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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

CITY CLERK
CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
12/29/2006

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Scott L. King Dozier T. Allen Rudolph Clay, Sr.	01-01-04 to 03-24-06 03-25-06 to 04-07-06 04-08-06 to 12-31-07
Clerk	Suzette Raggs	01-29-03 to 12-31-06
Controller	Husain G. Mahmoud	01-01-05 to 12-31-06
President of the Common Council	Charles Hughes Roy Pratt	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CITY OF GARY

We have audited the records of the City Clerk for the period from January 1, 2005 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of City of Gary for the year 2005.

STATE BOARD OF ACCOUNTS

October 11, 2006

CITY CLERK
CITY OF GARY
AUDIT RESULTS AND COMMENTS

ACCUMULATED VACATION PAID

The City's personnel manual, page 66, numbers 15 and 16, states: "Employees may not receive vacation pay in lieu of time off. Vacations normally are taken in the vacation year following their accrual. Employees may only carry over a maximum of one year vacation time. Vacation time accrued beyond the maximum allowed will not be paid upon termination or layoff. Management reserves the right to schedule any carry over vacation time."

On December 23, 2005, employees of the City Clerk's office were paid for accumulated vacation time totaling \$50,123.04 as noted below:

Clerk Department Employee	Payments
Monica Burns	\$ 1,662.96
Janell Hudson	710.40
Anthony Jenkins	1,687.20
Carolyn Owens	1,366.80
Nancy K. Reynolds	4,729.92
Millicent Rogers	3,729.60
Minnie Taylor	1,872.00
Jeanette Terry	4,282.64
Everett Winborn	2,791.20
Barbara Cox	7,881.84
Suzette Raggs	19,408.48
Totals	\$ 50,123.04

None of the employees that received the accumulated vacation payment were leaving employment. After review of the City Clerk's service record, it was discovered that the Clerk had used 10 days of vacation in 2004 but the 10 days were not deducted from the service record. These 10 days were included in the accumulated vacation days paid to the Clerk on December 23, 2005.

Indiana Code 5-10-6-1(b) states: "Employees of the political subdivisions of the state may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by ordinance of the legislative body of a county, city, town, township, or controlling board of a municipally owned utility, board of directors or regents of a cemetery, or board of trustees of any library district."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Ordinance No. 8021, ratifying the 2005 vacation payments, was passed by the Gary Common Council on December 4, 2006.

CITY CLERK
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

MEAL REIMBURSEMENT

The City paid \$1,191.74 for local meals for the City Clerk through credit card transactions. Written documentation was not attached to the claim, outlining the nature of the business that precipitated the need for the meal, as required by the City policy on reimbursable expenses. The majority of these meals were for the City Clerk and the deputy City Clerk. After requesting the documentation for these transactions, "City business" was written on the receipts.

The City of Gary Policies and Procedures 6.1 states in part: "Reimbursement of expenses shall be based on actual expenditures for . . . Meals provided at the expense of department heads and other high ranking city officials for the conduct of official city business. Reimbursement under this provision shall be made for actual costs only. Written documentation outlining the nature of the business that precipitated the need for the meal is required. While documented gratuities for said meals are reimbursable, no reimbursement shall be made for alcohol charges."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS

The bank reconcilements as of December 31, 2005, documented checks outstanding in excess of two years, totaling \$1,948. This was also noted in the prior report.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

TRUST BOOK AND CASH BOND BOOK

Reconcilements of the detail of the trust register and the detail of the cash bond book to the balances shown in the criminal division cash book were not presented for audit.

This record is commonly referred to as the "trust fund register." It is a register wherein money received for the benefit of all persons or parties is entered in detail. The posting to this record is made from the duplicate receipts and checks and from the trust column of the court cash book. Items entered in other columns of the cash book must not be posted in the trust fund register. The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Guidelines Manual for City and Town Courts, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Towns Courts, Chapter 4)

CITY CLERK
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

CASH BONDS AND TRUST ITEMS

The Criminal Division is holding cash bonds from as far back as 1990. It is unknown if these cash bonds are for individuals who had either failed to appear in court or have appeared, but no bond refund was issued. The old items need to be reviewed and disbursed where appropriate. If the bond has been released by the court, these amounts should be disbursed appropriately. If the bond is still on hand due to failure to appear, the bond would be required to be forfeited by the judge and remitted to the state common school fund, less applicable fees.

Some items in the trust register are also dated as far back as 1990.

Indiana Code 35-33-8-7 states in part: "(b) The court shall then order the remainder of the deposit, if any, and the bond forfeited. . . . (d) After a bond has been forfeited under subsection (b), the clerk shall mail notice of forfeiture to the defendant. In addition, unless the court finds that there was justification for the defendant's failure to appear, the court shall immediately enter judgment, without pleadings and without change of judge or change of venue, against the defendant for the amount of the bail bond, and the clerk shall record the judgment. . . . (e) If a bond is forfeited and the court has entered a judgment under subsection (d), the clerk shall transfer to the state common school fund: (1) any amount remaining on deposit with the court (less the fees retained by the clerk) . . . (f) The clerk shall return a deposit, less the administrative fee, made under section 3.2(a)(2) of this chapter to the defendant, if the defendant appeared at trial and the other critical stages of the legal proceedings."

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to him as required by IC 32-34-1-20(c)(6). They should not be allowed to accumulate beyond the five year anniversary date of issue. (Accounting and Uniform Guidelines Manual for City and Town Courts, Chapter 4)

PRESCRIBED FORMS

In 2005, the Clerk's Criminal Division implemented computerized versions of the City/Town Court Cash Book (Form 213CT) and Register of Trust Funds (General Form 102). Neither of these forms are exact replicas of the prescribed form, nor have they been approved by the State Board of Accounts.

Additionally, the computerized cash book does not display ending cash balances. Currently, the book-keeper has to manually compute the cash balance from the items posted in order to perform bank reconciliations and to determine the amounts to be remitted to the State, County, and City.

Prescribed records and forms must be used. If, for any reason, your court has some ideas for changes or improvements, such changes shall be made with the approval of the State Board of Accounts. [IC 5-11-1-21]

Approval of forms is limited to those generated by computer or those needed to replace prescribed forms which are inadequate to meet the needs of the office. A letter requesting the approval must be accompanied by four copies of each proposed form. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

CITY CLERK
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

An unidentified excess cash balance of \$9,592.36 exists in the clerk's civil cash book at December 31, 2005. Numerous posting and mathematical errors were noted. This deficiency was also noted in the prior audits. The Clerk identified and remitted \$6,394.89 to the attorney general's office in January, 2006. The unidentified amount in prior audit years ending December 31, 2000 through December 31, 2004, ranged from \$5,427.47 to \$7,170.61.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

FEE COLLECTION AND REMITTANCE

The court fees increased on July 1, 2005. The City Clerk did not start collecting the increased fees until September 20, 2005. The Civil Division did not remit the correct amount of fees to the state and to the City of Gary starting in July, 2005. At December 31, 2005, the Civil Division had not remitted \$14,233.52 due to the State and \$4,466 due to the City of Gary. The Clerk's office is currently working on this problem and plans to remit the amount due to the state and the city.

At December 31, 2005, the Criminal Division had a cash balance of \$1,247,932. After accounting for the balance of cash bonds and the trust account, \$72,948 reflects the balance of fines, fees, and court costs being held by the Clerk. The Criminal Division had \$51,743 of these collections in December 2005. Therefore, there is \$21,205 of fines, fees, and court costs on hand that have not been remitted timely to the proper agencies. Since the Criminal cash book no longer computes cash balances for each receipt type, court officials currently do not know where to disburse the excess funds.

The county's and city's/town's share of court costs, any city/town fines, document fees, administrative fees, facsimile fees, document storage fees, late payment fees, probation fees, credit card service fees, user fees or other items shall be remitted to the city/town fiscal officer on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

The semiannual "Report to State Auditor of Court Costs Collected in City/Town Court" states: "Due Dates: June 30th for fees collected through May 31st. December 31st for fees collected through November 30th." (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY CLERK
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

PAYROLL DEFICIENCIES

Employees of the Clerk's office received compensatory on-call time off based upon a policy that the Clerk established for her office. This policy has not been adopted by the City Council.

Indiana Code C 5-10-6-1(b) states: "Employees of the political subdivisions of the state may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by ordinance of the legislative body of a county, city, town, township, or controlling board of a municipally owned utility, board of directors or regents of a cemetery, or board of trustees of any library district."

CITY CLERK
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Suzette Raggs, City Clerk; Barbara Cox, Chief Deputy; and Patricia Plummer, Fiscal Manager. The official response has been made a part of this report and may be found on pages 10 through 14.



Criminal Division
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Gary, Indiana 46402
(219) 881-1263
Fax (219) 881-1182

Gary City Clerk
Suzette Raggs

Civil Division
555 Polk Street
Gary, Indiana 46402
(219) 881-1354
Fax (219) 881-1439

October 25, 2006

Mr. Bruce Hartman
State Examiner
State Board of Accounts
302 W. Washington Street, Room B418
Indianapolis, Indiana 46204-2765

RE: Official Response to 2005 Audit Findings and Comments

Dear Mr. Hartman:

This correspondence is in response to the receipt of the 2005 findings and comments from the *State Board of Accounts* regarding its audit of the Criminal and Civil Divisions of the Gary City Clerk's Office for the period of January 1, 2005 to December 31, 2005.

The goal of the Gary City Clerk's Office is to implement a more efficient and professional work environment through organization, proficient use of technology and good customer service. We continued to make tremendously notable strides in 2005 with procedures, policies, and staff development in the midst of lingering challenges. It is our commitment to provide quality service to the citizens of our community and to those who must conduct business with us from other areas, and I am confident of our ability to progress accordingly.

On October 11, 2006, *State Board of Accounts'* representatives met with me, the Chief Deputy Clerk, and Fiscal Manager to discuss the contents of their report and the following responses are hereby submitted.

ACCUMULATED VACATION PAID

(Response)

In 2004, the *State Board of Accounts* noted that employees of the Gary City Clerk's Office were allowed to carry over vacation in an amount greater than one year's vacation time. Some employees had already accumulated weeks of vacation time prior to the beginning of my tenure in January, 2003 as the Gary City Clerk. However, I also

admitted to having many weeks of vacation time not taken during the more than seven years I served as the City of Gary's Deputy Mayor.

During the exit audit with the State Board of Accounts' representatives, two options were discussed as a means for compliance, which included possible payout or changing of the carry over allowances.

In an honest effort to pursue compliance before the year's end of 2005 and in accordance with procedure, I submitted a request to Mrs. Shirley Walls, Director for the City of Gary's Human Resources Department authorizing that the employees specified on an enclosed listing be paid for the vacation time accrued prior to January 1, 2005. Copies of this request were also sent to Mr. Husain Mahmoud, Director of Finance and Mrs. M. Celita Green, Deputy Director of Finance. Within a week, I received correspondence from Mrs. Walls requiring additional information and upon receipt of such, would review and follow up with us. We provided the documentation as requested and received checks. The request was not an out-of-the-ordinary one inasmuch as vacation time had been paid prior to employees of various city departments and/or entities.

We contend that the approval to receive said checks was granted through the Finance Department and the funds were made available through my budget. We remain prayerful and confident that this matter will receive the necessary resolution through continued communication with the administration and the Gary Common Council.

The *State Board of Accounts* noted that the Clerk had used ten days of vacation in 2004 but that the ten days were not deducted from the service record. Clearly, that was an oversight by our timekeeper and the days will be appropriately deducted from future time.

MEAL REIMBURSEMENT
(Response)

State Board of Accounts noted that local meals paid through credit card transactions must have written documentation attached to the claim outlining the nature of the business that precipitated the need for the meal, and we will comply accordingly.

OLD OUTSTANDING CHECKS

(Response)

State Board of Accounts noted that the bank reconcilements as of December 31, 2005 contained checks outstanding in excess of two years, totaling \$1,948 and was noted in the prior audit. All outstanding checks prior to 2005 were reversed out of the April, 2005 bank reconciliation and re-entered in the Trust Account in April, 2006. We are in the process of remitting those outstanding monies to the Attorney General.

TRUST BOOK AND CASH BOND BOOK

(Response)

State Board of Accounts noted that the reconcilements of the detail of the trust register and the detail of the cash bond book to the balances shown in the criminal division cash book were not presented for audit. It is my understanding from staff that everything was presented from our office as requested by state board. However, two computerized spreadsheets in Micro-Soft Excel have been created to duplicate the manual bond register. These spreadsheets reflect all cash bonds paid in for 2005 and 2006 as well as all disbursements in association with the corresponding cash bonds. There are separate spreadsheets for 2005 and 2006. The end result of the formulated spreadsheet is to have each cash bond net to zero. All fees deducted from bonds are represented by their dollar amounts, date written, check number and department paid. The actual cash bond disbursements are represented the same way. The spreadsheets take the place of the manual ledger and will be used as a reconciling tool with the cash book.

Separate spreadsheets are being created to reflect the manual trust register. This spreadsheet register will encompass all detail of any monies put into trust and then disbursed. This spreadsheet will also be used as a reconciling tool with the cash book.

CASH BONDS AND TRUST ITEMS

(Response)

State Board of Accounts noted that the Criminal Division is holding cash bonds as far back as 1990. While we have made tremendously notable strides within the Gary City Clerk's Office since the beginning of my tenure in January, 2003, much still remains to be done. While it is an arduous task to identify, review, assess, and disburse where appropriate cash bonds as far back as 1990, work has begun with the organizing and

identification. In the months ahead, we should be in a much better position to show significant movement and progress.

PRESCRIBED FORMS

(Response)

State Board of Accounts noted that in 2005, the Clerk's Criminal Division implemented computerized versions of the City/Town Court Cash Book (Form 213CT) and Register of Trust Funds (General Form No. 102). Even though we had an unprecedented turnover of fiscal managers during this year, our current fiscal manager has now concentrated on formatting the cash book to accommodate the columns and headings necessary to report and pay the correct fees to the appropriate agencies.

The computerized cash book has been modified to display ending cash balances and any recommendations for improvements for prescribed forms will be requested through the established procedure.

INTERNAL CONTROLS

(Response)

State Board of Accounts noted that an unidentified excess cash balance of \$9,592.36 exists in the clerk's civil cash book at December 31, 2005. The amount of \$6,394.89 was identified and remitted to the Attorney General's Office in January, 2006. The balance of approximately \$2,000.00 cannot be traced during the fifteen year period in the Civil Division. However, according to *State Board of Accounts*, this amount may remain a constant, and any subsequent entries should reverse themselves as receipts are taken in and disbursements made.

FEE COLLECTION AND REMITTANCE

(Response)

State Board of Accounts noted that the court fees increased on July 1, 2005 and the City Clerk did not start collecting the increased fees until September 20, 2005. The Civil Division did not remit the correct amount of fees to the state and to the City of Gary, starting July, 2005. The Criminal Division had fines, fees, and courts on hand that had not been remitted to the proper agencies. The turnover of fiscal managers during this

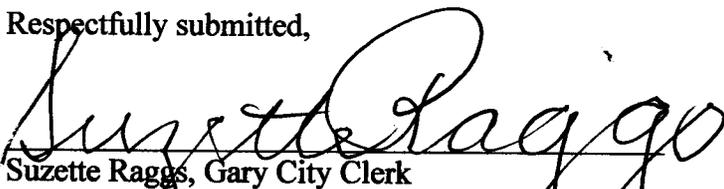
period contributed greatly to the aforementioned problems. Currently, all issues regarding the payment of fees have been rectified and the appropriate government offices paid.

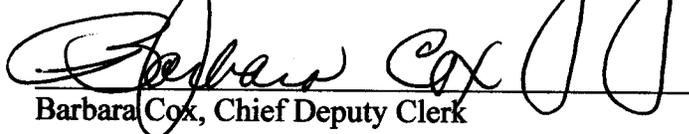
PAYROLL DEFICIENCIES

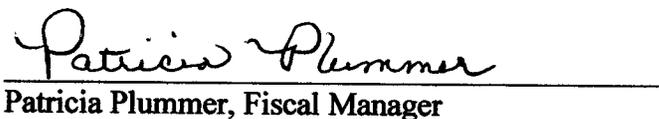
(Response)

State Board of Accounts noted that employees of the Clerk's Office received compensatory on call time off based upon a policy established for the office and the policy needs to be adopted by the City Council. We have been working with the administration and it is expected to be included in the personnel manual upon presentation to the council.

Respectfully submitted,


Suzette Raggs, Gary City Clerk


Barbara Cox, Chief Deputy Clerk


Patricia Plummer, Fiscal Manager