

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

SPECIAL INVESTIGATION REPORT
OF

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
MARION COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
12/04/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Redevelopment Commission:	
Results and Comments:	
Undocumented and Unsupported Credit Card Purchases	3-4
Reimbursement of Cell Phone Expenses	4
Contributions to Health Savings Account.....	4-5
Mileage Reimbursements	5-6
Cash Change Funds Not Returned.....	6
Special Investigation Costs.....	6-7
Purchase Agreement	7
Membership Fee Invoice.....	8
Unsupported Expense Reimbursements	8-9
Parking Collections	9-10
Comingling of Funds	10-11
Incentives	11
Delinquent Invoice Submission.....	12
Accounts Payable Vouchers.....	12-13
Credit Card Policy	13-14
Internal Control Deficiencies	14-15
Bond Information.....	15
Exit Conference	16
Official Response.....	17-18
Summary of Charges.....	19
Affidavit	21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

This is a special investigation report for the Town of Speedway (Town), for the period January 1, 2012 to December 31, 2015, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the Redevelopment Commission (Commission). 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.

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

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

September 21, 2017

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS

UNDOCUMENTED AND UNSUPPORTED CREDIT CARD PURCHASES

Expenditures charged by Kenneth S. Harris (Harris), former Executive Director, to the Redevelopment Commission's (Commission) credit card totaling \$1,369.97 did not contain adequate supporting documentation, such as invoices or receipts. No evidence was provided to support the validity of these payments.

In addition, Commission funds were used by Harris to pay for items not related to the function and purpose of the Commission totaling \$936.75. Several additional purchases of items including meals and food, home maintenance materials and supplies, office supplies, and paper goods charged by Harris to the Commission credit card did not contain adequate documentation to support the business purposes for the expenses.

A similar comment appeared in prior Reports B35461 and B37631.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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)

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 unit. Any personal expenses 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)

Every effort should be made by the unit to avoid unreasonable or excessive costs. Unreasonable or excessive costs may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Harris reimburse the Town \$2,306.72 for undocumented and unsupported credit card purchases. (See Summary of Charges, page 19)

REIMBURSEMENT OF CELL PHONE EXPENSES

Harris was reimbursed for cell phone expenses, which included amounts not related to his duties and activities as Executive Director totaling \$3,125.47. Supporting documentation for these expenses was not located in the Commission's records.

The Independent Contractor Agreements between the Commission and Harris provided for cell phone reimbursement as follows: "Independent Contractor shall be reimbursed for all reasonable expenses related his duties and activities as the Executive Director. This shall include, but not be limited to . . . Cellular phone and wireless connection expenses."

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 unit. Any personal expenses 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 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)

Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Harris reimburse the Town \$3,125.47 for the overpayment of cell phone expenses. (See Summary of Charges, page 19)

CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNT

In 2012 and 2013, funds deposited by the Commission into the Health Savings Account (HSA) of Harris exceeded amounts allowed in his Independent Contractor Agreement by \$1,200 and \$2,000, respectively.

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

In 2015, funds deposited by the Commission into the HSA of Harris were less than the amount allowed in his Independent Contractor Agreement by \$1,000.

The net amount deposited into the HSA in excess of the allowed amount was \$2,200.

The Independent Contractor Agreement between the Commission and Harris, dated December 19, 2011, with a term of two years, provided for funding to his HSA as follows: "Commission shall further fund the Independent Contractors Health Savings Account consistent with the amount the Town funds that of regular full time employees."

In regards to the 2014-2015 Independent Contractor Agreement, the minutes of a Commission meeting stated: "The proposed agreement for the Executive Director is in the same form as approved last December with only dates changed."

In 2012, 2013, and 2015, the Town's contribution to full-time employees with family coverage was \$2,500. Contributions into Harris' account for these years were \$3,700, \$4,500, and \$1,500, respectively.

Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Harris reimburse the Town \$2,200 for the net overpayment of contributions to his HSA. (See Summary of Charges, page 19)

MILEAGE REIMBURSEMENTS

Harris received mileage reimbursements totaling \$102.30 for travel that was already provided in his monthly Expense Allowance.

The Independent Contractor Agreements between the Commission and Harris, dated December 19, 2011 and December 16, 2013, each with a term of two years, provided for mileage reimbursement as follows: "Independent Contractor shall be reimbursed for all reasonable expenses related his duties and activities as the Executive Director. This shall include, but not be limited to . . . Mileage and Parking (outside of those expenses provided in the Expense Allowance)."

The Independent Contractor Agreements further state in the paragraph describing the Expense Allowance: "Independent Contractor shall be provided an expense to pay the costs of street metered parking and local mileage in Marion County and the adjacent counties. The allowance for the term of this agreement is \$115 per month."

Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

Units must collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Harris was requested to reimburse the Town \$102.30 for the reimbursement of mileage included in his expense allowance. (See Summary of Charges, page 19)

CASH CHANGE FUNDS NOT RETURNED

On July 22, 2013, and August 16, 2013, checks were written to establish cash change funds for parking events in the amounts of \$2,500 and \$1,200, respectively. These funds totaling \$3,700 were not deposited back to the Redevelopment fund. Both checks were endorsed by Harris. Harris was responsible for parking collections and the cash change funds.

Indiana Code 36-1-8-2 states:

"(a) The fiscal body of a political subdivision may permit any of its officers or employees having a duty to collect cash revenues to establish a cash change fund. Such a fund must be established by a warrant drawn on the appropriate fund of the political subdivision in favor of the officer or employee, in an amount determined by the fiscal body, without need for appropriation to be made for it.

(b) The officer and employee who establishes a cash change fund shall convert the warrant to cash, shall use it to make change when collecting cash revenues, and shall account for it in the same manner as is required for other funds of the political subdivision.

(c) The fiscal body shall require the entire cash change fund to be returned to the appropriate fund whenever there is a change of the custodian of the fund or if the fund is no longer needed."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Harris reimburse the Town \$3,700 for the cash change funds not returned. (See Summary of Charges, page 19)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the examination of the Commission.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

We requested that Harris reimburse the State of Indiana \$8,240.75 for special investigation costs. (See Summary of Charges, page 19)

PURCHASE AGREEMENT

On July 16, 2015, the Commission issued revenue bonds in the amount of \$5,130,000 to be used for a redevelopment project.

On July 24, 2015, a purchase agreement was entered into by the Commission for the purchase of real and personal property. This purchase was part of the project for which the revenue bonds were issued.

The purchase agreement presented for our inspection stated the total purchase price of \$1,300,000 was to be paid to the seller in two payments. Earnest money in the amount of \$10,000 was to be deposited in trust to a title company within five days of the execution date by the Commission. The balance of the purchase price was to be paid to the seller on the closing date.

This purchase agreement was not executed by the Commission. The purchase of the property described in the purchase agreement was made by the developer of the project.

A second version of the purchase agreement presented for our inspection described the same property, but indicated that the earnest money was to be \$330,783.70 and deposited into the trust account of a law firm.

Except for the provision regarding earnest money, both versions of the purchase agreement were the same.

The payment of \$330,783.70 was made to the law firm, via wire transfer on August 3, 2015, but was not for the purchase of the property in the purchase agreement. The \$330,783.70 payment was used to pay a portion of a settlement related to an eminent domain lawsuit of another property in an area not covered under the bond.

After discovering the inappropriate payment, the Clerk-Treasurer reimbursed the bond project account from the Redevelopment fund on March 23, 2016.

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 Manual for Cities and Towns, Chapter 1)

Indiana Code 36-7-14-26(a) states in part:

"All proceeds from the sale of bonds under section 25.1 of this chapter shall be kept as a separate and specific fund to pay the expenses incurred in connection with the acquisition and redevelopment of property. The fund shall be known as the redevelopment district capital fund. Any surplus of funds remaining after all expenses are paid shall be paid into and become a part of the redevelopment district bond fund established under section 27 of this chapter. . . ."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

MEMBERSHIP FEE INVOICE

On April 28, 2015, the Commission entered into a membership agreement with an entity for a fee of \$28,000. The membership provided tickets to various events, golf passes, an advertisement in the event program, and various other privileges.

An invoice for \$20,000, dated April 20, 2015, was presented by Harris to the Town and entered into the Town's accounts payable system and a check was issued. According to the Clerk-Treasurer, Harris was given the check to hand deliver to the entity. This check never cleared the Town's bank account.

The Town received a statement from the entity dated August 31, 2015, requesting payment for the membership fee of \$28,000, which was over 90 days delinquent. The Town voided the \$20,000 accounts payable entry, put a stop payment on the check, and subsequently paid the \$28,000.

We requested that the entity provide a copy of the invoice that was issued for the membership fee. This invoice, dated March 27, 2015, was for \$28,000. A representative of the entity stated the membership fee was not negotiable and that they had not issued an invoice for \$20,000. The representative further stated that the invoice and customer numbers on the \$20,000 invoice were not numbers generated by their billing system.

Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or nonfeasance in the office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

UNSUPPORTED EXPENSE REIMBURSEMENTS

Harris received reimbursements for expenses which did not contain adequate documentation to support the business purposes for the expenses, including meals and food, home maintenance materials and supplies, office supplies, and paper goods.

A similar comment appeared in prior Reports B35461 and B37631.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

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)

PARKING COLLECTIONS

Procedures over the receipting, disbursing, recording, and accounting for the collection of parking fees were insufficient in 2012, 2013, 2014, and 2015.

During racing events, the Commission allowed various outside organizations to collect parking fees at lots owned by the Commission. There were no procedures in place to account for the collection and remittance of these parking fees.

The collections were deposited in a bank account belonging to the Speedway Community Development Corporation (SCDC), a private nonprofit corporation, rather than to a bank account and fund belonging to the Commission. The collections were not accounted for within the Commission's records. There was no reconciliation or proper accounting of the cash received from the sale of parking spaces.

Disbursements for parking supplies, such as portable restrooms, banners, trash bags, marking paint, safety vests, and concrete mix and buckets, were made from Commission funds. In addition, cash change for parking events was established with Commission funds.

There was no contract with the SCDC to manage parking on the Commission's property or granting permission to collect fees or make donations to the outside organizations. Furthermore, there was nothing noted in the Commission's meeting minutes setting the amount of fees or authorizing the collection of said fees.

Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Public funds cannot be donated or given to other organizations, individuals, or governmental units unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

COMINGLING OF FUNDS

For the period July 1, 2012 to June 30, 2014, proceeds from the sale of Bonds, Tax Increment Financing Revenues, loan proceeds and grant reimbursements were deposited into the Commission's Redevelopment Fund.

Payments for redevelopment and operating expenses such as lobbying, utilities, and payroll were made from the fund.

Indiana Code 36-7-14-26(a) states:

"All proceeds from the sale of bonds under section 25.1 of this chapter shall be kept as a separate and specific fund to pay the expenses incurred in connection with the acquisition and redevelopment of property. The fund shall be known as the redevelopment district capital fund. Any surplus of funds remaining after all expenses are paid shall be paid into and become a part of the redevelopment district bond fund established under section 27 of this chapter."

Indiana Code 36-7-14-39(b)(3) states in part:

". . . property tax proceeds . . . shall be allocated to the redevelopment district and when collected, paid into an allocation fund area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, . . .

(J) 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.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located: (i) in the allocation area; and (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .

The allocation fund may not be used for operating expenses of the commission."

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 Manual for Cities and Towns, Chapter 1)

INCENTIVES

As part of one of the redevelopment programs, the Commission used \$50,000 in redevelopment funds during 2013 to reimburse a restaurant for expenses incurred for restaurant equipment and supplies as well as construction materials.

On June 18, 2012, the Commission adopted a resolution approving applications for the Speedway Restaurant Incentive Program (Program). The Program would be funded through the purchase of forgivable bonds (Bonds) issued by the Town, the proceeds of which were deposited by the Town to a revolving fund to be administered by the Commission. On June 19, 2012, and June 21, 2012, two forgivable loans for \$100,000 each were lent to two applicants.

Indiana Code 36-7-14-12.2(a) states in part: "The redevelopment commission may do the following: . . . (25) Provide financial assistance (including grants and loans) to neighborhood development corporations to permit them to: . . . (B) construct, rehabilitate, or repair commercial property within the district. . . ."

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

DELINQUENT INVOICE SUBMISSION

The Commission did not submit invoices for reimbursement of grant monies to the Indiana Department of Transportation (INDOT) in a timely manner. The purchase orders supporting these invoices included expenses from 2012 and 2013. The invoices were to be submitted monthly. Below is a schedule showing the activity regarding the purchase orders:

<u>Purchase Order Issue Date</u>	<u>Purchase Order Number</u>	<u>Purchase Order Amount</u>	<u>Date Submitted*</u>
05-29-12	12815178	\$ 65,711.81	01-19-16
05-29-12	12815179	79,252.80	04-18-16
05-30-12	12815215	57,760.00	01-18-16
08-07-12	13801702	1,730,121.06	02-28-17
08-14-12	13801942	51,332.27	01-11-16
09-24-12	13803648	266,578.16	01-18-16
12-02-13	14807031	2,067,214.50	05-05-16
12-02-13	14807032	463,500.00	02-29-16
12-18-13	14807893	411,516.50	02-11-16

*Multiple submission dates; the latest date is indicated

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

ACCOUNTS PAYABLE VOUCHERS

For the period July 1, 2012 to June 30, 2014, redevelopment funds were accounted for outside of the Town's accounting system. During this period, Town Form No. 39 (Accounts Payable Voucher) was not used for payment of redevelopment expenses. No evidence was presented that disbursements were approved by the officer or person receiving the goods and services, that the fiscal officer audited and certified before payment, that the invoice or bills were true and correct, or that the payment of the claim was allowed by the board or having jurisdiction over allowance of payment of the claims.

In addition, General Form No. 364 (Accounts Payable Voucher Register) was not presented for 13 of the 24 months in the investigation period to document the governing body's approval of the disbursements.

Indiana Code 36-7-14-8(c) states in part: "The treasurer of the redevelopment commission may disburse funds of the redevelopment commission only after the redevelopment commission allows and approves the disbursement. . . ."

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

The State Board of Accounts has prescribed General Form No. 364, Accounts Payable Voucher Register, which shall be prepared by, or filed with, the disbursing officer of the city or town, together with the supporting accounts payable voucher, and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office. . . . If members of the governing body would rather approve and sign each individual accounts payable voucher in lieu of signing the Allowance of Vouchers section of General Form 364, this procedure is acceptable. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2010)

CREDIT CARD POLICY

The Commission used a credit card for purchases during 2012, 2013, 2014, and 2015, but did not have a credit card policy approved by the Commission.

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

1. The governing board must authorize credit 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.

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(Continued)

3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit 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. Credit 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.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

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

INTERNAL CONTROL DEFICIENCIES

The former Executive Director was to, among other duties, review claims submitted to the Commission and facilitate the processing of such claims to the Commission's Treasurer, maintain records of the Commission, participate in contract and project negotiations with Commission authorization, record and maintain minutes of Commission meetings, and report to the commission periodically.

The oversight of the Commission's financial activity was not adequate. Due to this lack of adequate oversight, several instances of noncompliance were able to occur and not be identified in a timely manner.

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.

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
RESULTS AND COMMENTS
(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. . . ."

BOND INFORMATION

The following is information regarding official bonds obtained by the Town:

<u>Period</u>	<u>Amount</u>
07-28-11 to 07-28-13	\$ 15,000
07-28-13 to 07-28-14	15,000
07-28-14 to 07-28-15	15,000
02-01-15 to 02-01-16	15,000

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2017, with Monty W. Combs, Clerk-Treasurer; Gary L. Raikes, President of the Town Council; Vincent Noblet, President of the Redevelopment Commission; and Jacob Blasdel, Town Manager.



CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL

GARY L. RAIKES, PRESIDENT
JEFF MATTHEWS, VICE PRESIDENT
DAVID LINDSEY
EILEEN FISHER
JASON DELISLE

TELEPHONE: 317/ 246-4111

FAX: 317/ 240-1322

TOWN CLERK TREASURER

MONTY COMBS

TOWN MANAGER

JACOB BLASDEL

November 6, 2017

OFFICIAL RESPONSE

Ms. Lisa David
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Dear Ms. David

Here are our Council's responses regarding the SBOA Audit Comments in the Special Investigation Report of the Speedway Redevelopment Commission.

General Response

The Town has always required detailed invoices to support claims for payment from public funds. On September 26, 2016, by Resolution No. 2016-11 the Town Council adopted a policy of Internal Controls (the "Internal Control Policy") in compliance with State Board of Accounts guidelines.

All requests for additional supporting documentation in the attached comments titled:

1. Purchase Agreement
2. Membership Fee Invoice
3. Unsupported Credit Card Purchases
4. Reimbursement of Cell Phone Expenses
5. Mileage Reimbursements
6. Cash Change Funds Not Returned

have been referred to the former Executive Director for response.

The Special Investigation Report raises concerns that go beyond findings for which reimbursement is requested. Some expenses and actions investigated by the SBOA merit suspicion and possibly further examination, but with appropriate documentation could have occurred in the course of legitimate business action. The Town is limiting its requests for reimbursement to the findings that are believed to involve intentional efforts on the part of Mr. Harris to receive undue financial gains. As mentioned throughout this response, the Town has acted to ensure appropriate controls and procedures are in place to prevent future financial misconduct.

The following responses are included with the appropriate comment caption:

Contributions to Health Savings Account. The overpayment should be repaid by the previous Executive Director.

Parking Collection. Procedures were put in place in March 2016 to provide for improved internal controls, receipt of collections and deposit of collections pursuant to the Internal Control Policy described above.

Comingling of Funds. The legislature has separated the financial functions from the Redevelopment Commission and delegated the function to the Clerk-Treasurer. The comingling stopped as of July 1, 2014.

Delinquent Invoice Submission. The problem was solved by the submission of invoices and payments on those invoices have been received. The Town will comply in future projects.

Accounts Payable Vouchers. Accounting for Redevelopment Commission funds has been returned to the Clerk-Treasurer and is being processed consistent with statutory requirements.

Internal Control Deficiencies. Previously discussed in the response.

Special Investigation Costs. No comment at this time.

Respectfully,



Gary L. Raikes, graikes@speedwayin.gov
President, Speedway Town Council
1450 N. Lynhurst Drive
Speedway, IN 46224

REDEVELOPMENT COMMISSION
TOWN OF SPEEDWAY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kenneth S. Harris, former Executive Director:			
Undocumented and Unsupported Credit Card Purchases, pages 3 and 4	\$ 2,306.72	\$ -	\$ 2,306.72
Reimbursement of Cell Phone Expenses, page 4	3,125.47	-	3,125.47
Contributions to Health Savings Account, pages 4 and 5	2,200.00	-	2,200.00
Mileage Reimbursements, pages 5 and 6	102.30	-	102.30
Cash Change Funds Not Returned, page 6	3,700.00	-	3,700.00
Special Investigation Costs, pages 6 and 7	<u>8,240.75</u>	<u>-</u>	<u>8,240.75</u>
Totals	<u>\$ 19,675.24</u>	<u>\$ -</u>	<u>\$ 19,675.24</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
Shelby COUNTY)

We, Eugene West and Tammy Baker, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Speedway, Marion County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of our knowledge and belief.

Tammy R Baker
Eugene West
Field Examiners

Subscribed and sworn to before me this 28 day of November, 2017

Debra M Crafton
Notary Public

My Commission Expires: 4-4-2024

County of Residence: Shelby