

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CARMEL

HAMILTON COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
09/05/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Overdrawn Cash Balances	6
Condition of Records.....	6
Transfer from General Fund to Support for the Arts Fund.....	6-7
Energy Center - Unpaid Balances	7-8
Official Response.....	9
Exit Conference	10
Redevelopment Commission:	
Audit Result and Comment:	
Energy Center - Unpaid Balances	12-13
Official Response.....	14
Exit Conference	15
Redevelopment Authority:	
Audit Results and Comments:	
Annual Financial Report Not Filed	18
Condition of Records.....	18
Official Response.....	19
Exit Conference	20
Police Department:	
Audit Result and Comment:	
Receipts Not Remitted Timely	22
Exit Conference	23

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	James Brainard	01-01-12 to 12-31-19
Clerk-Treasurer	Diana Cordray Christine Pauley	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Rick Sharp Ron Carter Sue Finkam	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
Utilities Director	John Duffy	01-01-15 to 12-31-17



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 CARMEL, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the City of Carmel (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 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. 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 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 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

July 27, 2017

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF CARMEL

CLERK-TREASURER
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The Water Operating and Water Availability funds were overdrawn at December 31, 2015, by \$3,500,079 and \$1,986,530, respectively.

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)

CONDITION OF RECORDS

Financial statements and records presented for audit did not include the Capital Lease Fund. In addition, the records maintained by the Clerk-Treasurer's office were incomplete and not reflective of the activity of the Redevelopment Commission Fund, Redevelopment Authority Debt Service Fund, or the Redevelopment Authority Capital Projects Fund. However, sufficient information was presented to establish beginning balances, receipts, disbursements, ending balances, and to verify the accuracy and correctness of the transactions for all of the above mentioned funds.

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the presented reconciliation as of December 31, 2015, did not balance by an unidentified variance of \$3,762. Additionally, the presented bank reconciliation did not include depository accounts related to the Redevelopment Authority (Debt Service and Capital Projects Funds), Capital Lease Fund, and some of the depository accounts related to the Redevelopment Commission Fund. The total omitted from the bank reconciliation was \$23,953,981. All of these depository accounts were reported on the financial statements except for Capital Lease Fund which totaled \$1,770,250.

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 Manual for Cities and Towns, Chapter 1)

The cash balance of a particular fund shall be determinable from comparison of the entries in the Ledger of Receipts, Disbursements and Balances which shall be balanced and reconciled with bank balances monthly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

The subtraction of total disbursements of a fund from the sum of total receipts and the cash balance at the beginning of a particular period should produce the cash balance of that fund. This calculation shall be made monthly and the cash balance of each fund at the close of the month shall be entered and reconciled with bank account balances. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

TRANSFER FROM GENERAL FUND TO SUPPORT FOR THE ARTS FUND

On March 23, 2015, \$700,000 was transferred from the General Fund to the Support for the Arts Fund. No documentation was provided showing purpose of this transfer or authorization of this transfer by the City Council.

CLERK-TREASURER
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

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 Manual for Cities and Towns, Chapter 1)

ENERGY CENTER - UNPAID BALANCES

The City was responsible for charges related to its Energy Consumption Agreements (Agreements) for the City Hall, Police Station, Fire Station, and Palladium. The Agreements were entered into on November 1, 2010. Except for the Palladium, the billings and payments have not been made in accordance with the Agreements. It was reported that certain capital costs included in the Agreements were disputed by City officials and the Carmel Redevelopment Commission reduced the billings to remove the portion attributed to these capital costs. However, the initial Agreements have not been formally amended or revised. For 2015, the City was billed for the three buildings (City Hall, Police Station, and Fire Station) excluding the capital costs charges; the amounts were paid as billed in 2015.

Similar comments appeared in prior Reports B45148 and B46017.

For 2012, 2013, 2014, and 2015, the City had not paid the amounts due from these Agreements. The following schedule indicates the unpaid obligation due to the reduced billings and payments for each year:

2015	Energy Consumption Agreement Annual Amount	Reduced Billed/Paid Amount	Under Billed/Paid
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2015	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
<u>Prior Year (2014)</u>			
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2014	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
<u>Prior Year (2013)</u>			
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2013	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>

CLERK-TREASURER
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

Prior Year (2012)	Energy Consumption Agreement Annual Amount	Reduced Billed/Paid Amount	Under Billed/Paid
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2012	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>

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 1)

Clerk Treasurer Response to 2015 Audit Opinion comments

Clerk Treasurer

The City of Carmel Clerk Treasurer's Office ushered in a new administration January 1, 2016, which during the course of the 2015 audit process acknowledged and addressed many of the findings of the 2015 audit opinion. The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Commission

The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Authority

After discussion with the State Board of Account, it was determined the best course of action would be for the Clerk Treasurer's Office to work with the Redevelopment Authority to collect the records necessary to support the filing of its annual report for 2018.

CLERK-TREASURER
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2017, with Christine Pauley, Clerk-Treasurer; James Crider, Director of Administration; Arnold Hanish, Audit Committee Chairman; Linda Harvey, Deputy Clerk-Treasurer; and Ann Bingman, Director of Finance.

The contents of this report were discussed on August 15, 2017, with Sue Finkam, President Pro Tempore of the Common Council; Kevin Rider, Council member; Ron Carter, Council member; Laura Campbell, Council member; Anthony Green, Council member; and Jeff Worrell, Council member.

REDEVELOPMENT COMMISSION
CITY OF CARMEL

REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULT AND COMMENT

ENERGY CENTER - UNPAID BALANCES

The City was responsible for charges related to its Energy Consumption Agreements (Agreements) for the City Hall, Police Station, Fire Station, and Palladium. The Agreements were entered into on November 1, 2010. Except for the Palladium, the billings and payments have not been made in accordance with the Agreements. It was reported that certain capital costs included in the Agreements were disputed by City officials and the Carmel Redevelopment Commission reduced the billings to remove the portion attributed to these capital costs. However, the initial Agreements have not been formally amended or revised. For 2015, the City was billed for the three buildings (City Hall, Police Station, and Fire Station) excluding the capital costs charges; the amounts were paid as billed in 2015.

Similar comments appeared in prior Reports B45148 and B46017.

For 2012, 2013, 2014, and 2015, the City had not paid the amounts due from these Agreements. The following schedule indicates the unpaid obligation due to the reduced billings and payments for each year:

2015	Energy Consumption Agreement Annual Amount	Reduced Billed/Paid Amount	Under Billed/Paid
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	157,211	26,051	(131,160)
Totals - 2015	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>

REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULT AND COMMENT
(Continued)

<u>Prior Year (2014)</u>	Energy Consumption Agreement Annual Amount	Reduced Billed/Paid Amount	Under Billed/Paid
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2014	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
<u>Prior Year (2013)</u>			
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2013	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
<u>Prior Year (2012)</u>			
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2012	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>

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

Clerk Treasurer Response to 2015 Audit Opinion comments

Clerk Treasurer

The City of Carmel Clerk Treasurer's Office ushered in a new administration January 1, 2016, which during the course of the 2015 audit process acknowledged and addressed many of the findings of the 2015 audit opinion. The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Commission

The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Authority

After discussion with the State Board of Account, it was determined the best course of action would be for the Clerk Treasurer's Office to work with the Redevelopment Authority to collect the records necessary to support the filing of its annual report for 2018.

REDEVELOPMENT COMMISSION
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2017, with Christine Pauley, Clerk-Treasurer; James Crider, Director of Administration; Arnold Hanish, Audit Committee Chairman; Linda Harvey, Deputy Clerk-Treasurer; and Ann Bingman, Director of Finance.

The contents of this report were discussed on August 15, 2017, with Sue Finkam, President Pro Tempore of the Common Council; Kevin Rider, Council member; Ron Carter, Council member; Laura Campbell, Council member; Anthony Green, Council member; and Jeff Worrell, Council member.

(This page intentionally left blank.)

REDEVELOPMENT AUTHORITY
CITY OF CARMEL

REDEVELOPMENT AUTHORITY
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT NOT FILED

The Redevelopment Authority did not file an Annual Financial Report for 2015 with the State Examiner.

A similar comment appeared in prior Report B46243.

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."

CONDITION OF RECORDS

The Redevelopment Authority did not maintain financial records for audit such as a Ledger of Receipts, Disbursements, and Balances (prescribed City or Town Form No. 208) for 2015 or completed monthly bank reconcilements. However, sufficient information was presented to establish beginning balances, receipts, disbursements, ending balances, and to verify the accuracy and correctness of the transactions.

A similar comment appeared in prior Report B46243.

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 Manual for Cities and Towns, Chapter 1)

The cash balance of a particular fund shall be determinable from comparison of the entries in the Ledger of Receipts, Disbursements and Balances which shall be balanced and reconciled with bank balances monthly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

The subtraction of total disbursements of a fund from the sum of total receipts and the cash balance at the beginning of a particular period should produce the cash balance of that fund. This calculation shall be made monthly and the cash balance of each fund at the close of the month shall be entered and reconciled with bank account balances. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

Clerk Treasurer Response to 2015 Audit Opinion comments

Clerk Treasurer

The City of Carmel Clerk Treasurer's Office ushered in a new administration January 1, 2016, which during the course of the 2015 audit process acknowledged and addressed many of the findings of the 2015 audit opinion. The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Commission

The City continues to address the past due amounts for the Energy Center payments with the Carmel Redevelopment Commission and intends to have an amendment in place for the 2017 audit year.

Redevelopment Authority

After discussion with the State Board of Account, it was determined the best course of action would be for the Clerk Treasurer's Office to work with the Redevelopment Authority to collect the records necessary to support the filing of its annual report for 2018.

REDEVELOPMENT AUTHORITY
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2017, with Christine Pauley, Clerk-Treasurer; James Crider, Director of Administration; Arnold Hanish, Audit Committee Chairman; Linda Harvey, Deputy Clerk-Treasurer; and Ann Bingman, Director of Finance.

The contents of this report were discussed on August 15, 2017, with Sue Finkam, President Pro Tempore of the Common Council; Kevin Rider, Council member; Ron Carter, Council member; Laura Campbell, Council member; Anthony Green, Council member; and Jeff Worrell, Council member.

POLICE DEPARTMENT
CITY OF CARMEL

POLICE DEPARTMENT
CITY OF CARMEL
AUDIT RESULT AND COMMENT

RECEIPTS NOT REMITTED TIMELY

We conducted a test designed to verify that receipts issued were remitted timely to the Clerk-Treasurer's office. Our test of this procedure found that 70 percent of the receipts tested were not remitted timely.

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g), a city (other than a consolidated city) . . . shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) Selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (3) A city or a town required to deposit funds under subsection (d).

However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)."

POLICE DEPARTMENT
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2017, with James Barlow, Chief of Police; Jeff Horner, Deputy Chief of Police; Teresa Anderson, Police Office Administrator; Christine Pauley, Clerk-Treasurer; James Crider, Director of Administration; Arnold Hanish, Audit Committee Chairman; Linda Harvey, Deputy Clerk-Treasurer; and Ann Bingman, Director of Finance.

The contents of this report were discussed on August 15, 2017, with Sue Finkam, President Pro Tempore of the Common Council; Kevin Rider, Council member; Ron Carter, Council member; Laura Campbell, Council member; Anthony Green, Council member; and Jeff Worrell, Council member.