

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

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

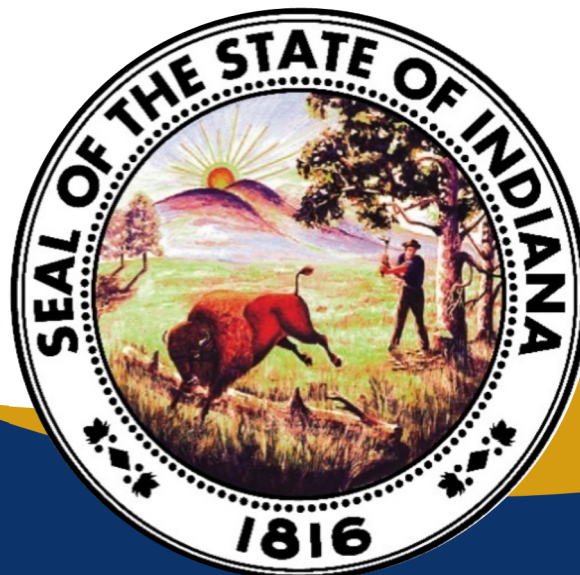
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WINONA LAKE

KOSCIUSKO COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**

06/19/2025

*The report was reissued on June 25, 2025, to remove the comment titled Conflict of Interest under the Town Council section.*



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kent J. Adams (deceased)	01-01-19 to 12-19-21
	(Vacant)	12-20-21 to 01-17-22
	Laurie A. Renier	01-18-22 to 10-10-23
	(Vacant)	10-11-23 to 10-23-23
President of the Town Council	Heather A. James	10-24-23 to 12-31-25
	Rick E. Swaim	01-01-19 to 12-31-23
	James G. Lancaster	01-01-24 to 12-31-24
	Ashley McGinnis	01-01-25 to 12-31-25
Park Director	Holly Hummitch	01-01-19 to 12-31-25
President of the Winona Lake Parks and Recreation Department	Matt Goebel	01-01-19 to 12-31-21
	Kristie Maiers	01-01-22 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
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TO: THE OFFICIALS OF THE TOWN OF WINONA LAKE, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Winona Lake (Town), for the period from January 1, 2019 to December 31, 2022. 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 the Financial Statements Audit Report of the Town, which provides our opinions on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://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, CPA, CFE  
Deputy State Examiner

May 15, 2025

CLERK-TREASURER  
TOWN OF WINONA LAKE

CLERK-TREASURER  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING - TOWN**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

The Town did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material misstatements to the financial statements. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

The lack of a properly designed internal control system resulted in material errors to the financial statements as described below.

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town submitted its AFR in Gateway without an oversight, review, or approval process in place to ensure accuracy of the report. Internal control deficiencies over the AFR resulted in noncompliance with laws and regulations relating to the following AFR components:

*Financial Data*

Financial Data submitted in the AFR was used to generate the financial statements and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Combining Schedules) presented in the Financial Statements Audit Report of the Town. During the audit period, the Town had improperly used funds by posting receipts to and disbursements from funds that did not relate to the purposes of the funds. When the Town reported the improper fund receipts and disbursements in the Financial Data component of the AFR, it resulted in the financial statements and Combining Schedules being misleading and not a true representation of the financial activity of the Town. When performing our audit procedures, we identified 66 receipts in the amount of \$794,929 and 308 disbursements in the amount of \$2,325,682 that were posted to incorrect funds. For some of the receipts and disbursements, we were unable to determine which funds should have been used due to the Town not creating funds in the accounting system that were previously established by the Town Council or the funds being comingled when they should have been separated. We were able to identify correct funds for receipts and disbursements as detailed in the following table.

Financial Data Audit Adjustments		
Year	Receipts	Disbursements
2019	\$ 246,132	\$ 215,470
2020	83,452	239,137
2021	322,017	225,364
2022	73,372	1,495,980
Totals	\$ 724,973	\$ 2,175,951

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

Audit adjustments were proposed in the amounts from the table above, accepted by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town. The remaining uncorrected immaterial misstatements for receipts and disbursements totaled \$69,956 and \$149,731, respectively.

*Grants*

The Town is required to report grant information in its AFR, which is the basis for determining if federal grants meet the threshold of requiring a federal single audit. During the audit period, the Town did not meet the requirements for a federal single audit; however, in determining if the Town met the threshold, we identified the following grant reporting errors in the AFR:

- 2019 - Understated 1 grant totaling \$19,901
- 2019 - Omitted 2 grants totaling \$155,982
- 2020 - Understated 3 grants totaling \$158,761
- 2020 - Omitted 2 grants totaling \$238,906
- 2021 - Understated 2 grants totaling \$7,520
- 2021 - Omitted 2 grants totaling \$299,692
- 2022 - Understated 2 grants totaling \$2,711
- 2022 - Omitted 2 grants totaling \$54,409

Because the Town did not qualify for a federal single audit, the Town's grant schedule is not included in any audit report of the Town.

*Accounts Payable and Receivable*

The Town did not have documentation to support the amounts reported as Accounts Payable and Receivable in the AFR. Amounts reported in the AFR were used to generate the Schedule of Payables and Receivables, which is considered other information, for the Financial Statements Audit Report of the Town. Because we were unable to validate the amounts reported, the Town approved the omission of the Schedule of Payables and Receivables from the Financial Statements Audit Report of the Town.

*Capital Assets*

The Town was required to enter its capital asset information into the AFR at their acquisition value but instead entered the amounts net of depreciation. The Town also did not update additions and deletions for 2022. This information was used to generate the Schedule of Capital Assets, which is considered other information, for the Financial Statements Audit Report of the Town. The Town did not properly maintain a ledger of all capital assets owned at their acquisition value, which would have been the supporting documentation used to verify the accuracy of the amounts reported for capital assets in the AFR. Because amounts were reported net of depreciation and not updated for 2022, the Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

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

*Leases and Debt*

The Town was required to enter its leases and debt information into the AFR. This information was used to generate the Schedule of Leases and Debt, which is considered other information, for the Financial Statements Audit Report of the Town. The Town did not properly report its leases and debt information in its 2019, 2020, and 2021 AFRs. The Town did appropriately report its leases and debt in the 2022 AFR, and it was used to generate the Schedule of Leases and Debt that is fairly presented in the Financial Statements Audit Report of the Town.

*Criteria*

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 as set forth in the uniform compliance guidelines. 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](#)."

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 and internal control procedures for internal control systems of political subdivisions. 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 Environment*

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

*Risk Assessment*

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

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

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

*Control Activities*

"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. . . ."

*Information and Communication*

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

*Monitoring Activities*

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**INTERNAL CONTROLS - COMPLIANCE WITH LAWS, REGULATIONS,  
AND UNIFORM COMPLIANCE GUIDELINES**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to compliance with laws, regulations, and uniform compliance guidelines.

The Town did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material noncompliance with laws, regulations, and uniform compliance guidelines. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

The lack of a properly designed internal control system resulted in material noncompliance as described in the comments that follow.

*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 and internal control procedures for internal control systems of political subdivisions. 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:

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

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Management remediates identified issues. . . ."

**CREDIT CARDS**

*Condition and Context*

The Town Council adopted ordinance 2006-4-3 to permit and regulate the use of credit cards; however, the Town did not ensure that the policy was followed and properly implemented. We identified the following noncompliance with the Town's policy related to the use of credit cards.

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

- Issuance of the credit cards was not properly handled by the Town in 2019, 2020, 2021, and 2022.
- Maximum limits set by the Town Council were exceeded for 7 out of 27 credit cards by a total of \$56,000.
- Supervisors and employees did not comply with the Town Council's use policies and procedures.
- The Town Council approved all credit card charges by approving claims during Town Council meetings that did not comply with their use policies and procedures.
- Supervisors and employees did not return the credit cards to the office of the Clerk-Treasurer when not in use.
- The Town did not maintain a log that should have included the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, and the date the card was issued and returned.
- Credit cards were used to bypass the accounting system as the Town did not implement the use of purchase orders or log the intended use of credit cards to track appropriations.
- Payments were made based on monthly statements alone.
- 23 percent of credit card transactions did not have proper supporting documentation.
- Penalties and interest were paid in the amount of \$1,223, as detailed in the *Penalties, Interest, and Other Charges* comment in this report.
- 22 percent of credit card transactions included the payment of sales tax, as detailed in the *Sales Tax Paid on Purchases* comment in this report.
- 69 credit card transactions included personal expenses or expenses determined to not be related to the functions and purposes of the Town, as detailed in the *Personal Expenses* comment in this report.

*Criteria*

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

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

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Town paid the following penalties, interest, and other charges in the amount of \$6,623 as approved by the Town Council when approving claims during Town Council meetings:

Vendor	Years	Type	Total
City of Warsaw	2022	Late Penalties	\$ 4,989
Crossroads Bank	2019 - 2022	Late Fees	263
Crossroads Bank	2019 - 2022	Interest	686
Indiana Department of Revenue	2020 & 2022	Penalties	299
Indiana Department of Revenue	2020 & 2022	Interest	22
Indiana Department of Workforce Development	2020	Penalties and Interest	70
Mutual Bank	2019 - 2022	Interest	180
Nipsco	2020	Late Fee	20
Northwest Visa	2019 - 2022	Late Fees	10
Northwest Visa	2019 - 2022	Interest	84
<b>Total</b>			<b>\$ 6,623</b>

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

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**SALES TAX PAID ON PURCHASES**

*Condition and Context*

The Town Council approved the use of public funds by approving claims during Town Council meetings and, therefore, ordered the Clerk-Treasurer, by law, to pay expenses which included Indiana sales tax. Indiana sales tax totaling \$1,471 was paid on credit card purchases during the audit period.

The Town received a reimbursement of \$205 from one employee for sales tax paid on credit card purchases made by that employee. We recommended the Town review the remaining sales tax paid and consider requesting reimbursement from individuals for any unallowable sales tax paid.

*Criteria*

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6(b) states in part:

". . . a warrant for payment of a claim against a town may be issued only if the claim is: . . .

- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim. . . ."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following:

- (1) . . . pay the money out only on order of the town legislative body. . . ."

**PERSONAL EXPENSES**

*Condition and Context*

The Town Council approved the use of public funds by approving claims during Town Council meetings and, therefore, ordered the Clerk-Treasurer, by law, to pay for the following personal items and expenses which did not relate to the functions and purposes of the Town.

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

*Town Manager*

The Town Manager submitted an invoice requesting a dental reimbursement from the Town in the amount of \$250. The invoice was signed by the Town Manager and specified the amount of the reimbursement requested and the fund from which it was to be paid. The Town's Deputy Clerk-Treasurer from 2019 to 2022 created the Accounts Payable Voucher (APV) based on the reimbursement requested without verifying the validity of the request. The Town's dental reimbursement policy only permitted up to \$200 to be requested for reimbursement. The Town reimbursed the Town Manager \$250 on July 21, 2020. The over reimbursement in the amount of \$50 was determined to be a personal expense of the Town Manager and not an obligation of the Town. Upon inquiry of the Town Manager regarding this over-reimbursement, the Town Manager chose to reimburse the Town on April 24, 2024, in the amount of \$50.

The Town Manager used a Town credit card to make fifteen purchases totaling \$418 without proper supporting documentation to verify the validity of the purchases during the audit. Upon inquiry of the Town Manager regarding these purchases, the Town Manager chose to reimburse the Town on April 24 and April 29, 2024, in the total amount of \$418.

*Deputy Clerk-Treasurer*

The Deputy Clerk-Treasurer from 2019 to 2022 incorrectly issued ten checks on March 19, 2019, totaling \$2,175 to ten employees and noted the payments were for an overpayment of insurance premiums; however, the employees did not overpay their insurance premiums. It was determined that the Town actually under-withheld insurance premiums on behalf of six of the employees, as detailed in the *Compensation and Benefits* comment included in this report. Through examination of payroll records, we determined the Town had switched insurance providers and incorrectly paid the prior insurance provider the premiums withheld that should have been paid to the new insurance provider. Therefore, the prior insurance provider refunded the Town, and this refund should have been used to pay the new insurance provider or to reimburse the Town for the payment of premiums to the new insurance provider. It was determined that the ten checks issued to the employees were not an obligation of the Town.

The Deputy Clerk-Treasurer used a Town credit card to make 22 purchases totaling \$2,070, detailed in the table below, from various vendors. There were 19 expenditures that we were unable to verify were expenses related to the functions and purposes of the Town due to the Deputy Clerk-Treasurer not providing the Town with written documentation for the purpose of the purchases. Through inquiry, the Deputy Clerk-Treasurer was able to verify that 1 of the purchases was for gift cards but could not verify the purpose, and a second purchase was for an unallowable car rental for a personal vacation in Hawaii. There were 3 purchases that had supporting documentation, but the Deputy Clerk-Treasurer was unable to tell us the specific purpose of the 2 purchases of fresh flower arrangements. The Deputy Clerk-Treasurer was able to verify that the 3<sup>rd</sup> purchase of gas was for their personal vehicle; however, the Town's travel policy doesn't allow employees to purchase gas for personal vehicles and only allows employees to submit travel reimbursement requests using proper forms and receive reimbursement for work related travel in the form of a mileage reimbursement. Because the Deputy Clerk-Treasurer did not complete a proper reimbursement request with required supporting documentation for work related travel, we were unable to determine if the gas purchased for their personal vehicle was for work related travel.

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

Vendor	Items Purchased	Date of Expenditure	Amount
Freedom Express Citgo - Warsaw	Gas for personal vehicle	01-25-19	\$ 46
Sherman and Lins	Unable to determine	04-30-19	46
Sherman and Lins	Unable to determine	05-07-19	37
Sherman and Lins	Unable to determine	05-17-19	121
Sherman and Lins	Unable to determine	05-17-19	42
Dunkin - Warsaw	Unable to determine	09-10-19	3
Target - Fort Wayne	Unable to determine	10-08-19	8
McDonalds - Warsaw	Unable to determine	10-15-19	12
Lowe's - Warsaw	Unable to determine	11-29-19	99
Alamo Rent-A-Car (Hawaii)	Vacation - Car Rental	12-17-19	517
Anderson Florist & Greenhouse	Unable to determine	01-14-21	62
Anderson Florist & Greenhouse	Unable to determine	01-17-21	196
The Village at Winona Lake	Gift Cards	08-07-21	80
Belove Gift Shop Winona Lake	Unable to determine	08-07-21	61
Anderson Florist & Greenhouse	Fresh Flower Arrangement	08-21-21	208
Anderson Florist & Greenhouse	Fresh Flower Arrangement	08-25-21	110
Anderson Florist & Greenhouse	Unable to determine	08-26-21	91
Anderson Florist & Greenhouse	Unable to determine	12-20-21	39
Kroger - Warsaw	Unable to determine	12-21-21	6
Anderson Florist & Greenhouse	Unable to determine	12-24-21	196
BP Good to Go - Warsaw	Unable to determine	07-30-22	10
Kroger - Warsaw	Unable to determine	08-08-22	80
Total			<u>\$ 2,070</u>

*Town Marshal*

The Town Marshal used a Town credit card to make ten purchases totaling \$686, detailed in the table below, from various vendors. We were unable to verify the expenses related to the functions and purposes of the Town due to a lack of records to support the purpose of the purchased items.

Vendor	Items Purchased	Date of Expenditure	Amount
Richards Restaurant - Warsaw, IN	Meals	06-22-19	\$ 43
Kroger - Warsaw, IN	Groceries	12-02-20	102
The Village at Winona Lake	Gift Cards	03-17-21	100
The Village at Winona Lake	Gift Cards	05-18-21	100
Agaves Mexican Grill - Fort Wayne, IN	Meals	05-24-21	44
The Village at Winona Lake	Gift Cards	11-23-21	100
Kroger - Warsaw, IN	Groceries	06-22-22	72
The Village at Winona Lake	Gift Cards	11-04-22	125
Total			<u>\$ 686</u>

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

*Park Director*

The Park Director used a Town credit card to make 52 purchases totaling \$3,685 for 81 Straight Talk monthly phone service plans within a 65-month timeframe. Through inquiry of Town Officials, it was determined the Park Director did not have a Town issued cell phone. We inquired with the Park Director who verified that the monthly service plans were for her personal cell phone. The Town did not have a policy that would permit employees to purchase monthly service plans for personal cell phones nor a policy allowing any stipends. We inquired with the Park Director and the Clerk-Treasurer on April 25, 2024, regarding the 16 extra monthly service plans during the timeframe, and the Park Director was unable to provide the reason, purpose, or use of the extra plans. From April 25, 2024 to February 18, 2025, the Town had not permitted the Park Director to purchase any cell phone plans with Town funds. On February 18, 2025, the Town Council passed a resolution allowing a cell phone stipend in the amount of \$30 per month.

The Park Director used a Town credit card to make four annual purchases at Darlington Holiday Warehouse in December 2019, 2020, 2021, and 2022, totaling \$2,015, as detailed in the table below. The four receipts provided for audit only documented how many items were purchased at each price point. According to park employees, the purchases are items for Kringle Fest Secret Santa Shop (Santa Shop), except for the 2020 purchase that was used to provide gifts to ten seniors citizens. The Park Director stated that the Park sells tickets to residents and nonresidents to buy items in the Santa Shop. Based on this explanation, we would have expected to see deposits made by the Town for ticket sales for the 2019, 2021, and 2022 Santa Shop. However, we only identified one deposit for the 2021 Santa Shop in the amount of \$417. Any money collected from ticket sales in 2019 and 2022 is unaccounted for. We were unable to determine the amount of funds unaccounted for due to the Park Director not maintaining records of ticket sales, such as beginning and ending ticket numbers to determine how many tickets were sold, dollar value per ticket sold to calculate dollar value of revenue generated by the fundraiser, not maintaining an inventory of items purchased and sold, and not issuing receipts to residents/nonresidents for each purchase to support the dollar value of a deposit. Because of the lack of park records, we were unable to determine if all items purchased in 2019, 2021, and 2022 were for expenses related to the Santa Shop. We were unable to validate the purchase in 2020 due to a lack of park records. Gifts were not permitted to be purchased using park funds and there was no remaining budget for promotional expenses within the promotional account of the Town's General fund. Therefore, we have determined this purchase was unallowable and not related to the functions and purposes of the Town.

Description	Date of Expenditure	No. of Items	Amount
Darlington Holiday Warehouse	11-27-19	351	\$ 632
Darlington Holiday Warehouse	11-24-20	109	195
Darlington Holiday Warehouse	12-07-21	451	495
Darlington Holiday Warehouse	11-30-22	279	<u>693</u>
Total			<u>\$ 2,015</u>

The Park Director used a Town credit card to make 18 purchases totaling \$796, detailed in the table below, from various vendors that we were unable to verify were expenses related to the functions and purposes of the Town. The Park Director did not have proper itemized receipts to determine what was purchased or did not have records to support the purpose of the items purchased.

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

Vendor	Items Purchased	Date of Expenditure	Amount
Betty's Cake and Candy	Unknown	10-08-19	\$ 18
Rise N Roll Bakery	Unknown	10-18-19	22
Aldi	Unknown	04-07-19	190
Kroger	Unknown	07-20-21	87
Walmart	Unknown	11-29-18	10
Walmart	Unknown	12-12-18	15
Walmart	(2) \$5 gift cards	01-14-19	10
Speedway	Gasoline	01-17-19	20
Walmart	(2) \$5 gift cards	02-11-19	10
Walmart	(3) \$5 gift cards	04-13-19	15
Walmart	Flower Arrangement	05-21-19	7
Dunkin	(2) Dozen Donuts	06-04-19	22
Walmart	(2) \$5 gift cards	06-13-19	10
Walmart	(2) \$5 gift cards	10-09-19	10
Walmart	23 oz AriZona Arnold Palmer Tea	12-18-19	10
	18.5 oz Lipton Sweet Tea		
	Mens Socks		
	Womens socks		
Walmart	Groceries	08-13-20	176
	Copper Fit Face Protector		
	Groceries		
	Conditioner		
	Dish soap		
	Candle		
	Binders		
	Folders		
	Notebooks		
Kroger	Groceries	12-22-20	110
Little Caesars	Meals	07-28-22	54
			<u>54</u>
Total			<u>\$ 796</u>

Town Council Ordinance 2006-4-3 states in part:

". . . 4) Within seventy-two hours of a credit card purchase, the person using the credit card shall provide a copy of the receipt and shall inform the Clerk-Treasurer in writing of the following: a) The purpose of the purchase; b) The line item from which the purchase is to be paid; c) An itemized list of all charges incurred and whether those are paid from different budget line items. . . . 7) No credit card issued by the town for any department supervisor or employee shall be used by any person for a private purchase."

We recommended the Town review the expenses noted above and consider requesting reimbursement from individuals for any expenses that were personal or did not relate to the functions and purposes of the Town.

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

*Criteria*

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6 states in part:

". . . a warrant for payment of a claim against a town may be issued only if the claim is: . . .

- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim. . . ."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following:

- (1) . . . pay the money out only on order of the town legislative body. . . ."

**COMPENSATION AND BENEFITS**

*Condition and Context*

We selected a sample of 25 payroll checks for testing, which included 6 from each year of the audit period except for 2021, in which we selected 7. There was a total of 86 calculation errors within the sample of 25 payroll checks. The calculation errors resulted in 19 of the 25 payroll checks being calculated improperly. The 86 calculation errors, on the 19 out of 25 payroll checks, included the following:

- 13 gross pay calculations did not agree to the salary ordinance or were not included in the salary ordinance.
- 14 had errors in calculation of FICA, Medicare, and local tax withholdings.
- 17 had errors in calculation of state tax withholdings.
- 2 did not have health insurance premiums withheld but received health insurance benefits.
- 2 did not receive the allowable wage or salary increase for not participating in the Town's health insurance program.
- 5 had errors in calculation of supplemental insurance allocation withholdings.
- 3 did not participate in a deferred compensation plan but received the Town's deferred compensation match benefit.
- 2 had the single coverage health insurance plan, but received the Health Savings Account contribution from the Town for a family plan.

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

Additional noncompliance with laws and regulations related to the 25 payroll disbursements included:

- 4 did not have attendance/time records to support their pay.
- 17 claims/time records were not approved by the appropriate official or department head and the fiscal officer.
- 10 were allocated out of multiple funds that were not specified in the salary ordinance preventing us from determining if the disbursement was recorded in the proper fund.
- Annual bonuses were approved for the Park Director by the Park Board in lieu of an appropriated park Christmas party. However, these bonuses were not approved by the Town Council in a salary ordinance.
- 3 payrolls were partially allocated to the Rainy Day fund which was not a fund appropriated from which to pay wages.
- 1 Park Board member received a semiannual salary payment that was processed as a vendor disbursement which was not in a manner that would have facilitated compliance with state and federal reporting requirements.
- 10 employees in 2019 received improper insurance reimbursements from the Town totaling \$2,175. However, it was determined that 6 of those employees had their insurance premiums under withheld by a total of \$804 for the year and actually owed the Town.

Because of the number of errors detected within payroll testing, we extended our testing to include the corresponding Wage and Tax Statement (Form W-2) for each employee tested and added one additional W-2 for an employee in 2022. For the 26 W-2s selected for testing, we identified the following errors:

- Miscalculated federal, state, and FICA wages on 17 W-2s
- Miscalculated FICA withholdings on 17 W-2s
- Miscalculated state and local withholdings on 19 W-2s
- Miscalculated health benefits on 15 W-2s
- Miscalculated HSA benefits on 4 W-2s

*Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

Indiana Code 5-11-9-4(b) states:

"The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

## **ORDINANCES, RESOLUTIONS, AND POLICIES**

### *Condition and Context*

The Town did not comply with the following ordinances, resolutions, or policies it adopted:

#### *Resolution 2019-7-1*

The Town Council passed resolution 2019-7-1, establishing a revolving fund pursuant to Indiana Code 5-1-14-14, authorizing a loan under such revolving fund, and certain related matters, on July 2, 2019. However, the Town did not establish the fund within the accounting system, to be known as the Town of Winona Lake Economic Development Revolving Fund. Instead, the Town incorrectly accounted for the loan to the Kosciusko Community Development Corporation in the EDIT fund.

Audit adjustments were proposed, approved by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town.

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

*Resolution 2019-8-1*

The Town Council passed resolution 2019-8-1 to abolish the Redevelopment General fund and transfer the balance, in the amount of \$126,835, to the Rainy Day fund on August 20, 2019. However, the Town did not make the transfer to the Rainy Day fund and did not abolish the Redevelopment General fund. As of December 31, 2022, the Redevelopment General fund still had a balance of \$126,835.

*Ordinance 2021-5-1*

The Town Council passed Ordinance 2021-5-1 on May 18, 2021, to approve an Additional Appropriation from the General fund. The Town Council minutes stated, "Ordinance 2021-5-1 Transfer money \$175,800 received from the CARES Act (Coronavirus Relief Fund) into the General Fund to be appropriated." The Town did not make the transfer.

*Resolution 2022-1-1*

The Town Council passed resolution 2022-1-1 to abolish the Senior Center Fund and transfer the balance, in the amount of \$953, to the W L Park Special Donation fund on January 18, 2022. However, the Town did not make the transfer to W L Park Special Donation fund and did not abolish the Senior Center Fund. As of December 31, 2022, the Senior Center fund still had a balance of \$953.

*Resolution 2022-12-3*

The Town Council passed resolution 2022-12-3 to transfer \$8,485 from the General fund to the DUI Grant \$ From Sate fund; however, the Town did not make the transfer.

*Resolution 2022-12-4*

The Town Council passed resolution 2022-12-4 to void 12 outstanding warrants and receipt the amounts back into the appropriate fund from which it came; however, the Town did not void the warrants and receipt the amounts back in.

*Private Donation Policy and Procedure*

The Town Council adopted the Private Donation Policy and Procedure on October 10, 2011, which states, "if the donation consists of property, an appropriate appraisal shall be conducted to determine the receipted value of the donation." It also states:

- "2. If the donor or a donor's family member wishes to have a degree of anonymity beyond the routine procedures, then:
  - a. Such request shall be made in writing by the donor. [see request form on other side]
  - b. That anonymous donation shall be brought to the attention of the Town Council by the Clerk Treasurer and Council President.
  - c. And the Council shall make a determination as to whether to accept that donation and/or any specific donor direction which may be requested for the use of such donated funds."

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

The Town received a Donation Record Form for a 1976 International 1700 Loadstar Dump Truck on March 12, 2020. The Town did not provide evidence that an appraisal was conducted. There is no evidence in the Town Council minutes that the donation was brought to the attention of the Town Council and no indication if the donation was accepted by the Town Council.

*Utility Billing Ordinance 2019-11-2 and 2020-11-2*

The Town Council passed Ordinance 2019-11-2 to modify rates and charges for wastewater. Per the ordinance, schools were to be billed each month \$4.67 per student. During our test of billings, we identified one school that was billed on February 15, 2020, based on a student count from January 2020. The Town did not have a report from the school to support the student count used for billing, and the Town had not updated the student count monthly during the audit period. Per the ordinance, institutions were to be billed based on metered usage. During our test of billings, we identified one institution was billed on June 15, 2021, the minimum monthly charges for a 2" meter. The Town did not have any prior or current meter readings for the institution to support a minimum monthly bill.

The Town Council passed Ordinance 2020-11-2 to establish a stormwater utility and rates. Per the ordinance, nonresidential properties were to be billed using an ERU multiplier that considers the impervious surface area within the property. The Town maintained a spreadsheet of the impervious surface area for each property. During our test of billings, we identified one college that was underbilled by \$164 on June 15, 2021, and one church that was overbilled by \$23 on November 15, 2022.

*Ordinance 2004-4-2 / Town Municipal Code 2-5-1-2-146*

The Town Council did not follow its ordinance to record fees, pertaining to vacation ordinances, into the General fund and instead approved them to be recorded into the Winona Lake Donations fund.

*Ordinance 2006-4-3 / Town Municipal Code 2-5-1-2-145*

The Town Council approved Ordinance 2006-4-3 to permit and regulate the use of credit cards; however, the Town did not enforce the following requirements of the ordinance:

- The Town's credit cards exceeded the maximum limit.
- The credit cards were not secured in the office of the Clerk-Treasurer.
- A record was not kept showing the date of issuance, date of return, and purpose of use.
- Items and services were purchased that were not authorized and budgeted in the budget of the Town.
- Receipts were not turned into the Clerk-Treasurer within 72 hours with a written statement indicating purpose and detailed list of items and accounts from which they are to be paid.
- Charges were not paid promptly to ensure no interest or penalties would be incurred.
- The Town did not hold employees personally liable for charges when they did not provide a receipt for a purchase.

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

- The Town allowed department supervisors and employees to use the card for personal purchases.

*Ordinance 2009-4-2*

The Town Council had established Ordinance 2009-4-2 limiting purchases made by the Town Manager. The Town Manager did not comply with the limitations by making purchases exceeding \$5,000 without prior specific approval of the Town Council and without appropriation in the approved budget of the Town.

The Town entered into a water main extension (project) agreement (agreement) on August 17, 2021, with a water utility company (Utility) to provide water service to the new Raccoon Run Residential Development (Development). According to the agreement, the Utility was to provide parts for the water main extension, and the installation was to be completed by the Town. The completion of the project became delayed, and some homes had been completed in the Development. The Town Manager approved the following wells to be installed on the personal property of homes built in the Development without prior specific approval of the Town Council and without appropriation in the approved budget of the Town.

- August 16, 2022 - 3 wells \$28,487
- October 18, 2022 - 1 well \$9,124
- November 15, 2022 - 2 wells \$18,338
- January 12, 2023 - 2 wells \$18,427
- January 24, 2023 - 1 well \$9,538
- February 17, 2023 - 1 well \$10,984
- March 16, 2023 - 1 well \$9,124

The Town Council was not made aware until February 24, 2024, at a public Town Council meeting, that the Town had purchased wells for homes in the Development. The discussion of the wells did not include an opportunity for the Town Council to vote to approve or reject the purchase of the wells.

In total, the Town Manager approved the purchase of 11 wells in the amount of \$104,022. We determined that the purchases of wells on property not owned by the Town, not preapproved by the Town Council, and not included in the budget of the Town were not an obligation of the Town.

*Town Municipal Code 2-5-2-175*

The Town Council established a promotional account within the Town's General fund to be used for specific promotional expenses. The Town's 2021 approved budget for promotional expenses was \$750.

On December 21, 2021, the Town Marshal used a Town credit card to make two purchases totaling \$1,733 for police promotional items, including mood pencils, mop-topper superhero pens, extra-large shirts, and thin blue line flags without having any remaining budget for promotional expenses.

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

The Town Marshal received donations from the Dr. Dane & Mary Louise Miller Foundation to be used specifically for a D.A.R.E. program at a private school within the Town. The Town Marshal overspent these donations in 2021 by \$391 using a Town credit card and without having any remaining budget for promotional expenses to cover the excess expenses.

We determined the excess promotional expenses were not an obligation of the Town.

*Criteria*

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

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statements presented for audit included the following funds with overdrawn cash balances as of December 31, 2019, 2020, 2021, and 2022, that were not attributed to timing of reimbursements.

Fund	Amount Overdrawn December 31, 2019	Amount Overdrawn December 31, 2020	Amount Overdrawn December 31, 2021	Amount Overdrawn December 31, 2022
ICE RINK	\$ -	\$ -	\$ -	\$ 343,114
ECONOMIC DEVELOPMENT REVOLVING	133,139	362,009	575,628	789,247
LOCAL LAW ENFORCEMENT FOREITURE	-	1,521	1,657	-
OPO GRANT WINONA LAKE	2,966	7,730	7,730	7,962
COMMUNITY CROSSING Matching Grant	-	-	-	104,466
NON-MOTORIST GRANT \$ FROM STATE	-	4,017	6,127	3,603
NON-MOTORIST GRANT WINONA LAKE ONLY	777	9,476	9,111	13,613
Total	<u>\$ 136,882</u>	<u>\$ 384,753</u>	<u>\$ 600,253</u>	<u>\$ 1,262,005</u>

*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)

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

**INTEREST ON INVESTMENTS AND BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

*Interest on Investments*

The Town had a certificate of deposit (CD) in the amount of \$550,000 that matured on March 27, 2019. At maturity, the interest in the amount of \$7,391 was automatically added to the new CD instead of being paid to the Town and posted to the appropriate fund. The new CD was purchased for \$557,391 and continued to be rolled over into new CDs through October 2021. During that time, all other interest earned was received and posted to the proper fund. However, the investment register and bank reconciliation continued to show that the value of the CD was \$550,000 instead of the correct value of \$557,391. When the CD matured on September 30, 2021, the Town deposited and posted the interest earned in the amount of \$112 appropriately. The original value of the CD in the amount of \$557,391 was deposited into a new bank account; however, the Town did not post the \$7,391 of interest to its records at that time. Therefore, the Town had a reconciling error at December 31, 2019, 2020, and 2021, that remained unidentified by the Town. As of December 31, 2022, the Town did use the correct ending balance in its bank reconciliation.

*Bank Account Reconciliations*

In addition to the interest on investments errors, the following additional bank account reconciliation errors were identified:

- At December 31, 2019, there were two unverified adjustments totaling \$174, an omitted cash change fund in the amount of \$150, and an additional unidentified bank long of \$461.
- At December 31, 2020, there were three unverified adjustments totaling \$253, an omitted cash change fund in the amount of \$150, and an additional unidentified bank long of \$456.
- At December 31, 2021, there were five unverified adjustments totaling \$350, an omitted cash change fund in the amount of \$150, and an additional unidentified bank long of \$482.
- At December 31, 2022, there were five unverified adjustments totaling \$1,973, three omitted cash change funds totaling \$850, and no additional variance between the bank and book balances at December 31, 2022.

The Town had not completed any bank reconciliations for 2023; therefore, we were unable to verify 26 outstanding checks that were included in the December 31, 2022 bank reconciliation that had not cleared the bank as of January 31, 2023. Out of the 26 unverified outstanding checks, 12 of them should have been voided as of December 4, 2022, and receipted back into the fund from which it was expended per Town Council Resolution 2022-12-4.

*Criteria*

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 WINONA LAKE  
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)

**CASH CHANGE AND PETTY CASH**

*Condition and Context*

The Town had not properly established or accounted for cash change or petty cash funds.

*Cash Change - Miller Sunset Pavilion*

The Miller Sunset Pavilion (MSP) was managed by a related-party vendor of the Town. The Town provided cash to the vendor on November 18, 2022, and November 28, 2022, in the amounts of \$300 and \$400, respectively. The \$300 was to be used to make change at the MSP exclusively from the skate shop cash change drawer, and the \$400 was to be used to make change exclusively from the concessions cash change drawer. The claim did not contain a statement regarding the necessity for such funds together with the statutory reference (IC 36-1-8-2) authorizing its establishment. The ice-skating season ended on March 5, 2023; however, there was no record of the cash being returned to the appropriate fund. On July 26, 2023, we identified that the cash change funds remained at the MSP unbeknownst to the Clerk-Treasurer, the Town Manager, and the Town Council. Upon counting the cash change funds, it was determined that the skate shop cash change drawer was short by \$58 and the concessions cash change drawer was over by \$94. Improper establishment of and accounting for the funds prevented the funds from being properly reconciled monthly, as is required for other funds of the Town.

*Petty Cash - Clerk-Treasurer*

The Town Council improperly established a petty cash fund in the amount of \$150 to be used by the Clerk-Treasurer to make change and to purchase incidental items which are not available upon credit. Indiana Code does not allow for a petty cash fund to be used to make change. A separate cash change fund should have been created for this purpose. The fund was not established by the Clerk-Treasurer within the accounting software, which prevented the funds from being properly reconciled monthly, as is required for other funds of the Town. Upon counting the petty cash fund, it was determined that there were receipts for expenditures dated in 2019 in the amount of \$138. The Clerk-Treasurer in 2019 did not prepare and file a claim for the expenditures for reimbursement to the petty cash fund. \$12 in cash remained in the petty cash envelope. It appears the petty cash has not been used since 2019.

We informed the Town of the noncompliance during the audit, and on June 7, 2024, the Town Council properly established a cash change fund in the amount of \$150 for the Clerk-Treasurer's Office by adopting Ordinance 2024-6-1.

*Cash Change - Park Department*

The Park Director and the park employees made change for rentals and program fees without a proper cash change fund permitted by the Town Council. The Park Director improperly established a cash change fund using \$20 of her personal cash in order to provide change to customers of the Park Department.

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

We informed the Town of the noncompliance during the audit, and on June 7, 2024, the Town Council properly established a cash change fund in the amount of \$150 for the Park Department by adopting Ordinance 2024-6-1.

*Criteria*

Indiana Code 36-1-8-2 states:

"(a) The fiscal body of a political subdivision may permit any of its officers or employees having a duty to collect cash revenues to establish a cash change fund. Such a fund must be established by a warrant drawn on the appropriate fund of the political subdivision in favor of the officer or employee, in an amount determined by the fiscal body, without need for appropriation to be made for it.

(b) The officer or employee who establishes a cash change fund shall convert the warrant to cash, shall use it to make change when collecting cash revenues, and shall account for it in the same manner as is required for other funds of the political subdivision.

(c) The fiscal body shall require the entire cash change fund to be returned to the appropriate fund whenever there is a change in the custodian of the fund or if the fund is no longer needed."

Indiana Code 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter.

(b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund.

(c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursements must be approved and made in the same manner as is required for other expenditures of the political subdivision."

***TIF REPORT OF THE REDEVELOPMENT COMMISSION***

*Condition and Context*

The Town of Winona Lake Redevelopment Commission (Commission) had established two separate allocation areas (Districts) for the purpose of capturing tax increment revenues (TIF revenues). The Commission filed their 2022 Annual Report (Report) with the Department of Local Government Finance in the Indiana Gateway for Government Units (Gateway) financial reporting system as required; however, the report was not supported by the financial records of the Town.

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

The Town also submitted a 2022 Annual Financial Report in Gateway that is the source of the Town's financial statements presented in a separate Financial Statements Audit Report. The Commission's Report did not agree to the Town's financial statement. The Town received TIF revenues for the two districts and commingled the revenues by receipting them into one fund, therefore, commingling the TIF expenses paid from the fund. Because the Town was not accounting for the TIF revenues in separate funds, it was not transparent if one District's TIF revenues were used in the other District. The remaining funds of each district were also not transparent. Compared to the Town's financial statement, the Commission understated 2022 TIF expenditures by \$25,321 and fund balances in total at December 31, 2022, by \$621,585.

The Commission also provided the inaccurate report as part of their required annual presentation of information to the governing bodies of all taxing units that have territory within a District of the Commission, including Kosciusko County, the Warsaw Community School Corporation, Wayne Township, the Warsaw Community Public Library, the Town of Winona Lake, and the Kosciusko County Solid Waste Management.

*Criteria*

Indiana Code 36-7-14-13 states in part:

". . . (d) A copy of each report filed under this section must be submitted to the department of local government finance in an electronic format.

(e) The report required under subsection (a) must also include the following information set forth for each tax increment financing district regarding the previous year:

- (1) Revenues received.
- (2) Expenses paid.
- (3) Fund balances. . . ."

Indiana Code 36-7-25-8(a) states

"Each redevelopment commission shall annually present information for the governing bodies of all taxing units that have territory within an allocation area of the redevelopment commission. The presentation shall be made at a meeting of the redevelopment commission and must include the following:

- (1) The commission's budget with respect to allocated property tax proceeds.
- (2) The long-term plans for the allocation area.
- (3) The impact on each of the taxing units."

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

*Condition and Context*

The Town did not properly post 50 percent of its distributions from the State Motor Vehicle Highway Account to its Motor Vehicle Highway (MVH) and MVH - Restricted (MVHR) funds.

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

In 2019, the Town received \$211,246 in distributions and posted \$206,789 to the MVH fund and \$4,457 to the MVHR fund. On August 8, 2019, the Town transferred an incorrect amount of \$99,075 from MVH to MVHR in an attempt to correct the error, without an ordinance or resolution approved by the Town Council. At December 31, 2019, the MVHR fund was understated by \$2,091 and the MVH fund was overstated by the same amount.

In 2020, the Town received \$186,307 in distributions and posted \$97,240 to the MVH fund during the first six months of the year and \$89,067 to the MVHR fund during the last six months of the audit period. The Town did not attempt to correct this error. The MVHR fund had an additional understatement of \$4,087 and the MVH fund had an additional overstatement of the same amount during 2020.

In 2021, the Town received \$205,903 in distributions and posted \$110,635 to the MVH fund and \$95,268 to the MVHR fund. Except for the January 2021 distribution, which was posted 100 percent to the MVH fund, the Town posted its distributions correctly. The MVHR fund had an additional understatement of \$7,684, and the MVH fund had an additional overstatement of the same amount during 2021.

In 2022, the Town received \$211,482 in distributions and posted them correctly, and there were no additional misstatements during 2022.

At December 31, 2022, the total understatement for the audit period of the MVHR fund was \$13,862. The MVH fund was overstated in total by the same amount.

*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.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.***

(State Examiner Directive 2018-2)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

The Town did not properly comply with laws and regulations related to the following state and federal grants.

*Highway Planning and Construction - Federal Assistance Listings Number 20.205*

The Town received and incorrectly posted \$153,330, \$79,088, and \$275,269 to the EDIT fund in 2019, 2020, and 2021, respectively. The Town received and incorrectly posted \$19,214 to the Winona Lake Donations fund in 2022. Each federal grant award should have a separate fund to allow for transparency and proper reporting of each federal grant.

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AUDIT RESULTS AND COMMENTS  
(Continued)

*Community Crossing Matching Grants (CCMG) - State Grant Construction Program*

The Town had not properly reported and closed out the Indiana Department of Transportation (INDOT) CCMG grants during the audit period. Due to the Town's noncompliance with the INDOT grant reporting requirements during the audit period, the Town was notified via email on June 24, 2022, that the Town was ineligible to apply for any CCMG grants through the INDOT subsequent to the 2020-1 call for grant applications, which was open between January 6, 2020 and February 7, 2020.

*Coronavirus State and Local Fiscal Recovery Funds -  
Federal Assistance Listings Number 21.027*

The Town Council established the American Rescue Plan Act (ARPA) fund through an ordinance as required; however, the ordinance did not reference a plan that provided the details for the use of these funds. The Town Council had not established a plan for the ARPA funds.

*Public Safety Partnership and Community Policing Grants -  
Federal Assistance Listings Number 16.710*

The Winona Lake Police Department was awarded a COPS Hiring Program (CHP) direct grant from the U.S. Department of Justice Office of Community Oriented Policing Services (COPS) in the amount of \$125,000 on June 25, 2020. The grant had a local cash match requirement of \$123,493. The Town had not yet drawn down or received any reimbursement for this grant at December 31, 2022. However, the Town Marshal was required to submit a Federal Financial Report (FFR) on a quarterly basis using the Justice Grants System (JUSTgrants). As of December 31, 2022, the Town Marshal had not submitted five quarterly FFRs. The Town Marshal received two Delinquent FFR notices in March 2023 from the COPS requesting that he log into JUSTgrants and submit the delinquent FFRs.

*COVID-19 - Coronavirus Relief Fund (CRF) - Federal Assistance Listing Number 21.019*

The Town did not properly account for the CRF funds as further detailed in the following comment entitled *Accounting and Appropriation of Covid-19 Grants*.

*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)

**ARPA Coronavirus Local Fiscal Recovery Fund.** . . . Towns will each receive an allocation of Coronavirus State and Local Fiscal Recovery Funds. Each local unit that receives an allocation from the Coronavirus Local Fiscal Recovery Fund under Section 603 of the Social Security Act, as added by Section 9901 of the ARP, shall establish by ordinance a separate local grant fund called the ARPA Coronavirus Local Fiscal Recovery Fund within the fund number range described above. . . . For a city or town, the ARPA grant fund must be established by ordinance of the legislative body. The ordinance must specify the uses of the fund in accordance with the purposes outlined in Section 603(c). The ordinance should reference a plan that will provide the details for the use of these funds. All moneys received from the Local Fiscal Recovery Fund must be receipted into the separate ARPA grant fund.

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(Continued)

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARPA grant fund; money from the ARPA fund may not be transferred to another fund of the . . . town.

A detailed accounting of the fund is required by the ARPA. All related expenditure records (accounts payable vouchers, minutes, correspondence, contracts, etc.) must be maintained in a separate file for future audits of ARPA funds. It is important that you track every dollar disbursed and maintain supporting documentation for those disbursements. Each disbursement must be directly tied to a use listed in Section 603(c). The grant funding may be used to cover costs obligated by December 31, 2024 and expended by December 31, 2026. It is extremely important that these files be complete and accurate for this time period. . . .

All disbursements for eligible uses, including government services, must be made directly from the ARPA Fund to ensure compliance with the U.S. Treasury Final Rule, uniform guidance, and conflict of interest requirements. Money may not be transferred to the General Fund or any other fund of the governmental unit.

(Amended State Examiner Directive 2021-1)

### **ACCOUNTING AND APPROPRIATION OF COVID-19 GRANTS**

#### *Condition and Context*

The Town did not properly account for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

The Town did not follow one of the two defined options as outlined in the Directive for its payroll-related expenditures. The Town did not pass a resolution or ordinance to authorize the public health and safety payroll costs reimbursement to be moved by claim from the CARES fund to the General fund. The public health and safety payroll costs reimbursement of \$159,818 was receipted into the CARES Act Coronavirus Relief fund on December 14, 2020. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the general fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures. The payroll reimbursement remained in the CARES Act Coronavirus Relief fund as of December 31, 2020.

During 2021, the Town receipted its Public Safety Awareness reimbursement of \$15,982 into the CARES Act Coronavirus Relief fund. The public health and safety payroll costs reimbursement and the Public Safety Awareness reimbursement both remained in the fund and covered nonpayroll related expenditures not submitted to the Indiana Finance Authority (IFA) for reimbursement, totaling \$104,319, which were paid from the CARES Act Coronavirus Relief fund without appropriation after the Directive was issued. The CARES Act Coronavirus Relief fund had a balance of \$71,482 on December 31, 2021.

During 2022, additional nonpayroll related expenditures not submitted to the IFA for reimbursement, totaling \$25,750, which were paid from the CARES Act Coronavirus Relief fund without appropriation after the Directive was issued. The CARES Act Coronavirus Relief fund had a balance of \$45,732 on December 31, 2022. This amount should immediately be claimed to the General fund. This would allow for the money to be expended for any general unit purpose with appropriation.

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AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020* (updated September 29, 2020).**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020*. . . .**

(State Examiner Directive 2020-3)

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AUDIT RESULTS AND COMMENTS  
(Continued)

**CAPITAL ASSETS**

*Condition and Context*

The Town had a capital assets policy that detailed the threshold at which an item is considered a capital asset and completed a physical inventory at least every two years, as required. The last inventory completed during the audit period was in December 2021. However, the Town did not properly maintain a complete, detailed listing of all capital assets owned, which reflects their acquisition value. The Town presented capital assets on its listing net of depreciation. Two out of ten assets selected for testing were not properly added to the detailed listing. One of those was miscategorized while the other was not added to the listing.

*Criteria*

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)

**DISPOSITION OF ASSETS**

*Condition and Context*

The Town received a 1976 International 1700 Loadstar Dump Truck (asset) on March 12, 2020, as a donation according to a Town Donation Record Form. During the audit, the asset could not be located. Through inquiry, the Town officials stated that they believed the asset was in the possession of a former Deputy Clerk-Treasurer who may have purchased the asset. We did not locate any audit evidence of the sale of the asset. Upon further inquiry, Town officials believed the Town may have given the asset to the former employee at no cost. The Town did not follow its own policy to obtain an appraisal for donated assets; therefore, we were unable to determine the value of the missing asset. The Town did not maintain proper audit evidence or follow laws and regulations for disposal of Town property.

*Criteria*

Indiana Code 5-22-22-4(a) states:

". . . if the property to be sold is:

- (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or
- (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more;

the purchasing agent may engage an auctioneer licensed under [IC 25-6.1](#) to advertise the sale and conduct a public auction."

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AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
- (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter;

the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.

(b) Advertisement of the sale shall be made in accordance with [IC 5-3-1](#).

(c) All sales shall be made to the highest responsible bidder."

## **MONTHLY AND ANNUAL UPLOADS**

### *Condition and Context*

The files and governmental unit information that are required to be uploaded monthly to the Indiana Gateway for Government Units (Gateway) financial reporting system include the bank reconcilements, approved Town Council minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements 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.

The Town did not comply with the State Examiner Directive by not uploading all of the required monthly and annual files for the audit period in Gateway. We selected 12 out of the 48 months for testing and 7 monthly uploads were not complete and 10 were not completed timely. The Town did not upload any annual documents for the four years audited.

### *Criteria*

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifonline.org/userguides/engagementguide>. It is pertinent that this user guide be used in conjunction with this Directive. It provides critical information to you that will help guide you to uploading the correct documents.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021, and Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

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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)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B54793, entitled *CERTIFICATION OF INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The Town certified on the Annual Financial Report (AFR) submitted in the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town. However, no evidence was provided for audit indicating that training had been provided. Therefore, the certifications within the AFRs for 2019, 2020, 2021, and 2022 were incorrect.

*Criteria*

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 as set forth in the uniform compliance guidelines. 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](#)."

**ERRORS ON CLAIMS**

*Condition and Context*

We selected 25 vendor claims for testing specific state laws and regulations. All claims selected for testing did not have a fully itemized invoice or bill for the claim, were not approved by the officer or person receiving the goods or services, were not filed with the governmental entity's fiscal officer, and were not audited and certified for correctness by the fiscal officer before payment was made.

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

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(Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

**SUPPORTING DOCUMENTATION**

*Condition and Context*

We identified the following transactions without proper supporting documentation and were unable to determine the validity and accountability of the transactions. The Town Council approved the claims for payment during Town Council meetings for all disbursements that did not have proper supporting documentation.

- We selected 85 vendor disbursements for testing and identified that 4 did not have proper supporting documentation in the amount of \$16,838.
- We selected 75 unusual disbursements for testing and identified that 1 did not have proper supporting documentation in the amount of \$62 in December 2021 for an employee's mileage reimbursement for Christmas luncheon and travel to Fort Wayne, IN.
- We selected 2 receipts from the Miller Sunset Pavilion management company, determined to be a related-party of the Town, totaling \$60,500 in November and December 2022. Neither receipt related to the ice rink season had proper itemized documentation of collections; therefore, we were unable to determine if the collections were complete.
- We selected 8 receipts from 2021 for testing and identified that 2 did not have supporting documentation in the amount of \$10,537.
- We selected 9 receipts from 2022 for testing and identified that 3 did not have supporting documentation in the amount of \$306.
- We selected 1,216 credit card expenditures for testing and identified that 284 did not have proper supporting documentation.

*Criteria*

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 Manual for Cities and Towns, Chapter 1)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**Laurie A. Renier**  
Former Winona Lake Clerk Treasurer

OFFICIAL RESPONSE

May 21, 2025

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

Re: Response to supplemental compliance report

I was elected by caucus on January 17, 2022, to fill the vacancy of Winona Lake Town Clerk Treasurer, Kent Adams, who passed away on December 19, 2021. For the four years of the audit, I was only Clerk Treasurer for 11 months of 2022.

When I became Clerk, I retained the existing employees including the Deputy Clerk that the former Clerk Treasurer had hired in 2017 to administer all financial obligations of the town, which she continued to do through 2022. Requests I made to learn her responsibilities were ignored and when I began pressing her for answers to some things I questioned, she resigned in December of 2022. When her duties were taken over by other employees, numerous accounting errors were found. At that time, I was advised to notify the town council and suggest they address the findings at the next council meeting, but at the meeting I had with the president and a new member of the town council, the response I received was that the council would absolutely not address the situation in a public meeting. There was no mention of that conversation at the next public meeting when the council began their demands for answers to why the payroll was done incorrectly and the claims were delayed. Over the next 10 months, the accounting problems grew larger, Council refused to acknowledge the true situation, and every request I made for support to resolve any of the issues were denied.

Meeting minutes from 2023 show the council's lack of support and their public accusations of me not being competent to fulfill my duties. For these reasons, I utilized my right, as Clerk Treasurer, to hire my own attorney, which I first verified with the state was an allowable expense. Indiana Code 36-5-6-8 specifically states that a town must make funding available to anyone who seeks legal council while serving as Clerk Treasurer. Although my attorney was hired to attend council meetings and advise me on matters related to the management of town finances, the council refused to accept his representation of me as Clerk Treasurer.

As a matter of public record, clarification of the Winona Lake Town Officials for the audit period of January 1, 2019 to December 31, 2022 were as follows:

**2019**

Clerk Treasurer: Kent Adams  
Deputy Clerk: Meghan (Hawn) Lincoln  
Town Manager: Craig Allebach  
Town Marshall: Joe Hawn  
Parks Department Director: Holly Hummitch  
Town Attorney: Adam Turner  
Town Council Members: Rick Swaim, Dennis Duncan, James Lancaster, Heather James, and Theila Banta

**2020**

Clerk Treasurer: Kent Adams  
Deputy Clerk: Meghan (Hawn) Lincoln  
Town Manager: Craig Allebach  
Town Marshall: Joe Hawn  
Parks Department Director: Holly Hummitch  
Town Attorney: Adam Turner  
Town Council Members: Rick Swaim, Dennis Duncan, James Lancaster, Heather James, and James Zachary

**2021**

Clerk Treasurer: Kent Adams  
Deputy Clerk: Meghan (Hawn) Lincoln  
Town Manager: Craig Allebach  
Town Marshall: Joe Hawn  
Parks Department Director: Holly Hummitch  
Town Attorney: Adam Turner  
Town Council Members: Rick Swaim, Dennis Duncan, James Lancaster, Heather James, and James Zachary. Austin Reynolds replaced James Zachary after he passed away September 17, 2021

**2022**

Clerk Treasurer: Kent Adams until December 19, 2021. Laurie Renier as of January 17, 2022  
Deputy Clerk: Meghan (Hawn) Lincoln  
Town Manager: Craig Allebach  
Town Marshall: Joe Hawn  
Parks Department Director: Holly Hummitch  
Town Attorney: Adam Turner  
Town Council Members: Rick Swaim, Dennis Duncan, James Lancaster, Heather James, and Austin Reynolds. Ashley McGinnis replaced Dennis Duncan after he resigned November 30, 2022.

Details that relate to the findings of the 2022 portion of the audit were presented at a public meeting when I submitted my resignation to the town council on October 10, 2023, and included the following:

I have forwarded all the budget information for 2024 that I have received to Craig and Heather James to work on the 2024 budget. Baker Tilly helped with the budgets and presented the budget to the town council for the last several years. Craig and the former chief deputy had previously worked on the budgets with the clerk. I did not feel my input would be of much benefit, which was misinterpreted as my unwillingness to participate.

My service to the community as clerk treasurer began shortly after the loss of Kent Adams. I had known Kent for many years before he asked me to come to work for him in the town.

Accepting the responsibility for the job myself was bittersweet but I navigated through the first year with the team Kent had put in place and trusted. The council, town manager and the other departments all supported me as I learned my new role. It was by no means an easy first year because I was not only new to the job, but the town also purchased the Miller Sunset Pavilion and began the process of making it operational. This was a huge challenge, but we got through the first season without any real plans for how we would pay for such an enormous obligation since the donations we were counting on were not sufficient to support the new rink. I had not been included in any of the planning or preparation of the rink. I had a ton of questions, and I feel like it was when I started asking questions that the support of me as the fiscal officer for the town drastically changed.

When the chief deputy quit abruptly, the council did not hesitate to call me out at every public meeting for all the things I hadn't learned yet. The utility clerk of many years was retiring, and I had a new employee who was just learning that job. I then hired two more employees and the four of us learned all the functions of the office without any SOPs or instruction manuals. We had no choice but to reach out for help. We worked with our software company on claims and payroll. The person who had just retired helped with utilities. We received training from other town clerks and spent countless hours researching and teaching ourselves how to do our jobs. As we received the help we asked for, it quickly became clear there was not much in the office being done correctly. At every turn, we not only needed to learn how to do things the right way, but we had to find a way to correct what was wrong.

Just some of the issues we found in the beginning were:

- \*Fund numbers were not set up or coded correctly
- \*The budget was insufficient
- \*Budget not established for the ice rink
- \*Eleven bank accounts, only two are accounted for in our software
- \*Claims had been paid inconsistently
- \*Some bills paid late and incurred late fees
- \*Invoices had not been submitted properly

- \*The utility software did not identify where to apply payments
- \*The payroll program had never been set up to function correctly
- \*Some employees insured had never paid their portion of insurance premium
- \*Grant money was inappropriately managed
- \*Copies of grant paperwork and other employment files were not accessible
- \*Grant agencies were calling about reimbursement for non-compliance

These are all significant problems that we found, and as I have already said, I shared my concerns with the council clear back in February but the State Board of Account's recommendation of how to go forward was ignored. Funding I needed to help resolve some of the issues was denied, and not a single bit of grace was shown to me as I worked through the many issues. I was treated as if no one on the council knew the situation and I was publicly accused of incompetence and an unwillingness to do my job. The council even called an executive session to reprimand me as an employee in February, which is not permissible under the law, since I am elected, and serve at the same level as each council member.

It was for that reason I hired an attorney, which is statutorily allowed and has been confirmed as an allowable expense by the state's compliance director. The council's refusal to pay my attorney fees and their assurance that they would not provide any additional services or support hindered my ability to effectively manage the town's finances.

Under these circumstances, I was prepared to resign much earlier in the year but when the State Board of Accounts contacted me and said they would be starting an audit in May. I made a commitment to stay until the audit was complete because I was the only remaining employee that was here during the audit period from 2019 through 2022.

I have been informed that the audit is still nowhere near completion, but the auditors have reached the substantial completion of the on-site portion of the auditing procedures. I have therefore fulfilled my obligation by being present and providing them with the documentation they requested.

The town council's lack of support and the hostility toward myself and my staff has carried over to other departments, town residents and the media. This has made it nearly impossible to serve the community as it deserves to be served, and my obligation under these circumstances has been a strain on myself, my staff, and our families for far too long. This, along with the last email from the council, arguing with the State Board of Accounts and using just part of a statement I made as an excuse for their disregard for the law, is what has led me to my decision to resign. Resigning for these reasons is extremely disconcerting, but given the circumstances, I do not feel I have much of a choice. My resignation is effective immediately.

While I could offer additional details for each specific finding in the audit, I think it is best stated that the lack of internal controls that existed long before my term began and interference from town officials greatly impacted my ability to effectively execute my administrative duties. I fully understand the legal obligations of Clerk Treasurer but unfortunately none of my efforts to uphold them were supported.

Respectfully submitted,

*Laurie A. Renier*

Laurie Renier  
Former Clerk Treasurer, Town of Winona Lake

CLERK-TREASURER  
TOWN OF WINONA LAKE  
EXIT CONFERENCE

The contents of this report were discussed on May 15, 2025, with Heather A. James, Clerk-Treasurer; Laurie A. Renier, former Clerk-Treasurer; Ashley McGinnis, President of the Town Council; Austin Reynolds, Vice President of the Town Council; Jason Zaugg, Town Council member; Barry Andrew, Town Council member; James G. Lancaster, Town Council member; Kristie Maiers, President of the Winona Lakes Parks and Recreation Department; Travis Trump, Vice President of the Winona Lake Parks and Recreation Department; Kallie Chapman, Park Board member; Diane Wulliman, Chief Deputy Clerk; Teena Pence, former Deputy Clerk-Treasurer (July 25, 2022 to October 10, 2023); Craig Allebach, Town Manager; and Holly Hummitch, Park Director.



TOWN COUNCIL  
TOWN OF WINONA LAKE

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING - TOWN**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

The Town did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material misstatements to the financial statements. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

The lack of a properly designed internal control system resulted in material errors to the financial statements as described below.

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town submitted its AFR in Gateway without an oversight, review, or approval process in place to ensure accuracy of the report. Internal control deficiencies over the AFR resulted in noncompliance with laws and regulations relating to the following AFR components:

*Financial Data*

Financial Data submitted in the AFR was used to generate the financial statements and Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Combining Schedules) presented in the Financial Statements Audit Report of the Town. During the audit period, the Town had improperly used funds by posting receipts to and disbursements from funds that did not relate to the purposes of the funds. When the Town reported the improper fund receipts and disbursements in the Financial Data component of the AFR, it resulted in the financial statements and Combining Schedules being misleading and not a true representation of the financial activity of the Town. When performing our audit procedures, we identified 66 receipts in the amount of \$794,929 and 308 disbursements in the amount of \$2,325,682 that were posted to incorrect funds. For some of the receipts and disbursements, we were unable to determine which funds should have been used due to the Town not creating funds in the accounting system that were previously established by the Town Council or the funds being comingled when they should have been separated. We were able to identify correct funds for receipts and disbursements as detailed in the following table.

Financial Data Audit Adjustments		
Year	Receipts	Disbursements
2019	\$ 246,132	\$ 215,470
2020	83,452	239,137
2021	322,017	225,364
2022	73,372	1,495,980
Totals	\$ 724,973	\$ 2,175,951

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Audit adjustments were proposed in the amounts from the table above, accepted by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town. The remaining uncorrected immaterial misstatements for receipts and disbursements totaled \$69,956 and \$149,731, respectively.

*Grants*

The Town is required to report grant information in its AFR, which is the basis for determining if federal grants meet the threshold of requiring a federal single audit. During the audit period, the Town did not meet the requirements for a federal single audit; however, in determining if the Town met the threshold, we identified the following grant reporting errors in the AFR:

- 2019 - Understated 1 grant totaling \$19,901
- 2019 - Omitted 2 grants totaling \$155,982
- 2020 - Understated 3 grants totaling \$158,761
- 2020 - Omitted 2 grants totaling \$238,906
- 2021 - Understated 2 grants totaling \$7,520
- 2021 - Omitted 2 grants totaling \$299,692
- 2022 - Understated 2 grants totaling \$2,711
- 2022 - Omitted 2 grants totaling \$54,409

Because the Town did not qualify for a federal single audit, the Town's grant schedule is not included in any audit report of the Town.

*Accounts Payable and Receivable*

The Town did not have documentation to support the amounts reported as Accounts Payable and Receivable in the AFR. Amounts reported in the AFR were used to generate the Schedule of Payables and Receivables, which is considered other information, for the Financial Statements Audit Report of the Town. Because we were unable to validate the amounts reported, the Town approved the omission of the Schedule of Payables and Receivables from the Financial Statements Audit Report of the Town.

*Capital Assets*

The Town was required to enter its capital asset information into the AFR at their acquisition value but instead entered the amounts net of depreciation. The Town also did not update additions and deletions for 2022. This information was used to generate the Schedule of Capital Assets, which is considered other information, for the Financial Statements Audit Report of the Town. The Town did not properly maintain a ledger of all capital assets owned at their acquisition value, which would have been the supporting documentation used to verify the accuracy of the amounts reported for capital assets in the AFR. Because amounts were reported net of depreciation and not updated for 2022, the Town approved the omission of the Schedule of Capital Assets from the Financial Statements Audit Report of the Town.

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Leases and Debt*

The Town was required to enter its leases and debt information into the AFR. This information was used to generate the Schedule of Leases and Debt, which is considered other information, for the Financial Statements Audit Report of the Town. The Town did not properly report its leases and debt information in its 2019, 2020, and 2021 AFRs. The Town did appropriately report its leases and debt in the 2022 AFR, and it was used to generate the Schedule of Leases and Debt that is fairly presented in the Financial Statements Audit Report of the Town.

*Criteria*

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 as set forth in the uniform compliance guidelines. 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](#)."

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 and internal control procedures for internal control systems of political subdivisions. 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 Environment*

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

*Risk Assessment*

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

*Control Activities*

"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. . . ."

*Information and Communication*

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

*Monitoring Activities*

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS - COMPLIANCE WITH LAWS, REGULATIONS,  
AND UNIFORM COMPLIANCE GUIDELINES**

*Condition and Context*

There were deficiencies in the internal control system of the Town related to compliance with laws, regulations, and uniform compliance guidelines.

The Town did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material noncompliance with laws, regulations, and uniform compliance guidelines. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

The lack of a properly designed internal control system resulted in material noncompliance as described in the comments that follow.

*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 and internal control procedures for internal control systems of political subdivisions. 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:

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Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing.

. . .

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

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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. . . ."

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A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

**CREDIT CARDS**

*Condition and Context*

The Town Council adopted ordinance 2006-4-3 to permit and regulate the use of credit cards; however, the Town did not ensure that the policy was followed and properly implemented. We identified the following noncompliance with the Town's policy related to the use of credit cards.

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Issuance of the credit cards was not properly handled by the Town in 2019, 2020, 2021, and 2022.
- Maximum limits set by the Town Council were exceeded for 7 out of 27 credit cards by a total of \$56,000.
- Supervisors and employees did not comply with the Town Council's use policies and procedures.
- The Town Council approved all credit card charges by approving claims during Town Council meetings that did not comply with their use policies and procedures.
- Supervisors and employees did not return the credit cards to the office of the Clerk-Treasurer when not in use.
- The Town did not maintain a log that should have included the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, and the date the card was issued and returned.
- Credit cards were used to bypass the accounting system as the Town did not implement the use of purchase orders or log the intended use of credit cards to track appropriations.
- Payments were made based on monthly statements alone.
- 23 percent of credit card transactions did not have proper supporting documentation.
- Penalties and interest were paid in the amount of \$1,223, as detailed in the *Penalties, Interest, and Other Charges* comment in this report.
- 22 percent of credit card transactions included the payment of sales tax, as detailed in the *Sales Tax Paid on Purchases* comment in this report.
- 69 credit card transactions included personal expenses or expenses determined to not be related to the functions and purposes of the Town, as detailed in the *Personal Expenses* comment in this report.

*Criteria*

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

**PENALTIES, INTEREST, AND OTHER CHARGES**

*Condition and Context*

The Town paid the following penalties, interest, and other charges in the amount of \$6,623 as approved by the Town Council when approving claims during Town Council meetings:

Vendor	Years	Type	Total
City of Warsaw	2022	Late Penalties	\$ 4,989
Crossroads Bank	2019 - 2022	Late Fees	263
Crossroads Bank	2019 - 2022	Interest	686
Indiana Department of Revenue	2020 & 2022	Penalties	299
Indiana Department of Revenue	2020 & 2022	Interest	22
Indiana Department of Workforce Development	2020	Penalties and Interest	70
Mutual Bank	2019 - 2022	Interest	180
Nipsco	2020	Late Fee	20
Northwest Visa	2019 - 2022	Late Fees	10
Northwest Visa	2019 - 2022	Interest	84
<b>Total</b>			<b>\$ 6,623</b>

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**SALES TAX PAID ON PURCHASES**

*Condition and Context*

The Town Council approved the use of public funds by approving claims during Town Council meetings and, therefore, ordered the Clerk-Treasurer, by law, to pay expenses which included Indiana sales tax. Indiana sales tax totaling \$1,471 was paid on credit card purchases during the audit period.

The Town received a reimbursement of \$205 from one employee for sales tax paid on credit card purchases made by that employee. We recommended the Town review the remaining sales tax paid and consider requesting reimbursement from individuals for any unallowable sales tax paid.

*Criteria*

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6(b) states in part:

". . . a warrant for payment of a claim against a town may be issued only if the claim is: . . .

- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim. . . ."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following:

- (1) . . . pay the money out only on order of the town legislative body. . . ."

**PERSONAL EXPENSES**

*Condition and Context*

The Town Council approved the use of public funds by approving claims during Town Council meetings and, therefore, ordered the Clerk-Treasurer, by law, to pay for the following personal items and expenses which did not relate to the functions and purposes of the Town.

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Town Manager*

The Town Manager submitted an invoice requesting a dental reimbursement from the Town in the amount of \$250. The invoice was signed by the Town Manager and specified the amount of the reimbursement requested and the fund from which it was to be paid. The Town's Deputy Clerk-Treasurer from 2019 to 2022 created the Accounts Payable Voucher (APV) based on the reimbursement requested without verifying the validity of the request. The Town's dental reimbursement policy only permitted up to \$200 to be requested for reimbursement. The Town reimbursed the Town Manager \$250 on July 21, 2020. The over reimbursement in the amount of \$50 was determined to be a personal expense of the Town Manager and not an obligation of the Town. Upon inquiry of the Town Manager regarding this over-reimbursement, the Town Manager chose to reimburse the Town on April 24, 2024, in the amount of \$50.

The Town Manager used a Town credit card to make fifteen purchases totaling \$418 without proper supporting documentation to verify the validity of the purchases during the audit. Upon inquiry of the Town Manager regarding these purchases, the Town Manager chose to reimburse the Town on April 24 and April 29, 2024, in the total amount of \$418.

*Deputy Clerk-Treasurer*

The Deputy Clerk-Treasurer from 2019 to 2022 incorrectly issued ten checks on March 19, 2019, totaling \$2,175 to ten employees and noted the payments were for an overpayment of insurance premiums; however, the employees did not overpay their insurance premiums. It was determined that the Town actually under-withheld insurance premiums on behalf of six of the employees, as detailed in the *Compensation and Benefits* comment included in this report. Through examination of payroll records, we determined the Town had switched insurance providers and incorrectly paid the prior insurance provider the premiums withheld that should have been paid to the new insurance provider. Therefore, the prior insurance provider refunded the Town, and this refund should have been used to pay the new insurance provider or to reimburse the Town for the payment of premiums to the new insurance provider. It was determined that the ten checks issued to the employees were not an obligation of the Town.

The Deputy Clerk-Treasurer used a Town credit card to make 22 purchases totaling \$2,070, detailed in the table below, from various vendors. There were 19 expenditures that we were unable to verify were expenses related to the functions and purposes of the Town due to the Deputy Clerk-Treasurer not providing the Town with written documentation for the purpose of the purchases. Through inquiry, the Deputy Clerk-Treasurer was able to verify that 1 of the purchases was for gift cards but could not verify the purpose, and a second purchase was for an unallowable car rental for a personal vacation in Hawaii. There were 3 purchases that had supporting documentation, but the Deputy Clerk-Treasurer was unable to tell us the specific purpose of the 2 purchases of fresh flower arrangements. The Deputy Clerk-Treasurer was able to verify that the 3<sup>rd</sup> purchase of gas was for their personal vehicle; however, the Town's travel policy doesn't allow employees to purchase gas for personal vehicles and only allows employees to submit travel reimbursement requests using proper forms and receive reimbursement for work related travel in the form of a mileage reimbursement. Because the Deputy Clerk-Treasurer did not complete a proper reimbursement request with required supporting documentation for work related travel, we were unable to determine if the gas purchased for their personal vehicle was for work related travel.

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Vendor	Items Purchased	Date of Expenditure	Amount
Freedom Express Citgo - Warsaw	Gas for personal vehicle	01-25-19	\$ 46
Sherman and Lins	Unable to determine	04-30-19	46
Sherman and Lins	Unable to determine	05-07-19	37
Sherman and Lins	Unable to determine	05-17-19	121
Sherman and Lins	Unable to determine	05-17-19	42
Dunkin - Warsaw	Unable to determine	09-10-19	3
Target - Fort Wayne	Unable to determine	10-08-19	8
McDonalds - Warsaw	Unable to determine	10-15-19	12
Lowes - Warsaw	Unable to determine	11-29-19	99
Alamo Rent-A-Car (Hawaii)	Vacation - Car Rental	12-17-19	517
Anderson Florist & Greenhouse	Unable to determine	01-14-21	62
Anderson Florist & Greenhouse	Unable to determine	01-17-21	196
The Village at Winona Lake	Gift Cards	08-07-21	80
Belove Gift Shop Winona Lake	Unable to determine	08-07-21	61
Anderson Florist & Greenhouse	Fresh Flower Arrangement	08-21-21	208
Anderson Florist & Greenhouse	Fresh Flower Arrangement	08-25-21	110
Anderson Florist & Greenhouse	Unable to determine	08-26-21	91
Anderson Florist & Greenhouse	Unable to determine	12-20-21	39
Kroger - Warsaw	Unable to determine	12-21-21	6
Anderson Florist & Greenhouse	Unable to determine	12-24-21	196
BP Good to Go - Warsaw	Unable to determine	07-30-22	10
Kroger - Warsaw	Unable to determine	08-08-22	80
Total			<u>\$ 2,070</u>

*Town Marshal*

The Town Marshal used a Town credit card to make ten purchases totaling \$686, detailed in the table below, from various vendors. We were unable to verify the expenses related to the functions and purposes of the Town due to a lack of records to support the purpose of the purchased items.

Vendor	Items Purchased	Date of Expenditure	Amount
Richards Restaurant - Warsaw, IN	Meals	06-22-19	\$ 43
Kroger - Warsaw, IN	Groceries	12-02-20	102
The Village at Winona Lake	Gift Cards	03-17-21	100
The Village at Winona Lake	Gift Cards	05-18-21	100
Agaves Mexican Grill - Fort Wayne, IN	Meals	05-24-21	44
The Village at Winona Lake	Gift Cards	11-23-21	100
Kroger - Warsaw, IN	Groceries	06-22-22	72
The Village at Winona Lake	Gift Cards	11-04-22	125
Total			<u>\$ 686</u>

TOWN COUNCIL  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Park Director*

The Park Director used a Town credit card to make 52 purchases totaling \$3,685 for 81 Straight Talk monthly phone service plans within a 65-month timeframe. Through inquiry of Town Officials, it was determined the Park Director did not have a Town issued cell phone. We inquired with the Park Director who verified that the monthly service plans were for her personal cell phone. The Town did not have a policy that would permit employees to purchase monthly service plans for personal cell phones nor a policy allowing any stipends. We inquired with the Park Director and the Clerk-Treasurer on April 25, 2024, regarding the 16 extra monthly service plans during the timeframe, and the Park Director was unable to provide the reason, purpose, or use of the extra plans. From April 25, 2024 to February 18, 2025, the Town had not permitted the Park Director to purchase any cell phone plans with Town funds. On February 18, 2025, the Town Council passed a resolution allowing a cell phone stipend in the amount of \$30 per month.

The Park Director used a Town credit card to make four annual purchases at Darlington Holiday Warehouse in December 2019, 2020, 2021, and 2022, totaling \$2,015, as detailed in the table below. The four receipts provided for audit only documented how many items were purchased at each price point. According to park employees, the purchases are items for Kringle Fest Secret Santa Shop (Santa Shop), except for the 2020 purchase that was used to provide gifts to ten seniors citizens. The Park Director stated that the Park sells tickets to residents and nonresidents to buy items in the Santa Shop. Based on this explanation, we would have expected to see deposits made by the Town for ticket sales for the 2019, 2021, and 2022 Santa Shop. However, we only identified one deposit for the 2021 Santa Shop in the amount of \$417. Any money collected from ticket sales in 2019 and 2022 is unaccounted for. We were unable to determine the amount of funds unaccounted for due to the Park Director not maintaining records of ticket sales, such as beginning and ending ticket numbers to determine how many tickets were sold, dollar value per ticket sold to calculate dollar value of revenue generated by the fundraiser, not maintaining an inventory of items purchased and sold, and not issuing receipts to residents/nonresidents for each purchase to support the dollar value of a deposit. Because of the lack of park records, we were unable to determine if all items purchased in 2019, 2021, and 2022 were for expenses related to the Santa Shop. We were unable to validate the purchase in 2020 due to a lack of park records. Gifts were not permitted to be purchased using park funds and there was no remaining budget for promotional expenses within the promotional account of the Town's General fund. Therefore, we have determined this purchase was unallowable and not related to the functions and purposes of the Town.

Description	Date of Expenditure	No. of Items	Amount
Darlington Holiday Warehouse	11-27-19	351	\$ 632
Darlington Holiday Warehouse	11-24-20	109	195
Darlington Holiday Warehouse	12-07-21	451	495
Darlington Holiday Warehouse	11-30-22	279	<u>693</u>
Total			<u>\$ 2,015</u>

The Park Director used a Town credit card to make 18 purchases totaling \$796, detailed in the table below, from various vendors that we were unable to verify were expenses related to the functions and purposes of the Town. The Park Director did not have proper itemized receipts to determine what was purchased or did not have records to support the purpose of the items purchased.

TOWN COUNCIL  
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AUDIT RESULTS AND COMMENTS  
(Continued)

Vendor	Items Purchased	Date of Expenditure	Amount
Betty's Cake and Candy	Unknown	10-08-19	\$ 18
Rise N Roll Bakery	Unknown	10-18-19	22
Aldi	Unknown	04-07-19	190
Kroger	Unknown	07-20-21	87
Walmart	Unknown	11-29-18	10
Walmart	Unknown	12-12-18	15
Walmart	(2) \$5 gift cards	01-14-19	10
Speedway	Gasoline	01-17-19	20
Walmart	(2) \$5 gift cards	02-11-19	10
Walmart	(3) \$5 gift cards	04-13-19	15
Walmart	Flower Arrangement	05-21-19	7
Dunkin	(2) Dozen Donuts	06-04-19	22
Walmart	(2) \$5 gift cards	06-13-19	10
Walmart	(2) \$5 gift cards	10-09-19	10
Walmart	23 oz AriZona Arnold Palmer Tea	12-18-19	10
	18.5 oz Lipton Sweet Tea		
	Mens Socks		
	Womens socks		
Walmart	Groceries	08-13-20	176
	Copper Fit Face Protector		
	Groceries		
	Conditioner		
	Dish soap		
	Candle		
	Binders		
	Folders		
	Notebooks		
Kroger	Groceries	12-22-20	110
Little Caesars	Meals	07-28-22	54
Total			<u>\$ 796</u>

Town Council Ordinance 2006-4-3 states in part:

". . . 4) Within seventy-two hours of a credit card purchase, the person using the credit card shall provide a copy of the receipt and shall inform the Clerk-Treasurer in writing of the following: a) The purpose of the purchase; b) The line item from which the purchase is to be paid; c) An itemized list of all charges incurred and whether those are paid from different budget line items. . . . 7) No credit card issued by the town for any department supervisor or employee shall be used by any person for a private purchase."

We recommended the Town review the expenses noted above and consider requesting reimbursement from individuals for any expenses that were personal or did not relate to the functions and purposes of the Town.

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AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6 states in part:

". . . a warrant for payment of a claim against a town may be issued only if the claim is: . . .

- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim. . . ."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following:

- (1) . . . pay the money out only on order of the town legislative body. . . ."

**ORDINANCES, RESOLUTIONS, AND POLICIES**

*Condition and Context*

The Town did not comply with the following ordinances, resolutions or policies it adopted:

*Resolution 2019-7-1*

The Town Council passed resolution 2019-7-1, establishing a revolving fund pursuant to Indiana Code 5-1-14-14, authorizing a loan under such revolving fund, and certain related matters, on July 2, 2019. However, the Town did not establish the fund within the accounting system, to be known as the Town of Winona Lake Economic Development Revolving Fund. Instead, the Town incorrectly accounted for the loan to the Kosciusko Community Development Corporation in the EDIT fund.

Audit adjustments were proposed, approved by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town.

*Resolution 2019-8-1*

The Town Council passed resolution 2019-8-1 to abolish the Redevelopment General fund and transfer the balance, in the amount of \$126,835, to the Rainy Day fund on August 20, 2019. However, the Town did not make the transfer to the Rainy Day fund and did not abolish the Redevelopment General fund. As of December 31, 2022, the Redevelopment General fund still had a balance of \$126,835.

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(Continued)

*Ordinance 2021-5-1*

The Town Council passed Ordinance 2021-5-1 on May 18, 2021, to approve an Additional Appropriation from the General fund. The Town Council minutes stated, "Ordinance 2021-5-1 Transfer money \$175,800 received from the CARES Act (Coronavirus Relief Fund) into the General Fund to be appropriated." The Town did not make the transfer.

*Resolution 2022-1-1*

The Town Council passed resolution 2022-1-1 to abolish the Senior Center Fund and transfer the balance, in the amount of \$953, to the W L Park Special Donation fund on January 18, 2022. However, the Town did not make the transfer to W L Park Special Donation fund and did not abolish the Senior Center Fund. As of December 31, 2022, the Senior Center fund still had a balance of \$953.

*Resolution 2022-12-3*

The Town Council passed resolution 2022-12-3 to transfer \$8,485 from the General fund to the DUI Grant \$ From Sate fund; however, the Town did not make the transfer.

*Resolution 2022-12-4*

The Town Council passed resolution 2022-12-4 to void 12 outstanding warrants and receipt the amounts back into the appropriate fund from which it came; however, the Town did not void the warrants and receipt the amounts back in.

*Private Donation Policy and Procedure*

The Town Council adopted the Private Donation Policy and Procedure on October 10, 2011, which states, "if the donation consists of property, an appropriate appraisal shall be conducted to determine the receipted value of the donation." It also states:

- "2. If the donor or a donor's family member wishes to have a degree of anonymity beyond the routine procedures, then:
  - d. Such request shall be made in writing by the donor. [see request form on other side]
  - e. That anonymous donation shall be brought to the attention of the Town Council by the Clerk Treasurer and Council President.
  - f. And the Council shall make a determination as to whether to accept that donation and/or any specific donor direction which may be requested for the use of such donated funds."

The Town received a Donation Record Form for a 1976 International 1700 Loadstar Dump Truck on March 12, 2020. The Town did not provide evidence that an appraisal was conducted. There is no evidence in the Town Council minutes that the donation was brought to the attention of the Town Council and no indication if the donation was accepted by the Town Council.

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(Continued)

*Utility Billing Ordinance 2019-11-2 and 2020-11-2*

The Town Council passed Ordinance 2019-11-2 to modify rates and charges for wastewater. Per the ordinance, schools were to be billed each month \$4.67 per student. During our test of billings, we identified one school that was billed on February 15, 2020, based on a student count from January 2020. The Town did not have a report from the school to support the student count used for billing, and the Town had not updated the student count monthly during the audit period. Per the ordinance, institutions were to be billed based on metered usage. During our test of billings, we identified one institution was billed on June 15, 2021, the minimum monthly charges for a 2" meter. The Town did not have any prior or current meter readings for the institution to support a minimum monthly bill.

The Town Council passed Ordinance 2020-11-2 to establish a stormwater utility and rates. Per the ordinance, nonresidential properties were to be billed using an ERU multiplier that considers the impervious surface area within the property. The Town maintained a spreadsheet of the impervious surface area for each property. During our test of billings, we identified one college that was underbilled by \$164 on June 15, 2021, and one church that was overbilled by \$23 on November 15, 2022.

*Ordinance 2004-4-2 / Town Municipal Code 2-5-1-2-146*

The Town Council did not follow its ordinance to record fees, pertaining to vacation ordinances, into the General fund and instead approved them to be recorded into the Winona Lake Donations fund.

*Ordinance 2006-4-3 / Town Municipal Code 2-5-1-2-145*

The Town Council approved Ordinance 2006-4-3 to permit and regulate the use of credit cards; however, the Town did not enforce the following requirements of the ordinance:

- The Town's credit cards exceeded the maximum limit.
- The credit cards were not secured in the office of the Clerk-Treasurer.
- A record was not kept showing the date of issuance, date of return, and purpose of use.
- Items and services were purchased that were not authorized and budgeted in the budget of the Town.
- Receipts were not turned into the Clerk-Treasurer within 72 hours with a written statement indicating purpose and detailed list of items and accounts from which they are to be paid.
- Charges were not paid promptly to ensure no interest or penalties would be incurred.
- The Town did not hold employees personally liable for charges when they did not provide a receipt for a purchase.
- The Town allowed department supervisors and employees to use the card for personal purchases.

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(Continued)

*Ordinance 2009-4-2*

The Town Council had established Ordinance 2009-4-2 limiting purchases made by the Town Manager. The Town Manager did not comply with the limitations by making purchases exceeding \$5,000 without prior specific approval of the Town Council and without appropriation in the approved budget of the Town.

The Town entered into a water main extension (project) agreement (agreement) on August 17, 2021, with a water utility company (Utility) to provide water service to the new Raccoon Run Residential Development (Development). According to the agreement, the Utility was to provide parts for the water main extension, and the installation was to be completed by the Town. The completion of the project became delayed, and some homes had been completed in the Development. The Town Manager approved the following wells to be installed on the personal property of homes built in the Development without prior specific approval of the Town Council and without appropriation in the approved budget of the Town.

- August 16, 2022 - 3 wells \$28,487
- October 18, 2022 - 1 well \$9,124
- November 15, 2022 - 2 wells \$18,338
- January 12, 2023 - 2 wells \$18,427
- January 24, 2023 - 1 well \$9,538
- February 17, 2023 - 1 well \$10,984
- March 16, 2023 - 1 well \$9,124

The Town Council was not made aware until February 24, 2024, at a public Town Council meeting, that the Town had purchased wells for homes in the Development. The discussion of the wells did not include an opportunity for the Town Council to vote to approve or reject the purchase of the wells.

In total, the Town Manager approved the purchase of 11 wells in the amount of \$104,022. We determined that the purchases of wells on property not owned by the Town, not preapproved by the Town Council, and not included in the budget of the Town were not an obligation of the Town.

*Town Municipal Code 2-5-2-175*

The Town Council established a promotional account within the Town's General fund to be used for specific promotional expenses. The Town's 2021 approved budget for promotional expenses was \$750.

On December 21, 2021, the Town Marshal used a Town credit card to make two purchases totaling \$1,733 for police promotional items, including mood pencils, mop-topper superhero pens, extra-large shirts, and thin blue line flags without having any remaining budget for promotional expenses.

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(Continued)

The Town Marshal received donations from the Dr. Dane & Mary Louise Miller Foundation to be used specifically for a D.A.R.E. program at a private school within the Town. The Town Marshal overspent these donations in 2021 by \$391 using a Town credit card and without having any remaining budget for promotional expenses to cover the excess expenses.

We determined the excess promotional expenses were not an obligation of the Town.

*Criteria*

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

**OVERDRAWN CASH BALANCES**

*Condition and Context*

The financial statements presented for audit included the following funds with overdrawn cash balances as of December 31, 2019, 2020, 2021, and 2022, that were not attributed to timing of reimbursements.

Fund	Amount Overdrawn December 31, 2019	Amount Overdrawn December 31, 2020	Amount Overdrawn December 31, 2021	Amount Overdrawn December 31, 2022
ICE RINK	\$ -	\$ -	\$ -	\$ 343,114
ECONOMIC DEVELOPMENT REVOLVING	133,139	362,009	575,628	789,247
LOCAL LAW ENFORCEMENT FOREITURE	-	1,521	1,657	-
OPO GRANT WINONA LAKE	2,966	7,730	7,730	7,962
COMMUNITY CROSSING Matching Grant	-	-	-	104,466
NON-MOTORIST GRANT \$ FROM STATE	-	4,017	6,127	3,603
NON-MOTORIST GRANT WINONA LAKE ONLY	777	9,476	9,111	13,613
Total	<u>\$ 136,882</u>	<u>\$ 384,753</u>	<u>\$ 600,253</u>	<u>\$ 1,262,005</u>

*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)

**CASH CHANGE AND PETTY CASH**

*Condition and Context*

The Town had not properly established or accounted for cash change or petty cash funds.

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*Cash Change - Miller Sunset Pavilion*

The Miller Sunset Pavilion (MSP) was managed by a related-party vendor of the Town. The Town provided cash to the vendor on November 18, 2022, and November 28, 2022, in the amounts of \$300 and \$400, respectively. The \$300 was to be used to make change at the MSP exclusively from the skate shop cash change drawer, and the \$400 was to be used to make change exclusively from the concessions cash change drawer. The claim did not contain a statement regarding the necessity for such funds together with the statutory reference (IC 36-1-8-2) authorizing its establishment. The ice-skating season ended on March 5, 2023; however, there was no record of the cash being returned to the appropriate fund. On July 26, 2023, we identified that the cash change funds remained at the MSP unbeknownst to the Clerk-Treasurer, the Town Manager, and the Town Council. Upon counting the cash change funds, it was determined that the skate shop cash change drawer was short by \$58 and the concessions cash change drawer was over by \$94. Improper establishment of and accounting for the funds prevented the funds from being properly reconciled monthly, as is required for other funds of the Town.

*Petty Cash - Clerk-Treasurer*

The Town Council improperly established a petty cash fund in the amount of \$150 to be used by the Clerk-Treasurer to make change and to purchase incidental items which are not available upon credit. Indiana Code does not allow for a petty cash fund to be used to make change. A separate cash change fund should have been created for this purpose. The fund was not established by the Clerk-Treasurer within the accounting software, which prevented the funds from being properly reconciled monthly, as is required for other funds of the Town. Upon counting the petty cash fund, it was determined that there were receipts for expenditures dated in 2019 in the amount of \$138. The Clerk-Treasurer in 2019 did not prepare and file a claim for the expenditures for reimbursement to the petty cash fund. \$12 in cash remained in the petty cash envelope. It appears the petty cash has not been used since 2019.

We informed the Town of the noncompliance during the audit, and on June 7, 2024, the Town Council properly established a cash change fund in the amount of \$150 for the Clerk-Treasurer's Office by adopting Ordinance 2024-6-1.

*Cash Change - Park Department*

The Park Director and the park employees made change for rentals and program fees without a proper cash change fund permitted by the Town Council. The Park Director improperly established a cash change fund using \$20 of her personal cash in order to provide change to customers of the Park Department.

We informed the Town of the noncompliance during the audit and on June 7, 2024, the Town Council properly established a cash change fund in the amount of \$150 for the Park Department by adopting Ordinance 2024-6-1.

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(Continued)

*Criteria*

Indiana Code 36-1-8-2 states:

"(a) The fiscal body of a political subdivision may permit any of its officers or employees having a duty to collect cash revenues to establish a cash change fund. Such a fund must be established by a warrant drawn on the appropriate fund of the political subdivision in favor of the officer or employee, in an amount determined by the fiscal body, without need for appropriation to be made for it.

(b) The officer or employee who establishes a cash change fund shall convert the warrant to cash, shall use it to make change when collecting cash revenues, and shall account for it in the same manner as is required for other funds of the political subdivision.

(c) The fiscal body shall require the entire cash change fund to be returned to the appropriate fund whenever there is a change in the custodian of the fund or if the fund is no longer needed."

Indiana Code 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter.

(b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund.

(c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursements must be approved and made in the same manner as is required for other expenditures of the political subdivision."

**CLERK-TREASURER LEGAL FEES**

*Condition and Context*

During the annual budget process, and thereafter, the Town Council did not appropriate any money for the payment of the Clerk-Treasurer's attorney's and legal assistants' salaries for any year during the audit period. The Town Council had not approved the Clerk-Treasurer's attorney's legal fees invoice for payment in the amount of \$3,410. The Town Council had not identified a lawful source for payment of this invoice or an additional appropriation to retroactively satisfy the requirement to budget for the Clerk-Treasurer's legal fees.

The Town Council had an obligation to budget and pay for legal fees of the Clerk-Treasurer in her official duties.

*Criteria*

Indiana Code 36-5-6-8 states in part:

"(a) A clerk-treasurer may hire or contract with competent attorneys or legal research assistants on terms the clerk-treasurer considers appropriate. . . .

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(c) Appropriations for the salaries of attorneys and legal research assistants employed under this section shall be approved in the annual budget and must be allocated to the clerk-treasurer for the payment of attorneys' and legal research assistants' salaries."

***TIF REPORT OF THE REDEVELOPMENT COMMISSION***

*Condition and Context*

The Town of Winona Lake Redevelopment Commission (Commission) had established two separate allocation areas (Districts) for the purpose of capturing tax increment revenues (TIF revenues). The Commission filed its 2022 Annual Report (Report) with the Department of Local Government Finance in the Indiana Gateway for Government Units (Gateway) financial reporting system as required; however, the report was not supported by the financial records of the Town.

The Town also submitted a 2022 Annual Financial Report in Gateway that is the source of the Town's financial statements presented in a separate Financial Statements Audit Report. The Commission's Report did not agree to the Town's financial statement. The Town received TIF revenues for the two districts and commingled the revenues by receipting them into one fund, therefore, commingling the TIF expenses paid from the fund. Because the Town was not accounting for the TIF revenues in separate funds, it was not transparent if one District's TIF revenues were used in the other District. The remaining funds of each district were also not transparent. Compared to the Town's financial statement, the Commission understated 2022 TIF expenditures by \$25,321 and fund balances in total at December 31, 2022, by \$621,585.

The Commission also provided the inaccurate report as part of their required annual presentation of information to the governing bodies of all taxing units that have territory within a District of the Commission, including Kosciusko County, the Warsaw Community School Corporation, Wayne Township, the Warsaw Community Public Library, the Town of Winona Lake, and the Kosciusko County Solid Waste Management.

*Criteria*

Indiana Code 36-7-14-13 states in part:

". . . (d) A copy of each report filed under this section must be submitted to the department of local government finance in an electronic format.

(e) The report required under subsection (a) must also include the following information set forth for each tax increment financing district regarding the previous year:

- (1) Revenues received.
- (2) Expenses paid.
- (3) Fund balances. . . ."

Indiana Code 36-7-25-8(a) states

"Each redevelopment commission shall annually present information for the governing bodies of all taxing units that have territory within an allocation area of the redevelopment commission. The presentation shall be made at a meeting of the redevelopment commission and must include the following:

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- (1) The commission's budget with respect to allocated property tax proceeds.
- (2) The long-term plans for the allocation area.
- (3) The impact on each of the taxing units."

**BOARD MINUTES**

*Condition and Context*

The actions of the Town Council (Board) were unclear as documented in the minutes of public meetings. We were unable to determine the general substance of all matters proposed and discussed that led to final actions. We were unable to determine how members voted or abstained when final actions were taken. The public notices of executive sessions did not state the subject matter by specific reference to the enumerated instance or instances for which executive sessions were held. The Board did not certify by a statement in the minutes that no subject matter was discussed in the executive sessions other than the subject matter specified in each public notice. In one significant instance, the Board's minutes documented approval by the Redevelopment Commission (Commission) of an amendment to the Build, Operate, Transfer (BOT) agreement for the Miller Sunset Pavillion; however, there were no recorded minutes of the Commission that mentioned the amendment to the BOT agreement.

*Criteria*

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-14-1.5-6.1 states in part:

". . . (b) Executive sessions may be held only in the following instances:

- (1) Where authorized by federal or state statute.
- (2) For discussion of strategy with respect to any of the following:

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(Continued)

(A) Collective bargaining.

(B) Initiation of litigation or litigation that is either pending or has been threatened specifically in writing. As used in this clause, 'litigation' includes any judicial action or administrative law proceeding under federal or state law.

(C) The implementation of security systems.

(D) A real property transaction including:

- (i) a purchase;
- (ii) a lease as lessor;
- (iii) a lease as lessee;
- (iv) a transfer;
- (v) an exchange; or
- (vi) a sale;

by the governing body up to the time a contract or option is executed by the parties. This clause does not affect a political subdivision's duty to comply with any other statute that governs the conduct of the real property transaction, including [IC 36-1-10](#) or [IC 36-1-11](#). . . .

(4) Interviews and negotiations with industrial or commercial prospects or agents of industrial or commercial prospects by:

(A) the Indiana economic development corporation;

(B) the office of tourism development (before July 1, 2020) or the Indiana destination development corporation (after June 30, 2020);

(C) the Indiana finance authority;

(D) the ports of Indiana;

(E) an economic development commission;

(F) the Indiana state department of agriculture;

(G) the Indiana White River state park development commission;

(H) a local economic development organization that is a nonprofit corporation established under state law whose primary purpose is the promotion of industrial or business development in Indiana, the retention or expansion of Indiana businesses, or the development of entrepreneurial activities in Indiana; or

(I) a governing body of a political subdivision.

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(Continued)

However, this subdivision does not apply to any discussions regarding research that is prohibited under [IC 16-34.5-1-2](#) or under any other law.

- (5) To receive information about and interview prospective employees.
- (6) With respect to any individual over whom the governing body has jurisdiction:
  - (A) to receive information concerning the individual's alleged misconduct; and . . .
- (1) For discussion of records classified as confidential by state or federal statute. . . .
- (9) To discuss a job performance evaluation of individual employees. This subdivision does not apply to a discussion of the salary, compensation, or benefits of employees during a budget process.
- (10) When considering the appointment of a public official, to do the following:
  - (A) Develop a list of prospective appointees.
  - (B) Consider applications.
  - (C) Make one (1) initial exclusion of prospective appointees from further consideration.

Notwithstanding [IC 5-14-3-4\(b\)\(12\)](#), a governing body may release and shall make available for inspection and copying in accordance with [IC 5-14-3-3](#) identifying information concerning prospective appointees not initially excluded from further consideration. An initial exclusion of prospective appointees from further consideration may not reduce the number of prospective appointees to fewer than three (3) unless there are fewer than three (3) prospective appointees. Interviews of prospective appointees must be conducted at a meeting that is open to the public. . . .

- (12) To prepare or score examinations used in issuing licenses, certificates, permits, or registrations under [IC 25](#).
  - (13) To discuss information and intelligence intended to prevent, mitigate, or respond to the threat of terrorism. . . .
- (c) A final action must be taken at a meeting open to the public.
- (d) Public notice of executive sessions must state the subject matter by specific reference to the enumerated instance or instances for which executive sessions may be held under subsection (b). The requirements stated in section 4 of this chapter for memoranda and minutes being made available to the public are modified as to executive sessions in that the memoranda and minutes must identify the subject matter considered by specific reference to the enumerated instance or instances for which public notice was given. The governing body shall certify by a statement in the memoranda and minutes of the governing body that no subject matter was discussed in the executive session other than the subject matter specified in the public notice.
- (e) A governing body may not conduct an executive session during a meeting, except as otherwise permitted by applicable statute. A meeting may not be recessed and reconvened with the intent of circumventing this subsection."

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(Continued)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

The Town did not properly comply with laws and regulations related to the following state and federal grants.

*Highway Planning and Construction - Federal Assistance Listings Number 20.205*

The Town received and incorrectly posted \$153,330, \$79,088, and \$275,269 to the EDIT fund in 2019, 2020, and 2021, respectively. The Town received and incorrectly posted \$19,214 to the Winona Lake Donations fund in 2022. Each federal grant award should have a separate fund to allow for transparency and proper reporting of each federal grant.

*Community Crossing Matching Grants (CCMG) - State Grant Construction Program*

The Town had not properly reported and closed out the Indiana Department of Transportation (INDOT) CCMG grants during the audit period. Due to the Town's noncompliance with the INDOT grant reporting requirements during the audit period, the Town was notified via email on June 24, 2022, that the Town was ineligible to apply for any CCMG grants through the INDOT subsequent to the 2020-1 call for grant applications, which was open between January 6, 2020 and February 7, 2020.

*Coronavirus State and Local Fiscal Recovery Funds -  
Federal Assistance Listings Number 21.027*

The Town Council established the American Rescue Plan Act (ARPA) fund through an ordinance as required; however, the ordinance did not reference a plan that provided the details for the use of these funds. The Town Council had not established a plan for the ARPA funds.

*Public Safety Partnership and Community Policing Grants -  
Federal Assistance Listings Number 16.710*

The Winona Lake Police Department was awarded a COPS Hiring Program (CHP) direct grant from the U.S. Department of Justice Office of Community Oriented Policing Services (COPS) in the amount of \$125,000 on June 25, 2020. The grant had a local cash match requirement of \$123,493. The Town had not yet drawn down or received any reimbursement for this grant at December 31, 2022. However, the Town Marshal was required to submit a Federal Financial Report (FFR) on a quarterly basis using the Justice Grants System (JUSTgrants). As of December 31, 2022, the Town Marshal had not submitted five quarterly FFRs. The Town Marshal received two Delinquent FFR notices in March 2023 from the COPS requesting that he log into JUSTgrants and submit the delinquent FFRs.

*COVID-19 - Coronavirus Relief Fund (CRF) - Federal Assistance Listing Number 21.019*

The Town did not properly account for the CRF funds as further detailed in the following comment entitled *Accounting and Appropriation of Covid-19 Grants*.

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(Continued)

*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)

**ARPA Coronavirus Local Fiscal Recovery Fund.** . . . Towns will each receive an allocation of Coronavirus State and Local Fiscal Recovery Funds. Each local unit that receives an allocation from the Coronavirus Local Fiscal Recovery Fund under Section 603 of the Social Security Act, as added by Section 9901 of the ARP, shall establish by ordinance a separate local grant fund called the ARPA Coronavirus Local Fiscal Recovery Fund within the fund number range described above. . . . For a city or town, the ARPA grant fund must be established by ordinance of the legislative body. The ordinance must specify the uses of the fund in accordance with the purposes outlined in Section 603(c). The ordinance should reference a plan that will provide the details for the use of these funds. All moneys received from the Local Fiscal Recovery Fund must be receipted into the separate ARPA grant fund.

Before money in the fund is disbursed, the fiscal body must appropriate the money in the fund for a use consistent with Section 603(c) as stated in the adopted ordinance and the plan. Only a local appropriation is needed. To ensure accountability and transparency of the use of these funds, all disbursements must be made from the ARPA grant fund; money from the ARPA fund may not be transferred to another fund of the . . . town.

A detailed accounting of the fund is required by the ARPA. All related expenditure records (accounts payable vouchers, minutes, correspondence, contracts, etc.) must be maintained in a separate file for future audits of ARPA funds. It is important that you track every dollar disbursed and maintain supporting documentation for those disbursements. Each disbursement must be directly tied to a use listed in Section 603(c). The grant funding may be used to cover costs obligated by December 31, 2024 and expended by December 31, 2026. It is extremely important that these files be complete and accurate for this time period. . . .

All disbursements for eligible uses, including government services, must be made directly from the ARPA Fund to ensure compliance with the U.S. Treasury Final Rule, uniform guidance, and conflict of interest requirements. Money may not be transferred to the General Fund or any other fund of the governmental unit.

(Amended State Examiner Directive 2021-1)

**ACCOUNTING AND APPROPRIATION OF COVID-19 GRANTS**

*Condition and Context*

The Town did not properly account for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with the options outlined in State Examiner Directive 2020-3 (Directive).

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The Town did not follow one of the two defined options as outlined in the Directive for its payroll-related expenditures. The Town did not pass a resolution or ordinance to authorize the public health and safety payroll costs reimbursement to be moved by claim from the CARES fund to the General fund. The public health and safety payroll costs reimbursement of \$159,818 was receipted into the CARES Act Coronavirus Relief fund on December 14, 2020. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund or the reimbursed amount transferred through the claims process to the general fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures. The payroll reimbursement remained in the CARES Act Coronavirus Relief fund as of December 31, 2020.

During 2021, the Town receipted its Public Safety Awareness reimbursement of \$15,982 into the CARES Act Coronavirus Relief fund. The public health and safety payroll costs reimbursement and the Public Safety Awareness reimbursement both remained in the fund and covered nonpayroll related expenditures not submitted to the Indiana Finance Authority (IFA) for reimbursement, totaling \$104,319, which were paid from the CARES Act Coronavirus Relief fund without appropriation after the Directive was issued. The CARES Act Coronavirus Relief fund had a balance of \$71,482 on December 31, 2021.

During 2022, additional nonpayroll related expenditures not submitted to the IFA for reimbursement, totaling \$25,750, which were paid from the CARES Act Coronavirus Relief fund without appropriation after the Directive was issued. The CARES Act Coronavirus Relief fund had a balance of \$45,732 on December 31, 2022. This amount should immediately be claimed to the General fund. This would allow for the money to be expended for any general unit purpose with appropriation.

*Criteria*

**Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.**

**All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .**

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

TOWN COUNCIL  
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AUDIT RESULTS AND COMMENTS  
(Continued)

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . .

(State Examiner Directive 2020-3)

**DISPOSITION OF ASSETS**

*Condition and Context*

The Town received a 1976 International 1700 Loadstar Dump Truck (asset) on March 12, 2020, as a donation according to a Town Donation Record Form. During the audit, the asset could not be located. Through inquiry, the Town officials stated that they believed the asset was in the possession of a former Deputy Clerk-Treasurer who may have purchased the asset. We did not locate any audit evidence of the sale of the asset. Upon further inquiry, Town officials believed the Town may have given the asset to the former employee at no cost. The Town did not follow its own policy to obtain an appraisal for donated assets; therefore, we were unable to determine the value of the missing asset. The Town did not maintain proper audit evidence or follow laws and regulations for disposal of Town property.

*Criteria*

Indiana Code 5-22-22-4(a) states:

". . . if the property to be sold is:

- (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or
- (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more;

the purchasing agent may engage an auctioneer licensed under [IC 25-6.1](#) to advertise the sale and conduct a public auction."

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
- (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter;

TOWN COUNCIL  
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AUDIT RESULTS AND COMMENTS  
(Continued)

the purchasing agent shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.

- (b) Advertisement of the sale shall be made in accordance with [IC 5-3-1](#).
- (c) All sales shall be made to the highest responsible bidder."

**CONTRACTS**

*Condition and Context*

The Town did not enter into a formal contract for two out of three public works projects (projects) selected for testing. One of those two projects had supplemental documentation for audit, however, the other did not. Evidence requiring a performance bond for the project without supplemental documentation was not provided for audit. Of the three projects tested, one had change orders. The change orders were not approved by the Town Council and documented in the public minutes of the Town. The Town did not upload any contracts over \$50,000 to the Indiana Gateway for Government Units transparency website.

*Criteria*

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-14-3.8-3.5(c) states in part:

" . . . a political subdivision shall upload a digital copy of a contract to the Indiana transparency website one (1) time if the total cost of the contract to the political subdivision exceeds fifty thousand dollars (\$50,000) during the term of the contract. . . . A political subdivision shall upload the contract not later than sixty (60) days after the date the contract is executed. . . ."

Indiana Code 36-1-12-18 states in part:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. . . ."

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The Town did not provide audit evidence that the Town Council had ensured the appropriate personnel received the required training on internal control standards.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . ."

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(Continued)

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

## **SUPPORTING DOCUMENTATION**

### *Condition and Context*

We identified the following transactions without proper supporting documentation and were unable to determine the validity and accountability of the transactions. The Town Council approved the claims for payment during Town Council meetings for all disbursements that did not have proper supporting documentation.

- We selected 85 vendor disbursements for testing and identified 4 that did not have proper supporting documentation in the amount of \$16,838.
- We selected 75 unusual disbursements for testing and identified that 1 did not have proper supporting documentation in the amount of \$62 in December 2021 for an employee's mileage reimbursement for Christmas luncheon and travel to Fort Wayne, IN.
- We selected 2 receipts from the Miller Sunset Pavilion management company, determined to be a related-party of the Town, totaling \$60,500 in November and December 2022. Neither receipt related to the ice rink season had proper itemized documentation of collections; therefore, we were unable to determine if the collections were complete.
- We selected 8 receipts from 2021 for testing and identified that 2 did not have supporting documentation in the amount of \$10,537.
- We selected 9 receipts from 2022 for testing and identified that 3 did not have supporting documentation in the amount of \$306.
- We selected 1,216 credit card expenditures for testing and identified that 284 did not have proper supporting documentation.

### *Criteria*

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 Manual for Cities and Towns, Chapter 1)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL  
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EXIT CONFERENCE

The contents of this report were discussed on May 15, 2025, with Heather A. James, Clerk-Treasurer; Laurie A. Renier, former Clerk-Treasurer; Ashley McGinnis, President of the Town Council; Austin Reynolds, Vice President of the Town Council; Jason Zaugg, Town Council member; Barry Andrew, Town Council member; James G. Lancaster, Town Council member; Kristie Maiers, President of the Winona Lakes Parks and Recreation Department; Travis Trump, Vice President of the Winona Lake Parks and Recreation Department; Kallie Chapman, Park Board member; Diane Wulliman, Chief Deputy Clerk; Teena Pence, former Deputy Clerk-Treasurer (July 25, 2022 to October 10, 2023); Craig Allebach, Town Manager; and Holly Hummitch, Park Director.

PARKS AND RECREATION  
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AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING - PARK***

*Condition and Context*

There were deficiencies in the internal control system of the Town Parks and Recreation Department (Park) related to financial transactions and reporting.

The Park did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material misstatements in the accounting of financial transactions and reporting to the Clerk-Treasurer's office of the Town. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

*Financial Transactions*

Park employees collected receipts for program fees, fundraisers, donations, rentals, and ticket sales. Park employees did not record or issue prenumbered receipts upon collection to ensure the accuracy of deposits submitted to the Clerk-Treasurer's office. There was no review or approval process in place over receipts.

We informed the Town and Park of the noncompliance during the audit, and beginning in January 2025, the Park Board implemented the use of 3-part prenumbered receipts for recording collections. The Collections are reviewed daily by the Park Assistant during busy season and submitted to the Chief Deputy Clerk as required for further review and proper recording and depositing.

The Park Director purchased park supplies, equipment, and subscription services using a Town credit card. The Park did not record these transaction at the time of the transaction in any type of accounting system to ensure the accuracy of the expenditures reported to the Clerk-Treasurer's office. There was no review or approval process in place over disbursements.

We informed the Town and Park of the noncompliance during the audit, and beginning in May 2025, the Park Board implemented procedures for preapproval of purchases made by the Park Director.

*Financial Reporting*

The Park Director reported receipts and disbursements to the Clerk-Treasurer's office without any review or approval process in place to ensure the accuracy of the transactions being reported. This resulted in material misstatements of the Park funds.

Audit adjustments were proposed for the Park and Recreation fund included in the totals detailed in the *INTERNAL CONTROLS - FINANCIAL TRANSACTIONS AND REPORTING - TOWN* comment included in this report, accepted by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statements Audit Report of the Town.

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(Continued)

*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 and internal control procedures for internal control systems of political subdivisions. 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 Environment*

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

*Risk Assessment*

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

*Control Activities*

"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. . . .

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AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

*Information and Communication*

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

*Monitoring Activities*

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . ."

Management remediates identified issues. . . ."

**INTERNAL CONTROLS - COMPLIANCE WITH LAWS, REGULATIONS,  
AND UNIFORM COMPLIANCE GUIDELINES - PARK**

*Condition and Context*

There were deficiencies in the internal control system of the Town of Winona Lake Parks and Recreation Department (Park) related to compliance with laws, regulations, and uniform compliance guidelines.

The Park did not have a properly designed system of internal controls that would have prevented, or timely detected and corrected, material noncompliance with laws, regulations, and uniform compliance guidelines. A properly designed system should include five components: control environment, risk assessment, control activities, information and communication, and monitoring. Based upon the results of our audit, none of the five components were implemented.

The lack of a properly designed internal control system resulted in material noncompliance as described in the comments that follow.

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(Continued)

*Criteria*

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Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

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PARKS AND RECREATION  
TOWN OF WINONA LAKE  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

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*Monitoring Activities*

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . ."

Management remediates identified issues. . . ."

**PERSONAL EXPENSES**

*Condition and Context*

The Town Council approved public funds by approving claims during Town Council meetings to be used and, therefore, ordered the Clerk-Treasurer, by law, to pay for the following personal items and expenses which did not relate to the functions and purposes of the Town.

The Park Director used a Town credit card to make 52 purchases totaling \$3,685 for 81 Straight Talk monthly phone service plans within a 65-month timeframe. Through inquiry of Town Officials, it was determined the Park Director did not have a Town issued cell phone. We inquired with the Park Director who verified that the monthly service plans were for her personal cell phone. The Town did not have a policy that would permit employees to purchase monthly service plans for personal cell phones nor a policy allowing any stipends. We inquired with the Park Director and the Clerk-Treasurer on April 25, 2024, regarding the 16 extra monthly service plans during the timeframe, and the Park Director was unable to provide the reason, purpose, or use of the extra plans. From April 25, 2024 to February 18, 2025, the Town had not permitted the Park Director to purchase any cell phone plans with Town funds. On February 18, 2025, the Town Council passed a resolution allowing a cell phone stipend in the amount of \$30 per month.

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(Continued)

The Park Director used a Town credit card to make four annual purchases at Darlington Holiday Warehouse in December 2019, 2020, 2021, and 2022, totaling \$2,015 as detailed in the table below. The four receipts provided for audit only documented how many items were purchased at each price point. According to park employees the purchases are items for Kringle Fest Secret Santa Shop (Santa Shop), except for the 2020 purchase that was used to provide gifts to ten seniors citizens. The Park Director stated that the Park sells tickets to residents and non-residents to buy items in the Santa Shop. Based on this explanation, we would have expected to see deposits made by the Town for ticket sales for the 2019, 2021, and 2022 Santa Shop. However, we only identified one deposit for the 2021 Santa Shop in the amount of \$417. Any money collected from ticket sales in 2019 and 2022 is unaccounted for. We were unable to determine the amount of funds unaccounted for due to the Park Director not maintaining records of ticket sales, such as beginning and ending ticket numbers to determine how many tickets were sold, dollar value per ticket sold to calculate dollar value of revenue generated by the fundraiser, not maintaining an inventory of items purchased and sold, and not issuing receipts to residents/nonresidents for each purchase to support the dollar value of a deposit. Because of the lack of park records, we were unable to determine if all items purchased in 2019, 2021, and 2022 were for expenses related to the Santa Shop. We were unable to validate the purchase in 2020 due to a lack of park records. Gifts were not permitted to be purchased using park funds, and there was no remaining budget for promotional expenses within the promotional account of the Town's General fund. Therefore, we have determined this purchase was unallowable and not related to the functions and purposes of the Town.

Description	Date of Expenditure	No. of Items	Amount
Darlington Holiday Warehouse	11-27-19	351	\$ 632
Darlington Holiday Warehouse	11-24-20	109	195
Darlington Holiday Warehouse	12-07-21	451	495
Darlington Holiday Warehouse	11-30-22	279	<u>693</u>
Total			<u><u>\$ 2,015</u></u>

The Park Director used a Town credit card to make 18 purchases totaling \$796, detailed in the table below, from various vendors that we were unable to verify were expenses related to the functions and purposes of the Town. The Park Director did not have proper itemized receipts to determine what was purchased or did not have records to support the purpose of the items purchased.

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Vendor	Items Purchased	Date of Expenditure	Amount
Betty's Cake and Candy	Unknown	10-08-19	\$ 18
Rise N Roll Bakery	Unknown	10-18-19	22
Aldi	Unknown	04-07-19	190
Kroger	Unknown	07-20-21	87
Walmart	Unknown	11-29-18	10
Walmart	Unknown	12-12-18	15
Walmart	(2) \$5 gift cards	01-14-19	10
Speedway	Gasoline	01-17-19	20
Walmart	(2) \$5 gift cards	02-11-19	10
Walmart	(3) \$5 gift cards	04-13-19	15
Walmart	Flower Arrangement	05-21-19	7
Dunkin	(2) Dozen Donuts	06-04-19	22
Walmart	(2) \$5 gift cards	06-13-19	10
Walmart	(2) \$5 gift cards	10-09-19	10
Walmart	23 oz AriZona Arnold Palmer Tea	12-18-19	10
	18.5 oz Lipton Sweet Tea		
	Mens Socks		
	Womens socks		
Walmart	Groceries	08-13-20	176
	Copper Fit Face Protector		
	Groceries		
	Conditioner		
	Dish soap		
	Candle		
	Binders		
	Folders		
	Notebooks		
Kroger	Groceries	12-22-20	110
Little Caesars	Meals	07-28-22	54
Total			<u>\$ 796</u>

Town Council Ordinance 2006-4-3 states in part:

". . . 4) Within seventy-two hours of a credit card purchase, the person using the credit card shall provide a copy of the receipt and shall inform the Clerk-Treasurer in writing of the following: a) The purpose of the purchase; b) The line item from which the purchase is to be paid; c) An itemized list of all charges incurred and whether those are paid from different budget line items. . . . 7) No credit card issued by the town for any department supervisor or employee shall be used by any person for a private purchase."

We recommended the Town review the expenses noted above and consider requesting reimbursement from individuals for any expenses that were personal or did not relate to the functions and purposes of the Town.

PARKS AND RECREATION  
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AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-5-4-6 states:

" . . . a warrant for payment of a claim against a town may be issued only if the claim is: . . .

- (4) allowed by the town legislative body or by the board of the town having jurisdiction over allowance of the payment of the claim. . . ."

Indiana Code 36-5-6-6(b) states in part:

"The clerk-treasurer shall do the following:

- (1) . . . pay the money out only on order of the town legislative body. . . ."

**PURCHASING BONUSES**

*Condition and Context*

A Park Department (Park) employee made 88 Town-related purchases at Kroger, totaling \$3,461, using a personal Kroger Plus Card (rewards program). With the use of a personal rewards program, the Town's Kroger purchases are combined with the Park employee's personal Kroger purchases, resulting in higher personal rewards being earned. According to Kroger, rewards include exclusive coupons and savings, fuel points for cash off gas purchases, cash back on specific purchases, free grocery pickup or delivery for digital orders over \$35, and other bonuses based on spending. We were unable to determine the quantity or dollar value of the coupons, discounts, cash back, gas, rewards, bonuses, and products the Park employee personally earned that were supposed to belong to the Town.

We informed the Park of the noncompliance during the audit, and the Park Director partially corrected this noncompliance by obtaining a rewards card in the name of the Town. As of the date of this report, the Town and Park are still in the process of implementing proper processes and internal controls over this card to fully correct the noncompliance.

*Criteria*

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the unit becomes the property of the unit. Any amounts received by an official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PARKS AND RECREATION  
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EXIT CONFERENCE

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