

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

AUDIT REPORT
OF

CITY CONTROLLER
CITY OF EAST CHICAGO,
LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
11/28/2007

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Charles Pacurar	01-01-06 to 12-31-07
Mayor	George Pabey	12-29-04 to 12-31-07
President of the City 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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO

We have audited the records of the City Controller 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

June 21, 2007

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

PENALTIES AND INTEREST

The prior report indicated that the City paid penalties and interest to the Indiana Department of Revenue for the late payment of Indiana sales taxes. The City Controller reimbursed the City \$701.49 for these penalties and interest. The City Controller is responsible for signing checks and sales tax forms.

On April 24, 2006, the City Controller paid \$10,276.84 in penalty and interest for the late payment of February 2006 Indiana withholding tax. The payroll withholding taxes for February 2006 were due on March 20, 2006. The Deputy Controller presented documentation that she telephoned in the electronic funds transfer (EFT) on Friday March 17, 2006. The wire transfer was drafted out of the City's bank account on Tuesday March 21, 2006. The State assessed a 10% penalty of \$10,184.12 on the late payment and interest of \$92.72. The officials have not written to the State of Indiana to protest (abate) the assessment. Officials indicated that the State was holding the release of other State distributions through the Auditor of State's office until the penalty and interest was paid or a written protest was resolved. The officials decided to pay the penalty so as to not delay the receiving of State funds. A refund of \$10,276.84 was subsequently received by the City from the Indiana Department of Revenue.

The Port Authority paid penalties and interest to the Indiana Department of Revenue totaling \$123.63 on the December 2004 sales taxes and \$58.48 on the 2005 underground storage gas tank fee. The penalties and interest were incurred for incorrect calculation of the amount due and late payment of the amount due. We requested the City Controller reimburse the Port Authority \$182.11 for the sales tax and underground storage gas tank penalty and interest payments. (See Summary, page 7)

The Water Utility paid penalties and interest to the Indiana Department of Revenue totaling \$113.17 on the March 2005 sales taxes and \$1,465.55 on the March 2006 sales taxes. The penalties and interest were incurred for incorrect calculation of the amount due and late payment of the amount due. We requested the City Controller reimburse the Water Utility \$1,578.72 for the sales tax penalty and interest payments. (See Summary, page 7)

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 governmental 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 governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The City has Official Bonds for the Controller and Deputy Controller. The Controller has a \$300,000 Bond from Ohio Casualty Insurance Company, Bond 3-807-387, covering January 1, 2006 to December 31, 2006. The Deputy Controller is covered by a \$15,000 Public Employees Position Schedule Bond, Bond 3-807-414, for the period January 1, 2006 to January 1, 2007.

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2007, with George Pabey, Mayor; Charles Pacurar, City Controller; Richard Medina, President of the City Council; Kim Anderson, Deputy Controller; Alicia Aceves, Senior Accountant; and James Bennett, Financial Advisor. The official response has been made a part of this report and may be found on page 6.

**City Controller
Audit Responses
For the Year Ended December 31, 2006**

Penalties and Interest

The City Controller is appealing these penalties and interest to the Indiana Department of Revenue.

CITY CONTROLLER
CITY OF EAST CHICAGO
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles Pacurar, City Controller: Penalties and Interest, page 4	\$ 1,760.83	\$	\$
Paid by Charles Pacurar, City Controller: October 30, 2007, Receipt 279176	<u> </u>	182.11	<u> </u> -
Totals	<u>\$ 1,760.83</u>	<u>\$ 182.11</u>	<u>\$ 1,578.72</u>

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AFFIDAVIT

STATE OF INDIANA)
Lake COUNTY)

We, Jane E. Elder and Barbara A. Williams, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the City Controller, City of East Chicago, Lake County, Indiana, for the period from January 1, 2006 to December 31, 2006, is true and correct to the best of our knowledge and belief.

Jane E. Elder

Barbara A. Williams
Field Examiners

Subscribed and sworn to before me this 2 day of August, 2007.

Stella McDaniels
Notary Public

My Commission Expires: 2-28-2015
County of Residence: LAKE

