

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

SPECIAL COMPLIANCE REPORT
OF

GENESIS CENTER
CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2017 to May 14, 2018



FILED
09/13/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GENESIS CENTER, CITY OF GARY, LAKE COUNTY, INDIANA

This is a special compliance report for the Genesis Center, City of Gary (City), for the period January 1, 2017 to May 14, 2018, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City 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 Genesis Center. 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.

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

July 30, 2019

GENESIS CENTER
CITY OF GARY
RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED TIMELY

Receipts were not remitted to the City Controller's office on a daily basis for deposit to the bank account designated for the Genesis Center (Center). In 2017, remittances to the City Controller's office ranged from 2 to 41 days.

The City's policy states, "All cash items (checks, credit slips, money orders and currency) must be recorded, safeguarded, deposited and receipted into the City Finance Department within 24 hours of collections."

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

Indiana Code 5-13-6-1 states in part:

". . . (d) Except as provided in subsection (g), a city (other than a consolidated city) or 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. . . .

(g) 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):

- (1) An office of the legislative branch of state government.
- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (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)."

RECEIPT ISSUANCE

The following deficiencies in the recordkeeping of receipts were as follows:

1. Receipts were not issued in sequential order.
2. A generic receipt book was used to document the cash collections retrieved periodically from the cash registers during large events.
3. There were 10 voided receipts where both copies of the receipts were not retained.

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

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

GENESIS CENTER
CITY OF GARY
RESULTS AND COMMENTS
(Continued)

GENESIS CENTER RENTAL CONTRACTS

One hundred fifty-three (153) rental contracts were reviewed to determine if all fees were collected in accordance with the contract and the fees were deposited with the City Controller in a timely manner. The Center maintains the documentation for each event in individual folders. The contents of the folders did not consistently include an invoice for the services (room rental, food, security, and other charges), original rental contracts, and copies of the receipts issued for collections applied to the contracts, etc.

Twenty-five (25) contracts were marked "paid in full"; however, neither receipts, nor any evidence was provided to document that the outstanding balance was paid in full. Furthermore, there was not any evidence of attempts by the Center to pursue collection of outstanding balances.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1).

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

SUPPORTING DOCUMENTATION

Cash Register Z-TAPES

The Center used several cash registers to account for bar sales when beverage services were included as part of the rental contract. At the end of the event, a "Z-tape" detailing the beverage sales was generated from the cash registers. The Z-tapes were reconciled with the cash on hand less the beginning cash change amount.

There were 21 instances in which the Z-tapes could not be located to support the collections deposited.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 1)



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KAREN M. FREEMAN-WILSON

Mayor

DAYNA BENNETT

Chief of Staff

Angelia Hayes

Controller

Genesis Center – City of Gary Responses to the Results and Comments

INTRODUCTION

In April 2018, it became clear that changes were needed at the Genesis Center. Because there was evidence that misappropriation may have occurred, Mayor Karen Freeman-Wilson requested that the Genesis Center Board of Managers take certain actions. First, the Mayor requested permission to physically locate along with her Executive Assistant Deborah Delk at the Genesis Center to oversee the work that was being done. This was done in an effort to strengthen internal controls, increase revenue, reduce expenses and ensure quality control. As a result, Ms. Delk assumed certain responsibilities for the daily operation of the Genesis Center and Mayor Freeman-Wilson provided oversight. This has resulted in changes to the practices cited by the State Board of Accounts in this audit. We have detailed those changes below.

RECEIPTS NOT DEPOSITED TIMELY

All receipts are being remitted to the City Controller's office on a daily basis for deposit into the bank designated for the Genesis Center.

RECEIPT ISSUANCE

All receipts are being issued in sequential order and recorded at time of the transaction using the State Board of Accounts prescribed receipt book (*Form No.217 (Rev.1997)*). Generic receipt books will not be used and both copies of the voided receipts will be retained.

As part of the new internal control policy, the receipts books will be retained by the Genesis Center Director. All receipt books will be given a book number with the receipt numbers noted on the receipt book log sheet. A new receipt book will only be issued by the Director upon the return of the used receipt book. The employee receiving the new receipt book is required to sign for the new receipt book.

GENESIS CENTER RENTAL CONTRACTS

The following procedures have been implemented as it relates to the rental contracts. Rental contracts are due, along with the specified deposit, before the event is booked. All rental contracts and lessee responsibility and general information forms must be signed at the time of event booking. All payments are required to be paid either by cashier's check, money order, or debit/credit card. No personal checks or cash are accepted.

Each event has a folder. The event folder consists of lessee responsibility and general information forms, rental contract, billing form, invoice, paid receipts and a copy of the form of payment. Prior to the event, the invoice must have a zero balance and PAID IN FULL written on folder. The Director reviews the event folders on a bi-weekly basis. All event folders reviewed contain the Director's initials and date reviewed.

The event must be paid in full prior to the event date. If additional charges are occurred during the event, the charges must be paid on the day of the event. If the additional charges are not paid at the end of the event, the following steps will be followed. **First Step**: After a period of 15 days of nonpayment, a past due notification will be sent to the lessee. **Second Step** Call the lessee. **Third Step** Send a ten (10) day demand letter. **Fourth Step** Consult Board Attorney to file the outstanding charges with the collection agency.

SUPPORTING DOCUMENTATION

After each event, all cash register Z Tapes from bar and concessions are verified and reconciled by the bookkeeper prior to the generating a receipt for deposit at the Controller's Office. The Genesis Center retains copies of all Z tapes and deposits with the receipt book for audit.

August 8, 2019
Submitted by,

Angelia Hayes
Controller

Deborah Delk
Genesis Center Interim Director

GENESIS CENTER
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with Karen Freeman-Wilson, Mayor; Rebecca Wyatt, Common Council member; Angelia Hayes, City Controller; Rinzer Williams, President of the Genesis Center Board; and Deborah Delk, interim Genesis Center Director.