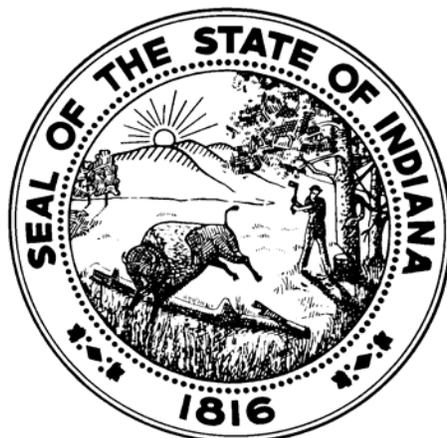


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

OFFICE OF THE MAYOR
CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

01/24/2007

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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
Controller	Husain G. Muhmoud	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 THE CITY OF GARY

We have audited the records of the Office of the Mayor 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 the City of Gary for the year 2005.

STATE BOARD OF ACCOUNTS

October 11, 2006

OFFICE OF THE MAYOR
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, the former Mayor Scott L. King was paid for accumulated vacation time totaling \$7,377.92.

The former Mayor did not resign his office until March 24, 2006.

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 payment for accumulated vacation time, was passed by the Gary Common Council on December 4, 2006.

MAYOR'S TRAVEL EXPENDITURES

The former Mayor had various expenses included on the credit card statement that were not city related expenses. These expenses totaled to \$9,048.94, and included airline tickets for the Mayor's wife and an American Airlines Admirals Club membership fee.

Scott L. King, former Mayor, was requested to reimburse the General Fund \$9,048.94 for the mayor's travel expenses. On August 28, 2006, Scott L. King paid \$1,735.39 to the City of Gary for a portion of these expenses (See Summary, page 9)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICE OF THE MAYOR
CITY OF GARY
AUDIT RESULTS AND COMMENTS
(Continued)

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

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should 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, etc.
- (6) Credit cards should 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 board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should 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 should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICE OF THE MAYOR
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Scott L. King, former Mayor. The official response has been made a part of this report and may be found on pages 7 and 8.



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October 17, 2006

Mr. Bruce Hartman, State Examiner
State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

RE: RESPONSE TO EXIT INTERVIEW

Dear Mr. Hartman:

At the direction of State Board of Accounts personnel that conducted the October 11, 2006 exit interview with me, I submit this letter as my formal response thereto.

TRAVEL EXPENDITURES

On August 23, 2006 I remitted payment of \$1,735.39 to the City of Gary for two (2) plane tickets for trips my wife accompanied me on and payment of an assessment by the American Airlines Admiral Club. (Copies of that check and the receipt form by the City are enclosed). The remaining item is the charged expense to the City of my wife's air travel to/from China on a trip that I was delegated by the U.S. Conference of Mayors to attend as a representative. Based upon prior travel under similar circumstances to South Africa, I assumed that the travel for my wife would not be billed to the City but would be paid by the Conference. In fact, I was unaware until late August of this year that the City had been so billed and advised that I would communicate with the Conference regarding this issue. As of the date above, I am awaiting their response. If they do not reimburse, I will and will proceed with dialogue with their office.

UNUSED VACATION PAY

The issue appears to be that the City policy historically is to not pay unused vacation time. However, during my tenure as Mayor, I recall a number of instances where that policy was waived including circumstances with members of my immediate staff where they, because of the demands of their position, could not take their accumulated time within the period allowed without causing a hardship on the conduct of the City's business. That is the circumstance here. During my more than ten (10) year tenure as Mayor, there was only one year where I was able to take a two week vacation. I am of the view that my communication with the Controller and Chief of Staff constituted a

Mr. Hartman
October 17, 2006
Page 2

valid waiver of the general policy; that the compensation was earned and, therefore, I am not obliged to repay the amount claimed.

CREDIT CARD EXPENSES

Two events, September 3, 2005 and November 5, 2005 were raised. Since my meeting of October 11, 2005, I have retrieved my calendars from storage and reviewed same. On September 3, 2005 I hosted a dinner meeting of two developers; our Washington D.C. office and others to discuss strategy regarding several initiatives in the City. On November 5, 2005, I hosted a reception for the national touring group of a fashion show that performed in the Genesis Center that night and is an annual draw to the City. I believe that both events were appropriate expenditures and, thus, should not be reimbursed.

Please feel free to contact me if you require any additional information.

Yours truly,

A handwritten signature in black ink, appearing to read "Scott King", is written over a large, loopy scribble.

Scott King

Enc.

OFFICE OF THE MAYOR
CITY OF GARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Scott L. King, former Mayor:			
Mayor's Travel Expenditures, pages 4-5	\$ 9,048.94	\$	\$
Repaid by Scott L. King:			
August 28, 2006, Receipt 182782	<u> </u>	<u>1,735.39</u>	<u>7,313.55</u>
Totals	<u>\$ 9,048.94</u>	<u>\$ 1,735.39</u>	<u>\$ 7,313.55</u>

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