

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, 2010 to December 31, 2010



FILED
09/07/2011

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Charles Pacurar Kimberly Anderson (Interim)	01-01-10 to 06-10-11 06-11-11 to 12-31-11
Mayor	George Pabey Charles Pacurar (Interim) Anthony Copeland	01-01-08 to 09-24-10 09-25-10 to 10-15-10 10-16-10 to 12-31-11
President of the Common Council	Richard Medina Adrian Santos	01-01-10 to 12-31-10 01-01-11 to 12-31-11



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, 2010 to December 31, 2010, 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 2010.

STATE BOARD OF ACCOUNTS

July 21, 2011

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

LATE FEES AND FINANCE CHARGES

The City of East Chicago leases postage machines from a company known as Purchase Power. The machines are designed so that each City Department is issued a code that is to be entered prior to using the machine. These codes are used to track the usage of each department. The postage machines produce monthly reports to show how much postage was used by each department. Each month, Purchase Power sends the City an invoice detailing any charges for the month. The City Controller's office, in turn, bills the Departments based on their usage. The Health Department also leases one of these postage machines, so they receive monthly invoices from Purchase Power. The City and Health Department need to institute more effective controls to ensure the payment of postage claims are timely.

The City of East Chicago Controller's office paid late fees and finance charges totaling \$268.42 in 2010. These fees and finance charges were attributed to the late payment of invoices for postage and failure to pay the entire balance when due. We requested the former City Controller, Charles Pacurar, reimburse the City \$268.42 for the late fees and finance charges. (See Summary, page 8)

The City of East Chicago Health Department paid late fees and finance charges totaling \$400.43 in 2010. These fees and finance charges were attributed to the late payment of invoices for postage and failure to pay the entire balance when due. We requested the former City Controller, Charles Pacurar, reimburse the City \$400.43 for the late fees and finance charges. (See Summary, page 8)

The former City Controller asked the employees who prepared the accounts payable vouchers for the City Controller's office and the Health Department to sign promissory notes to repay these amounts to the City. Elsie Arcuri, Accounts Payable Clerk, signed a promissory note on July 15, 2011, where \$20.00 payroll deductions will begin on July 22 2011, until the \$268.42 is fully repaid. Dr. Paula Benchik-Abrinko, Health Officer, repaid the City of East Chicago \$443.43 on July 18, 2011, for the \$400.43 in late fees and finance charges at the Health Department. This payment was posted to the records as receipt number 833680 on July 18, 2011. The City is processing a refund to Dr. Paula Benchik-Abrinko for her \$43.00 overpayment.

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)

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Port Authority)

In August and October 2010, the East Chicago Marina paid penalties, interest, and other charges totaling \$649.91 to the Indiana Department of Revenue for the inaccurate calculation of the metered pump sales and use tax for April and May 2010 and for the untimely filing of the July 2010 metered pump sales and use tax and restaurant sales tax collected.

We requested Charles Pacurar, former City Controller, reimburse the Port Authority \$649.91 for the pump sales and use tax and sales tax penalty and interest. (See Summary, page 8)

The former City Controller asked Rosa Amaro, the employee who prepared the sales and use tax forms and related accounts payable vouchers for the Port Authority, to sign a promissory note to repay the \$649.91 to the Port Authority. The promissory note was signed on July 6, 2011. The first payment will be made through payroll deductions starting July 22, 2011.

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)

PUBLIC OFFICIAL BONDS

The City of East Chicago has an official bond for the City Controller and a public employee position schedule bond for various positions in the City. The City Controller has a \$300,000 bond from Ohio Casualty Insurance Company, bond 3-807-387, covering January 1, 2010 to December 31, 2010. The public employee schedule bond is a \$15,000 bond from Ohio Casualty Insurance Company, bond 3-807-414, covering January 1, 2010 to December 31, 2010.

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on July 21, 2011, with Kimberly Anderson, Interim Controller; Anthony Copeland, Mayor; Adrian Santos, President of the Common Council; Val Gomez, President of the Board of Public Works; Joe Allegretti, Corporation Counsel; Karl Cender, Financial Consultant for the Common Council; Milton Reed, President of the Port Authority Board of Directors; Ruben Ramos, Interim Port Authority Director; and Rosa Amaro, Office Manager for the Marina. The Official Response has been made a part of this report and may be found on page 7.

City of East Chicago
Audit Responses
For the Year Ended December 31, 2010

LATE FEES AND FINANCE CHARGES

The City Controller's Office has changed its procedures to ensure that future Purchase Power postage claims are paid timely and without late fees and finance charges.

PENALTIES, INTEREST AND OTHER CHARGES-PORT AUTHORITY

The office manager at the East Chicago Marina incorporated a formula into the gasoline sales spreadsheet which calculated sales tax due. She no longer transfers this information to the tax return but rather uses it to confirm the numbers she calculates manually as she prepares the tax return. This should prevent the inaccurate calculation of sales and use tax in the future. As stated, the Office Manager has signed a promissory note to reimburse the East Chicago Port Authority for the penalties, interest and other charges assessed in 2010.

CITY CONTROLLER
CITY OF EAST CHICAGO
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles Pacurar, City Controller:			
Controller's Office Postage Machines Late Fees and Finance Charges, page 4	\$ 268.42	\$ 268.42	\$ -
Elsie Arcuri, Accounts Payable Clerk, signed a Promissory Note on July 15, 2011, for \$268.42 to be withheld from her paychecks until fully repaid			
Health Department Postage Machines Late Fees and Finance Charges, page 4	400.43	400.43	-
Dr. Paula Benchik-Abrinko, Health Officer, repaid \$443.43 on July 18, 2011, Receipt 833680			
Port Authority Sales Tax Miscalculation, Untimely Filing, page 5	649.91	649.91	-
Rosa Amaro, Port Authority Office Manager, signed a Promissory Note on July 6, 2011, for \$649.91 to be withheld from her paychecks until fully repaid	-	-	-
Totals	\$ 1,318.76	\$ 1,318.76	\$ -