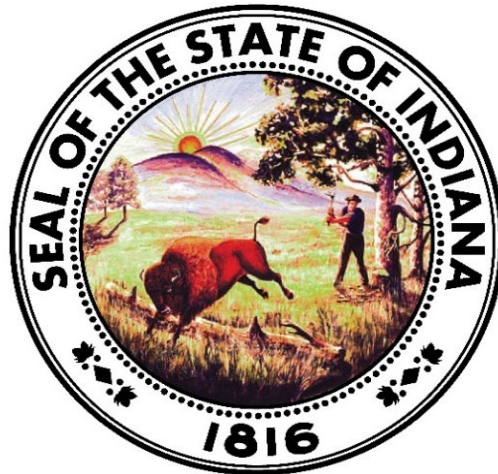


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT
OF

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

January 1, 2022 to January 4, 2023



FILED

04/11/2024

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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, 2022 to January 4, 2023, 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/.

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 1925 Police 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

December 20, 2023

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
RESULTS AND COMMENTS

BACKGROUND

Ronald Jackson was a member of the 1925 Police Pension Plan. Ronald Jackson drew a pension from the 1925 Police Pension Plan from the date he retired until his death on January 2, 2016. Following his death, his widow, Katie Jackson (beneficiary), began receiving spousal pension benefits. The spousal beneficiary pension payments were deposited by Valeriano F. Gomez (Gomez), City Controller, into the beneficiary's bank account. That bank account was shared by the beneficiary and the beneficiary's daughter, Ayesha Jackson (Jackson).

The beneficiary passed away on May 26, 2022, at which time her spousal beneficiary pension benefits should have stopped. Jackson never reported the passing of the beneficiary to Gomez or the Police Pension Secretary. Jackson was not an eligible beneficiary of the pension benefits. Indiana Code 36-8-6-9.6.

On March 29, 2023, the City's Attorney notified the Indiana State Board of Accounts that a family member of a deceased police department pensioner had been receiving pension benefit payments after the beneficiary's death. The Indiana State Board of Accounts examined the records, and the results of our investigation are described in the following comments.

POLICE PENSION OVERPAYMENTS

Monthly pension benefits were direct deposited to a bank account held in the names of the beneficiary and Jackson. After the beneficiary's death on May 26, 2022, direct deposits continued being made to the bank account held in the name of the beneficiary and Jackson through December 30, 2022. Gomez direct deposited \$18,379.50 to the beneficiary and Jackson's bank account from June 1, 2022 through December 30, 2022, all after the beneficiary's death on May 26, 2022. Furthermore, Gomez remitted federal, state, and local withholdings of \$1,245.58 to each respective governmental agency based upon the pension payments. Total remittances made by Gomez in overpayments of pension benefits were \$19,625.08.

In 2022, the City annually issued Federal Forms 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRs, Insurance Contracts, etc. (Federal Form 1099-R) for the beneficiary's benefits. The 2022 Federal Form 1099-R was issued in the name of the beneficiary. The Federal Form 1099-R was not returned to the City by Jackson, nor did it prompt Jackson to notify Gomez or the Police Pension Secretary of the beneficiary's death.

Benefits to the beneficiary's account were stopped by Gomez after the December 30, 2022 direct deposit. No direct deposits or other remittances were made by Gomez to Jackson in 2023.

An analysis was performed of the disbursements and withdrawals from Jackson's bank account after the beneficiary's death and the pension benefits should have stopped, as follows:

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
RESULTS AND COMMENTS
(Continued)

End of Day Bank Balance - May 25, 2022		\$ 1,551.85
Deposits:		
Pension Payments		20,401.68
ATM Deposits		9,995.20
Other Sources		<u>62,764.11</u>
Total Deposits:		<u>93,160.99</u>
Withdrawals:		
ATM		2,089.00
Zelle		13,682.00
Online Transfers to Other Bank Accounts		33,971.37
Debit Card Withdrawals (Restaurants, Retail Stores)		26,400.12
Other Vendors Payments		<u>18,916.09</u>
Total Withdrawals:		<u>95,058.58</u>
Bank Balance at January 4, 2023		<u>\$ (345.74)</u>

The Police Pension Payments included as deposits above exceed the gross and net earnings reported as received after the beneficiary's death due to the deposits including the full pension amount for May 2022, not the prorated amount due and payable for May. The May 2022 pension was deposited on June 1, 2022.

Indiana Code 36-8-6-9.6 states in part:

" . . .(b) A payment shall be made to the surviving spouse of a deceased member in an amount fixed by ordinance, but at least an amount equal to the following: . . .

- (2) Except as otherwise provided in this subdivision, to the surviving spouse of a member who dies after December 31, 1988, an amount per month, during the spouse's life, . . ."

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;
- (2) that any public money has been:

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
RESULTS AND COMMENTS
(Continued)

- (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."

We requested Jackson and Gomez, jointly and severally, to reimburse \$19,625.08 to the City of East Chicago for police pension overpayments. (See Summary of Charges, page 9)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs in the amount of \$4,009.33 due to the special investigation of the City of East Chicago 1925 Police Pension Plan.

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\(a\)](#).
- (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:

"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:

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
RESULTS AND COMMENTS
(Continued)

- (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 Jackson and Gomez, jointly and severally, to reimburse \$4,009.33 the State of Indiana for special investigation costs. (See Summary of Charges, page 9)

OFFICIAL BOND

The City Controller obtained the following official bonds:

Period	Amount
01-01-22 to 12-31-22	\$ 300,000

INTERNAL CONTROLS

Internal controls were insufficient due to the lack of oversight and monitoring of the 1925 police pension funds. The City did not have internal controls in place to verify 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. Gomez and the Police Pension Secretary were relying on families to self-report pensioners and beneficiaries who passed away and when they passed away.

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. . . ."

1925 POLICE PENSION FUND
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2024, with Valeriano F. Gomez, City Controller; Lenny Franciski, President of the Common Council; and Juda S. Parks, Police Pension Secretary.



City of East Chicago
Administrative Services Division
4525 Indianapolis Blvd., East Chicago, Indiana 46312
Phone: (219) 391-8220 Fax: (219) 391-8223

Anthony Copeland
Mayor

Date: 15 March 2024

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

Re: 1925 Police Pension Fund City of East Chicago Official Response

Internal Controls pertaining to oversight and monitoring of City of East Chicago pension funds... (1925 Police and 1937 Firefighter's Pension Funds), ...due to City funds being unlawfully expended by persons not lawfully entitled to funds, and not reporting deaths of rightful beneficiary, will be expanded to prevent future similar incidents due to insufficient oversight.

City Controller Gomez has instructed the Police (and Fire) Pension secretary, HR Payroll Manager, and the City Legal department to quickly work together to formulate a document to be sent to all Police (Fire) Pension beneficiaries to verify the eligibility and existence of remaining Police (Fire) rightful pension beneficiaries; form will be similar to PERF's Proof of Life Affidavit Form. In addition, instructed them to add request for additional contact information (up dated phone, e-mail, etc.) of beneficiaries, and emergency contact information of nearest relative or trusted friend living near their location: to be used if no response from beneficiary. As with PERF form, East Chicago form will require document to be notarized and returned. The verifying form shall be sent out yearly, with follow-up contact attempts by Police (Fire) Pension secretary, with an emphasize on beneficiaries living out County or State.

Valeriano F. Gomez
City Controller, City of East Chicago
Tel: 219-391-8220

1925 POLICE PENSION FUND
 CITY OF EAST CHICAGO
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ayesha Jackson, Daughter of Beneficiary, and Valeriano F. Gomez, City Controller, jointly and severely: Police Pension Overpayments, pages 3 through 5	\$ 19,625.08	\$ -	\$ 19,625.08
Ayesha Jackson, Daughter of Beneficiary, and Valeriano F. Gomez, City Controller, jointly and severely: Special Investigation Costs, pages 5 and 6	<u>4,009.33</u>	<u>-</u>	<u>4,009.33</u>
Totals	<u>\$ 23,634.41</u>	<u>\$ -</u>	<u>\$ 23,634.41</u>

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

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AFFIDAVIT

STATE OF INDIANA)
)
Porter COUNTY)

I, Kristin Campbell, 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, 2022 to January 4, 2023, is true and correct to the best of my knowledge and belief.

Kristin Campbell
Field Examiner

Subscribed and sworn to before me this 1ST day of April, 2024.

Kathryn A. Hapek
Notary Public

My Commission Expires: January 24, 2026
County of Residence: Porter

