

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF NEW CHICAGO

LAKE COUNTY, INDIANA

January 1, 2014 to December 31, 2015



FILED
05/24/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lori L. Reno	01-01-12 to 12-31-19
President of the Town Council	Pamela J. Richard	01-01-14 to 12-31-17
Fire Department	Evin J. Eakins, Jr.	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF NEW CHICAGO, LAKE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of New Chicago (Town), for the period from January 1, 2014 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 Statement Examination Report of the Town, which provides our opinion on the Town's financial statement. 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

March 8, 2017

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CLERK-TREASURER
TOWN OF NEW CHICAGO

CLERK-TREASURER
TOWN OF NEW CHICAGO
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The bank reconciliations presented for examination included various adjustments to the bank balance and/or the record balance. No explanations or reasons for the adjustments were provided. After eliminating the adjustments that could not be verified, the amounts by which the bank balances differed from the record balances are detailed below:

<u>Account</u>	<u>Amount Long/ (Short)</u>
General Bank Account	\$ (789)
Water Bank Account	104
Wastewater Bank Account	<u>(430)</u>
Total Long/(Short)	<u>\$ (1,115)</u>

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

STATE REVOLVING FUND ACCOUNTS

The Clerk-Treasurer did not record the financial transactions relating to the State Revolving Fund (SRF) accounts since 2013 in the Town's financial records. The amounts reported in the Town's financial statements were provided by an outside consultant; however, a bond payment in the amount of \$311,000 was omitted from the financial statements.

Examination adjustments were proposed, accepted by the Town, and made to the Town's financial statement presented for examination.

All financial transactions pertaining to the unit should be recorded in the records of the unit. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

FIRE DEPARTMENT PAYMENTS

In accordance with the Town's contract with the New Chicago Volunteer Fire Department (NCVFD), the amounts remitted to the NCVFD for fire protection were based on the number of fire calls. The Clerk-Treasurer issued the checks in the name of the Fire Chief rather than the NCVFD.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF NEW CHICAGO
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEBIT CARD

The Clerk-Treasurer maintained a debit card used by officials and employees to make online purchases, expenses related to trips, meals, food, and other small purchases. A log was not maintained indicating the individual using the card, position, estimated amounts and funds to be charged, or the date the card was issued and returned.

In 2015, there were five payments totaling \$774 that was deducted from the Town's bank account that did not have a claim, receipt, or approval. In addition, some of the claims for meals did not include an itemized receipt but only the debit receipt.

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 for Cities and Towns, Chapter 1)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF NEW CHICAGO
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The Clerk-Treasurer maintained manual ledgers which contained posting errors between the receipts and disbursements posted to the ledger of fund activity (control ledger) and the detailed disbursement ledger (appropriation ledger) as follows:

Years	Fund	Control Ledger Amount	Appropriation Ledger Amount	Difference
2014	Ms4	\$ 78,952	\$ 79,052	\$ (100)
2014	Local Road And Street	36,376	26,376	10,000
2015	Motor Vehicle Highway	63,020	63,030	10

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

PAYROLL

The payroll records for one employee did not reflect the separation of duties for the employee who held more than one position within the Town to ensure that the employee was not being paid for the same hours for both positions.

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

DEPOSIT COMPOSITION

The cash and check compositions deposited for utility payments did not agree with utility collection stubs or the daily collection sheets. The computerized daily collection sheets only allow for one form of payment to be entered per customer. As a result, we could not determine if daily collections were deposited intact.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

Town of New Chicago



Lori Reno
Clerk Treasurer

122 Huber Blvd. Hobart, Indiana 46342

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March 21, 2017

From: Lori L. Reno, Clerk-Treasurer
Town of New Chicago

To: State Board of Accounts

RE: 2014-2015 "Official Response" to Audit Results and Comments

Bank Account Reconciliations

If adjustments have to be made in the future an explanation will be noted after exhausting all measures to resolve differences.

State Revolving Fund Accounts

This matter has been address with the outside consultant and will be corrected accordingly moving forward.

Fire Department Payments

Moving forward the checks will be made payable to the Fire Department in accordance with the Town's contract.

Debit Card

Resolution 2017-01 was passed by the Common Council on February 8th, 2017 to address future debit card purchases and itemization of all receipts.

Condition of Records

This was an error on my part as Clerk-Treasurer and in the future I will be more cautious to ensure this does happen again.

Payroll

This matter has been addressed and moving forward separate time sheets will be presented for separation of duties/positions.

Deposit Composition

This matter has been addressed and moving forward if multiple forms of payment are made, the proper adjustments will be made on the paperwork.

Lori L. Reno

Lori L. Reno, Clerk-Treasurer
Town of New Chicago

CLERK-TREASURER
TOWN OF NEW CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Lori L. Reno, Clerk-Treasurer, and Pamela J. Richard, President of the Town Council.

TOWN COUNCIL
TOWN OF NEW CHICAGO

TOWN COUNCIL
TOWN OF NEW CHICAGO
EXAMINATION RESULTS AND COMMENTS

DEBIT CARD

The Town Council had not adopted a formal policy for the use of the debit card held in the Town's name.

The Town Council approved purchases made by debit card after the purchases were paid. However, a test of these debit card transactions noted five payments totaling \$774 that were deducted from the Town's bank account that did not have any approvals.

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

(Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF NEW CHICAGO
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a municipality may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the municipality's legislative body or the board having jurisdiction over allowance of payment of the claim. . . ."

PAYROLL

The salary ordinance included a grant writer to be paid "10% of the grant received." The Town did not have a contract for this service. The Town paid the grant writer \$37,385 which was based on 10 percent of the total cost of the project. It was unclear if the amount to be paid was to be based on the total cost of the grant project or based on the 80 percent share of federal funds received for the project, which would have been \$29,908.

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 law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments made or received for contractual services should be supported by a written contract. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF NEW CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Pamela J. Richard, President of the Town Council, and Lori L. Reno, Clerk-Treasurer.

FIRE DEPARTMENT
TOWN OF NEW CHICAGO

FIRE DEPARTMENT
TOWN OF NEW CHICAGO
EXAMINATION RESULT AND COMMENT

FIRE DEPARTMENT PAYMENTS

In accordance with the Town's contract with the New Chicago Volunteer Fire Department (NCVFD), the amounts remitted to the NCVFD for fire protections were based on the number of fire calls. Payments were made to the Fire Chief rather than to the NCVFD.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. 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 1)

FIRE DEPARTMENT
TOWN OF NEW CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2017, with Evin J. Eakins, Jr., Fire Chief; Pamela J. Richard, President of the Town Council; and Lori L. Reno, Clerk-Treasurer.