



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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November 17, 2022

To: The Officials of the City of Hammond
City of Hammond
5925 Calumet Ave
Hammond, IN 46320

This report is supplemental to the audit report of the City of Hammond (City), for the period January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the City. It should be read in conjunction with the financial statement audit report of the City, which provides an opinion on the City's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the City and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the City of Hammond, prepared by Crowe, LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 4.

The report is filed with this letter in our office as a matter of public record.

Handwritten signature of Tammy R. White in cursive.

Tammy R. White, CPA
Deputy State Examiner

**COMPLIANCE EXAMINATION OF
CITY OF HAMMOND**

Lake County, Indiana
January 1, 2020 to December 31, 2020

CITY OF HAMMOND

Lake County, Indiana
January 1, 2020 to December 31, 2020

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CITY OF HAMMOND
SCHEDULE OF OFFICIALS
January 1, 2020 to December 31, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Heather Garay Megan Flores	01-01-19 to 01-16-20 01-17-20 to 12-31-21
Mayor	Thomas M. McDermott, Jr.	01-01-19 to 12-31-21
President of the Board of Public Works and Safety	Heather Garay Kevin Margraf	01-01-19 to 01-16-20 01-17-20 to 12-31-21
President of the Common Council	Dave Woerpel	01-01-20 to 12-31-21

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the City of Hammond

We have examined the City of Hammond's ("the City") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2020 to December 31, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* applicable to the City during the period January 1, 2020 to December 31, 2020, as described in items 2020-001, 2020-002, 2020-003 and 2020-004 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the City complied, in all material respects, with the aforementioned requirements during the period January 1, 2020 to December 31, 2020.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
November 8, 2022

CITY OF HAMMOND
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2020 to December 31, 2020

FINDING 2020-001: CAPITAL ASSETS

A similar partial comment appeared in prior Reports B56533, B49726, B51340, and B53551, entitled FINDING 2016-001, FINDING 2017-001, and FINANCIAL TRANSACTIONS AND REPORTING.

Condition and Context

Capital Assets - City

There were not sufficient internal controls in place to ensure the accuracy of capital assets records for governmental activities. The City was unable to provide supporting documentation for beginning capital asset balances. As a result, we were unable to audit capital assets, accumulated depreciation, and depreciation expense for the City.

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, 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 years, 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)

FINDING 2020-002: ADVANCE PAYMENTS

A similar comment also appeared in 15 prior Reports, including the 3 most recent Reports B56533, B49726 and B51340.

Condition and Context

Employee compensation, hours, and leave time were reported by the departmental payroll clerks to the City Controller's office on a biweekly Payroll Earnings Forecast (forecast). The forecasts were submitted for payroll processing by the Monday or Tuesday prior to the pay date, which was on the following Friday. Salaried employees were paid for the prior and current week, and, therefore, were paid in advance of performing the service. The pay also did not reflect leave time used for the period covered.

Criteria

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

CITY OF HAMMOND
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2020 to December 31, 2020

FINDING 2020-003: OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B56533 and B53551.

Condition and Context

Cash balances of some of the City's funds were overdrawn due to funds with grants that operate on a reimbursement basis. Reimbursement grants require the City to expend funds and subsequently request reimbursement. The City funds with overdrawn cash balances as of December 31, 2020 are listed below:

<u>Fund #</u>	<u>Fund Overdrawn</u>	<u>Amount</u>
221	Oper Centipede	\$ 141,264
226	Pedestrian Safety	3,112
229	2017 JAG Grant	7,487
241	FY2019 Ped/Bicycle Grant	120
242	FY 2019 Project SAVE Grant	893
249	20 COVID-19 OT	153,870
254	FY19 OPO PD Grant	1,195
256	DUI Task Force	8,740
259	FY2019 LC DUI Task Force	25,677
262	CDBG	30,751
267	FY21 CHIRP	14,084
282	PARK/GAMING	824,594
506	Pretrial DIV PG	578

However, only one fund, (Fund 249 - 20 COVID-19 OT) still had an overdrawn position at December 31, 2021, of approximately \$154,000.

Criteria

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)

FINDING 2020-004: BAD DEBT WRITE-OFF POLICY

A similar comment also appeared in prior Report B56533.

Condition and Context

Management does not have a formally adopted bad-debt write-off policy. Management has an internal policy awaiting approval from those charged with governance.

Criteria

The governing body of a unit must have a written policy concerning a procedure for the writing off bad debts, uncollectible accounts receivable, or any adjustments to recorded balances. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY OF HAMMOND
EXIT CONFERENCE
January 1, 2020 to December 31, 2020

The contents of this report were discussed on April 29, 2022 with management and elected officials from the City, the Sanitary District, Stormwater Utility, Water Utility and component units, and November 7, 2022 with the City Controller.