



STATE OF INDIANA
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B61653

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June 19, 2023

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, 2021 to December 31, 2021. 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, 2021 to December 31, 2021. 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 5.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**COMPLIANCE EXAMINATION OF
CITY OF HAMMOND**

Lake County, Indiana
January 1, 2021 to December 31, 2021

CITY OF HAMMOND

Lake County, Indiana
January 1, 2021 to December 31, 2021

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CITY OF HAMMOND
SCHEDULE OF OFFICIALS
January 1, 2021 to December 31, 2021

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Megan Flores	01-01-21 to 12-31-21
Mayor	Thomas M. McDermott, Jr.	01-01-21 to 12-31-21
President of the Board of Public Works and Safety	Kevin Margraf	01-01-21 to 12-31-21
President of the Common Council	Dave Woerpel	01-01-21 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 Cities and Towns* during the period January 1, 2021 to December 31, 2021. 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.

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

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, 2021 to December 31, 2021, as described in items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 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, 2021 to December 31, 2021.



Crowe LLP

Indianapolis, Indiana
May 19, 2023

CITY OF HAMMOND
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2021 to December 31, 2021

FINDING 2021-001: CAPITAL ASSETS

A similar partial comment appeared in prior Reports B56533, B49726, B51340, B53551, and B60257 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 2021-002: ADVANCE PAYMENTS

A similar comment also appeared in 16 prior Reports, including the 3 most recent Reports B49726, B51340 and B60257.

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."

(Continued)

CITY OF HAMMOND
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2021 to December 31, 2021

FINDING 2021-003: OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Reports B56533, B53551, and B60257.

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, 2021 are listed below:

Fund #	Fund Overdrawn	Amount
213	HIDTA	30,911
249	20 COVID-19 OT	153,870
279	FY22 VSET User	2,053
280	FY2019 JAG Eqpt	30,993
289	FY22 CITLI	5,721
297	FY22 LC DRK DRI	1,036
334	2015 Water DSR	11,751

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 2021-004: BAD DEBT WRITE-OFF POLICY

A similar comment also appeared in prior Reports B56533 and B60257.

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).

FINDING 2021-005: MOTOR HIGHWAY VEHICLE DISTRIBUTIONS

Condition and Context

The City did not put at least 50% of the 2021 Motor Vehicle Highway (MVH) distributions to the Motor Vehicle Highway Restricted (MVHR) fund as required. The City only put 46% of the 2021 distributions to the MVHR fund.

(Continued)

CITY OF HAMMOND
 SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
 January 1, 2021 to December 31, 2021

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.” (State Examiner Directive 2018-2)

The contents of this report were discussed on May 4, 2023 with management and officials from the City, the Sanitary District, Stormwater Utility, Water Utility and component units, and with the City Controller.

<u>Name</u>	<u>Title</u>	<u>Entity</u>
Megan Flores	Controller	City
Phil Taillon	Chief of Staff	City
Scott Rakos	City Council Member-President	Civil City
Deborah Van Meter	Business Manager	Water Utility
Mark McLaughlin	Chief Executive Operator	Water Utility
Jaime Prieto	Deputy Chief Executive Operator	Water Utility
Rachel Montes	Business Manager	Hammond Sanitary District
Marty Wielgos	Chief Executive Operator	Hammond Sanitary District
Michael Dye	Board Member- Vice President	Hammond Sanitary District
Julia Pustek	Finance Director	Hammond Port Authority
Milan Kruszynski	Director	Hammond Port Authority
Eric Cender	Consultant	Cender Dalton Municipal Advisors
Katie Barry	Consultant	RSM
Scott Nickerson	Partner	Crowe LLP
Joe Widjaja	Senior Manager	Crowe LLP