

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
LAPORTE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
12/20/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosalie A. Jacobs Patty Arnett	01-01-12 to 08-14-14 08-15-14 to 12-31-18
President of the Town Council	Evelyn Ballinger Renee Allen Wiltfong	01-01-12 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TOWN OF KINGSFORD HEIGHTS, LAPORTE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Kingsford Heights (Town), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

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

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

May 23, 2016

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS

PAYROLL DEFICIENCIES

We noted the following deficiencies relating to payroll:

1. The payroll expenditures for utility and street employees were allocated to each of the three utilities and the street department based on estimated percentages. Documentation of how the percentages were determined was not presented for examination to determine if the amounts were reasonable.
2. The total amount of compensation paid to the Clerk-Treasurer and Deputy Clerk-Treasurer was allocated in equal amounts to each of the three utilities. Only the compensation associated with recording the minutes to the Council meetings was allocated to the General Fund.
3. A portion of the salaries paid to the Town Council members were paid from the utilities.
4. A Payroll Schedule documenting the total gross wages paid by fund was prepared and attached to the accounts payable vouchers for the years 2012 through 2014. The Payroll Schedule was incomplete. It did not list the employees, gross pay, withholdings, and net pay to support the disbursements recorded in each of the funds. Additionally, it was not signed by the department head indicating that he or she had reviewed and approved the payroll disbursements.
5. Time cards and time sheets were used to support the hours paid for the years 2012 through 2015. None of the time cards and time sheets were signed by the employees and department heads until the pay period ending September 17, 2015.
6. Time/hours documented on time cards did not always agree to the number of hours actually paid. The differences were caused by the pay period ending on Thursdays, with the paycheck being issued on the following day (Friday). In some instances, not all time worked for a pay period was included on the paycheck. Corrections were required to amounts paid in the following pay period.
7. The Salary Ordinances provided for a weekly stipend to be paid if a full-time, eligible employee chose not to participate in the Towns' medical benefits program. Documentation was not available to support the payment of the stipends since the employees are not required to provide written consent.
8. The Clerk-Treasurer made errors in recording leave time earned and used for two employees. The errors made on one of the two employee's records resulted in the employee being over paid by \$305.44. The errors made on the second employee's record were resolved by the end of the examination period.

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
(Continued)

Indiana Code 36-5-3-2 states:

"(a) As used in this section "compensation" means the total of money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year.

(d) The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function. Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (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.

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)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

We requested that Alivia Schultz (Schultz), Deputy Clerk-Treasurer, reimburse the Town for payroll deficiencies that resulted in the overpayment of compensation. Schultz reimbursed the Town \$305.44 prior to the date of this report. (See Summary of Charges, page 11)

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
(Continued)

BANK RECONCILEMENTS AND CORRECTIONS

1. The bank reconciliation included reconciling items that were not corrected on a timely basis.
2. Electronic fund transfers (EFT) to the Indiana Public Retirement system were posted to the Town's ledger on November 13, 2015, but have been carried as outstanding checks since November 30, 2015. The Clerk-Treasurer could not provide documentation that the EFT had actually been disbursed from the bank and did not take steps to investigate and/or correct this reconciling item.
3. The bank reconciliation included a deposit in transit of \$100, which was not deposited to the bank. The Clerk-Treasurer explained that she had not deposited those collections. She used the cash for small office purchases, but lost the receipts.
4. Bank reconciliations have not been completed on a timely basis. As of May 23, 2016, the bank reconciliations have not been completed for January through April, 2016.

Indiana Code 5-13-6-1(e) states: "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."

We requested that Patricia Arnett (Arnett), Clerk-Treasurer, reimburse the Town \$100 for cash collections not deposited that resulted in bank reconciliation corrections. Arnett reimbursed the Town \$100 on February 9, 2016. (See Summary of Charges, page 11)

TRAVEL CLAIM DEFICIENCIES

Mileage Claim Forms

All mileage claims were paid from the utility funds, regardless of the nature of business. Mileage claims did not include the detail of starting/ending destinations. The mileage claims only included a total of miles. For example, one claim in 2014 and all claims tested in 2015 did not list the starting/end destinations. Additionally, claims were not signed by the employee receiving the mileage reimbursement.

Officers and employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the city or town at a reasonable rate per mile as fixed by ordinance or resolution of the board. Reimbursement mileage shall not include travel to and from the officer's or employee's home and the office. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The speedometer reading columns on this form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 5)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Per Diem

Per diem was paid to an employee at the rate of \$40 per day for 3 days. The employee did not provide the itemized receipts in accordance with the Town's policy.

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
(Continued)

Per the Town's travel policy, "Officials and employees of the Town of Kingsford Heights, Indiana, upon approval of the Town Council, shall be reimbursed for the actual expenses that are incurred for meals up to forty Dollars (\$40.00) per day excluding any expenses for alcohol beverages, while traveling on behalf of and in the furtherance of the Town of Kingsford Heights, Indiana."

Indiana Code 5-11-10-1.6 states in part: ". . . (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . (2) the invoice or bill is approved by the officer or person receiving the goods and services..."

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2013 was not filed electronically until March 12, 2014, which was 11 days past the due date. The AFR for 2014 was not filed electronically until April 9, 2015, which was 39 days past the due date.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

UTILITY RECEIPTS TAX

The Clerk-Treasurer did not file tax returns or remit the Utility Receipts Taxes for the Electric Utility and Water Utility to the Indiana Department of Revenue for the quarters ending June 2015 and December 2015. Upon inquiry, the Clerk-Treasurer filed the returns and remitted the taxes on March 15, 2016. The Town could be subject to late fees, penalties, and interest, since the Utility Receipt Taxes were not paid timely.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
(Continued)

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)

This is in response to the audit of the Town of Kingsford Heights which was recently completed. I was the Clerk-Treasurer from 1/1/2012 thru 8/14/14 during this audit period.

There was several finding concerning payroll procedures. Payroll was NEVER a problems during any of our previous audits during the past 20 or so years. All I can say is that if any changes had been recommended by the auditors, they would have been implemented. As you should be able to tell by past audit reports, and all changes that were suggested or recommended was always implemented.

I did not fill out any mileage claims for other employees. However, I did take their hand-written notes and receipts and attach them to the mileage claims and write "SEE ATTACHED" on the claims. Also, when I travelled to Clerk-Treasurer meetings and classes, I paid the claims out of General Fund: Clerk-Treasurer appropriations.

I admit that I filed the Annual Report for 2013 close to the middle of March, 2014. According to your audit, it was file TWELVE DAYS late. I called the main office of the State Board of Accounts in Indianapolis before the report was due and talked to them about this problem. I explained to them that in addition to my own health issues, my husband and I were also dealing with personal issues. We were dealing with an attorney, our local Medicaid office, selling his parents' house, moving his father into a nursing home, moving his mother in with relatives, etc., which was taking an incredible amount of time. The Annual Report was basically done; I was finishing up some of the supplemental information, and I was told that even though the report was going to be a few days late, there would be NO PROBLEM.

Thank you for including this response with your audit report. It has been a privilege to serve as Clerk-Treasurer of Kingsford Heights for 20+ years.

Rosalie A. Jacobs
Clerk-Treasurer, Retired

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Patty Arnett, Clerk-Treasurer; Rosalie A. Jacobs, former Clerk-Treasurer; Renee Allen Wiltfong, President of the Town Council; Kari A. Moss, Vice President of the Town Council; Terry J. Beane Sr., Council member; and Jerry W. Hunt, Council member.

CLERK-TREASURER
TOWN OF KINGSFORD HEIGHTS
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Alivia Schultz, Deputy Clerk-Treasurer: Payroll Deficiencies, pages 4 and 5	\$ 305.44	\$ 305.44	\$ -
Patty Arnett, Clerk-Treasurer: Bank Reconcilements and Corrrrections, page 6	<u>100.00</u>	<u>100.00</u>	<u>-</u>
Totals	<u>\$ 405.44</u>	<u>\$ 405.44</u>	<u>\$ -</u>