

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

COMPLIANCE REPORT

OF

TOWN OF POTTAWATTOMIE PARK

LAPORTE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
09/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly Gondeck	01-01-09 to 01-31-12
	John Beck	02-01-12 to 08-19-12
	Susan C. Tohell	08-20-12 to 12-31-16
President of the Town Council	Robert Wisthoff	01-01-12 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF POTTAWATTOMIE PARK, LAPORTE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Town of Pottawattomie Park (Town), for the period January 1, 2012 to December 31, 2015, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 Results and Comments, incorporated within this report, was not verified for accuracy.

The Annual Financial Reports filed by the Town can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

December 21, 2016

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TOWN COUNCIL
TOWN OF POTTAWATTOMIE PARK

TOWN COUNCIL
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS

SERVICES WITHOUT CONTRACT

Payments for maintenance work totaling \$633 in 2013, \$2,992 in 2014, and \$2,262 in 2015, were not supported by a written contract.

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

NEPOTISM IN CONTRACTING

On January 5, 2015, the Town Council adopted a Resolution for Contracting with the Town (Nepotism in Contracting Policy). The Town Council members did not certify in writing that they had not violated the Resolution by December 31, 2015, as required by the Resolution. Certification by the Town Council members was also a requirement of the Indiana Code.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

Section 3 of the Town's Resolution states: "Each elected official of the Town shall annually certify in writing subject to penalties for perjury, that the officer has not violated this Resolution. An elected officer shall submit the certification to the Council President and Clerk-Treasurer no later than December 31 of each year."

PERSONAL LOAN

On November 6, 2014, the Clerk-Treasurer requested a loan of \$3,500 against her 2015 wages and the President of the Town Council gave his verbal permission. The Town Council approved the loan at the December 1, 2014, Town Council meeting. The Clerk-Treasurer repaid \$3,500 on February 18, 2015.

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

TOWN COUNCIL
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

EMPLOYEE COMPENSATION

The Town Marshal and Deputy Town Marshal each received a cell phone allowance, which was not included in the salary ordinance. The Town Marshal received \$45 per month or \$540 per year, and the Deputy Town Marshal received \$25 per month or \$300 per year.

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 for Cities and Towns, Chapter 1)

APPROPRIATIONS

The Town's records indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2012	\$ 42,889
General	2014	12,553
Local Road and Street	2014	46,291
Motor Vehicle Highway	2014	16,115
Riverboat	2014	71,011
Cedit Special Revenue	2014	3,486
General	2015	58,042

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."

TOWN COUNCIL
TOWN OF POTTAWATTOMIE PARK
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2016, with Susan C. Tochell, Clerk-Treasurer, and Robert Wisthoff, President of the Town Council.

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS

CONDITION OF RECORDS

Internal controls were not sufficient to detect or prevent financial recording errors from occurring. Handwritten ledgers were maintained to record the Town's financial activity and balances of the funds. The receipts on the ledgers were totaled and recorded by the Clerk-Treasurer. However, the totals on the ledger differed from the totals we arrived at during our testing as indicated below:

Years	Total Receipts per Ledger	Total Receipts per Testing	Difference
2012	\$ 67,136	\$ 206,224	\$ (139,088)
2013	11,870	149,197	(137,328)
2014	319,393	363,236	(43,843)
2015	62,748	150,916	(88,168)

The Clerk-Treasurer did not record disbursement totals in the ledger.

The total of receipts, per our testing, also did not agree to the receipts reported in the Annual Financial Report (AFR) after adjustments for errors as follows:

Years	Total Receipts per Testing	Adjusted Receipts per AFR	Difference
2012	\$ 206,224	\$ 205,736	\$ 488
2013	149,197	147,487	1,710
2014	363,236	363,900	(664)
2015	150,676	148,808	1,868

Adjustments to the ledgers were necessary due to receipts not posted, receipts posted for incorrect amounts, and receipts posted to the wrong fund. Adjustments to the AFR included a transfer from the Riverboat fund to the General fund in the amount of \$18,473 in 2012; the repayment of a personal loan in the amount of \$3,500; and corrections for state and local distributions and interest not properly reported.

The total of disbursements, per our testing, did not agree to the disbursements reported in the AFR as follows:

Years	Total Disbursements per Testing	Adjusted Disbursements per AFR	Difference
2012	\$ 185,055	\$ 132,574	\$ 52,481
2013	164,235	169,863	(5,628)
2014	269,022	269,553	(531)
2015	174,105	150,689	23,416

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Report B41897.

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 even. 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. . . ."

BANK ACCOUNT RECONCILIATIONS

As previously stated in prior Report B41897, monthly depository reconciliations of the fund balances to the bank account balances were not presented.

In an attempt to reconcile the fund balances to the bank account balances, we prepared reconcilements at each year end of the report period, which may or may not have included all reconciling adjustments. Reconciled cash and investment balances to financial statement cash and investment balances were as follows:

Years	Cash and Investment Balance per Bank Reconciliation	Cash and Investment Balance per AFR	Cash Long (Short)
2012	\$ 308,818	\$ 297,422	\$ 11,396
2013	312,260	275,046	37,214
2014	384,156	369,393	14,763
2015	327,911	367,512	(39,601)

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 should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount need 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)

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

RECEIPTS AND DEPOSITS

Receipts were not always issued when monies were collected. For example in 2012, receipts were not issued for \$684 in state distributions. Also in 2012, 11 other instances were identified where receipts were not issued. In 2014, one instance of a receipt not being issued was identified.

From the receipts tested, deposits to the bank were found to be made ranging from 3 to 51 days after the receipt date.

A similar comment appeared in prior Report B41897.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

". . . a town 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."

Effective July 1, 2015, 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 of 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)."

TRANSFERS

Transfers were made which were not authorized by statute, ordinance, or resolution. No indication was made in the minutes of the Town Council meetings that the following transfers were approved:

Years	Transferred From	Transferred To	Amount
2012	Riverboat	General	\$ 18,473
2012	Motor Vehicle Highway	Local Road and Street	3,000
2014	Riverboat	Local Road and Street	47,310
2015	Riverboat	General	44,878

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

PERSONAL LOAN

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

EMPLOYEE COMPENSATION

The Town Marshal and Deputy Town Marshal each received a cell phone allowance, which was not included in the salary ordinance. The Town Marshal received \$45 per month or \$540 per year, and the Deputy Town Marshal received \$25 per month or \$300 per year.

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 for Cities and Towns, Chapter 1)

MAINTENANCE CONTRACTS

The Town contracted annually with an individual for maintenance work. The contracts were at fixed annual rates divided into monthly payments for the months of March through November. The contracts also had a stipulation that "additional" maintenance work would be compensated at a rate of \$32 per hour.

In 2012, the contractor was overpaid \$266 for additional maintenance work that was paid at the rate of \$35 instead of \$32 per hour.

Payments made for maintenance services were based upon the accounts payable vouchers, which listed the monthly increment due and total additional hours worked with the rate of pay for the additional hours. However, the dates of additional hours worked and billed were not specified on the accounts payable vouchers.

In 2013, 2014, and 2015, the Town also paid the President of the Town Council for maintenance work he performed totaling \$633, \$2,992, and \$2,262, respectively. The President of the Town Council was compensated at the rate of \$32 per hour, which was not addressed in the salary ordinance or in a contract with the Town for such services.

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

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 for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The Clerk-Treasurer incurred and paid penalties, interest, and other charges to the U.S. Department of the Treasury in the amount of \$1,282 in 2013 for late reporting and remittance of withholding taxes.

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 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 unit. Any penalties, interest or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

SUPPORTING DOCUMENTATION

Payments were made to vendors and employees that lacked supporting documentation.

- The Clerk-Treasurer was reimbursed \$104 for the purchase of a digital recorder and \$250 for a computer for which vendor invoices were not retained. Reimbursements were also made to the Clerk-Treasurer for mileage and hotel charges which lacked a properly completed Mileage Claim (General Form No. 101) and paid receipts from the hotels.
- The Town paid \$1,000 to a realtor as earnest money on the purchase of property; however, a purchase agreement or other adequate documentation was not provided to support the payment.
- Salaries and wages for employees and officials were made based upon individual accounts payable vouchers rather than on the required Payroll Schedule and Voucher (General Form No. 99). In addition, we identified three elected officials who were paid in 2014 without an accounts payable voucher as support for the payments made.

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 1)

OVERDRAWN CASH AND INVESTMENT BALANCES

The following cash and investment balances were overdrawn as of December 31:

<u>Fund</u>	<u>Years</u>	<u>Amount Overdrawn</u>
General	2012	\$ 79,065
General	2013	106,931

A similar comment appeared in prior Report B41897.

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

APPROPRIATIONS

The Town's records indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2012	\$ 42,889
General	2014	12,553
Local Road and Street	2014	46,291
Motor Vehicle Highway	2014	16,115
Riverboat	2014	71,011
Cedit Special Revenue	2014	3,486
General	2015	58,042

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."

ANNUAL FINANCIAL REPORT

The AFR for 2014 was filed on March 30, 2015, was 29 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."

NEPOTISM IN CONTRACTING

On January 5, 2015, the Town Council adopted a Resolution for Contracting with the Town (Nepotism in Contracting Policy). The Clerk-Treasurer did not certify in writing that they had not violated the Resolution by December 31, 2015, as required by the Resolution. Certification by the Clerk-Treasurer was also a requirement of the Indiana Code.

Indiana Code 36-1-21-6 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer is in compliance with the chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."

CLERK-TREASURER
TOWN OF POTTAWATTOMIE PARK
RESULTS AND COMMENTS
(Continued)

Section 3 of the Resolution states: "Each elected official of the Town shall annually certify in writing subject to penalties for perjury, that the officer has not violated this Resolution. An elected officer shall submit the certification to the Council President and Clerk-Treasurer no later than December 31 of each year."

CAPITAL ASSETS

The Town did not maintain a complete inventory of capital assets owned.

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 year, 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)

CLERK TREASURER
TOWN OF POTTAWATTOMIE PARK
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2016, with Susan C. Tohell, Clerk-Treasurer, and Robert Wisthoff, President of the Town Council.