionally, Management had not monitored the internal control system related to the City's financial reporting and transactions.

WATER UTILITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

Effect

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Hammond Water Works Department

BUSINESS OFFICE
6505 COLUMBIA AVENUE
HAMMOND, INDIANA 46320-2554
TELEPHONE: (219) 853-6421
FAX: (219) 853-6554

BOARD OF DIRECTORS

Sharon Daniels
Bernard Grisolia
Robert Lendi
Paul Walker
Courtney Saczawa

MAYOR
Thomas M. McDermott, Jr.

CHIEF EXECUTIVE OPERATOR
Edward Krusa

ATTORNEY
Tim Ormes

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Deborah L. Van Meter
Contact Phone Number: 219-853-6424

We concur with the findings.

The Water Utility has made some internal changes to aid in reporting of the City Share income, for their wholesale customers.

The Water Utility has also entered into an agreement with Cender & Company LLC on need be basis. The Water Utility will submit the City's cash amounts for review and accuracy prior to submitting them to the City for reporting purposes.

Anticipated Completion Date: December 31, 2016

(Signature)

CEO

(Title)

November 7, 2016

(Date)



WATER UTILITY
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Two Water Utility employees were paid a \$300 monthly vehicle allowance, but federal, state, and local taxes were not withheld or remitted to the taxing agencies. The monthly vehicle allowance was paid using an accounts payable voucher; therefore, the benefits were not included on the employee's Internal Revenue Service (IRS) Form W-2 Wage and Tax Statement. The employees were also not issued an IRS Form 1099-MISC for the allowance.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

DISBURSEMENTS SUPPORTING DOCUMENTATION

In 2014, payments totaling \$108,931 were made to a specific vendor. An approved contract was not written nor presented for audit for these payments for services. Invoices from the vendor were not adequately itemized. Inquiries had to be made to determine what service the company provided and the hours worked.

In May and June of 2014, the Water Utility received a \$32,838 invoice for legal services provided during February 1, 2013 through December 20, 2013. In 2013, the legal services firm was contracted for a \$75,000 retainer in addition to billings not to exceed \$40,000, for a total of \$115,000. Total billings for services rendered in 2013 were \$137,588.

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)

Indiana Code 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; . . ."

Because the term "itemized" has not been defined in the Indiana Code, we have recommended the following as a guide to local officials responsible for the approval and payment of claims:

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER UTILITY
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; Deborah L. Van Meter, Water Utility Office Manager; and Sharon M. Daniels, President of the Utility Service Board.

SANITARY DISTRICT
CITY OF HAMMOND

SANITARY DISTRICT
CITY OF HAMMOND
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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Port Authority

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Sanitary District

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SANITARY DISTRICT
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

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SANITARY DISTRICT
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

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Cause

Management of the City had not established a proper system of internal control. Additionally, Management had not monitored the internal control system related to the City's financial reporting and transactions.

SANITARY DISTRICT
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

Effect

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

SANITARY DISTRICT of HAMMOND

5143 COLUMBIA AVENUE
HAMMOND, INDIANA 46327-1794
TELEPHONE (219) 853-6413
FAX (219) 853-6321

Board of Sanitary Commissioners

DEAN BUTTON, PE
MICHAEL DYE
MATTHEW J. MUTA
SAM DIMOPOLOS
MICHAEL R. HAWKINS SR.



THOMAS MCDERMOTT, JR.
Mayor

MARTY WIELGOS
District Manager

RACHEL MONTES
Business Manager

JOSEPH P. ALLEGRETTI
Legal Counsel

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: **Rachel Montes**

Contact Phone Number: **219-853-6413 ext. 503**

Views of Responsible Official:

Sanitary District

Item G – Once a bill is entered into the system, no system user can adjust the bill. After approval from the Business Manager, the Accounts Receivable Clerk can enter a credit memo to adjust a bill. Beginning in January 2017, the Business Manager will initial all credit memos to confirm oversight.

Item J – It is a necessity for the payroll clerk to have the ability to change the pay rate of the employees due to the acting pay clause in the union contracts.

Description of Corrective Action Plan:

Item G – In late 2015, the Payroll Clerk began to prepare the collections for deposits. Due to the staffing size and budget constraints, the Sanitary District cannot separate the accounts receivable duties of preparing the receipts and recording the receipts to the accounting system.

Item H – Due to the staffing size and budget constraints, the Sanitary District cannot separate the accounts payable duties of recording the invoices and preparing the checks.

Item I – The current accounting software cannot restrict the ability to change the check number when printing checks. The Sanitary District is looking to switch software providers.

Item J – Due to the staffing size and budget constraints, the Sanitary District cannot separate the payroll clerk's duties.

Item K – As of January 2015, the Board of Commissioners began to approve the bank reconciliation report. As of July 2015, the accounting assistant began to review the bank reconciliation report for completeness and accuracy prior to presenting the report to the Board of Commissioners.

Item I – Due to the staffing size and budget constraints, the Sanitary District does not have an employee that reviews the cash amounts that are included in the City's financial statement.

For all the issues defined above, the District will explore testing or review procedures until additional staff can be budgeted.
Anticipated Completion Date: **January 2017**

Rachel Montis
(Signature)

Business Manager
(Title)

11/3/16
(Date)

SANITARY DISTRICT
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The financial statement presented for audit included the Sewer fund with an overdrawn cash balance of \$589,868.

Similar comments have appeared in several prior Reports, most recently Report B45294.

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; Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CURRENT PAYMENT OF CLAIMS

The Sanitary District was delinquent in the payment of gas and electric services invoices of \$3,207,429 as of December 31, 2014.

A similar comment appeared in prior Report B45294.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner 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; Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been certified to the County Auditor nor recorded with the County Recorder in 2014.

Similar comments have appeared in several prior Reports, most recently Report B45294.

Indiana Code 36-9-25-11(g) states in part:

". . . fees assessed against real property under this section also constitute a lien against the property assessed. The lien attaches at the time of the filing of the notice of lien in the county recorder's office. The lien is superior to all other liens except tax liens, and shall be enforced and foreclosed in the same manner as is provided for liens under IC 36-9-23-33 and IC 36-9-23-34."

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

SANITARY DISTRICT
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.
 - (d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
 - (f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS

The Sewer and Debt Service Exempt funds reported expenditures in excess of budgeted appropriations of \$63,047 and \$743,064, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

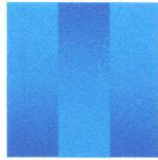
Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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RACHEL MONTES
Business Manager

JOSEPH P. ALLEGRETTI
Legal Counsel

November 15, 2016

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

Re: State Board of Accounts Examination and Audit Results and Comments
(Exam Period: January 1, 2014 – December 31, 2015)

Internal Controls Over Financial Statements

Examination Position

The Sanitary District (District) did not have a proper system of internal controls in place to prevent or detect and correct errors in the preparation of the financial statements. The District should have proper controls in place over the preparation of the financial statements, notes to financial statements, and required supplementary information to ensure accurate and reliable reporting of the District's financial activity. In addition, adequate internal control requires sufficient supervision and oversight to ensure complete and accurate financial reporting. Due to lack of internal controls the following material misstatements in the District prepared financial statements were undetected:

Response

The Sanitary District will ensure that internal control standards and procedures are developed and adopted by December 2016. A consultant will be hired to review internal controls, make recommendations to strengthen internal control procedures, and assist with the implementation.

Examination Position

1. In 2014, the District entered into a financing agreement with the Hammond Sanitary District Building Corporation (Building Corporation). The Building Corporation was solely created to provide financing to the District. The District failed to properly report the Building Corporation as a blended component unit in the financial statements and the notes to the financial statements in accordance with Government Accounting Standards. This resulted in the incorrect classification of the debt and an understatement of interest payable for both 2014 and 2015 by \$291,030. In addition, the proper note disclosure defining the blended component unit was not included.

Response

Going forward, the District will include the Building Corporation as a blended component unit in the financial statements and notes to the financial statements.

Examination Position

2. Based upon agreements between the District and customer cities/towns, a set rate is paid for services. Annually, a study is performed to determine if the customer cities/towns have underpaid or overpaid.

Depending on the results of the study, a receivable or payable amount exists. However, an amount was not considered in the financial statements for 2014 and 2015. This resulted in an understatement of Accounts Receivable – Customer Communities and the related revenue by \$910,413 and \$1,099,751 as of December 31, 2014 and 2015, respectively. In addition, in 2015 the District agreed upon a \$350,000 settlement payment for the years 2011 through 2014. The District overstated 2015 revenue by \$319,500 for the amounts that were attributable to 2011 through 2013.

Response

Going forward, the District will post a receivable or payable on the financial statements and ensure that revenue is posted and correctly recorded.

Examination Position

3. In 2015, the county began billing and collecting MS4 Stormwater fees on the property tax bills. The District failed to contact the county to obtain the information needed to calculate an accounts receivable at year end. This resulted in an understatement of the Storm Water Utility accounts receivable and the related revenue by \$253,475 as of December 31, 2015.

Response

Going forward, the District will notify the county to obtain the information needed to calculate an accounts receivable at year end and ensure that a receivable is posted and correctly recorded on the financial statements.

Examination Position

4. The District's Statements of Net Position – Capital Assets sections reported a negative amount in Other Capital Assets for 2014 and 2015, showing the assets were depreciated below their cost. However, it was determined depreciable Land Improvements were incorrectly classified as part of Land and Construction in Progress. This caused the Land and Construction in Progress account to be overstated and Other Capital Assets to be understated by \$177,340,271 and \$177,734,808 in 2014 and 2015, respectively.

Response

Going forward, the District will review the capital assets and ensure they are classified and booked correctly.

Examination Position

5. The Statement of Cash Flows required material adjustments to accurately reflect the cash activity for both years 2014 and 2015.

Response

Going forward, the District will have proper controls in place to provide reasonable assurance that transactions are posted and correctly recorded reducing the number of material adjustments.

Overdrawn Cash Balances

Examination Position

The financial statement in the Financial Statement and Federal Single Audit Report included the Sewer fund with an overdrawn cash balance of \$589,868 and \$69,979 in 2014 and 2015, respectively.

Response

The Sanitary District makes every effort to eliminate overdrawn cash balances. Deficit balances gradually accumulate due to diminished property taxes collections and the circuit breaker credit. The District is reviewing its options to eliminate the overdrawn cash balances.

Current Payment of Claims

Examination Position

The Sanitary District was delinquent in the payment of gas and electric services invoices of \$3,207,429 and \$2,216,497 in 2014 and 2015, respectively.

Response

Examination Position

The Sanitary District was delinquent in the payment of gas and electric services invoices of \$3,207,429 and \$2,216,497 in 2014 and 2015, respectively.

Response

The Sanitary District is currently paying its gas and electric utility bills on time. The District has entered into a repayment plan with the utility vendor for the past due amounts. The District should be current on its utility bills as of July 2017.

Delinquent Wastewater Accounts

Examination Position

Delinquent wastewater fees and penalties had not been certified to the County Auditor nor recorded with the County Recorder in 2014 and 2015.

Response

The District instituted a process to notify the County when wastewater charges are delinquent. Wastewater charges not paid by the due date (approximately __ days after the becoming due) shall be considered delinquent. Such delinquent charges, together with any penalties, shall constitute a lien against the property, shall have a lien filed with the County Auditor and recorded with the County Recorder. Annually, the District will certify the liened delinquencies with the County Auditor.



(Signature)

Rachel Montes, Business Manager

(Title)

November 15, 2016

(Date)



(Signature)

Marty Wielgos, District Manager

(Title)

November 15, 2016

(Date)

SANITARY DISTRICT
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; Marty J. Wielgos, Sanitary District Manager; Rachel Montes, Sanitary District Business Manager; Dean Button, President of the Sanitary District Board of Commissioners; and Joseph Allegretti, Sanitary District Attorney.

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PORT AUTHORITY
CITY OF HAMMOND

PORT AUTHORITY
CITY OF HAMMOND
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were the following deficiencies in the internal control system of the City related to financial transactions and reporting that constituted material weaknesses:

1. *Lack of Segregation of Duties*: The City had not separated incompatible activities related to receipts and disbursements.

City

- a. One person in the Controller's office recorded receipts, prepared deposits, and took the collections to the depository. A control related to preparation of the deposits was not documented.
- b. Employees who entered the payroll information into the financial system also had the ability to adjust the pay rate of employees.
- c. The City contracted with a third-party administrator to process medical claims. The Controller's office recorded the individual vendor payments in the City's ledger and also mailed the checks to the vendors as funds were available in the Self-Insurance fund. Supporting documentation was not submitted with the checks prepared by the third-party administrator; therefore, the City did not review the claims for completeness and accuracy. The City had not implemented any other procedures to verify the claims for completeness and accuracy. Additionally, the employee responsible for creating the claim for payment also authorized them using a stamp with the official's name.
- d. The Payroll Clerk generated the withholdings disbursements, reviewed the quarterly withholding reports, and made any necessary changes in the RDS system.

Port Authority

- e. The employee who created the purchase orders and accounts payable vouchers also authorized them as instructed, using a stamp with the official's name.
- f. Audit evidence was not available to verify that the monthly or year-to-date financial statements, which were prepared by an outside firm, were reviewed for completeness and accuracy.

Sanitary District

- g. The Accounts Receivable Clerk prepared the receipts, recorded the receipts to the accounting systems, and prepared collections for deposit. The Accounts Receivable Clerk could have also adjusted bills in the system after they had been recorded.
- h. The Accounts Payable Clerk prepared the checks and recorded the invoices to the accounting system.
- i. The software system allowed for duplicate check printing and for changes to be made to a check after it had been issued. Checks with duplicate check numbers occurred on a monthly basis.

PORT AUTHORITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

j. The Payroll Manager was responsible for the entire payroll process and was able to make payroll rate changes in the computer system.

k. The Business Manager prepared the bank reconcilements. The monthly reconcilements were not reviewed for completeness and accuracy.

l. The Business Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy.

Water Utility

m. The Office Manager prepared the cash amounts for inclusion in the City's financial statement. The amounts provided to the City were not reviewed for completeness and accuracy

2. *Monitoring of Controls:* An evaluation of the City's system of internal control had not been conducted. Additionally, the City had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the City to monitor and assess the quality of the system of internal control.

Cash and investments and bank reconcilements - the City implemented a control over cash and investments and bank reconcilements which did not operate effectively. The control did not detect that the bank reconcilements initially provided for audit did not agree to the City's record balances. The control also did not detect that trust account activity was not being reconciled to, or recorded in, the City's records. Management did not obtain the trust statements in order to verify the existence, completeness, or accuracy of the bank reconciliation and many of the trust statements were unaccounted for when initially requested for audit.

3. *Preparing Financial Statement:* Effective internal control over financial reporting involved the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should have been managed. The City had not identified risks to the preparation of a reliable financial statement and as a result had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. In addition, management of the City had not established a process for final review of the financial statement after compilation.

The City Controller prepared the Annual Financial Report (AFR) and electronically submitted it to the State Board of Accounts. The AFR was the basis for the City's financial statement. The financial statement presented for audit contained the following errors:

1. The financial statement beginning cash and investment balances did not agree with the prior audit ending cash and investment balances for two funds which totaled \$1,602,313.
2. The financial statement receipts were understated by \$13,939,708 when compared to the records. This was caused by the omission of the receipt activity of trust accounts, errors when computing the regulatory basis receipts from the accrual basis revenues for the Water Utility funds, and other errors.

PORT AUTHORITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

3. The financial statement disbursements were understated by \$15,766,866 when compared to the records. This was caused by the omission of the disbursement activity of trust accounts, errors when computing the regulatory basis disbursements from the accrual basis expenses for the Water Utility and Sanitary District funds, and other errors.
4. The financial statement ending cash and investment balances did not agree to the records by \$224,845. This was caused by the errors and omissions addressed in the above items.

Audit adjustments were proposed, accepted by the City, and made to the financial statement. These adjustments resulted in a presentation of the financial statement that is materially correct.

Criteria

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).

Indiana Code 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."

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the City had not established a proper system of internal control. Additionally, Management had not monitored the internal control system related to the City's financial reporting and transactions.

PORT AUTHORITY
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

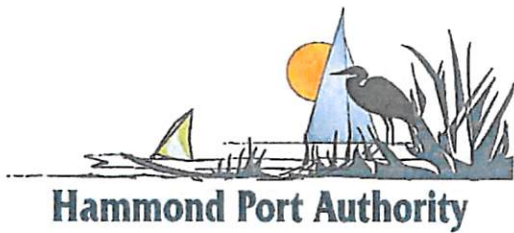
Effect

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls could have prevented, or detected and corrected, material misstatements in a timely manner.

The financial statement contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Hammond Port Authority

Hammond Port Authority
701 Casino Center Drive
Hammond, IN 46320
219-659-7678 • 219-659-7679 (Fax)

Hammond Marina • Lost Marsh Golf Course • Wolf Lake Memorial Park • Forsythe Park • Lakefront

CORRECTIVE ACTION PLAN

FINDING 2014 – 001e

Milan Kruszynski, Hammond Port Authority Director

Richard Szany, Finance Director

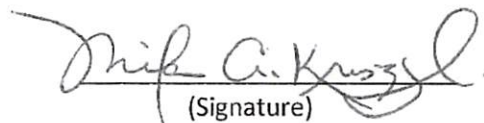
1-219-659-7678

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

After reviewing the purchase orders and account payable vouchers, the Port Authority Director will initial said documents by his signature stamp authorizing payment. In his absence, the Finance Director will review and initial said documents authorizing payment.

Anticipated Completion Date: November 2016


(Signature)

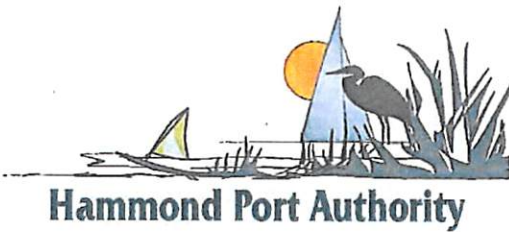
DIRECTOR
(Title)

11-2-2016
(Date)


(Signature)

FINANCE DIRECTOR
(Title)

11-2-2016
(Date)



Hammond Port Authority
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CORRECTIVE ACTION PLAN

FINDING 2014 – 001f

Richard Szany, Port Authority Finance Director

1-219-659-7678

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

After month end close, The Finance Director forwards the data to an outside firm to prepare monthly and year-to-date financial statements. The Finance Director will review the financial statements prepared by the outside firm for completeness and accuracy on a monthly basis, initial said statements and file for future audits.

Anticipated Completion Date: June 2016

Richard Szany
(Signature)

FINANCE DIRECTOR
(Title)

11-2-2016
(Date)

PORT AUTHORITY
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; Milan A. Kruszynski, Director of the Port Authority; Thomas E. Kuhn, Chairman of the Port Authority Board of Directors; and Richard A. Szany, Port Authority Financial Director.

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND
FEDERAL FINDING

FINDING 2014-002 - REPORTING

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B08MN180006, B11MN180006

Condition

An effective internal control system was not in place at the City's Department of Planning and Development (Department) in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Department designed a control procedure to perform oversight and review to ensure compliance with the reporting requirements of the Neighborhood Stabilization Program (NSP); however, the control was not effective. The quarterly performance reports documented a review and reconciliation with the City's ledger; however, material variances were noted during the reconciliations which were not investigated further or explained.

The Department of Housing and Urban Development (HUD) required online quarterly performance reports through the Community Development Systems, Disaster Recovery Grant Reporting System (DRGR) for the NSP1 and NSP3 programs. A comparison of the disbursements amounts on the quarterly report and the City's ledger revealed that the City's ledger was not used to complete the reports. The total funds expended per the quarterly reports for 2014 was \$1,423,006; however, the total amount expended for NSP in 2014 per the City's ledgers was \$1,081,035; a variance of \$341,971. The Department was unable to provide documentation or an explanation for the variance.

Context

All four quarters tested for 2014 contained discrepancies between the City's ledgers and total funds expended per the NSP quarterly performance reports.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND
FEDERAL FINDING
(Continued)

24 CFR 85.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- 2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

Management did not monitor the effectiveness of the designed control.

Effect

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the compliance requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Department.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management monitor established controls to ensure compliance and comply with the Reporting requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



Thomas M. McDermott, Jr.
Mayor

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND

PHIL TAILLON
Executive Director

CORRECTIVE ACTION PLAN

FINDING 2014-002 REPORTING


Contact Person Responsible for Corrective Action: **Phil Taillon**
Contact Phone Number: **(219) 853-7310**
Views of Responsible Official: **We concur with the finding.**

Description of Corrective Action Plan:

The City's Department of Planning and Development will perform a reconciliation of its 2014, 2015 and 2016 NSP DRGR quarterly reports with the City's General Ledger and the Department's FileMaker Pro financial system.

For future reports, the Department will follow a revised procedure (see attached) for reporting in DRGR.

Anticipated Completion Date: **1st Quarter 2017**



(Signature)

Executive Director

(Title)

11 / 4 / 2016

(Date)

NSP Quarterly Reporting Procedure

The City currently administers an NSP1 and an NSP3 grant. Until an NSP grant is closed, the City must prepare and submit a Quarterly Report in HUD's DRGR reporting system no later than 30 days after the close of each quarter. This procedure provides detailed information on completing the Quarterly Report for both NSP1 and NSP3.

- At the end of the quarter, the Community Development Director will request the Executive Director of United Neighborhoods Inc. to provide an update to the City regarding the status of each NSP-assisted property. The update must be provided within fifteen days of the end of the quarter.
- The Community Development Director will log in to DRGR and create the QPR for the period in question. For technical direction on using DRGR, please refer to the DRGR webpage on the HUD Exchange. The Community Development Director will use the information provided by UNI to update the narrative portions of the QPR. The Community Development Director will print a copy of the QPR.
- The Finance Manager will:
 - Prepare a schedule of NSP1 and NSP3 program income received during the quarter in question.
 - Prepare a schedule of NSP1 and NSP3 expenses paid by the City during the quarter in question.
 - Request the Finance Department to prepare the Summary of Fixed Assets by Funding Source from the General Ledger. The timeframe of the report should be run from the beginning of the NSP Program (2008) to the end of the current quarter.
 - Request City Controller or designated staff person to prepare expenditure detail report for NSP from General Ledger.
- The Community Development Director, Finance Manager, and Executive Director of UNI will review and reconcile the information on the DRGR QPR with schedules provided by the Finance Manager and the general ledger. Any corrections necessary will be summarized and noted in the QPR. Reconciliation will be provided to City Controller and Executive Director for review.
- The Community Development Director, Finance Manager, and Executive Director of UNI will review the Summary of Fixed Assets to ensure the general ledger accurately reflects NSP acquisitions and dispositions, including the acquisition cost, disposition cost and date, and federal percentage. Any necessary revisions will be forwarded to the City Comptroller's attention for correction.
- The Community Development Director will review the NSP QPR with the Executive Director of the Department. The review will include consideration of progress, obstacles, and potential

amendments.

- Within thirty days of the close of the quarter, the Community Development Director will submit the QPR via the DRGR system. Upon submittal, the Community Development Director will
 - save a copy of the QPR as a pdf.
 - Provide a copy of the pdf to the City webmaster for posting to the City web site.
 - File a copy of the QPR, schedule of program income and expenses, and the Summary of Fixed Assets Report in the NSP records.

DEPARTMENT OF PLANNING AND DEVELOPMENT
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; and Caryn Janiga, Finance Manager.

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POLICE DEPARTMENT
CITY OF HAMMOND

POLICE DEPARTMENT
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

PAYROLL DEFICIENCIES

A similar comment appeared in prior Report B45294.

Leave Policies

The City abided by negotiated union agreements for sick and injured leaves and benefits for police officers and firefighters. Both union agreements were effective for the period of January 1, 2014 through December 31, 2016. Neither agreement contained the details of the leave and benefits policies. We could not determine what the policies entailed; therefore, we could not determine if the City complied with the approved policies.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Employee Service Records

The Police Department maintained Employee Service Records (General Form No. 99A); however, overtime hours worked were not reported. Leave time was not reported on the "Payroll Earnings Forecast" which was certified by the department head. Additionally, compensatory leave accruals, usage, and balances were not reported.

The Federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record

General Form 99B, Employee's Earnings Record

General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT
CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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

POLICE BUY MONEY

The Department established a Buy Money Program without an ordinance, adopted by the Common Council, allowing for the associated expenditures.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. under Indiana Code 36-1-3 an ordinance should be passed allowing this type of program and associated expenditures;
2. an appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. petty cash fund procedures are to be followed as authorized by Indiana Code 36-1-8-3; and
4. a minimum documentation procedure must be followed, similar to either:
 - A. "Office of Criminal Justice Programs 2009 Financial Guide, Part III, Chapter 8: Confidential Funds," published by the U.S. Department of Criminal Justice.
 - B. "Guidelines for Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations," (Revised S.O.P. INV-017), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2016)

POLICE DEPARTMENT
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; and William A. Short, Assistant Police Chief.

FIRE DEPARTMENT
CITY OF HAMMOND

FIRE DEPARTMENT
CITY OF HAMMOND
AUDIT RESULT AND COMMENT

PAYROLL DEFICIENCIES

Leave Policies

The City abided by negotiated union agreements for sick and injured leaves and benefits for police officers and firefighters. Both union agreements were effective for the period of January 1, 2014 through December 31, 2016. Neither agreement contained the details of the leave and benefits policies. We could not determine what the policies entailed; therefore, we could not determine if the City complied with the approved policies.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Employee Service Records

The Fire Department did not maintain employee service records. An attendance record was maintained which is similar to the Employee Service Record (General Form No. 99A), but it did not provide information on leave balances, leave accruals, and leave usage. Leave was also not reported on the "Payroll Earnings Forecast" which was certified by the department head. In addition, overtime hours were not recorded on the attendance record.

The Federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

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FIRE DEPARTMENT
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; Mark McLaughlin, Mayor's Chief of Staff; Jeffery Smith, Fire Chief; and Kevin Margraf, Deputy Fire Chief.

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CITY CLERK
CITY OF HAMMOND

CITY CLERK
CITY OF HAMMOND
AUDIT RESULT AND COMMENT

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD AND CASH BONDS

As stated in several prior Reports, including most recently Report B45294, the City Clerk's trust register included money held in excess of five years. The detail trust listing included entries dating back to the 1980's and, of the \$1,660,018 year-end balance, \$684,531 was determined to be held in excess of five years. These amounts in excess of five years included both trust items and cash bonds.

The trust funds were not remitted to the Attorney General's Office as unclaimed property in accordance with the state statute. The Clerk had not implemented policies and procedures for reporting unclaimed property and remitting that property to the Attorney General after the five year holding period.

Individuals who were arrested were required to pay a cash bail bond to the City Court in order to be released and to ensure their appearance at the appropriate legal proceedings. The older bonds had not been declared forfeited or transferred to the State Common School Fund in accordance with state statute.

Indiana Code 32-34-1-20(c) states in part:

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

Indiana Code 32-34-1-26(a) states: "A holder of property that is presumed abandoned and that is subject to custody as unclaimed property under this chapter shall report in writing to the attorney general concerning the property. Items of value of less than fifty dollars (\$50) may be reported by the holder in the aggregate."

CITY CLERK
CITY OF HAMMOND
AUDIT RESULT AND COMMENT
(Continued)

Indiana Code 32-34-1-27(a) states: "Except as provided in subsections (b) and (c), on the date a report is filed under section 26 of this chapter, the holder shall pay or deliver to the attorney general the property that is described in the report as unclaimed."

Indiana Code 35-33-8-7 states in part:

"(a) If a defendant:

- (1) was admitted to bail under section 3.2(a)(2) of this chapter; and
- (2) has failed to appear before the court as ordered; the court shall, except as provided in subsection (b) or section 8(b) of this chapter, declare the bond forfeited not earlier than one hundred twenty (120) days after the defendant's failure to appear and issue a warrant for the defendant's arrest. . . ."

Indiana Code 35-33-8-7(d) states:

"After a bond has been forfeited under subsection (a) or (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment."

Indiana Code 35-33-8-7(e) states:

"If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
- (2) any amount collected in satisfaction of the judgment."

CITY CLERK
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2016, with Robert J. Golec, City Clerk; Susan D. Dimopoulos, Chief Deputy City Clerk; and Jennifer Banas, Staff Accountant.

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Robert J. Golec, City Clerk; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; and Mark McLaughlin, Mayor's Chief of Staff.

CITY COURT
CITY OF HAMMOND

CITY COURT
CITY OF HAMMOND
AUDIT RESULT AND COMMENT

CASH BONDS

As stated in several prior Reports, including most recently Report B45294, the City Clerk's trust register included money held in excess of five years. The detail trust listing included entries dating back to the 1980's and, of the \$1,660,018 year-end balance, \$684,531 was determined to be held in excess of five years. These amounts in excess of five years included both trust items and cash bonds.

Individuals who were arrested were required to pay a cash bail bond to the City Court in order to be released and to ensure their appearance at the appropriate legal proceedings. The older bonds had not been declared forfeited or transferred to the State Common School Fund in accordance with state statute.

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"If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund:

- (1) any amount remaining on deposit with the court (less the fees retained by the clerk); and
- (2) any amount collected in satisfaction of the judgment."

CITY COURT
CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2016, with Gerald P. Kray, Judge Pro Tempore.

The contents of this report were discussed on November 3, 2016, with Heather Garay, City Controller; Thomas M. McDermott, Jr., Mayor; Janet Venecz, President of the Common Council; Kimberly Fabris, Deputy City Controller; and Mark McLaughlin, Mayor's Chief of Staff.