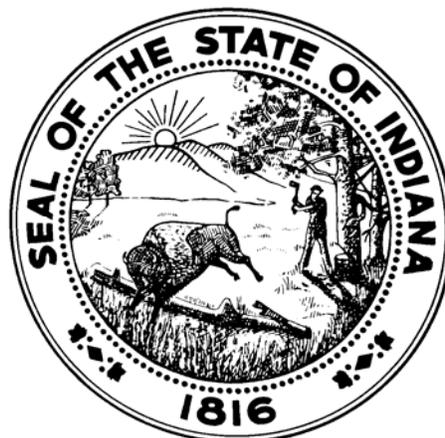


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

POLICE DEPARTMENT
CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
07/30/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
City Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Handgun Receipts	4
Police Department Receipts and Fees	4
Petty Cash Fund	4
Crime Policy – Employee Dishonesty	5
Exit Conference	6
Summary	7

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief of Police	Angelo Machuca, Jr.	01-01-06 to 12-31-07
Mayor	George Pabey	12-29-04 to 12-31-07
City Controller	Charles Pacurar	01-01-06 to 12-31-07
President of the Common Council	Richard Medina	01-01-06 to 12-31-07
President of the Board of Public Works	Charles Pacurar	01-01-06 to 12-31-07



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TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO

We have audited the records of the Police Department for the period from January 1, 2006 to December 31, 2006, 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 East Chicago for the year 2006.

STATE BOARD OF ACCOUNTS

May 30, 2007

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

HANDGUN RECEIPTS

One hundred percent (100%) of the handgun permit receipts tested lacked the date payment was received. Therefore, the timeliness of the deposit could not be verified.

Officials did not maintain the carbon copy of gun permit receipts in the receipt books. The carbon copies are filed with the gun permits. Six out of forty-five or 13% of gun permit receipts tested were not located for audit.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

POLICE DEPARTMENT RECEIPTS AND FEES

As stated in the prior two reports, receipts for accident reports, tow releases, and arrest reports were deposited between 8 to 15 days after their receipt.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

PETTY CASH FUND

The Petty Cash Fund disbursements did not have supporting documentation for transactions totaling \$63.39. We also noted Petty Cash Funds were used for the purchases of alcoholic beverages totaling \$622.37. The undocumented disbursements and the alcohol purchases totaled \$685.76.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

On May 30, 2007, we requested Angelo Machuca, Jr., Chief of Police, to reimburse the General Fund \$685.76 for undocumented expenses and alcohol purchases. On May 31, 2007, Angelo Machuca, Jr., repaid \$685.76 to the City's General Fund. (See Summary, page 7)

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

CRIME POLICY - EMPLOYEE DISHONESTY

The City does not have employee dishonesty insurance coverage for employees that handle money in the Police Department. Officials indicated that in years past the City had official bonds for numerous employees. However, in the past two years, the list was shortened substantially and the positions mentioned in this comment were omitted. A blanket bond or a crime insurance policy covering all employees was not purchased.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, . . . officers and employees shall file an individual surety bond: (1) City judges, controllers, clerks, and clerk-treasurers. . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county.

(b) The fiscal body of a city, . . . may by ordinance, authorize the purchase of a blanket bond or a crime insurance policy . . . to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit including those officers described in subsection (a).

(c) The fiscal bodies of the respective units shall fix the amounts of the bond of city controllers, city clerk- treasurers, . . . Barrett Law fund custodians, . . . as follows:

- (1) The amount must be equal fifteen thousand dollars (\$15,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000). . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than eight thousand five hundred dollars (\$8,500) . . ."

Indiana Code 5-4-1-19 states:

"The bonds prescribed by IC 5-4-1-18 cover the faithful performance of the duties of the officer or employee, including the duty to comply with IC 35-44-1-2 and the duty to account properly for all monies and property received by virtue of his position or employment."

NOTE: All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on May 30, 2007, with Angelo Machuca, Jr., Chief of Police; Charles Pacurar, Controller; Michael D. Bork, Sergeant; Hector Rivera, Sergeant; Richard Suchanuk, Lieutenant; and Siennie Gomez, Police Department Secretary.

POLICE DEPARTMENT
CITY OF EAST CHICAGO
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Angelo Machuca, Jr., Chief of Police: Petty Cash Fund, page 4	\$ 685.76	\$	\$
Paid by Angelo Machuca, Jr., May 31, 2007, receipt 227086	<u>-</u>	<u>685.76</u>	<u>-</u>
Totals	<u>\$ 685.76</u>	<u>\$ 685.76</u>	<u>\$ -</u>