

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DYER

LAKE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED

12/15/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Hawrot	01-01-19 to 12-31-19
	Debbie Astor	01-01-20 to 12-31-21
President of the Town Council	Joseph Cinko	01-01-19 to 12-31-19
	Mary Tanis	01-01-20 to 12-31-20
	Alan Brooks	01-01-21 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DYER, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Dyer (Town), for the period from January 1, 2019 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town'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, was not verified for accuracy.

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

November 30, 2021

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CLERK-TREASURER
TOWN OF DYER

CLERK-TREASURER
TOWN OF DYER
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. There was a lack of segregation of duties as the Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments (Bank Reconciliations)

Due to changes in personnel, after July 2020, an oversight, review, or approval process was no longer in place to ensure that bank reconciliations were completed accurately and timely.

Receipts

Due to changes in personnel, after July 2020, an oversight, review, or approval process was no longer in place to ensure that receipts posted to the financial accounting system were complete and accurate.

An End of Day Journal Register was printed at the end of each business day that included all receipts posted for the day. However, documentation of an oversight, review, or approval process by an employee separate from the receipt posting function was no longer maintained.

Disbursements (Vendor)

Due to changes in personnel, after July 2020, an oversight, review, or approval process was no longer in place to ensure that vendor disbursements posted to the system were complete and accurate.

The employee that entered the accounts payable vouchers (APV) into the financial software system reviewed their own work. However, documentation of an oversight, review, or approval process by an employee separate from the APV posting function was no longer maintained.

Disbursements (Payroll)

One employee was primarily responsible for manually entering the data from time cards into the payroll financial system. The same employee was also primarily responsible for reviewing the information entered for accuracy. However, evidence of an oversight, review, or approval process by an employee separate from the payroll process was not documented.

When other employees did assist with the payroll process, documentation of a review or oversight process was not maintained.

The Town did not establish an oversight or review process to ensure that employees were paid the correct amounts from the correct fund. The payroll system allowed the Town to set up allocation percentages after the annual salary ordinance was approved. The allocation percentages were not reviewed after entry to ensure they were entered accurately.

Financial Reporting

The Town contracted for the preparation and entry of the 2020 Annual Financial Report (AFR) data into the Indiana Gateway for Government Units financial reporting system, which was source for the financial statement.

CLERK-TREASURER
TOWN OF DYER
AUDIT RESULTS AND COMMENTS
(Continued)

The AFR was submitted by the Town without evidence of a review or oversight process to ensure the accuracy and completeness of the financial information submitted. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected.

Criteria

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

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

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

Condition and Context

In June 2019, the Town converted to a new financial accounting software system. The Town also started completing the monthly bank reconciliations through the new financial accounting system.

Bank reconciliations completed for December 31, 2019 and 2020, represented that the depository ending balance was reconciled with the general ledger fund balance for each period. However, when total reconciled depository balances were compared to the treasurer's report from the financial accounting system for the same time, the amounts did not reconcile.

As of December 31, 2019, the depository balance was \$28,160 less than the treasurer's report. As of December 31, 2020, the depository balance was \$36,430 greater than the treasurer's report.

Furthermore, five of the six bank reconciliations tested in 2020 did not have a reconciliation completed timely.

Criteria

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."

CLERK-TREASURER
TOWN OF DYER
AUDIT RESULTS AND COMMENTS
(Continued)

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)

ENGAGEMENT UPLOADS

Condition and Context

The Town did not comply with State Examiner Directive 2018-1 and failed to upload any of the annual files on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2020.

Annual records required to be uploaded include, the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

Criteria

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)

Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

MOTOR VEHICLE HIGHWAY (MVH) RESTRICTED FUND

Condition and Context

The Town created a Motor Vehicle Highway (MVH) Restricted sub-fund within the MVH fund and recorded 50 percent of the state motor vehicle highway distributions to the sub-fund as required. However, the Town disbursed \$92,804 for snow and ice control expenses from the MVH Restricted fund. These disbursements were not for the construction, reconstruction, and preservation of the Town's highways.

Additionally, the Town prorated a portion of certain employees' compensation to the MVH Restricted fund and recorded a transfer of \$134,434 from the MVH Restricted fund to the MVH fund for the compensation originally paid from the MVH fund. The Town did not maintain detailed documentation to support that compensation transferred from the Motor Vehicle Highway Restricted fund was for the construction, reconstruction, and preservation of the Town's highways.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."



TOWN OF DYER

OFFICE OF CLERK-TREASURER

Debbie Astor

Clerk-Treasurer

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Dyer, Indiana 46311
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OFFICIAL RESPONSE

December 7, 2021

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

RE: Town of Dyer
Examination for the Year ended 12/31/2020
OFFICIAL RESPONSE

Dear Indiana State Board of Accounts:

The Town of Dyer seeks to file an official response to be included in the audit report by the State Board of Accounts as discussed at the exit conference on November 30, 2021. The Town works diligently to update and/or implement controls where areas of improvement are identified.

CASINO GAMING FUND EXPENDITURES

The Town Council and Redevelopment Committee acted upon good faith based upon all information and past legal counsel advice received at that time. In the future, we will follow Indiana Code 4-33-12.5-8.

CAPITAL ASSETS

The Town has engaged an outside consultant in updating our capital assets inventory and documentation for all compliance of statutory requirements. Form 369 has been prescribed for this purpose. An inventory will be conducted every two (2) years. Accounting and Uniform Compliance Guidelines are in the Manual for Cities and Towns Chapter 1.

PARKS DEPARTMENT

The Parks Department had an overdrawn fund in the amount of \$254 at December 31, 2020. This fund was overdrawn due to refunds that were processed because COVID caused the cancellation of various events. These refunds included credit card service fees paid to PayGov for by the resident. Normally, a refund will

not include credit card service fees paid to PayGov by the resident. However, due to the events being cancelled due to safety concerns because of COVID, the fees were refunded.

INTERNAL CONTROLS

We welcome any and all suggestions to improve our internal controls. Internal Controls are never fully perfect but a work in progress. We acknowledge and welcome State Board of Accounts requirements under Indiana Code 5-11-1-27(e) to define the acceptable minimal level of internal controls standards, which are written to instruct and improve the continuing end of enhanced and effective controls.

MVH

We are moving \$92,591.64 from MVH – Restricted to MVH. These funds were used for snow and ice control expenses. MVH – Restricted only allows for construction, re-construction and preservation of town highways according to Indiana Code 8-14-1-5(c).

TIF

According to Indiana Code 36-7-14-39(b)(3), mobile vehicle lease payments are not allowed. With the structure of the bonds and our lease agreements through 2023, we will no longer use TIF funds for these kinds of payments.

The Redevelopment Committee acted in good faith based on information at the time with past legal advice.

Sincerely,



Debbie Astor
Dyer Clerk Treasurer



David Hein
Town Manager

CLERK-TREASURER
TOWN OF DYER
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2021, with Debbie Astor, Clerk-Treasurer; Mary Tanis, Vice President of the Town Council; David Hein, Town Manager; Frank Jachim, Assistant Town Manager; Adam Sedia, Town Attorney; Debbie Drapac, Accounting Supervisor; and Donna Shear, Deputy Clerk-Treasurer.

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REDEVELOPMENT COMMISSION
TOWN OF DYER

REDEVELOPMENT COMMISSION
TOWN OF DYER
AUDIT RESULT AND COMMENT

TAX INCREMENT FINANCING (TIF) ALLOCATION FUND USES

Condition and Context

The establishment of a Redevelopment General Fund is authorized by Indiana Code 36-7-14-28(c). A Redevelopment Commission has the duties set forth in Indiana Code 36-7-14-11, which provides for the investigation, selection, acquisition development, and disposal of property in "areas needing redevelopment." The powers granted to a redevelopment commission in Indiana Code 36-7-14-12.2 allow the commission to develop property in the areas needing redevelopment and to carry out other activities "for redevelopment purposes." "Redevelopment" includes activities contained in Indiana Code 36-7-1-18.

Certain expenses of the Redevelopment Commission (RDC), consisting of the items noted below, were disbursed from TIF allocation collections, which were not allowed within the restricted uses authorized in Indiana Code 36-7-14-39(b)(3):

1. \$317,990 for four vehicle lease payments.
2. \$87,500 of Opticom multimode emitter vehicle kits for emergency vehicles.

Criteria

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

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) and (2) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation 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.

REDEVELOPMENT COMMISSION
TOWN OF DYER
AUDIT RESULT AND COMMENT
(Continued)

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(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, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. . . .

(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. . . .

(M) Expend money and provide financial assistance as authorized in section 12.2(a)(27) of this chapter.

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

The uses of TIF funds are restricted to those set forth in the Indiana Code. The power of a redevelopment commission to expend such funds is limited to the express statutory powers as set forth in Indiana Code 36-7-14. The use of TIF funds for ongoing maintenance of redeveloped property is not an expressly or impliedly permitted use, except as provided in Indiana Code 36-7-1-18(7) for repairing and maintaining buildings acquired before redevelopment is complete. (Redevelopment Commission of the Town of Munster, Indiana, v. Indiana State Board of Accounts and Paul D. Joyce, State Examiner of State Board of Accounts, 28 N.E.3d 272 (Ind. App., 2015) trans. denied, 34 N.E.3d 251)

REDEVELOPMENT COMMISSION
TOWN OF DYER
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2021, with Debbie Astor, Clerk-Treasurer; Mary Tanis, President of the Redevelopment Commission; David Hein, Town Manager; Frank Jachim, Assistant Town Manager; Adam Sedia, Town Attorney; Debbie Drapac, Accounting Supervisor; and Donna Shear, Deputy Clerk-Treasurer.