

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF TERRE HAUTE

VIGO COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
08/16/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Leslie A. Ellis	01-01-15 to 12-31-17
Mayor	Duke A. Bennett	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Robert J. Murray (Vacant) Jonathon Stinson	01-01-15 to 04-13-15 04-14-15 to 12-13-15 12-14-15 to 12-31-17
President of the Common Council	John Mullican Todd Nation Karrum J. Nasser	01-01-15 to 10-16-15 10-17-15 to 12-31-16 01-01-17 to 12-31-17
Wastewater Utility Director	Christopher M. Thompson	01-01-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the City of Terre Haute (City), for the period from January 1, 2015 to December 31, 2015. 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/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is 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

June 13, 2017

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CONTROLLER  
CITY OF TERRE HAUTE

CONTROLLER  
CITY OF TERRE HAUTE  
FEDERAL FINDING

**FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. Internal controls over the preparation of the Annual Financial Report (AFR) were not adequate to prevent or detect errors on the financial statement, which, in the aggregate, are considered qualitatively material. The City prepared and submitted its financial information online through the Gateway system. The financial statement was compiled from the AFR information provided on the Gateway system. The City did not have adequate controls in place to ensure the financial information reported was accurate.

Internal controls over payroll were not sufficient to prevent or detect errors in the salary paid to Park and Recreation department employees. Several employees were paid a salary that did not agree with the salary ordinance.

Payroll entry errors occurred in the current and previous audit periods. The errors are the result of inaccurate entry of the salary ordinance into the payroll accounting system. While the errors detected during this audit were not quantitatively material, there is no process to detect errors made in the entry of salaries into the payroll system. The magnitude of these errors could potentially affect all City employees, resulting in a material misstatement.

A similar finding appeared in prior Report B45624, as Finding 2014-002.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

CONTROLLER  
CITY OF TERRE HAUTE  
FEDERAL FINDING  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

*Cause*

Management of the City had not established a proper system of internal control over accurate reporting and the entry of salaries into the payroll system.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The established internal controls were ineffective and did not prevent and detect errors in the financial statement or in the entry of approved salaries into the payroll accounting system.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

City of Terre Haute  
December 31, 2015  
Corrective Action Plan  
Internal Controls over Payroll

Contact Person Responsible for Corrective Action: Leslie Ellis  
Contact Phone Number: 812-244-2363

***FINDING 2015-001***

We have added an additional step to the Annual Financial Report compilation. We have instituted an additional review by the City Controller. For FY 2016, the cash balances from the internal Accounting System and the Gateway system balanced to the penny. Receipts and disbursements between the two systems will always have differences because of the difference in accounting basis. The Internal Accounting System utilizes a modified accrual basis system and the Gateway records transactions utilizing the Cash Basis of Accounting. Reconciliations using Uses and Sources of Cash worksheets have been compiled.

The Park & Recreation Department employees have been identified. Their pay was adjusted and corrected in June of 2016 to match the 2016 Salary Ordinance. This was a clerical error resulting in two numbers being switched when entering the salary ordinance into the pay system. Going forward, the salary ordinance will be compared to the new year internal pay schedule by the Payroll Clerk and verified by the Office Manager.

Anticipated Completion Date: 06-30-2017

CONTROLLER  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statements presented for audit included the following funds with overdrawn cash balances at December 31, 2015:

Fund	Amount Overdrawn
General	\$ 8,987,256
EMS Non-Reverting	1,377
Parks & Recreation	300,558
Fire Pension	218,817
Historic District	2,115
Cemetery	167,394
Hulman Links Non-Reverting	3,496,475
Rea Park Non-Reverting	893,480
Sanitary District Bond	303,593
WWU - Capital Improvement	4,230,667

The same comment has appeared in the last ten prior reports dating back to 2005.

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

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Fire Pension	2015	\$ 109,974
Motor Vehicle Highway	2015	178,151

The same comment appeared in prior Reports B44483 and B45624.

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."

CONTROLLER  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROL OVER REPORTING OF SUPPLEMENTARY INFORMATION**

Internal controls over the preparation of the Annual Financial Report (AFR) were not adequate to prevent or detect material errors on the supplementary schedules.

There were differences between the supporting documentation presented for audit and the information reported in the AFR for the Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets.

A similar comment appeared in prior Report B45624.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**CAPITAL ASSETS**

As stated in prior Report B45624, a complete inventory of capital assets owned was not presented for audit.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**COMPENSATION PAID NOT PER SALARY ORDINANCE**

The salary paid to eight employees of the Park and Recreation Department was not in agreement with the 2015 salary ordinance. The salaries were incorrect due to a transposition error when they were entered into the payroll computerized accounting system. As a result, the total amount underpaid in 2015 to all eight employees was \$1,422. Individual employees were underpaid amounts ranging from \$90 to \$333 each. In addition and subsequent to the audit period, the same error occurred in 2016, and was not discovered until June 10, 2016, resulting in the same employees being underpaid in total \$999 for that year.

CONTROLLER  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

The error was corrected on the payroll computerized accounting system on June 10, 2016; however, the employees who were underpaid have not yet been compensated.

A similar comment appeared in prior Report B45624.

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)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## City of Terre Haute Official Response

Audit Results and Comments for the Period

January 1, 2015 - December 31, 2015

### **OVERDRAWN CASH BALANCES – CONTROLLER**

The final financial report of December 2015, included funds with overdrawn cash balances:

Through budgetary restraint, collections of receivables and additional sources of revenue, the following funds which were overdrawn in 2015, had a surplus balance at December 31, 2016

EMS Non Reverting	1,087,524
Transit	603,151
Fire Pension	218,817
Historic District	-0-
Cemetery	167,394
Sanitary District Bond	2,202,771

The following funds were overdrawn as of December 31, 2016, but had significant improvement in fund balances.

	12/31/2015	12/31/2016	Improvement
General fund	-8,987,256	-8,069,753	917,507
Parks & Recreation	- 300,558	- 224,386	76,172
WWU Capital Improvement	-4,230,667	-1,339,612	2,891,055

The general fund and Parks and Recreation fund balances were increased through budgetary control and the WWU Capital Improvement fund was improved via a portion of a BAN procured by the Sanitary District. The Wastewater Capital Improvement fund and the Wastewater Utility Operating will be merged in FY 2017 which will eliminate the negative balance in the Waste Water Capital Improvement Fund. We will continue to make improvements to the General Fund and Parks and Recreation Fund via new sources of revenue and budgetary restraint. As stated in the Going Concern Note, we expect to reduce the deficit in the General Fund by around \$2.2 million at the end of FY 2017.

The following funds increased their deficit in 2016:

Hulman Links Non-Reverting  
Rea Park Non-Reverting

The golf course funds, Rea Park and Hulman Links, have consistently run deficit balances. The Parks Board has made the decision to procure the services of a professional management company to run the courses. Under that scenario, they would lease the courses and gain all revenues and bear all of the expenses. Request for Proposals were distributed with the due date of June 1, 2017. The successful bidder will begin operations in January of 2018.

#### **APPROPRIATIONS CONTROLLER**

Two funds were identified as having expenditures in excess of budgeted appropriations.

MVH – Expenditures were paid out in 2017 which had been appropriated in 2016. An encumbrance was not filed for the additional expenditures. The Controller’s office will institute an additional end of year review for roll-over expenditures.

Fire Pension – The budget was reduced in error at the end of the fiscal year prior to additional end of year expenditures being received. That has been corrected in 2016.

#### **CAPITAL – ASSETS CONTROLLER**

The Controller’s office has a capital assets policy and a centralized capital assets record system. Because of personnel shortages, the Controller’s office has not been able to take a complete physical inventory in several years. As we are able to increase the staff, we will re-institute the physical inventory process.

#### **COMPENSATION PAID NOT PER SALARY ORDINANCE (PARK AND RECREATION DEPARTMENT) – CONTROLLER**

The Park & Recreation Department employees have been identified. Their pay was adjusted and corrected in June of 2016 to match the 2016 Salary Ordinance. This was a clerical error resulting in two numbers being switched when entering the salary ordinance into the pay system. Going forward, the salary ordinance will be compared to the new year internal pay schedule by the Payroll Clerk and verified by the Office Manager.

#### **CONTRACTS – SANITARY BOARD – RILEY AND WEST TERRE HAUTE**

The updated contracts for Riley and West Terre Haute are currently under development and negotiation and should be approved later this year.

CONTROLLER  
CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2017, with Duke A. Bennett, Mayor; Jacqueline L. Loeb, Assistant Controller; Karrum J. Nasser, President of the Common Council; and Curtis DeBaun, IV, Todd Nation, and O. Earl Elliott, CPA, Common Council members.

BOARD OF SANITARY COMMISSIONERS  
CITY OF TERRE HAUTE

BOARD OF SANITARY COMMISSIONERS  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

**CONTRACTS - RILEY**

The City entered into a contract on April 15, 2010, with the Town of Riley to manage the Riley Wastewater Treatment Plant. The contract stated the following dates and rates to be charged:

- \$50,000 for the period April 15, 2010 to April 14, 2011
- \$55,000 for the period April 15, 2011 to April 14, 2012
- \$60,000 for the period April 15, 2012 to April 14, 2013

The contract also stated: "The Agreement shall be effective for a period of three (3) years and shall commence on the date this Agreement is entered into by both Parties (the 'Commencement Date')."

A separate agreement was not negotiated or executed but the City of Terre Haute continued to provide services to the Town of Riley in 2015. The City assessed the Town of Riley \$4,583 per month in 2015 for an annual total of \$55,000.

A similar comment appeared in prior Report B45624.

Payments made or received for contractual services should be supported by a written contract. Each government unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CONTRACTS - WEST TERRE HAUTE**

The City entered into a contract dated March 4, 2013, with the Town of West Terre Haute to manage the West Terre Haute Wastewater Treatment Plant. The contract stated: "The Agreement shall be effective for a period of one (1) year and shall commence on the date this Agreement is entered into by both Parties (the 'Commencement Date'). If at the end of the term of this Agreement the parties wish to continue the terms of this Agreement, a separate agreement shall be negotiated and executed."

A separate agreement was not negotiated or executed, but the City of Terre Haute continued to provide services to the Town of West Terre Haute in 2015. The City assessed the Town of West Terre Haute \$6,250 per month in 2015 for an annual total of \$75,000, but only collected \$62,500 in 2015.

Payments made or received for contractual services should be supported by a written contract. Each government unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## City of Terre Haute Official Response

Audit Results and Comments for the Period

January 1, 2015 - December 31, 2015

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BOARD OF SANITARY COMMISSIONERS  
CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2017, with Duke A. Bennett, Mayor; Jacqueline L. Loeb, Assistant Controller; Karrum J. Nasser, President of the Common Council; and Curtis DeBaun, IV, Todd Nation, and O. Earl Elliott, CPA, Common Council members.

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DEPARTMENT OF REDEVELOPMENT  
CITY OF TERRE HAUTE

DEPARTMENT OF REDEVELOPMENT  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

**BUDGET APPROVAL**

The Redevelopment Department had funds with expenses, other than debt, that were not included in a budget approved by the Redevelopment Commission and/or the Common Council for 2015. To date in 2017, the Redevelopment Commission and/or the Common Council had not approved a budget for 2016 and 2017 for the Redevelopment Department.

Similar comments appeared in prior Reports B44689 and B45624.

Indiana Code 36-7-14-13(f) states: "A redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit."

Indiana Code 36-7-14-28(b) states:

"Each year the redevelopment commission shall formulate and file a budget for the tax levy, in the same manner as executive departments of the unit are required to formulate and file budgets. This budget is subject to review and modification in the same manner as the budgets and tax levies formulated by executive departments of the unit."

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

**OPERATING EXPENSES**

The Redevelopment Department had funds that had received Tax Increment Financing (TIF) revenue. These funds were used for non-supervisory expenses, such as salaries and benefits that are considered operating costs of the Redevelopment Department. These operating expenses were paid out of the Redevelopment State Road 46 TIF #10 and Central Business District TIF funds.

DEPARTMENT OF REDEVELOPMENT  
CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

The Indiana Code does not allow for redevelopment operating costs to be paid out of TIF allocation funds.

Similar comments appeared in prior Reports B44689 and B45624.

Indiana Code 36-7-14-39(b)(3) states in part: ". . . The allocation fund may not be used for operating expenses of the commission."

***SALARY ORDINANCE***

Compensation and benefits were paid to Redevelopment Department employees not included in the 2015 salary ordinance or resolution approved by the Common Council. Subsequent to the audit period to date in 2017, Redevelopment Department employees have not been included in a salary ordinance or resolution approved by the Common Council for 2016 or 2017.

A similar comment appeared in prior Reports B44689 and B45624.

Indiana Code 36-4-7-5 states: "Salaries of city officers and employees shall be scheduled as provided in the budget classification prescribed by the state board of accounts."

Indiana Code 36-7-14-13(f) states: "A redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit."

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)

**Department of Redevelopment  
City of Terre Haute**

**Response to Audit Results and Comments - 2015**

**Budget Approval**

Perhaps the Department of Redevelopment's confusion/misunderstanding regarding this particular item has existed due to the fact that – to the best of this writer's knowledge – this was never raised as an issue prior to the Supplemental Compliance Report of the City of Terre Haute for January 1, 2014 to December 31, 2014, despite the fact that the Department of Redevelopment has been "in business" for decades.

The preliminary Audit Results and Comments for the year 2015 state: *"The Redevelopment Department had funds with expenses, other than debt, that were not included in a budget approved by the Redevelopment Commission and/or the Common Council for 2015. To date in 2017, the Redevelopment Commission and/or the Common Council had not approved a budget for 2016 and 2017 for the Redevelopment Commission."*

In regard to the Common Council, we have no issue with submitting a budget to the Common Council for approval for 2018 forward. With this in mind, some guidance/education from the SBOA, City Controller, and/or the Common Council will be required.

For example, the Terre Haute Department of Redevelopment is a non-tax levy entity. In the absence of a tax levy, there is nothing to budget for regarding a tax levy.

The Department of Redevelopment administers Federal Community Development Block Grant and HOME Dollars on behalf of the community. This is done via a line of credit for our grant allocation(s) with the U.S. Treasury Department. Once funds are "drawn down" by our department to pay claims (approved by the Redevelopment Commission on a monthly basis), the funds must be disbursed within a matter of days. Are these funds subject to the Common Council budgeting process?

The Department of Redevelopment administers five tax increment financing districts within the City of Terre Haute. It is our understanding that the State Board of Accounts Manual has excluded special revenue funds, such as tax increment revenue, from the budgeting process.

So, in summary, we have no problem whatsoever in submitting a budget to the Common Council for approval for 2018 and beyond, but we will require guidance on how to do so and what, specifically, to include.

In regard the Redevelopment Commission, we believe the Commission is very-well informed in regard to our budgeting process and is an active participant in the process. First of all, the Department submits an annual "Consolidated Plan" to the U.S. Department of Housing and Urban Development. The Consolidated Plan is the Department's annual plan/budget for expending the CDBG and HOME grant dollars. The Consolidated Plan is approved by both the City Council and Redevelopment Commission. Second, in regard to our tax increment finance districts, annual reports for each district – discussing the financial activities within each district for the previous year – are provided to the Redevelopment Commission on an annual basis. These reports are reviewed with the Commission at one of its monthly meetings (normally in June) and approved by the Commission. For the approval of new projects within an existing tax increment area (or the creation of a new area), the Redevelopment Commission is an integral part of the process as outlined by State statute. Finally, as stated earlier, all claims – regardless of funding source – are approved by the Redevelopment Commission at its monthly, regularly-scheduled public meeting, held the third Wednesday of each month at 4:00 p.m.

Again, as a non-tax levy entity, there is nothing for the Redevelopment Commission to review from a budgetary standpoint regarding tax-levy dollars.

## Operating Expenses

The preliminary Audit results and Comments for the year 2015 states, *“The Redevelopment Department had funds that had received Tax Increment Financing (TIF) revenue. These funds were used for non-supervisory expenses, such as salaries and benefits that are considered operating costs of the Redevelopment Department. These operating expenses were paid out of the Redevelopment State Road 46 TIF #10 and Central Business District TIF funds. The Indiana Codes does not allow for redevelopment operating costs to be paid out of TIF allocation funds.”*

As background information, it should be noted that the Department of Redevelopment staff has been reduced considerably since 2015, thus the use of Tax Increment Financing revenue for supervisory expenses has been and will likely continue to be reduced (but not totally eliminated). In 2016, the position of Executive Director was contracted out as a professional service to the Terre Haute Economic Development Corporation whose president (a former executive director of the Department of Redevelopment), serves as the part-time Executive Director of the Department, thus saving considerable funds. The Department’s former Public Works Administrator retired in early 2017; the work associated with this position is in the process of being contracted to the City Department of Engineering as a professional service, thus saving additional funds. Finally, the Department’s Housing Administrator plans to retire around mid-July, 2017. The Department plans on examining the possibility of contracting with an outside entity to perform this job function vs. hiring a replacement employee.

With this being said, however, we stand by the Department’s response to this same issue that was made to the 2014 audit results:

The ability to use TIF allocation funds including bond revenues for the purpose of professional services and supervisory expenses of capital projects is clearly established by Indiana law pursuant to IC 36-7-14-25.1 and IC 36-7-14-39.

Section 25.1 – “In addition to other methods of raising money for property acquisition or redevelopment in a redevelopment project area, and in anticipation of the special tax to be levied under section 27 of this chapter, the taxes allocated under section 39 of this chapter, or other revenues of the district, or any combination of these sources, the redevelopment commission may, by resolution and subject to subsection (p), issue the bonds of the special taxing district in the name of the unit. The amount of the bonds may not exceed the total, as estimated by the commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment of the property, including:

(1.) the total cost of all land, rights-of-way, and other property to be acquired and redeveloped;

(2.) all reasonable and necessary architectural engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds . . .”

Under IC 36-7-14-39 the tax allocation received by the Department . . . may be used to pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

For the year 2015, the Department of Redevelopment had seven employees, four of whom had significant **supervisory responsibility** with capital projects in and or supporting TIF areas including architectural, engineering, legal, financing and accounting activities associated with these capital projects. Therefore, a portion of their compensation proportionate to their TIF capital project supervisory duties was paid from these fund sources.

## **SALARY ORDINANCE**

The preliminary Audit results and Comments for the year 2015 states, *"Compensation and benefits were paid to Redevelopment Department employees not included in the 2015 salary ordinance or resolution approved by the Common Council. To date in 2017, Redevelopment Department employees have not been included in a salary ordinance or resolution approved by the Common Council for 2016 or 2017"*

Again, our response to this item is similar to that of the Budget Approval item. Until recent years, this has never been an issue (again, to the best of this writer's knowledge).

Nevertheless, the Department of Redevelopment has no issue with providing information to the Common Council, regarding the Department's salary and benefits, to be included in the Common Council's salary ordinance for 2018 (and beyond).

(It should be noted that is has been several years since Department staff have received a pay increase. Also, a spousal carve-out was added to the Department's health insurance plan several years ago to decrease expenses. Finally, the Department's contribution to the employees' pension plans has been considerably reduced in recent years as well.)

Again, as noted under the Budget Approval item, a bit of guidance from the SBOA, City Controller and/or Common Council would be helpful in helping the Department comply with this item since the Department has not submitted a salary ordinance in the past (again, to the best of this writer's knowledge). As noted earlier, the Department is a non-tax levy entity, so no portion of Department staff is paid from local property taxes. The vast majority of the staff's compensation is from Federal dollars. Should these funds be included? The Department would be grateful for any guidance that can be provided so the Department can comply with this item for 2018.

DEPARTMENT OF REDEVELOPMENT  
CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2017, with Duke A. Bennett, Mayor; Jacqueline L. Loeb, Assistant Controller; Karrum J. Nasser, President of the Common Council; and Curtis DeBaun, IV, Todd Nation, and O. Earl Elliott, CPA, Common Council members; and Steve Witt, Executive Director of the Department of Redevelopment.