

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
02/11/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kimberly Anderson	01-01-13 to 01-03-14
	(Vacant)	01-04-14 to 01-05-14
	Valeriano Gomez	01-06-14 to 12-31-15
Mayor	Anthony Copeland	01-01-12 to 12-31-15
President of the Board of Public Works	Valeriano Gomez	01-01-13 to 12-31-15
President of the Common Council	Lenny Franciski	01-01-13 to 12-31-15
Director of Utilities	Pete Barnayai	01-01-13 to 03-28-13
	(Vacant)	03-29-13 to 09-04-13
	Greg Crowley	09-05-13 to 12-31-15



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TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of East Chicago (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 21, 2015

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS

**FINDING 2013-001 - INTERNAL CONTROLS OVER SECTION
8 HOUSING ASSISTANCE PAYMENTS PROGRAM**

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Section 8 Housing Assistance Payments Program
CFDA Number: 14.195
Federal Award Numbers: IN36L000278 & IN36M000280

Management of the City's Department of Redevelopment (Department) has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Cash Management, Eligibility, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the Department at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Cash Management, Eligibility, Reporting, Special Tests and Provisions

The Department contracted with a management company to administer the Section 8 Housing Assistance Payments Program. The management company completed all reimbursement vouchers, the necessary eligibility calculations, the required reports, and activities related to the applicable Special Tests and Provisions. The management company performed all of these activities without the necessary oversight by the Department. The Department failed to establish the proper internal control structure to ensure compliance with requirements associated with the Section 8 Housing Assistance Payments Program.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

**FINDING 2013-002 - INTERNAL CONTROLS OVER COMMUNITY
DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Number: B-10-MC-180004, B-11-MC-180004

Management of the City's Department of Redevelopment (Department) and the Redevelopment Commission (Commission) have not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed, Allowable Cost, Equipment and Real Property Management, Earmarking, Period of Availability, Procurement and Suspension and Debarment, Program Income, Real Property Acquisition and Relocation Assistance, Reporting, Subrecipient Monitoring, and Special Tests and Provisions compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the Department and Commission at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Activities Allowed/Allowable Costs

Each Program Manager, knowledgeable in the grant activities for the programs he or she oversees, is responsible for reviewing vendor disbursements. The Program Managers' initials on vendor invoices indicate they have reviewed the invoice and that the invoice is allowable for a specific program. However, invoices from consultants, as well as other vendors in which the costs may be allocated to multiple programs and/or grants were not initialed by a Program Manager or any other Commission personnel as allowable costs.

For payroll costs, each employee of the Commission is responsible for preparing a "Time Sheet" and an "Allocation of Time" report. The employee indicates the number of hours worked or any leave time used during the pay period on the Time Sheet. These are used by the City Controller's Office to record the payroll expenditures in the City's records. The number of hours in each pay period devoted to a particular grant and/or project, as well as hours spent on general administrative activities which are to be paid from local funds are recorded on the Allocation of Time report. Both the Timesheet and the Allocation of Time report are to be signed by the employee and the Executive Director of the Commission.

The Commission accounting staff summarizes the Allocation of Time reports to determine the total dollar amounts of payroll that should be allocated to each grant and/or project as well as local funds. Based upon the Allocation of Time reports, the Commission prepares the drawdowns from the respective grant funds.

After the payroll and fringe benefits were recorded in the City's records, no one at the Commission reviewed the financial records to ensure that the amounts recorded for payroll agreed to the Allocation of Time reports.

Equipment and Real Property Management

While the Commission leases most of their equipment, they have acquired a significant number of real properties. Most of the properties have been donated to the Commission through the County or the City, but some have been purchased with federal funds. For some of the donated properties, title work associated

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

with the acquisitions have been financed with federal funds. The Commission has not established policies, procedures, or controls to ensure property acquisitions and equipment purchases are being summarized and maintained in a listing to adequately identify the funding sources, improvements made to the properties, and the funding sources of the improvements being made.

Earmarking

The City's Department and Commission do not have written policies and procedures over the monitoring of the Earmarking requirements. Evidence of periodic reviews of amounts recorded in the project classifications that require earmarking throughout the program was not presented. Also, a separate individual has not been designated to review the activities related to the Earmarking requirements. The Department and Commission do not have a written allocation plan in place to uniformly allocate direct costs of the Department to the several funding sources available to fund the Department.

Period of Availability

Written policies and procedures over the monitoring of the Period of Availability have not been adopted by the Commission. Evidence of a review of the timing of program expenditures or of the timeliness of reporting throughout the year was not presented for audit. A separate individual has not been designated to review the activities related to Period of Availability.

Procurement and Suspension and Debarment

A written procurement policy had not been adopted by the Commission. One employee is responsible for procurements. The employee developed a checklist for reviewing and evaluating quotes, proposals, and bids; however, a separate employee does not review or perform some type of oversight to ensure the checklist contains essential criteria for ensuring compliance with federal requirements over Procurement and Suspension and Debarment. The same employee also developed the contracts for the successful bidders to sign; however, no evidence was presented of a review of the contracts to ensure that all required certifications were addressed, including certifications made by the contractors that they have not been suspended or debarred from doing business with the federal government.

Controls have not been established to ensure that the minutes of the board meetings of the Redevelopment Commission include items related to Procurement and Suspension and Debarment. The minutes do not always include a justification for an award to a bidder other than the lowest. The minutes do not always identify the funding source, nor do they always contain accurate information in regards to bid amounts. Some of the redevelopment projects are federally funded, some state funded, and some locally funded. There were no controls to accurately identify the source of the funding or to ensure that the Procurement and Suspension and Debarment requirements are followed, when applicable.

Program Income

Controls have not been developed to ensure the financial transactions recorded in the U.S. Department of Housing and Urban Development's (HUD) Integrated Disbursement and Information System (IDIS) agree to the financial transactions recorded in the City's financial records, and that any reconciling items are corrected timely.

The City's Department and Commission do not have written policies and procedures over the monitoring of the Program Income requirements. Evidence of periodic reviews of the amounts recorded as program income throughout the year was not presented. Also, a separate individual has not been designated

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

to review the activities related to Program Income requirements. One employee oversees grant awards and the classification of the grant awards received by the Commission. The Department and Commission do not have a written allocation plan in place to uniformly allocate direct costs of the Department to the several funding sources available to fund the Department, including program income.

Real Property Acquisition and Relocation Assistance

The Commission has not established effective controls over Real Property Acquisition and Relocation Assistance requirements. The Commission has not established controls to effectively ensure that Real Property Acquisition requirements are followed. There was no segregation of duties, such as an oversight or review process, to ensure compliance with federal guidelines over Real Property Acquisition.

The Commission relies upon a consultant to determine the relocation assistance and to ensure compliance with Relocation Assistance guidelines. An oversight, review, or approval process has not been established to ensure compliance with federal guidelines for the payment of Relocation Assistance.

Reporting

The SF 425 Federal Financial Report is prepared by the Commission staff accountant. It is provided to the Executive Director along with the source documents for the report as the Executive Director is required to sign the report prior to submission to the U.S. Department of Housing and Urban Development (HUD). The reports were signed; however, neither the reports nor the supporting documentation had evidence to indicate a review or verification by the Executive Director or anyone other than the person who prepared the report.

Subrecipient Monitoring

A checklist is provided to applicants for information they must provide with the application for federal funding. One of the items required is a copy of their most current audit report; however, neither the governing board nor the Executive Director had addressed how the audit reports and other documents will be used.

The Program Manager is to ensure that the subrecipients are properly monitored. Each year the Program Manager and the accountant are to perform on-site monitoring activities. Evidence was not obtained that these on-site monitoring activities were performed or that either the Executive Director or the Board received reports on findings of any subrecipient monitoring performed.

The invoices attached to the Requests for Reimbursements are to be initialed by either one of the Program Managers indicating that the invoice is approved to pay. Several invoices attached to various subrecipients' requests for reimbursements were paid without the initials of either Program Manager.

Special Tests and Provisions

Special Tests and Provisions: Citizen Participation

The Commission has placed two employees in charge of ensuring compliance with citizen participation requirements. A consultant has been hired to assist with citizen participation. The consultant provided a schedule of events with dates for performing such events, but no one monitored the schedule. The Commission has not designed controls to ensure compliance with citizen participation requirements.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
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Special Tests and Provisions: Environmental Reviews

The Commission relied upon a consultant to prepare their environmental review (Tier I). Controls have not been established to ensure that the work performed by the consultant is complete and addresses all factors that could affect the environmental review.

Special Tests and Provisions: Rehabilitation

The Commission has placed one employee in charge of ensuring compliance with rehabilitation requirements. This employee must determine which projects require pre-rehabilitation and post-rehabilitation inspections, perform the inspections, and ensure that the inspections have been completed in compliance with grant requirements. There is no oversight or review process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the officials establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

FINDING 2013-003 - REAL PROPERTY ACQUISITIONS AND RELOCATION ASSISTANCE - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-10-MC-180004, B-11-MC-180004

The City's Redevelopment Commission paid \$55,430 for a property acquisition from Community Development Block Grants funds. The acquisition was documented by only a vendor invoice. The written compensation offered to the property owners was not determined by an appraisal process as required by federal compliance guidelines over property acquisitions. The final purchase price exceeded the original offer by \$5,430 without the required written justification to indicate that the additional amount was reasonable, prudent, and in the public interest. The entire disbursement for \$55,430 is considered a questioned cost.

DEPARTMENT OF REDEVELOPMENT
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24 CFR 42.1 states: "(a) *URA*. HUD-assisted programs and projects are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. 4601 (*URA*) (42 U.S.C. 4601), and implementing regulations issued by the Department of Transportation at 49 CFR part 24."

49 CFR 24.102 (c) *Appraisal, waiver thereof, and invitation to owner* states:

- "(1) Before the initiation of negotiations the real property to be acquired shall be appraised, except as provided in § 24.102 (c) (2), and the owner, or the owner's designated representative, shall be given an opportunity to accompany the appraiser during the appraiser's inspection of the property.
- (2) An appraisal is not required if:
- (i) The owner is donating the property and releases the Agency from its obligation to appraise the property; or
 - (ii) The Agency determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the anticipated value of the proposed acquisition is estimated at \$10,000 or less, based on a review of available data.
 - (A) When an appraisal is determined to be unnecessary, the Agency shall prepare a waiver valuation.
 - (B) The person performing the waiver valuation must have sufficient understanding of the local real estate market to be qualified to make the waiver valuation.
 - (C) The Federal Agency funding the project may approve exceeding the \$10,000 threshold, up to a maximum of \$25,000, if the Agency acquiring the real property offers the property owner the option of having the Agency appraise the property. If the property owner elects to have the Agency appraise the property, the Agency shall obtain an appraisal and not use procedures described in this paragraph. (See appendix A, § 24.102(c) (2).)"

49 CFR 24.102(d) *Establishment and offer of just compensation* states:

"Before the initiation of negotiations, the Agency shall establish an amount which it believes is just compensation for the real property. The amount shall not be less than the approved appraisal of the fair market value of the property, taking into account the value of allowable damages or benefits to any remaining property. An Agency official must establish the amount believed to be just compensation. (See §24.104.) Promptly thereafter, the Agency shall make a written offer to the owner to acquire the property for the full amount believed to be just compensation. (See appendix A, §24.102(d).)"

49 CFR 24.102(e) *Summary statement* states:

"Along with the initial written purchase offer, the owner shall be given a written statement of the basis for the offer of just compensation, which shall include:

- (1) A statement of the amount offered as just compensation. In the case of a partial acquisition, the compensation for the real property to be acquired and the compensation for damages, if any, to the remaining real property shall be separately stated.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

- (2) A description and location identification of the real property and the interest in the real property to be acquired.
- (3) An identification of the buildings, structures, and other improvements (including removable building equipment and trade fixtures) which are included as part of the offer of just compensation. Where appropriate, the statement shall identify any other separately held ownership interest in the property, e.g., a tenant-owned improvement, and indicate that such interest is not covered by this offer."

The failure to materially comply with federal guidelines over Real Property Acquisition places the City at risk of not receiving additional federal funding.

We recommended that the officials comply with the grant agreement and the requirements for Real Property Acquisition.

FINDING 2013-004 - PERIOD OF AVAILABILITY - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Programs: Community Development Block Grants/Entitlement Grants
CFDA Numbers: 14.218
Federal Award Number: B-11-MC-180004

The Community Development Block Grants/Entitlement Grants B-11-MC-180004 Authority to Use Grant Funds form was approved on November 30, 2011, which was the beginning of the period of availability. On March 25, 2013, a voucher for grant B-11-MC-180004 was completed to request reimbursement for checks and payrolls originally disbursed in February 2011 through July 2011 totaling \$49,961.70. These disbursements had not previously been claimed for reimbursement. Because these disbursements were prior to the authority to spend date of November 30, 2011, and therefore, not within the period of availability, \$49,961.70 is considered questioned costs.

CFR 24 85.23 states in part:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

The failure to materially comply with federal guidelines over the Period of Availability places the City at risk of not receiving additional federal funding.

We recommended that the officials comply with the grant agreement and the requirements for the Period of Availability.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
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**FINDING 2013-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT -
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-10-MC-180004, B-11-MC-180004

The Commission has acquired a significant number of real properties. Most have been donated to the Commission through the County or the City, but some have been purchased with federal funds. For some of the donated properties, title work associated with the acquisitions have been financed with federal funds. The Commission has not maintained capital asset records which comply with federal compliance requirements over Equipment and Real Property Management.

A resolution adopted by the Common Council, which established a capital asset policy, set the threshold for machinery, equipment and motor vehicles at \$10,000 for financial reporting purposes. The resolution also states the following: "Capital assets below the capitalization threshold of \$10,000 on a unit basis but warranting 'control' shall be inventoried at the department level and an appropriate list will be maintained. Data elements are to include asset description, location, make, model, serial number, and other information that assists in control or deemed relevant." Although the Commission has purchased equipment, they have not maintained the required list.

The City employed a consultant to accumulate a record of all capital assets maintained by the City, including the Commission, based upon the threshold of \$10,000. The Commission has not reviewed or compared the record prepared by the City to any of their property and asset listings to determine if the listing is complete and accurate.

24 CFR 85.3 states in part:

"Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above."

24 CFR 85.31 states in part:

"(a) Title. Subject to the obligations and conditions set forth in this section, title to real property acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantee respectively.

(b) Use. Except as otherwise provided by Federal statutes, real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee or subgrantee shall not dispose of or encumber its title or other interests. . . ."

24 CFR 85.32 states in part:

"(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

The failure to materially comply with federal guidelines over Equipment and Real Property Management places the City at risk of not receiving additional federal funding.

We recommended that the officials comply with the grant agreement and the requirements for Equipment and Real Property Management.

***FINDING 2013-006 - REPORTING - COMMUNITY DEVELOPMENT BLOCK GRANTS/
ENTITLEMENT GRANTS AND HOME INVESTMENT PARTNERSHIPS PROGRAM***

Federal Agency: U.S. Department of Housing and Urban Development

Federal Programs: Community Development Block Grants/Entitlement Grants
and Home Investment Partnerships Program

CFDA Numbers: 14.218, 14.239

Federal Award Numbers: B-10-MC-180004, B-11-MC-180004, M-07-MC-18210, M-11-MC-18210,
M-12-MC-18210

Community Development Block Grant (CDBG) - Federal Financial Report (SF 425)

The Federal Financial Reports (SF 425) filed for the third and fourth quarters were not prepared in accordance with the instructions. The sections "Federal Expenditures and Unobligated Balance," "Recipient Share," and "Program Income" were not completed. Furthermore, the cash balance reported as of the end of the fourth quarter was negative \$529.80. The cash balance per the City's records was negative \$250,591.58.

HOME Investment Partnerships Program (HOME) and CDBG - Section 3 Summary Report

The Section 3 report filed on September 30, 2013, for the 2012 fiscal year, was based upon the amounts recorded in the City's financial system. Reports were generated to document all disbursements for contractual services, included accounting services, and amounts provided to subrecipients, but excluded legal services, because these amounts were recorded in the City's records as legal services (not contractual services). Furthermore, payroll totaling \$39,976.50 for CDBG and \$9,771.89 for HOME was recorded as contractual services and reported as Section 3.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
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24 CFR 135.90 states:

"Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public."

24 CFR 85.20 Standards for financial management systems states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, . . .

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

The failure to materially comply with federal guidelines over Reporting places the City at risk of not receiving additional federal funding.

We recommended that the officials comply with the grant agreement and the requirements for Reporting.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

**FINDING 2013-007 - SUBRECIPIENT MONITORING - COMMUNITY
DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS**

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-10-MC-180004, B-11-MC-180004

Six subrecipients received funding through the City's Community Development Block Grants/Entitlement Grants funds for 2013. The audit report for one subrecipient contained federal findings for which follow up action was not performed, as required. One of the subrecipients provided a profit and loss statement in lieu of an audit report. Documentation was not available to verify if the Commission staff determined whether or not the subrecipient was subject to an audit in compliance with Circular A-133.

Circular A-133, Subpart D, section .400 states in part:

"(d) A pass-through entity shall perform the following for the Federal awards it makes:

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with is part."

The failure to materially comply with federal guidelines over Subrecipient Monitoring places the City at risk of not receiving additional federal funding.

We recommended that the officials comply with the grant agreement and the requirements for Subrecipient Monitoring.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

FINDING 2013-008 - INTERNAL CONTROLS OVER HOME INVESTMENT PARTNERSHIPS PROGRAMS

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Home Investment Partnerships Program
CFDA Number: 14.239
Federal Award Numbers: M-07-MC-18210, M-11-MC-18210, M-12-MC-18210

Management of the City's Department of Redevelopment (Department) and the Redevelopment Commission (Commission) have not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed/Allowable Costs, Eligibility, Earmarking, Period of Availability, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions compliance requirements that have a direct and material effect to the program. The failure to establish an effective internal control system places the Department and Commission at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Activities Allowed/Allowable Costs

Each Program Manager, knowledgeable in the grant activities for the programs he or she oversees, is responsible for reviewing vendor disbursements. The Program Managers' initials on vendor invoices indicate they have reviewed the invoice and that the invoice is allowable for a specific program. However, invoices from consultants, as well as other vendors in which the costs may be allocated to multiple programs and/or grants were not initialed by a Program Manager or any other Commission personnel as allowable costs.

For payroll costs, each employee of the Commission is responsible for preparing a "Time Sheet" and an "Allocation of Time" report. The employee indicates the number of hours worked or any leave time used during the pay period on the Time Sheet. These are used by the City Controller's Office to record the payroll expenditures in the City's records. The number of hours in each pay period devoted to a particular grant and/or project, as well as hours spent on general administrative activities which are to be paid from local funds are recorded on the Allocation of Time report. Both the Time Sheet and the Allocation of Time report are to be signed by the employee and the Executive Director of the Commission.

The Commission accounting staff summarizes the Allocation of Time reports to determine the total dollar amounts of payroll that should be allocated to each grant and/or project as well as local funds. Based upon the Allocation of Time reports, the Commission prepares the drawdowns from the respective grant funds.

After the payroll and fringe benefits were recorded in the City's records, no one at the Commission reviewed the financial records to ensure that the amounts recorded for payroll agreed to the Allocation of Time reports.

Eligibility

The Department and Commission do not have policies and procedures over monitoring of the Eligibility requirements. The verification of income and eligibility for the program is performed by one employee whose work is not reviewed by another employee. There is a lack of segregation of duties, such as an oversight, review, or approval process.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Earmarking

The Department and Commission do not have written policies and procedures over the monitoring of the Earmarking requirements. Evidence of periodic reviews of amounts recorded in the project classifications that require earmarking throughout the program was not presented. Also, a separate individual has not been designated to review the activities related to the Earmarking requirements. The Department and Commission do not have a written allocation plan in place to uniformly allocate direct costs of the Department to the several funding sources available to fund the Department.

Period of Availability

Written policies and procedures over the monitoring of the Period of Availability have not been adopted by the Commission. Evidence of a review of the timing of program expenditures or of the timeliness of reporting throughout the year was not presented for audit. A separate individual has not been designated to review the activities related to Period of Availability.

Procurement and Suspension and Debarment

A written procurement policy had not been adopted by the Commission. One employee is responsible for procurements. The employee developed a checklist for reviewing and evaluating quotes, proposals, and bids; however, a separate employee does not review or perform some type of oversight to ensure the checklist contains essential criteria for ensuring compliance with federal requirements over Procurement and Suspension and Debarment. The same employee also developed the contracts for the successful bidders to sign; however, no evidence was presented of a review of the contracts to ensure that all required certifications were addressed, including certifications made by the contractors that they have not been suspended or debarred from doing business with the federal government.

Controls have not been established to ensure that the minutes of the Board meetings of the Commission include items related to Procurement and Suspension and Debarment. The minutes do not always include a justification for an award to a bidder other than the lowest. The minutes do not always identify the funding source, nor do they always contain accurate information in regards to bid amounts. Some of the redevelopment projects are federally funded, some state funded, and some locally funded. There were no controls to accurately identify the source of the funding or to ensure that the Procurement and Suspension and Debarment requirements are followed, when applicable.

Reporting

The Commission prepares and submits the Section 3 Summary Report electronically in lieu of filing the handwritten HUD 60002, Section 3 Summary Report. The Section 3 Summary Report is prepared by the Program Manager. There is no evidence that any other employee or member of management reviewed or verified the report before submission.

Special Tests and Provisions

Maximum Per Unit Subsidy

The City did not establish procedures or controls to ensure that construction project costs were under the approved maximum per unit subsidy amount.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS
(Continued)

Housing Quality Standards

The City did not establish procedures or controls to ensure that inspections of Rental Home Assisted Units and Tenant Based Rental Assisted Units occurred in the required time frame.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.



CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-01 Corrective Action: The East Chicago Department of Redevelopment will develop internal controls to ensure compliance with requirements associated with the Section 8 Housing Assistance Program, which will cover Cash Management, Eligibility, Reporting, and the HQS Inspections for Section 8.

Maria Becerra

Executive Director

January 21, 2015

Rodger Gates

Commissioner – Vice President

Anticipated Completion Date: May 1, 2015



CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-02 Corrective Action: Payroll and Benefit Allocation Procedure, Period Availability Procedure, and a General Administration Costs Procedures were developed.

Accounting staff have been professionally trained on the Federal Grant requirements.

The Commission established policies, procedures and controls to ensure compliance with federal guidelines related to equipment and real property management.

The East Chicago Department of Redevelopment developed a Real Property – Asset Management Plan which includes a Property and Equipment Capitalization Procedure.

The East Chicago Department of Redevelopment established effective controls over procurement, suspension, and debarment. The Commission adopted a procurement policy and procedures to ensure compliance of the policy and review of contracts to ensure appropriate criteria is included. The city staff member responsible for each contract from their department will check the SAMS website and print confirmation that a contractor is not on the debarred list. Second level of review, will be the following, a printout will be attached to all contracts prior to contract execution by the Executive Director. In addition, a third level of review by the finance department as part of any new contract a print out of the debarred review will to be attached with the contract for vendor set up of a purchase order.

The East Chicago Department of Redevelopment established Program Income procedures to ensure compliance with federal compliance guidelines related to program income.

The East Chicago Department of Redevelopment developed a Real Property – Asset Management Plan for controls and ensuring real property appraisals are preformed prior to initiating a purchase of real property. A procedure was developed with controls to ensure work performed by consultants conform to and comply with the federal guidelines related to relocation assistance.

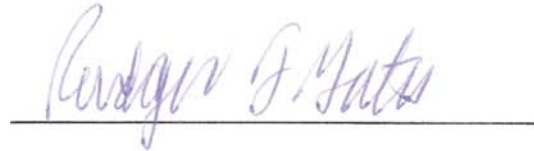
The Commission established a Grant reporting requirements Procedure for controls, including segregation of duties, related to the grant agreements and reporting.

The East Chicago Department of Redevelopment developed a Subrecipients Handbook (CDBG). There in on-site monitoring plan and annual internal written report requirement to certify audit reports were reviewed for follow-up on any findings noted.

The East Chicago Redevelopment Department will develop internal controls over the citizen participation plan, environmental review, and the rehab inspections to ensure compliance with the regulations.



Maria Becerra
Executive Director
January 21, 2015



Rodger Gates
Commissioner – Vice President

Anticipated Completion Date: May 1, 2015



CORRECTIVE ACTION PLAN

FINDING 2013-003

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-03 Corrective Action: The East Chicago Department of Redevelopment will expand on the establish policies, procedures and controls to ensure compliance with federal compliance guidelines related to equipment and real property management. The East Chicago Department of Redevelopment established internal controls for ensuring property appraisals are preformed prior to initiating a purchase of real property. The East Chicago Department of Redevelopment has established controls to ensure work performed by consultants conform to and comply with the federal guidelines related to relocation assistance.

Handwritten signature of Maria Becerra in blue ink.

Maria Becerra

Executive Director

January 21, 2015

Handwritten signature of Rodger Gates in blue ink.

Rodger Gates

Commissioner – Vice President

Anticipated Completion Date: May 1, 2015

City of East Chicago



Department of Redevelopment
400 E. Chicago Avenue
East Chicago, IN 46312
Ph: (219) 391-8513 • Fax: (219) 391-7005

CORRECTIVE ACTION PLAN

FINDING 2013-004

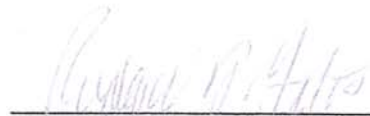
Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-04 Corrective Action: : Payroll and Benefit Allocation Procedure, Period Availability Procedure, and a General Administration Costs Procedures were developed with assistance of a CPA firm.



Maria Becerra
Executive Director
January 21, 2015



Rodger Gates
Commissioner – Vice President

Anticipated Completion Date: May 1, 2015



CORRECTIVE ACTION PLAN

FINDING 2013-005

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-05 Corrective Action: The East Chicago Department of Redevelopment developed a Real Property – Asset Management Plan which includes a Property and Equipment Capitalization Procedure.

Handwritten signature of Maria Becerra in blue ink, written over a horizontal line.

Maria Becerra

Executive Director

January 21, 2015

Handwritten signature of Rodger Gates in blue ink, written over a horizontal line.

Rodger Gates

Commissioner – Vice President

Anticipated Completion Date: **May 1, 2015**



CORRECTIVE ACTION PLAN

FINDING 2013-006

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-06 Corrective Action:

The East Chicago Department of Redevelopment has established effective controls, including segregation of duties, related specifically for both Home and CDBG grant, for compliance in reporting, to make sure that the reports are properly and accurately completed in the future. Accounting Staff have been professionally trained on the Federal Grant requirements.

Handwritten signature of Maria Becerra in blue ink, written over a horizontal line.

Maria Becerra
Executive Director
January 21, 2015

Handwritten signature of Rodger Gates in blue ink, written over a horizontal line.

Rodger Gates
Commissioner – Vice President

Anticipated Completion Date: May 1, 2015

City of East Chicago



Department of Redevelopment
400 E. Chicago Avenue
East Chicago, IN 46312
Ph: (219) 391-8513 • Fax: (219) 391-7005

CORRECTIVE ACTION PLAN

FINDING 2013-007

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-851

Finding 2013-07 Corrective Action: The East Chicago Department of Redevelopment developed a Subrecipients Handbook (CDBG) and an on-site Subrecipient monitoring plan.

Handwritten signature of Maria Becerra in purple ink, positioned above a horizontal line.

Maria Becerra

Executive Director

January 21, 2015

Handwritten signature of Rodger Gates in purple ink, positioned above a horizontal line.

Rodger Gates

Commissioner – Vice President

Anticipated Completion Date: May 1, 2015



CORRECTIVE ACTION PLAN

FINDING 2013-008

Contact Person Responsible for Corrective Action: Maria Becerra

Contact Phone Number (219) 391-8513

Finding 2013-08 Corrective Action: The East Chicago Department of Redevelopment has established effective controls, including segregation of duties, related to the grant agreements. In addition the East Chicago Department of Redevelopment will develop internal control forms and checklists, to specifically address internal controls over Activities Allowed/Allowable Costs, Eligibility, Earmarking, Period of Availability, Procurement and Suspension and Debarment, Reporting, Maximum per Unit Subsidy, and the HQS Inspections.

A handwritten signature in blue ink, appearing to read "Maria Becerra", is written over a horizontal line.

Maria Becerra

Executive Director

January 21, 2015

A handwritten signature in blue ink, appearing to read "Rodger Gates", is written over a horizontal line.

Rodger Gates

Commissioner – Vice President

Anticipated Completion Date: May 1, 2015

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE

Healthy East Chicago, Inc., an Indiana nonprofit corporation, had entered into two loan agreements for the purchase of property from the City's Department of Redevelopment for \$3,724,271. The first loan of \$1,915,000 has the following loan repayment schedule:

1. November 1, 1998 through October 31, 2008, principal and interest payments were deferred.
2. November 1, 2008 through October 31, 2013, principal bears a 1 percent annual interest rate, with the interest only to be paid semiannually.
3. November 1, 2013 through October 31, 2018, principal bears a 3 percent annual interest rate, with the interest only to be paid semiannually.
4. November 1, 2018 through October 31, 2038, principal bears a 6 percent annual interest rate with principal and interest to be paid over 240 equal monthly installments.

The interest-only payments which were due on October 1, 2011, April 1, 2012, and October 1, 2012, were not received until March, September, and December 2012, respectively. The Department of Redevelopment did not calculate or collect additional interest which was due for the late payments.

The second loan of \$1,809,271 has an annual interest rate of 7.05 percent payable over 240 equal monthly installments (\$14,081.61) per the amortization schedule prepared by the Department of Redevelopment. A copy of the promissory note or loan agreement that detailed the loan criteria was not provided for audit.

Healthy East Chicago, Inc., had not paid the required monthly payment of \$14,081.61 since November 9, 2010, for the amounts due October 1, 2010, due to financial constraints. The remaining unpaid principal balance was \$1,138,515.79 as of October 1, 2010. Beginning in April 2011, the Department of Redevelopment did receive interest only payments from Healthy East Chicago, Inc., for the November 2010 through August 15, 2013, monthly payments; however, additional interest was not calculated or collected for the late payments. As of December 29, 2014, no additional payments have been received.

A similar comment appeared in prior Report B43130.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

DORMANT ACCOUNT BALANCES

The Indiana State Budget Committee approved \$500,000 for the North Lake County Children's Museum from the Build Indiana Fund on November 4, 1999. In February 2000, the East Chicago Department of Redevelopment received the \$500,000. Based on the grant application, the project was to be completed in 2001. As of December 31, 2013, the Department of Redevelopment has a \$305,210.62 remaining balance from the Build Indiana Fund.

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

In addition, the Department of Redevelopment has been carrying \$7,000 in Fannie Mae and \$15,972.66 in UPS Program account balances. The account balances have remained unchanged since January 1, 2009. Redevelopment officials indicated that the \$7,000 was a grant from Fannie Mae and the \$15,972.66 is the remaining balance from an Empowerment Zone grant for the UPS Program when it was discontinued.

A similar audit result and comment appeared in prior Report B43130.

Indiana Code 4-30-17-11 states in part:

"(a) Each eligible recipient that is approved to receive money from the build Indiana fund under section 10 of this chapter must, as a condition of receiving money from the build Indiana fund, enter into a funding agreement with the budget agency.

(b) The agreement required under subsection (a) must obligate the eligible recipient to do the following:

- (1) Complete the project in conformity with the information in the project statement reviewed and approved under section 10 of this chapter and any subsequent agreements reviewed by the budget committee and approved by the governor, upon recommendation of the budget agency. . .
- (7) If a project is not completed by the anticipated completion date specified in the documents described in subdivision (1), submit to the budget agency, on a form prescribed by the budget agency, information as to the reason the project is not complete and the revised completion date of the project. The form must be submitted before the anticipated completion date specified in the documents described in subdivision (1). . . .

(d) In addition to any other remedy provided by law, if the eligible recipient fails to comply with a condition of the agreement required under subsection (a), the budget agency may, under the procedures set forth in IC 4-21.5, require the entity to repay all the funds distributed to the eligible recipient under this chapter. The budget agency shall give notice of the order under IC 4-21.5-3-4. Money repaid under this section shall be deposited in the build Indiana fund."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES - BOARD OF PUBLIC WORKS AND REDEVELOPMENT COMMISSION

The Board of Public Works awarded contracts for demolition of vacant properties in 2014. Not all contracts were awarded to the lowest bidder. The Board minutes failed to disclose why the lowest bidder was not chosen.

The Redevelopment Commission awarded a contract for cleanup services based on location of the company rather than to the lowest bidder. This resulted in Redevelopment Commission overpaying for services by \$1,394.

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

The minutes from the January 22, 2013 Redevelopment Commission Board meeting did not document why the highest bidder of \$22,400 was selected on the award for 407 Vernon. Additionally, the minutes failed to include accurate information from the bid openings evidenced by the Contractor's Bid Tabulation Form. The minutes from the January 2, 2013 Board meeting contain information about a bid opening for 407 Vernon with three bidders. The amounts reported in the minutes do not agree with the amounts written on the Contractor's Bid Tabulation Form.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

Indiana Code 36-1-12-4 (9) states:

"If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection."

City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

RECEIPTS NOT DEPOSITED – PARK

The Park Department's internal controls are being reevaluated. New policies and procedures will be implemented once the evaluation process is complete.

The following actions have already been taken to tighten internal controls:

Separate receipt books for Pool passes and wrist bands

Separate receipt books for Rentals, Park permits, Senior Activities and Field Trips

The office accepts money orders only for Rentals, Park Permits and Field trips

OVERDRAWN CASH BALANCES

The City of East Chicago is working to resolve the overdrawn cash balance of the Self-Insurance Fund. The insurance plan is in the process of being analyzed and adjustments are being made in an effort to balance this fund. The Department of Redevelopment has been instructed to initiate timely reimbursement requests for the Community Development Block Grant thereby eliminating the overdrawn cash balance in this fund.

INTERNAL CONTROLS OVER DISBURSEMENTS

The Controller's Office staff continues to audit accounts payable invoices to ensure that claims are paid in a timely manner. Invoices that are identified as being late are forwarded to the appropriate Board for further discussion and additional approval. Currently, all Payroll timesheets are being signed by both the employee and the supervisor.

UTILITY RECEIPTS TAX AND SALES TAX

As soon as the Utility realized the error with the filing of taxes, the error was corrected and any penalties and interest were reimbursed to the City.

INTERNAL CONTROLS – WATER UTILITY AND SANITARY DISTRICT

The Water Utility continues to utilize the outside accounting services of London Witte Group to assist with reconciling customer deposits, sales tax and accounts receivable. Their findings and recommendations are taken to the Board for discussion and approval. The Sanitary District has interest in using London Witte Group for the upcoming year to assist with reconciling accounts receivable.

DELINQUENT WASTEWATER ACCOUNTS

The Sanitary District is now in the process of developing a plan for filing liens for delinquent wastewater accounts. This plan will be memorialized in writing and presented to the Board for approval to become official policy.

COLLECTION OF AMOUNTS DUE-REDEVELOPMENT

The Department of Redevelopment has legal proceedings against Healthy East Chicago, Inc. Cause No. is 45C01-1208-MF-297. The defendants have proposed a settlement as of January 2015, which is under consideration at this time.

DORMANT ACCOUNT BALANCES-REDEVELOPMENT

The Department of Redevelopment has fully expended the \$305,210.62 dormant Build Indiana Fund in the 2014 calendar year. The Department of Redevelopment will expend the Fannie Mae \$7,000 dormant account in the calendar year 2015. The Department of Redevelopment will research and take appropriate steps to either expend or return the remaining account balance for the UPS Program in the amount of \$15,972.66.

BOARD MINUTES – BOARD OF WORKS AND REDEVELOPMENT COMMISSION

As of January 2014, The Department of Redevelopment has a professional stenographer at each meeting who then provides the Commission meeting Minutes for the records.

SHIFT TRADES – FIRE DEPARTMENT

There is no requirement per Section(7)(3) of the Fair Labor Standards Act that requires a record be kept for Firefighter trades. The East Chicago Civil Service rule requiring such documentation and setting rules for trades was replaced in the Salary Ordinance clarifying that **NO RULE SHALL BE CREATED INFRINGING ON THE FIRE CHIEFS RIGHT TO APPROVE OF TRADES** , and no requirements of documentation is required staying consistent with the FLSA. We do keep a record of trades for the purpose of monitoring abuse of trades, and may have missed some, but we will ensure better monitoring of trades.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2015, with Anthony Copeland, Mayor; Lenny Franciski, President of the Common Council; Valeriano Gomez, City Controller; Kimberly Anderson, Deputy City Controller; Maria Becerra, Executive Director; and Rodger Gates, Redevelopment Commission Vice President.

PARK DEPARTMENT
CITY OF EAST CHICAGO

PARK DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

RECEIPTS NOT DEPOSITED

The Park Department charges fees for various services. The payments are collected at the Park Department and receipts are issued. Receipts are issued in duplicate; one copy is given to the customer and the other copy remains in the receipt book. These collections are then remitted to the Controller's Office for deposit, along with a revenue verification form. Once the collections are received at the Controller's Office, an official receipt is issued to the Park Department.

We noted one remittance in which the Park receipts issued included \$340 more in cash collections than was remitted to the Controller's Office and subsequently deposited.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

RECEIPTS NOT DEPOSITED – PARK

The Park Department's internal controls are being reevaluated. New policies and procedures will be implemented once the evaluation process is complete.

The following actions have already been taken to tighten internal controls:

Separate receipt books for Pool passes and wrist bands

Separate receipt books for Rentals, Park permits, Senior Activities and Field Trips

The office accepts money orders only for Rentals, Park Permits and Field trips

OVERDRAWN CASH BALANCES

The City of East Chicago is working to resolve the overdrawn cash balance of the Self-Insurance Fund. The insurance plan is in the process of being analyzed and adjustments are being made in an effort to balance this fund. The Department of Redevelopment has been instructed to initiate timely reimbursement requests for the Community Development Block Grant thereby eliminating the overdrawn cash balance in this fund.

INTERNAL CONTROLS OVER DISBURSEMENTS

The Controller's Office staff continues to audit accounts payable invoices to ensure that claims are paid in a timely manner. Invoices that are identified as being late are forwarded to the appropriate Board for further discussion and additional approval. Currently, all Payroll timesheets are being signed by both the employee and the supervisor.

UTILITY RECEIPTS TAX AND SALES TAX

As soon as the Utility realized the error with the filing of taxes, the error was corrected and any penalties and interest were reimbursed to the City.

INTERNAL CONTROLS – WATER UTILITY AND SANITARY DISTRICT

The Water Utility continues to utilize the outside accounting services of London Witte Group to assist with reconciling customer deposits, sales tax and accounts receivable. Their findings and recommendations are taken to the Board for discussion and approval. The Sanitary District has interest in using London Witte Group for the upcoming year to assist with reconciling accounts receivable.

DELINQUENT WASTEWATER ACCOUNTS

The Sanitary District is now in the process of developing a plan for filing liens for delinquent wastewater accounts. This plan will be memorialized in writing and presented to the Board for approval to become official policy.

COLLECTION OF AMOUNTS DUE-REDEVELOPMENT

The Department of Redevelopment has legal proceedings against Healthy East Chicago, Inc. Cause No. is 45C01-1208-MF-297. The defendants have proposed a settlement as of January 2015, which is under consideration at this time.

DORMANT ACCOUNT BALANCES-REDEVELOPMENT

The Department of Redevelopment has fully expended the \$305,210.62 dormant Build Indiana Fund in the 2014 calendar year. The Department of Redevelopment will expend the Fannie Mae \$7,000 dormant account in the calendar year 2015. The Department of Redevelopment will research and take appropriate steps to either expend or return the remaining account balance for the UPS Program in the amount of \$15,972.66.

BOARD MINUTES – BOARD OF WORKS AND REDEVELOPMENT
COMMISSION

As of January 2014, The Department of Redevelopment has a professional stenographer at each meeting who then provides the Commission meeting Minutes for the records.

SHIFT TRADES – FIRE DEPARTMENT

There is no requirement per Section(7)(3) of the Fair Labor Standards Act that requires a record be kept for Firefighter trades. The East Chicago Civil Service rule requiring such documentation and setting rules for trades was replaced in the Salary Ordinance clarifying that NO RULE SHALL BE CREATED INFRINGING ON THE FIRE CHIEFS RIGHT TO APPROVE OF TRADES , and no requirements of documentation is required staying consistent with the FLSA. We do keep a record of trades for the purpose of monitoring abuse of trades, and may have missed some, but we will ensure better monitoring of trades.

PARK DEPARTMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2015, with Anthony Copeland, Mayor; Lenny Franciski, President of the Common Council; Valeriano Gomez, City Controller; Kimberly Anderson, Deputy City Controller; Frank Rosado, Director of Bus Transit; Anthony Serna, Park Board President; Lydia Corsbie, Director of Public Works; and Frances Nowacki, Recreation Manager.

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HEALTH DEPARTMENT
CITY OF EAST CHICAGO

HEALTH DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

COLLECTION OF AMOUNTS DUE

The Health Department charges users for various services. The payments are collected at the Health Department and receipts are issued. These collections are then remitted to the Controller's Office for deposit, along with a revenue verification form.

In August 2013, four days of collections were lost during transfer to the Controller's Office. A total of 20 receipts totaling \$420 were not remitted. A Health Department employee was identified as the responsible party and agreed to repay the City. On October 17, 2013, the City received \$50 from the former Health Department employee for the funds not remitted. The outstanding amount owed to the City remains at \$370.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

RECEIPTS NOT DEPOSITED – PARK

The Park Department's internal controls are being reevaluated. New policies and procedures will be implemented once the evaluation process is complete.

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The City of East Chicago is working to resolve the overdrawn cash balance of the Self-Insurance Fund. The insurance plan is in the process of being analyzed and adjustments are being made in an effort to balance this fund. The Department of Redevelopment has been instructed to initiate timely reimbursement requests for the Community Development Block Grant thereby eliminating the overdrawn cash balance in this fund.

INTERNAL CONTROLS OVER DISBURSEMENTS

The Controller's Office staff continues to audit accounts payable invoices to ensure that claims are paid in a timely manner. Invoices that are identified as being late are forwarded to the appropriate Board for further discussion and additional approval. Currently, all Payroll timesheets are being signed by both the employee and the supervisor.

UTILITY RECEIPTS TAX AND SALES TAX

As soon as the Utility realized the error with the filing of taxes, the error was corrected and any penalties and interest were reimbursed to the City.

INTERNAL CONTROLS – WATER UTILITY AND SANITARY DISTRICT

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DELINQUENT WASTEWATER ACCOUNTS

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COLLECTION OF AMOUNTS DUE-REDEVELOPMENT

The Department of Redevelopment has legal proceedings against Healthy East Chicago, Inc. Cause No. is 45C01-1208-MF-297. The defendants have proposed a settlement as of January 2015, which is under consideration at this time.

DORMANT ACCOUNT BALANCES-REDEVELOPMENT

The Department of Redevelopment has fully expended the \$305,210.62 dormant Build Indiana Fund in the 2014 calendar year. The Department of Redevelopment will expend the Fannie Mae \$7,000 dormant account in the calendar year 2015. The Department of Redevelopment will research and take appropriate steps to either expend or return the remaining account balance for the UPS Program in the amount of \$15,972.66.

BOARD MINUTES – BOARD OF WORKS AND REDEVELOPMENT
COMMISSION

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SHIFT TRADES – FIRE DEPARTMENT

There is no requirement per Section(7)(3) of the Fair Labor Standards Act that requires a record be kept for Firefighter trades. The East Chicago Civil Service rule requiring such documentation and setting rules for trades was replaced in the Salary Ordinance clarifying that NO RULE SHALL BE CREATED INFRINGING ON THE FIRE CHIEFS RIGHT TO APPROVE OF TRADES , and no requirements of documentation is required staying consistent with the FLSA. We do keep a record of trades for the purpose of monitoring abuse of trades, and may have missed some, but we will ensure better monitoring of trades.

HEALTH DEPARTMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

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CITY CONTROLLER
CITY OF EAST CHICAGO

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The City's financial statement included the CDBG and Self-Insurance funds with overdrawn cash balances at December 31, 2013, of \$250,592 and \$1,819,185, respectively.

Cash balances of some of the City's funds were overdrawn due to grant funds or internal service funds operating on the reimbursement basis. Reimbursement basis of operations requires the City to expend funds and subsequently request reimbursement. Only those City funds with overdrawn cash balances at December 31, 2013, which were not due to the timing of reimbursements, were detailed above.

A similar audit result and comment appeared in prior Report B43130.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

In 2012, the City accepted bids for the purchase of fuel. The City entered into a contract with an oil company for the purchase of fuel that was effective May 2012 through May 2013. The contract contained an option to extend the contract via an extension approved by the Board of Public Works. The Board of Public Works did not formally approve an extension of the fuel contract. Fuel purchases made by the City after May 2013 were not supported by a current contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER DISBURSEMENTS

We noted deficiencies in the City's internal control system related to disbursements. Controls have not been established which would allow management and those charged with governance to detect and correct or prevent errors or omissions of payroll expenditures or to ensure timely payment of vendor disbursements. The controls are also not effective in preventing potential fraud through timely detection by management and those charged with governance. Effective controls include establishing policies and procedures for ensuring federal, state, and local laws and regulations are adhered to by management and staff.

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

Vendor Disbursements

During review of the minutes of the Board of Public Works, Sanitary District, Water Board, and Storm Water Board, we noted approval of payment of old invoices. These invoices dated as far back as 2010. The City has the responsibility to ensure claims are paid in a timely manner.

Payroll

The City relies upon the departments to submit timesheets to the Controller's Office with the signatures of an immediate supervisor to certify the time. During our review of the timesheets, we noted instances in which the 2013 timesheets from Public Works (Sanitary, General Services, Motor Vehicle Highway, and Public Safety Facility) were not signed by a supervisor. Due to the lack of proper approvals, the validity of payroll disbursements could not always be determined. Compensating controls were tested to alleviate the risk of material misstatement of the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

RECEIPTS NOT DEPOSITED – PARK

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WATER UTILITY
CITY OF EAST CHICAGO

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

UTILITY RECEIPTS TAX AND SALES TAX

The Utility Receipts quarterly tax payment for the second quarter of 2013, due June 20, 2013, was made on July 12, 2013. The City should have received a refund for the 2013 Utility Receipt Tax of \$2,096; however, due to late payment, the refund was reduced to \$601. The financial service company responsible for calculating and submitting the payment on behalf of the City reimbursed the City \$1,495 for the penalties and interest assessed by the Indiana Department of Revenue.

The City was assessed penalties and interest of \$341 due to underpayment of their January 2013 sales tax. Upon inquiry of the Director, it was determined that the January 2013 sales tax was paid based on January 2012 sales. The Director reimbursed the City for the penalties and interest due from the January 2013 underpayment.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

INTERNAL CONTROLS - WATER UTILITY AND SANITARY DISTRICT

As stated in prior reports, Water Utility employees are responsible for the Utility billing for both the Water Utility and Sanitary District. These employees manage the billing, customer meter deposits, meter readings, final bills, and collections of Utility bills. During review of the Utility, the following deficiencies were noted:

(A) The Water Utility aging accounts receivable report balance exceeds the City ledger accounts receivable balance by \$41,732 at December 31, 2013. The Wastewater (Sewer) aging accounts receivable report balance exceeds the City ledger accounts receivable balance by \$623,549 at December 31, 2013. The Sanitary District's garbage aging accounts receivable report balance exceeds the City ledger accounts receivable balance by \$6,876 at December 31, 2013. One possible explanation for the continued difference in the detail customer accounts receivable report and the general ledger is how the penalties and nonsufficient funds (NSF) charges and collections are posted to the computerized accounting system. We determined that the water

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

and wastewater penalties and NSF collections are posted directly to revenue accounts in the general ledger even though the penalties and NSF fees are posted to the customer accounts and included in the aging accounts receivable report. Reconciliations between the aging reports and the City accounts receivable ledger balance are not performed at the Water Department or City Controller's Office.

(B) The Water Utility assesses and collects Indiana sales tax for the sale of water. The amount of sales tax collected in one month is remitted to the state by the 20th of the following month. The sales tax payable account on the City's General Ledger records the amount of sales tax assessed and the amount collected and remitted to the state. Thus, the difference between the sales tax payable account and the accounts receivable related to sales tax should agree to the payable amount at each month end. The amount remitted in January 2014 for December 2013 was \$27,700; however, the City's General Ledger sales tax payable account had a \$27,700 balance at year end and the accounts receivable balance related to sales tax was \$36,062, resulting in a negative \$8,362 payable balance. The comparison between the negative payable balance and what was actually remitted results in a difference of \$36,062. Reconciliations between the monthly sales tax remitted and the City's sales tax payable General Ledger account are not performed by personnel at the Water Department or the City Controller's Office.

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City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

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SANITARY DISTRICT
CITY OF EAST CHICAGO

SANITARY DISTRICT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

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SANITARY DISTRICT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been certified to the County Auditor nor recorded with the County Recorder in 2013.

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May . . ."

City of East Chicago
Audit Responses
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POLICE DEPARTMENT
CITY OF EAST CHICAGO

POLICE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

POLICE BUY MONEY

An Ordinance establishing the Police Buy Money Program and allowing the associated expenditures was not available for audit.

The following procedures should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. under Indiana Code 36-1-3 an ordinance should be passed allowing this type of program and associated expenditures;
2. an appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. petty cash fund procedures are to be followed as authorized by Indiana Code 36-1-8-3; and
4. a minimum documentation procedure must be followed, similar to either:
 - A. "Guidelines for the Expenditure of Confidential Funds," published by the U. S. Department of Criminal Justice.
 - B. "Guidelines for Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations," (Revised S.O.P. INV-009), by the Indiana State Police Department.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

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BOARD OF PUBLIC WORKS
CITY OF EAST CHICAGO

BOARD OF PUBLIC WORKS
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

BOARD MINUTES - BOARD OF PUBLIC WORKS AND REDEVELOPMENT COMMISSION

The Board of Public Works awarded contracts for demolition of vacant properties in 2014. Not all contracts were awarded to the lowest bidder. The Board minutes failed to disclose why the lowest bidder was not chosen.

The Redevelopment Commission awarded a contract for cleanup services based on location of the company rather than to the lowest bidder. This resulted in Redevelopment Commission overpaying for services by \$1,394.

The minutes from the January 22, 2013 Redevelopment Commission Board meeting did not document why the highest bidder of \$22,400 was selected on the award for 407 Vernon. Additionally, the minutes failed to include accurate information from the bid openings evidenced by the Contractor's Bid Tabulation Form. The minutes from the January 2, 2013 Board meeting contain information about a bid opening for 407 Vernon with three bidders. The amounts reported in the minutes do not agree with the amounts written on the Contractor's Bid Tabulation Form.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

Indiana Code 36-1-12-4 (9) states:

"If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection."

CONTRACTS

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DORMANT ACCOUNT BALANCES-REDEVELOPMENT

The Department of Redevelopment has fully expended the \$305,210.62 dormant Build Indiana Fund in the 2014 calendar year. The Department of Redevelopment will expend the Fannie Mae \$7,000 dormant account in the calendar year 2015. The Department of Redevelopment will research and take appropriate steps to either expend or return the remaining account balance for the UPS Program in the amount of \$15,972.66.

BOARD MINUTES – BOARD OF WORKS AND REDEVELOPMENT COMMISSION

As of January 2014, The Department of Redevelopment has a professional stenographer at each meeting who then provides the Commission meeting Minutes for the records.

SHIFT TRADES – FIRE DEPARTMENT

There is no requirement per Section(7)(3) of the Fair Labor Standards Act that requires a record be kept for Firefighter trades. The East Chicago Civil Service rule requiring such documentation and setting rules for trades was replaced in the Salary Ordinance clarifying that NO RULE SHALL BE CREATED INFRINGING ON THE FIRE CHIEFS RIGHT TO APPROVE OF TRADES , and no requirements of documentation is required staying consistent with the FLSA. We do keep a record of trades for the purpose of monitoring abuse of trades, and may have missed some, but we will ensure better monitoring of trades.

BOARD OF PUBLIC WORKS
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2015, with Anthony Copeland, Mayor; Lenny Franciski, President of the Common Council; Valeriano Gomez, City Controller and President of the Board of Public Works; and Kimberly Anderson, Deputy City Controller.

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FIRE DEPARTMENT
CITY OF EAST CHICAGO

FIRE DEPARTMENT
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

SHIFT TRADES

The City's Fire Department is governed by the East Chicago Fire Civil Service Commission (Civil Service Commission). The rules and regulations of the Civil Service Commission allow for firefighters to trade shifts. The regulations restrict the trading of weekday shifts between the hours of 7:30 a.m. and 3:30 p.m. during a 28 day work cycle. Firefighters are not allowed to trade in excess of three weekday shifts between the aforementioned hours unless it is deemed that the cause was justifiable and beyond the control of the firefighter and must be approved by the Fire Chief. In the event a firefighter is allowed to exceed the three weekday shift trade restriction, the Chief is required to keep a record of dates and reasons for the excess trades.

During a review of firefighter shift trades, we noted three employees who exceeded the trade restrictions during multiple work cycles. The City was unable to provide documentation as to why the excess shift trades were allowed.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Civil Service Commission Rules and Regulations Article 11 Section 41, Trading Days states in part:

"G. No Firefighter shall trade more than three (3) weekdays (Monday through Friday) between the hours of 7:30 a.m. to 3:30 p.m. during any twenty-eight (28) day work cycle . . .

J. The Fire Chief shall allow a firefighter to exceed the number of trades in a twenty-eight (28) day cycle that was defined in Section G if he believes that justifiable cause, beyond the control of the firefighter exists to support the call-off from their scheduled tour(s) of duty. The Fire Chief shall keep a record of the dates and reasons for such trades."

City of East Chicago
Audit Responses
For the Year Ended December 31, 2013

RECEIPTS NOT DEPOSITED – PARK

The Park Department's internal controls are being reevaluated. New policies and procedures will be implemented once the evaluation process is complete.

The following actions have already been taken to tighten internal controls:

Separate receipt books for Pool passes and wrist bands

Separate receipt books for Rentals, Park permits, Senior Activities and Field Trips

The office accepts money orders only for Rentals, Park Permits and Field trips

OVERDRAWN CASH BALANCES

The City of East Chicago is working to resolve the overdrawn cash balance of the Self-Insurance Fund. The insurance plan is in the process of being analyzed and adjustments are being made in an effort to balance this fund. The Department of Redevelopment has been instructed to initiate timely reimbursement requests for the Community Development Block Grant thereby eliminating the overdrawn cash balance in this fund.

INTERNAL CONTROLS OVER DISBURSEMENTS

The Controller's Office staff continues to audit accounts payable invoices to ensure that claims are paid in a timely manner. Invoices that are identified as being late are forwarded to the appropriate Board for further discussion and additional approval. Currently, all Payroll timesheets are being signed by both the employee and the supervisor.

UTILITY RECEIPTS TAX AND SALES TAX

As soon as the Utility realized the error with the filing of taxes, the error was corrected and any penalties and interest were reimbursed to the City.

INTERNAL CONTROLS – WATER UTILITY AND SANITARY DISTRICT

The Water Utility continues to utilize the outside accounting services of London Witte Group to assist with reconciling customer deposits, sales tax and accounts receivable. Their findings and recommendations are taken to the Board for discussion and approval. The Sanitary District has interest in using London Witte Group for the upcoming year to assist with reconciling accounts receivable.

DELINQUENT WASTEWATER ACCOUNTS

The Sanitary District is now in the process of developing a plan for filing liens for delinquent wastewater accounts. This plan will be memorialized in writing and presented to the Board for approval to become official policy.

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COMMISSION

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FIRE DEPARTMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2015, with Anthony Copeland, Mayor; Lenny Franciski, President of the Common Council; Valeriano Gomez, City Controller; Kimberly Anderson, Deputy City Controller; and Emiliano Perez, Fire Chief.