B59827

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CROWN POINT

LAKE COUNTY, INDIANA

January 1, 2021 to December 31, 2021

FILED
09/21/2022

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Result and Comment:	
Internal Controls over Financial Reporting	6
Official Response	7
Exit Conference	8
Redevelopment Commission:	
Audit Result and Comment:	
Redevelopment Commission General Fund and TIF Allocation Areas	10-12
Official Response	13
Exit Conference	14

SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	David Benson	01-01-21 to 12-31-22
Mayor	David D. F. Uran	01-01-21 to 07-06-22
	Peter D. Land	07-07-22 to 12-31-22
President of the Board of Public Works and Safety	David D. F. Uran	01-01-21 to 07-06-22
	Peter D. Land	07-07-22 to 12-31-22
President Pro Tempore of the Common Council	Scott Evorik	01-01-21 to 12-31-21
	Zack Bryan	01-01-22 to 12-31-22

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF CROWN POINT, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Crown Point (City), for the period from January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

August 29, 2022

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF CROWN POINT

INTERNAL CONTROLS OVER FINANCIAL REPORTING

A similar comment also appeared in prior Report B58524.

Condition and Context

The City relied on a consultant for the preparation and entry of the Annual Financial Report (AFR) data into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement.

Although the financial information prepared and entered into Gateway by the consultant was reviewed and approved by individuals in the Clerk-Treasurer's office, the internal control was not effective and did not detect, prevent, or allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement omitted $4,788,972 of receipts and disbursements for the Lake Co. HIDTA Program fund.

Additionally, the City uses an accrual basis financial accounting system for several of the utility funds. The accrual basis ledgers are then converted to the cash basis for financial statement reporting. The City's financial consultant compiled the cash basis information and entered it into Gateway. The consultant did not provide the Clerk-Treasurer's office adequate detailed supporting documentation to allow for an effective review of several of the City's utility funds affected by accruals.

Audit adjustments were proposed, accepted by management, and made to the financial statement.

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. . . ."

Indiana Code 5-11-1-4(a) states:

> "The state examiner shall require from every audited entity 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."

CITY OF CROWN POINT

CLERK-TREASURER

David B. Benson
Clerk-Treasurer

09/01/2022

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

Re: Official Response

Official Response

The City of Crown Point's Clerk Treasurer's Office was able to provide more back-up for the 2021 Audit but was still lacking the required back-up that was needed by the State Board of Accounts. Therefore, the City of Crown Point Clerk-Treasurer's Office is currently in the process of updating our Internal Controls. The Clerk-Treasurer's Office sends the annual financial information to the Financial Consultants and they in turn compile the City's annual financials and input the information into Gateway. The Financial Consultant also converts the City's accrual based financial accounting system to cash basis for several of the Utility Funds. In the future, we will require the Financial Consultants to provide adequate detailed supporting documentation to allow for an effective review of all the City's Funds.

David B. Benson
Clerk-Treasurer

www.crownpoint.in.gov

Main Floor • 101 N. East Street • Crown Point, IN 46307

Office (219) 662-3235 Fax (219) 662-3378

CLERK-TREASURER
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2022, with David Benson, Clerk-Treasurer; Peter D. Land, Mayor; Chad Jeffries, Common Council member; Anthony Schlueter, Chief of Staff; David H. Nichols, City Attorney; and Sheri Herma, Deputy Clerk.

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT

REDEVELOPMENT COMMISSION GENERAL FUND AND TIF ALLOCATION AREAS

A similar comment also appeared in seven prior Reports, including the three most recent Reports B53093, B55588, and B58524.

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.

Tax Increment Financing (TIF) distributions received for each TIF allocation area were to be receipted into an allocation fund for that specific allocation area per Indiana Code 36-7-14-39(b)(3). The City receipted the TIF Crown Point Sportsplex distributions and TIF Redevelopment Area distributions into a separate allocation area fund. However, the TIF I-65 distributions were receipted into the Redevelopment General fund (C.P. Redevelopment Fund), instead of a separate allocation area fund.

The main sources of revenue for the C.P. Redevelopment Fund in 2021 were from TIF distributions for the I-65 Allocation area of $2,927,703 and Indiana Department of Transportation grant reimbursements of $148,321.

The expenses noted below from the C.P. Redevelopment Fund, which were funded by TIF distributions, were not within the restricted uses authorized in Indiana Code 36-7-14-39(b)(3):

1. Removal of landscaping materials and installation of winter decorations in an area outside of the TIF District, totaling $1,040.

2. Purchase of surety bonds for four Redevelopment Commission members, totaling $400.

3. Purchase of a yearlong subscription to a bonded debt publication, totaling $1,550.

4. Legal services invoices tested noted that the legal expenses paid were for the Redevelopment Commission. However, the descriptions did not always document how the expenses related to the I-65 allocation area. These disbursements, totaling $4,316, included activities such as attending Redevelopment Commission meetings, services related to the Sportsplex TIF allocation area and fund, and meetings with other professional service providers and consultants.

Additionally, the expenses noted below were determined to fall within the restricted uses authorized in Indiana Code 36-7-14-39(b)(3); however, the expense was determined to either not occur within the I-65 TIF allocation area or support was not provided to document that work was completed within the I-65 TIF allocation area.

1. Reimbursement payment for an office facade grant outside of the I-65 TIF area, totaling $25,000.

2. Payment for design drawings and preparation of project costs without supporting documentation of location, totaling $2,500.

3. Payment for basic engineering services without supporting documentation of location, totaling $1,620.

Criteria

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 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.

(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. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area: . . .

(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)

CITY OF CROWN POINT
Peter D. Land
Mayor

OFFICE OF THE MAYOR
Greg Falkowski
Chief of Staff

September 2, 2022

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

Re: Official Response

The City of Crown Point does not concur with the finding listed in the SBOA *Audit Results and Comment.* Specifically, that finding listed on Page 2, item #3 addressing the Crown Point Redevelopment Fund expense of $1,550.00 for the purchase of an annual subscription to a bonded debt publication.

It is our belief that IC 36-7-25-7, which was passed and went into effect on July 1, 2022, now allows for a set percentage of redevelopment funds to be used towards educational and training programs as defined in Section 7 of this Statute. The city previously had planned legislation that would have been presented to the City Council which would have put into place a new account ledger for the RDC to allow for this expense, under the guidance of the SBOA. This was prepared in the event the new State legislation was not adopted; however, once the State legislation was passed and adopted, it made the City's planned efforts a moot point.

The City's position is this type of expense under the RDC funding is a permissible use based on the above listed Statute.

Peter D. Land
Mayor

www.crownpoint.in.gov
101 N. East Street • Crown Point, IN 46307
Office (219) 662-3240
Fax (219) 662-3262

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2022, with David Benson, Clerk-Treasurer; Peter D. Land, Mayor; Chad Jeffries, Common Council member; Anthony Schlueter, Chief of Staff; David H. Nichols, City Attorney; and Sheri Herma, Deputy Clerk.