

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, 2011 to December 31, 2011



FILED
10/04/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
City Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Penalties and Interest – Water Utility Receipts Tax	4-5
Public Official Bonds.....	5
Exit Conference.....	6
Summary of Charges	7
Affidavit	9

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Charles Pacurar Kimberly Anderson	01-01-11 to 06-10-11 06-11-11 to 12-31-12
Mayor	Anthony Copeland	10-16-10 to 12-31-15
President of the Common Council	Adrian Santos Gilda Orange	01-01-11 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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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, 2011 to December 31, 2011, 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 2011.

STATE BOARD OF ACCOUNTS

July 13, 2012

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

PENALTIES AND INTEREST - WATER UTILITY RECEIPTS TAX

The Water Utility is subject to the 1.4 percent utility receipts tax imposed upon the gross receipts derived from the retail sale of water. The Water Utility is required to file and pay the Utility receipts tax on a quarterly basis. The Water Utility shall pay to the Indiana Department of Revenue 25 percent of the annual estimated tax or the exact amount of utility receipts tax that is due for the quarter. The Water Utility is required to file an annual utility receipts tax return, Form URT. The annual utility receipts tax return calculates the actual total utility receipts tax liability incurred by the Water Utility for the taxable year, minus the total estimated payments that were made for that taxable year. The Water Utility's annual utility receipts tax return is to be filed on or before April 15 of the immediately succeeding year.

A review of the Water Utility's 2010 annual utility receipt tax return noted that the Utility determined that \$5,363 of "Net Tax" was owed to the Indiana Department of Revenue in addition to \$525 for the second quarter of 2010 "Quarterly Underpayment Penalty." The \$525 determined "Quarterly Underpayment Penalty" was not brought to the first page of the tax return for calculation of the Total Amount Owed. The tax return was filed by April 15, 2011; however, the tax liability was not paid by April 15, 2011. Since the tax liability was not paid by April 15, 2011, the Indiana Department of Revenue may assess additional penalties and interest for the late payment of taxes.

On June 9, 2011, the Water Utility paid \$5,363 to the Indiana Department of Revenue. The Indiana Department of Revenue applied that payment to the \$525 Quarterly Underpayment Penalty owed as determined by the Water Utility on the 2010 tax return and \$4,838 to the \$5,363 balance of the "Net Tax" due. Then on December 28, 2011, the Water Utility paid the remaining \$524.35 of taxes due in addition to \$661.53 in penalties and interest to the Indiana Department of Revenue. The Water Utility paid total penalties and interest of \$1,186.53 (\$525 plus \$661.53).

The annual utility receipt tax return for 2009 indicated an overpayment of \$3,556. This overpayment was not refunded to the Water Utility, and this overpayment of utility receipt tax was not taken into consideration during the preparation of the 2010 utility receipt tax return. If the \$3,556 was taken into consideration during the preparation of the 2010 utility receipt tax return, the water utility tax liability would have been decreased to \$1,806 without incurring any penalty or interest for underpayment of taxes.

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

The Water Utility plans on submitting an amended 2010 tax return.

We requested Charles Pacurar, former Controller, reimburse the Water Utility \$1,186.53 for the utility receipts tax penalty and interest paid for the Water Utility's 2010 Utility Receipt Tax underpayment and late payment. (See Summary of Charges, page 7)

All questions concerning the law or procedure for paying the utility receipts tax should be directed to the Indiana Department of Revenue, Indiana Government Center North, Indianapolis, Indiana, 46204, telephone number (317) 615-2662. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 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)

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, and January 1, 2011 to December 31, 2011. 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, and January 1, 2011 to December 31, 2011.

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were sent to Charles Pacurar, former Controller via certified mail on July 23, 2012.

The contents of this report were discussed on July 30, 2012, with Kimberly Anderson, Controller; Peter Baranyai, Director of Utilities; John Bakota, Water Board President; Miguel Rivera, Sanitary District Board President; Anthony Galindo, Storm Water Board President; Brian Marciniak, Director of Water Operations; and John Martinez, Director of Wastewater Operations.

The contents of this report were discussed on August 1, 2012, with Kimberly Anderson, Controller; Anthony Copeland, Mayor; and Gilda Orange, President of the Common Council.

CITY CONTROLLER
CITY OF EAST CHICAGO
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles Pacurar, former City Controller: Penalties and Interest - Water Utility Receipts Tax, pages 4 and 5	<u>\$ 1,186.53</u>	<u>\$ -</u>	<u>\$ 1,186.53</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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