

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

SUPPLEMENTAL REVIEW  
OF

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
LAKE COUNTY, INDIANA

January 1, 2008 to December 31, 2010



**FILED**  
04/13/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Manuel Montalvo	01-01-08 to 12-31-10
Treasurer of the Board	Chasidy Gomez	01-01-08 to 12-31-10
President of the Board	Clifton Johnson	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF EAST CHICAGO PUBLIC LIBRARY

We have examined the records of the East Chicago Public Library for the period from January 1, 2008 to December 31, 2010. We specifically examined the records relating to the benefits paid by the Library on behalf of the Library Board and certify that the records are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of the East Chicago Library for the period ended December 31, 2009.

STATE BOARD OF ACCOUNTS

March 16, 2011

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
EXAMINATION RESULT AND COMMENT

INTRODUCTION

The State Board of Accounts previously released an examination report for the East Chicago Public Library for the period ended December 31, 2009 (Report B38429). Included in that report was an Examination Result and Comment relating to benefits paid by the Library on behalf of the Library Board members. Our report was reviewed by the Indiana Attorney General's office and certain officials of the Indiana State Library. It was determined that the benefits paid by the Library on behalf of the Board members were not in compliance with laws and regulations as permitted by State statutes governing Libraries. Therefore, we have issued this report which includes, in detail, the amounts paid by the Library for health and life insurance benefits for members of the Library Board for the past 3 years.

BOARD MEMBER COMPENSATION

Health, Dental, and Vision Insurance

As stated in prior reports, the Library Board approved the payment of health, dental, and vision insurance premiums for Board members. Most of the members of the Board are receiving this "compensation," which includes family coverage. The Board members do not contribute toward the cost of the insurance and this fringe benefit is not included on a Miscellaneous Income Statement, Federal Form 1099.

Following is a schedule of premiums paid by the Library for Board members dental, health and vision insurance plans:

	2008 Premiums			Total
	Dental	Health	Vision	
Marco Arredondo	\$ 446.28	\$ 7,905.00	\$ 107.64	\$ 8,458.92
Chasidy Gomez	986.28	14,545.20	166.92	15,698.40
Clifton Johnson	1,294.20	17,153.88	231.48	18,679.56
Gary McCracken	446.28	7,905.00	107.64	8,458.92
Aldofo Velez	446.28	7,905.00	107.64	8,458.92
Totals	\$ 3,619.32	\$ 55,414.08	\$ 721.32	\$ 59,754.72

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
EXAMINATION RESULT AND COMMENT  
(Continued)

	2009 Premiums			
	Dental	Health	Vision	Total
Marco Arredondo	\$ 223.14	\$ 3,952.50	\$ 53.82	\$ 4,229.46
Hector Cavazos	358.14	5,968.29	76.98	6,403.41
Chasidy Gomez	986.28	14,545.20	166.92	15,698.40
Clifton Johnson	1,294.20	17,153.88	231.48	18,679.56
Gary McCracken	446.28	7,905.00	107.64	8,458.92
Aldofo Velez	446.28	7,905.00	107.64	8,458.92
Totals	<u>\$ 3,754.32</u>	<u>\$ 57,429.87</u>	<u>\$ 744.48</u>	<u>\$ 61,928.67</u>

	2010 Premiums			
	Dental	Health	Vision	Total
Hector Cavazos	\$ 1,346.26	\$ 19,670.54	\$ 254.32	\$ 21,271.12
Ricardo Garcia	134.80	5,195.90	74.70	5,405.40
Chasidy Gomez	950.18	11,361.20	156.12	12,467.50
Clifton Johnson	837.70	13,770.48	164.38	14,772.56
Gary McCracken	374.68	6,513.40	92.64	6,980.72
Aldofo Velez	939.72	12,810.88	182.45	13,933.05
Totals	<u>\$ 4,583.34</u>	<u>\$ 69,322.40</u>	<u>\$ 924.61</u>	<u>\$ 74,830.35</u>

Summary of Health, Dental and Vision Premiums by Year:

	2008 Total	2009 Total	2010 Total	Three Year Totals
Board member:				
Marco Arredondo	\$ 8,458.92	\$ 4,229.46	\$ -	\$ 12,688.38
Hector Cavazos	-	6,403.41	21,271.12	27,674.53
Ricardo Garcia	-	-	5,405.40	5,405.40
Chasidy Gomez	15,698.40	15,698.40	12,467.50	43,864.30
Clifton Johnson	18,679.56	18,679.56	14,772.56	52,131.68
Gary McCracken	8,458.92	8,458.92	6,980.72	23,898.56
Aldofo Velez	8,458.92	8,458.92	13,933.05	30,850.89
Totals	<u>\$ 59,754.72</u>	<u>\$ 61,928.67</u>	<u>\$ 74,830.35</u>	<u>\$ 196,513.74</u>

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
EXAMINATION RESULT AND COMMENT  
(Continued)

The Library also pays for life insurance for the board members. This is included on a Federal Wage and Tax Statement, Form W-2 as a fringe benefit.

Following is a schedule of the premiums paid by the Library for life insurance policies for the board members:

	2008 <u>Total</u>	2009 <u>Total</u>	2010 <u>Total</u>	Three Year <u>Totals</u>
Board member:				
Marco Arredondo	\$ 331.80	\$ 133.20	\$ -	\$ 465.00
Diana Garcia-Burns	331.80	266.40	44.40	642.60
Hector Cavazos	-	66.60	224.40	291.00
Ricardo Garcia	-	-	180.00	180.00
Chasidy Gomez	331.80	266.40	224.40	822.60
Clifton Johnson	215.76	173.28	115.54	504.58
Gary McCracken	324.04	173.28	208.88	706.20
Aldofo Velez	331.80	266.40	224.40	822.60
	<u>331.80</u>	<u>266.40</u>	<u>224.40</u>	<u>822.60</u>
Totals	<u>\$ 1,867.00</u>	<u>\$ 1,345.56</u>	<u>\$ 1,222.02</u>	<u>\$ 4,434.58</u>

We requested repayment of health, dental, vision and life insurance premiums from board members as follows:

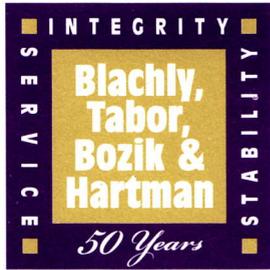
	Health, Dental, and Vision	Life Insurance	Total
Board member:			
Marco Arredondo	\$ 12,688.38	\$ 465.00	\$ 13,153.38
Diana Garcia-Burns	-	642.60	642.60
Hector Cavazos	27,674.53	291.00	27,965.53
Ricardo Garcia	5,405.40	180.00	5,585.40
Chasidy Gomez	43,864.30	822.60	44,686.90
Clifton Johnson	52,131.68	504.58	52,636.26
Gary McCracken	23,898.56	706.20	24,604.76
Aldofo Velez	30,850.89	822.60	31,673.49
	<u>30,850.89</u>	<u>822.60</u>	<u>31,673.49</u>
Totals	<u>\$ 196,513.74</u>	<u>\$ 4,434.58</u>	<u>\$ 200,948.32</u>

IC 36-12-2-21 states: "A member of a library board shall serve without compensation. A board member may not serve as a paid employee of the public library, except the treasurer as provided in section 22 of this chapter."

We requested the above individuals reimburse the Library in the amounts specified for compensation they were not entitled to. Subsequent to our request, Marco Arredondo and Ricardo Garcia executed installment promissory notes with the Indiana Attorney General's Office for repayment of amounts owed.

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
EXIT CONFERENCE

The contents of this report were conveyed to the Library Board members by a letter dated March 17, 2011. The official responses have been made a part of this report and may be found on pages 8 through 15.



**BLACHLY, TABOR, BOZIK & HARTMAN, LLC**

March 29, 2011

**Via Facsimile (317-232-4711) and  
Certified Mail - Return Receipt  
#7011 0110 0000 1757 4472**

David L. Hollenbeck  
Thomas F. Macke  
Randall J. Zromkoski  
Craig R. Van Schouwen  
Patrick Lyp  
Jeffrey S. Wrage

STATE BOARD OF ACCOUNTS  
ATTN: Mr. Michael H. Bozyski, CPA  
302 West Washington Street, Room E418  
Indianapolis, IN 46204

**RE: Hector Cavazos, 4201 Ivy Street, East Chicago, Indiana 46312**

Tracey S. Wetzstein  
Ethan S. Lowe  
Jason M. Denny  
Scott R. Bozik

Dear Mr. Bozyski:

**OF COUNSEL**

James S. Bozik  
Duane W. Hartman  
Kingsley G. Regnier

Please be advised that my law firm has been retained by Hector Cavazos concerning all matters related to the State Board of Accounts audit of the East Chicago Public Library. I would respectfully request that you forward all future correspondence concerning this matter to me.

Quentin A. Blachly  
(1934-1997)

Glenn J. Tabor  
(Retired)

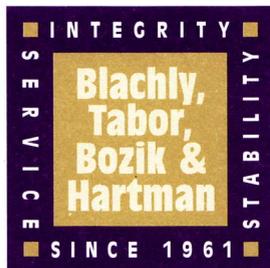
This correspondence is intended to serve as Mr. Cavazos' formal response to your letter dated March 17, 2011 entitled "Notice of Result of Examination." Initially, it should be noted that your March 17<sup>th</sup> letter indicates that the period covered was from January 1, 2008, to December 31, 2009. Be advised that Mr. Cavazos was not appointed to the East Chicago Public Library Board until July 13, 2009, and was not administered his oath of office until August 24, 2009. For your convenience, I have attached Mr. Cavazos' Certificate of Appointment to this letter confirming these dates. In addition, Mr. Cavazos did not begin receiving insurance benefits until approximately October 2009. Accordingly, I would request that you revise your records to reflect these dates. Once your records have been revised this should substantially reduce the amount of benefits that the State Board of Accounts claims Mr. Cavazos' received during this time period. To the extent that your letter includes benefits alleged to have been received by Mr. Cavazos after this time period, I would appreciate if you could contact me and confirm same.

Prior to discussing the specifics of your letter dated March 17, 2011, I believe it would be beneficial to provide you with a general background on Mr. Cavazos and his experiences on the Library Board. Mr. Cavazos is a small business owner that operates an office for American Family Insurance in East Chicago. Mr. Cavazos has operated his business for the last ten (10) years. In July 2009, Mr. Cavazos was asked by Richard Medina, the East Chicago City Council President, to serve on the Library Board. Initially, Mr. Cavazos was reluctant to accept this appoint to the Board given the fact that he had not previously served on similar Boards/Commissions. However, after some careful consideration, Mr. Cavazos accepted the appointment to the Library Board.

56 South Washington, Suite 401  
Valparaiso, IN 46383  
219.464.1041 phone  
219.464.0927 Fax

Merrillville Office  
219.738.2824

Fort Wayne Office  
260.459.3288



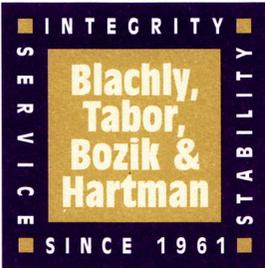
## **BLACHLY, TABOR, BOZIK & HARTMAN, LLC**

State Board of Accts  
March 29, 2011  
Page Two

Upon accepting his appointment to the Board, Mr. Cavazos met with the former director of the Library, Manuel Montalvo, to discuss the Board and receive an orientation to the Library. During this meeting Mr. Montalvo informed Mr. Cavazos that all members of the Library Board were eligible to receive health, vision, dental and life insurance benefits for themselves and their families. At no point in time during this conversation did Mr. Montalvo indicate to Mr. Cavazos that the State Board of Accounts had previously contested the Board's ability to receive these benefits. At the time of this meeting, Mr. Cavazos and his family were being insured through his employer. Subsequent to this meeting, Mr. Cavazos elected to switch insurance carriers in order to receive the benefits afforded to Library Board members. To the best of his knowledge, Mr. Cavazos originally began being covered by the Library's insurance in October 2009. Had Mr. Cavazos been properly advised at this time that the State Board of Accounts was contesting the Board's ability to receive these insurance benefits, Mr. Cavazos would have declined same and continued to be insured by his employer.

At no point in time was Mr. Cavazos made aware that any issues existed related to these insurance benefits until November 2010 when the State Board of Accounts recent audit of the Library was made public. As you are aware, the State Board of Accounts' Examination Report of the Library consists of approximately Thirty-Three (33) pages and alleges a number of issues related to the compensation/reimbursement paid the former Library Director, Manuel Montalvo. Subsequent to the disclosure of the audit, Mr. Cavazos was informed that the State Board of Accounts had originally raised issues with these insurance benefits dating back to 2006. In addition, following the disclosure of the audit, Mr. Cavazos was informed that that the Library Board's attorney had been aware of the issues and taken the position that the Board's receipt of these benefits was not illegal and/or improper. Attached for your review, please find a copy of an article from the Times newspaper wherein the Board's attorney indicates that the State Board of Accounts position on these benefits is "squishy" and that the Board's receipt of same is not necessarily illegal.

On February 9, 2011, Mr. Cavazos was informed by the Library's director that his original appointment to the Board was improper and that, therefore, his position was being vacated. A copy of Mr. Montalvo's February 9, 2011, letter is attached. It is believed that Mr. Cavazos was removed from the Board due to his desire to address the problems identified in the audit rather than maintain the status quo. As you can see from Mr. Montalvo's February 9<sup>th</sup> letter, Mr. Cavazos' insurance benefits were terminated effective February 9, 2011, and February 28, 2011.



## BLACHLY, TABOR, BOZIK & HARTMAN, LLC

State Board of Accts  
March 29, 2011  
Page Three

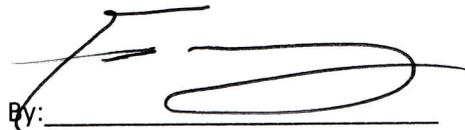
On March 9, 2011, Mr. Cavazos was re-appointed to the Library Board by the new Mayor of East Chicago, Anthony Copeland. A copy of Mr. Cavazos' most recent Certificate of Appointment is also attached to this letter for your review. Mr. Cavazos accepted this re-appointment to the Board in order to continue addressing the issues with the Board and Library. In being re-appointed to the Board, Mr. Cavazos has elected against continuing to receive the insurance benefits offered to Library Board members. Attached is a copy of an email from the Library's Human Resource Director, Espie Kolodziej, confirming that Mr. Cavazos is no longer receiving these benefits. It should also be noted that Mr. Cavazos and his family are currently uninsured as a result of his decision to decline these benefits. In speaking with Mr. Cavazos it is my understanding that his employer's insurance program is currently closed so that he and his family are prevented from re-enrolling at this time.

Despite the foregoing, Mr. Cavazos understands the State Board of Accounts' position on these benefits and willing to attempt to negotiate a settlement whereby said issues can be resolved. That said, in order so that Mr. Cavazos can better understand the State Board of Accounts demand for reimbursement, I would appreciate if you could provide me with a detailed explanation of the calculation that you used in determining that the total value of these benefits totaled Twenty-Seven Thousand Nine Hundred Sixty-Five Dollars and Fifty-Three Cents (\$27,965.53). Upon my receipt of this calculation I will review same with my client and provide you with a further response.

Both Mr. Cavazos and I look forward to receiving and reviewing your response to this letter. To the extent that you believe it would be beneficial, Mr. Cavazos is agreeable to meeting in person and/or participating in a telephonic conference to further discuss these issues.

If you have any questions or would like to discuss this matter further, please feel to contact me.

Very truly yours,  
BLACHLY, TABOR, BOZIK & HARTMAN

By: 

Ethan S. Lowe

ESL/jlg  
Enclosures  
cc: Client



## Murphy Law Firm

Attorneys at Law  
6939 Kennedy Avenue  
Hammond, Indiana 46323  
(219) 844-3025  
FAX: (219) 844-3400

Florida Office:  
1605 W. Richardson Place  
Tampa, Florida 33606  
(813) 250-9833  
Fax: (813) 250-9034

Lester F. Murphy, Sr. (1899-1973)

J. Justin Murphy

Of Counsel:

Lester F. Murphy

April 8, 2011

Mr. Paul Joyce, CPA  
Indiana State Board of Accounts  
Deputy State Examiner  
302 West Washington Street  
Room E-418  
Indianapolis, Indiana 46204-2765

RE: Office Examined: East Chicago Public Library  
Period Covered: January 1, 2008 to December 31, 2009  
Amount Due Treasury: \$5,585.40  
On Account of: Board Member Compensation  
Our Client: Ricardo Garcia  
Our File No.: 15662

Dear Mr. Joyce:

I am writing on behalf of our client, Ricardo Garcia, to formally respond to the claim of indebtedness made by the State Board of Accounts reference the above-captioned matter.

During the period covered, Mr. Garcia served as a member of the East Chicago Library Board. During the course of service as a Board Member, Mr. Garcia received the health insurance premium payment benefits claimed upon the advice of the Library Board's legal counsel, Carmen Fernandez. Having retained independent legal counsel subsequent to receipt of notice of indebtedness, Mr. Garcia hereby offers to reimburse the fringe benefits provided in the amount claimed.

Mr. Garcia understands that the amount claimed beyond the period covered to the present date. Specifically, the amount claimed includes all health insurance premium payments made from May 1, 2009 to March 31, 2011. Enclosed, please find Mr. Garcia's draft, No. 182, in the amount of \$232.72 towards the claimed amount. Additionally enclosed, please find the properly executed Promissory Note setting forth payment of the remaining claimed amount in monthly installment payments.

Mr. Paul Joyce  
RE: Ricardo Garcia  
April 8, 2011  
Page 2

We are requesting the explanation herein be included in the public record of the audit. Further, we are requesting a copy of the finalized audit once the same has been made public.

Thank you for your attention to this correspondence.

Very truly yours,

**MURPHY LAW FIRM**

  
BY: J. JUSTIN MURPHY

JJM:cah

Enclosures: 1) Promissory Note  
2) Amortization Table  
3) Draft No. 182 in the amount of \$232.72

cc: Ricardo Garcia

March 28, 2011

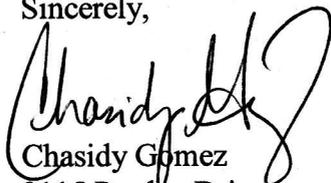
State Board of Accounts  
Att: Michael H Bozyski, CPA  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204-2765

RE: Notice of Result of Examination

Please be advised that during the period of January 1, 2008 to December 31, 2009, in which the State Board of Accounts performed an examination on the East Chicago Public Library, my position on the East Chicago Public Library Board was Treasurer.

According to IC 36-12-2-21, this would exempt me from the amount due to the Treasury, as stated on the report by the State Board of Accounts. Please see the enclosed attachment that supports my explanation.

Sincerely,

  
Chasidy Gomez  
2115 Purdue Drive  
East Chicago, IN 46312



# STATE OF INDIANA

Roberta L. Brooker, State Librarian

Mitchell E. Daniels, Jr.  
Governor

INDIANA STATE LIBRARY  
315 West Ohio Street  
Indianapolis, IN 46204  
Phone: (317) 232-3735  
Fax: (317) 232-0002  
TDD: (317) 232-7763

February 25, 2011

**Via Email and U.S. Mail**

Manual Montalvo, Director  
East Chicago Public Library Trustees  
East Chicago Public Library  
2401 East Columbus Drive  
East Chicago, IN 46312-2998

**RE: Insurance Benefits for Library Board Members**

Dear Mr. Montalvo and East Chicago Public Library Trustees:

It has been brought to the attention of the Indiana State Library (ISL) that the East Chicago Public Library (ECPL) is continuing to provide health insurance benefits to its board members despite being notified by the Indiana State Board of Accounts that this practice is inconsistent with Indiana state law.

IC 36-12-2-21 clearly states that, with the exception of the treasurer, library board members **shall serve without compensation**. Compensation includes health/dental/vision/life insurance benefits. To the extent that the ECPL board members are currently receiving some form of compensation for serving on the ECPL board, that compensation is in violation of Indiana law and must be immediately discontinued with regard to all board members with the possible exception of the treasurer.

The question whether or not library board positions can be considered "lucrative positions" has been posed recently by various people. According to Indiana law, the only library board position that could be a lucrative position is the Treasurer. The other board members are ineligible to receive any form of compensation and therefore the other library board positions are not lucrative.

An ISL representative will follow up with the ECPL at a later date to confirm that the ECPL has rectified this situation.

Regards,

Sylvia Watson  
General Counsel

CC: Roberta Brooker, ISL Director  
Jim Corridan, ISL Deputy Director  
Attorney Carmen Fernandez

\* IC 36-12-2-21 Compensation

Sec. 21. A member of a library board shall serve without compensation. A board member may not serve as a paid employee of the public library, except the treasurer as provided in section 22 of this chapter.  
As added by P.L.1-2005, SEC.49.

LAW OFFICE

**STEVEN A. KUROWSKI**

7803 W. 75TH AVENUE, SUITE 1  
SCHERERVILLE, IN 46375

PHONE 219-322-4100  
219-322-9377

FAX 219-322-5279

E-MAIL: [stevenkurowskilaw@comcast.net](mailto:stevenkurowskilaw@comcast.net)

March 30, 2011

Mr. Michael H. Bozymski, CPA  
Deputy State Examiner  
State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2765

RE: Clifton Johnson – East Chicago Public Library

Dear Mr. Bozymski:

This is to advise that I represent Clifton Johnson regarding the matters raised in your letter of March 17, 2011 making demand for the payment of \$52,636.26.

Please direct all future correspondence and communications concerning this matter to my attention.

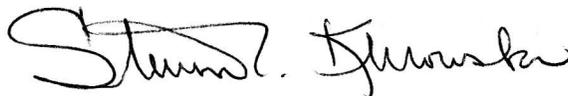
We must respectfully decline to honor your demand for repayment of this sum.

I am requesting on my client's behalf that the State Board of Accounts provide my office with a detailed account on which this demand for payment is based.

I look forward to receipt of the information requested.

If you require anything further from us at this time, please do not hesitate to contact my office.

Very truly yours,



Steven A. Kurowski  
Attorney at Law

SAK:dlv

EAST CHICAGO PUBLIC LIBRARY  
BOARD MEMBER COMPENSATION  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Board Member Compensation, pages 4 through 6:			
Diana Garcia-Burns, former Board member	\$ 642.60	\$ -	\$ 642.60
Hector Cavazos, former Board member	27,965.53	-	27,965.53
Chasidy Gomez, former Board member	44,686.90	-	44,686.90
Clifton Johnson, Board member	52,636.26	-	52,636.26
Gary McCracken, former Board member	24,604.76	-	24,604.76
Aldofo Velez, Board member	<u>31,673.49</u>	<u>-</u>	<u>31,673.49</u>
Totals	<u>\$ 182,209.54</u>	<u>\$ -</u>	<u>\$ 182,209.54</u>

AFFIDAVIT

STATE OF INDIANA )  
LAKE COUNTY )

I, Michelle M. Janosky, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the East Chicago Public Library, Lake County, Indiana, for the period from January 1, 2008 to December 31, 2010, is true and correct to the best of my knowledge and belief.

Michelle M. Janosky  
Field Examiner

Subscribed and sworn to before me this 7 day of April, 2011.

Carol J. Cody  
Notary Public

CAROL J. CODY  
Notary Public  
State of Indiana  
My Commission Expires Oct 11, 2014

My Commission Expires \_\_\_\_\_

County of Residence: LAKE