

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

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

SPECIAL INVESTIGATION REPORT  
OF

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
LAKE COUNTY, INDIANA

January 1, 2023 to August 1, 2024



**FILED**

02/06/2025



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
1937 Firefighters' Pension Fund:	
Results and Comments:	
Background .....	3
Fire Pension Overpayments .....	3-5
Special Investigation Costs .....	5-6
Official Bond .....	6
Internal Controls .....	6-7
Exit Conference .....	8
Official Response .....	9-11
Summary of Charges .....	12
Affidavit .....	13



Paul D. Joyce, CPA  
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# INDIANA STATE BOARD OF ACCOUNTS

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

This is a special investigation report for the City of East Chicago (City), for the period January 1, 2023 to August 1, 2024, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the 1937 Firefighters' Pension Fund, including check histories, bank statements, and earnings histories. The 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 Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

September 17, 2024

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
RESULTS AND COMMENTS

**BACKGROUND**

On July 11, 2024, the pension secretary for the Fire Department was notified by the Indiana Public Retirement System (INPRS) that a pensioner receiving pension benefits from the City's 1937 Fire Pension Fund (1937 Fund) died on January 7, 2023. Richard Slamkowski (Slamkowski) was a member of the 1937 Firefighters' Pension Plan. Slamkowski drew a pension from the 1937 Firefighters' Pension Plan from the date he retired until his death on January 7, 2023, at which time his benefits should have stopped. Linda Jones (Jones) is the daughter of Slamkowski. Jones never reported the passing of Slamkowski to the City. Monthly pension checks continued to be directly deposited into Slamkowski's account from February 2023 to July 2024.

Indiana Code 36-8-7-12.2 sets forth the parameters in which a surviving spouse, child, or other qualifying dependent may receive payments upon the death (other than in the line of duty) of a member of the 1937 Fund. Pursuant to Indiana Code 36-8-7-12.2, the "local board" is charged with authorizing payment to these qualifying individuals. The "local board" manages the 1937 Fund, and its composition, powers, and duties are set forth at Indiana Code 36-8-7-3.

On July 30, 2024, the City's Attorney notified the Indiana State Board of Accounts (SBOA) that a family member of a deceased fire department pensioner had been receiving pension benefit payments after Slamkowski's death, without authorization from the "local board." The SBOA examined the records, and the results of our investigation are described in the following comments.

**FIRE PENSION OVERPAYMENTS**

Similar comments also appeared in prior Reports 84489I and 83603I, entitled *FIRE PENSION OVERPAYMENTS* and *POLICE PENSION OVERPAYMENTS*, respectively. Each of those two SBOA Reports were filed on April 11, 2024.

Monthly pension benefits were direct deposited to a bank account of Slamkowski. After Slamkowski's death on January 7, 2023, direct deposits continued being made into Slamkowski's bank account through July 1, 2024.

The following schedule details the gross pensions, withholdings, and net pensions by year:

<u>Years</u>	<u>Gross Pension</u>	<u>Withholdings</u>	<u>Net Pension</u>
2023	\$ 36,366.36	\$ 2,557.68	33,808.68
2024	<u>18,183.18</u>	<u>1,185.66</u>	<u>16,997.52</u>
Totals	<u>\$ 54,549.54</u>	<u>\$ 3,743.34</u>	<u>\$ 50,806.20</u>

In 2023, the City issued Federal Form 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRSS, Insurance Contracts, etc., (Federal Form 1099-R) for Slamkowski's pension benefits. The 2023 Federal Form 1099-R was issued to Slamkowski in the amount of \$36,666.36, which included all pension payments made by the City in 2023. The Federal Form 1099-R was not returned to the City by Jones, and Jones had not notified the City Controller or Fire Pension Secretary of her father's death.

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
RESULTS AND COMMENTS  
(Continued)

The City Controller makes the pension payments monthly, on the first day of the following month the pension payment applies (i.e., January pension amount is paid on February 1), except for December. The December pension payment is made at the end of the same month or by December 31.

Based upon INPRS notifying the Fire Pension Secretary, benefits to Slamkowski's account were stopped by the City Controller after the July 1, 2024 direct deposit, which was for the month of June.

The SBOA began the investigation on August 6, 2024. On July 12, 2024, Rob Johnson (Johnson), Human Resource Manager, spoke with Jones on the phone. After introducing himself, Johnson explained that the reason for the call was to confirm that Slamkowski passed away on January 7, 2023. Johnson asked about the pension fund payments made to Slamkowski's bank account. Jones stated that she had not "touched" the money and that she would send a copy of the death certificate and a check for the pension payments made after Slamkoski's death. Subsequently, Johnson left voicemail messages for Jones on August 8 and August 14, 2024, to notify her of the pension payments that were made after her father's death, and that the City was requesting repayment of the pension payments for Slamkowski.

On August 27, 2024, the City received a cashier's check for \$50,806.20 from Jones, the full amount of the net pension payments deposited to Slamkowski's bank account for the period of January 2023 to June 2024.

Per an email with Johnson on September 10, 2024, the City Controller had not attempted to recover any of the withholdings totaling \$3,743.34 from the Internal Revenue Service or the Indiana Department of Revenue.

Indiana Code 36-8-7-12.2(b) states in part:

"If a member of the fire department or a retired member of the 1937 fund dies and leaves:

- (1) a surviving spouse;
- (2) a child or children less than eighteen (18) years of age;
- (3) a child or children at least eighteen (18) years of age who are mentally or physically incapacitated; or
- (4) a child or children less than twenty-three (23) years of age who are:
  - (A) enrolled in and regularly attending a secondary school; or
  - (B) full-time students at an accredited college or university;

the local board shall authorize the payment to the surviving spouse and to the child or children the amount from the fund as prescribed by this section. . . ."

Indiana Code 5-11-6-3 states:

"If any examination or investigation made by the state examiner personally or through a deputy examiner, field examiner, or private examiner under this chapter or under any other statute discloses:

- (1) malfeasance, misfeasance, or nonfeasance in office or of any officer or employee;

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
RESULTS AND COMMENTS  
(Continued)

(2) that any public money has been:

(A) unlawfully expended, either by having been expended for a purpose not authorized by law in an amount exceeding that authorized by law, or by having been paid to a person not lawfully entitled to receive it; or

(B) obtained by fraud or in any unlawful manner; or

(3) that any money has been wrongfully withheld from the public treasury;

a duly verified copy of the report shall be submitted by the state examiner to the attorney general, who shall institute and prosecute civil proceedings as provided in section 1 of this chapter, and to the inspector general."

Units must collect any overpayments made. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 1)

### **SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs in the amount of \$4,316.50 due to the special investigation of the City's 1937 Firefighters' Pension Fund.

The SBOA began the special investigation on August 6, 2024. The special investigation was substantially completed by August 27, 2024, the date the City Controller received repayment by Jones of the pension payments. As stated in the comment entitled *FIRE PENSION OVERPAYMENTS*, the City paid Fire and Police pensions to deceased members on two other occasions, as reported in the SBOA Special Investigation Reports 84489I and 83603I, entitled *FIRE PENSION OVERPAYMENTS* and *POLICE PENSION OVERPAYMENTS*, respectively. Each of those two reports were filed on April 11, 2024. Included in each of those two Reports, were comments entitled *INTERNAL CONTROLS*. The internal control comments stated that the City did not have internal controls in place to verify the existence and eligibility of pensioners. This report also includes the same or a similar comment, entitled *INTERNAL CONTROLS*, as the City Controller had not developed or implemented internal controls to prevent or detect pension payments being made to ineligible or deceased parties.

This investigation involved the following:

- Verifying pension payments from the City to Slamkowski's account;
- Verifying pension payments were deposited into Slamkowski's account;
- Validating that Federal Form 1099-R was not returned by Jones;
- Ensuring Jones had not reported Slamkowski's death to the City Controller and/or Fire Pension Secretary; and
- Validating repayment of pension funds from Jones.

Indiana Code 5-11-5-1(a) states in part:

"Whenever an examination is made under this article, a report of the examination shall be made. The report must include a list of findings and shall be signed and verified by the examiner making the examination. A finding that is critical of an examined entity must be based upon one (1) of the following:

- (1) Failure of the entity to observe a uniform compliance guideline established under [IC 5-11-1-24\(a\)](#).

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
RESULTS AND COMMENTS  
(Continued)

(2) Failure of the entity to comply with a specific law. . . .

If an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the persons or entities charged in such report, or upon the officer's or employee's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for."

Indiana Code 5-11-1-27(m) states in part:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings. . . ."

We requested the City to reimburse the State of Indiana for special investigation costs in the amount of \$4,316.50. (See Summary of Charges, page 12)

**OFFICIAL BOND**

The City Controller obtained the following bonds:

<u>Period</u>	<u>Amounts</u>
01-01-23 to 12-31-23	\$ 300,000
01-01-24 to 12-31-24	300,000

**INTERNAL CONTROLS**

Similar comments appeared in prior Reports 84489I and 83603I, entitled *INTERNAL CONTROLS*.

As reported in two prior special investigation reports (84489I and 83603I) filed on April 11, 2024, the City Controller continued electronically depositing pension benefits of deceased pensioners and their deceased beneficiaries into the pensioners' bank accounts that were held in the names of the pensioners, their beneficiaries, and the children of the pensioners and/or beneficiaries. On July 30, 2024, the City Controller received notice of a third instance of pension payments being deposited to a deceased pensioner's bank account that was shared with the pensioner's child. The City Controller electronically deposited \$50,806.20 to a deceased pensioner's bank account. Additionally, the City Controller withheld and remitted federal and state withholdings totaling \$3,743.34 from the \$54,549.54 of the gross pension amounts paid to the deceased in 2023 and 2024.

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
RESULTS AND COMMENTS  
(Continued)

The City did not have internal controls in place to verify the existence and eligibility of pensioners, such as reviewing and monitoring obituaries on a periodic basis or developing some other method to verify proof of life. The City Controller and the Fire Pension Secretary were relying on families to self-report pensioners and beneficiaries who passed away and when they passed away.

As of the date of this report, the City has not established effective internal controls for verification of proof of life.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

1937 FIREFIGHTERS' PENSION FUND  
CITY OF EAST CHICAGO  
EXIT CONFERENCE

The contents of this report were discussed on January 7, 2025, with Valeriano F. Gomez, City Controller; Vanessa Hernandez-Orange, Common Council member; and Jesse Becerra, Fire Pension Secretary.



*City of East Chicago*  
*Law Department*

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MAYOR

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OFFICIAL RESPONSE

January 17, 2025

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: SBOA Case number Fire Pension Overpayment: 844891 and Police Pension Overpayment 836031

To Whom It May Concern:

Please consider this letter the City of East Chicago's Official Response to the continuing violation findings which were discussed at the recent Exit Conference on January 7, 2025.

The City does not believe that it or any of its employees or officials is responsible for misfeasance, nonfeasance, or malfeasance in connection with either the two initial investigation findings relating to wrongful collection and retention of benefits from the 1925 Police Pension Fund or the 1937 Fire Pension Fund, or the more recent finding related to an additional wrongful collection and retention of benefits from the 1937 Fire Pension Fund.

Nonetheless, the respective pension fund boards, at my direction, have now implemented several measures that are designed to reduce the risk of future such incidents. A "proof of life" declaration, substantially similar to similar forms utilized by INPRS, will be sent to all current beneficiaries of both funds. The form will include a declaration for a person exercising power of attorney for a beneficiary to accept responsibility for wrongful payments to that beneficiary. Additionally, a member of each board will periodically monitor public records of deaths to flag the potential death of any fund beneficiary. Lastly, each board's by-laws have been amended to provide that payments to beneficiaries will be discontinued for a beneficiary's failure to return the proof of life form, subject to the beneficiary's opportunity to remonstrate.

Thank you for your attention to this matter.

Regards,

Joe Allegretti  
Corporation Counsel

DMS\_US.368897183.1



**PROOF OF LIFE DECLARATION**

Declarant's name \_\_\_\_\_  
Social Security Number \_\_\_\_\_  
Pension ID number \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone Number (\_\_\_\_) \_\_\_\_\_  
Date of Birth \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_  
Zip Code \_\_\_\_\_  
Email Address \_\_\_\_\_

I, \_\_\_\_\_, declare, under penalties of perjury, that I am alive and remain entitled to receive a pension benefit or distribution from the East Chicago Firefighter's Pension Fund.

\_\_\_\_\_  
Declarant's Signature Date

**POWER OF ATTORNEY DECLARATION**

[complete only if applicable]

In addition to the above statements, I also understand that if the East Chicago Firefighter's Pension Fund pays pension benefits to an individual as a result of this declaration and said individual is not entitled to such benefits as a result of being deceased, I will be personally liable for the repayment of such benefits.

Power of Attorney's name \_\_\_\_\_  
Date of Birth \_\_\_\_\_  
Power of Attorney for \_\_\_\_\_

\_\_\_\_\_  
Power of Attorney signature

**PROOF OF LIFE DECLARATION**

Declarant's name \_\_\_\_\_  
Social Security Number \_\_\_\_\_  
Pension ID number \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone Number (\_\_\_\_) \_\_\_\_\_  
Date of Birth \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_  
Zip Code \_\_\_\_\_  
Email Address \_\_\_\_\_

I, \_\_\_\_\_, declare, under penalties of perjury, that I am alive and remain entitled to receive a pension benefit or distribution from the East Chicago Police Pension Fund.

\_\_\_\_\_  
Declarant's Signature Date

**POWER OF ATTORNEY DECLARATION**  
[complete only if applicable]

In addition to the above statements, I also understand that if the East Chicago Police Pension Fund pays pension benefits to an individual as a result of this declaration and said individual is not entitled to such benefits as a result of being deceased, I will be personally liable for the repayment of such benefits.

Power of Attorney's name \_\_\_\_\_  
Date of Birth \_\_\_\_\_  
Power of Attorney for \_\_\_\_\_

\_\_\_\_\_  
Power of Attorney signature

1937 FIREFIGHTERS' PENSION FUND  
 CITY OF EAST CHICAGO  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
City of East Chicago:			
Special Investigation Costs, pages 5 and 6	\$ 4,316.50	\$ -	\$ 4,316.50

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

AFFIDAVIT

STATE OF INDIANA )  
LAKE COUNTY )

I, Thomas Larney, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of East Chicago, Lake County, Indiana, for the period from January 1, 2023 to August 1, 2024, is true and correct to the best of my knowledge and belief.

Thomas Larney  
Field Examiner

Subscribed and sworn to before me this 27<sup>th</sup> day of JANUARY, 2025



John G. Brezik  
Notary Public

My Commission Expires: 1-11-2032

County of Residence: LAKE