

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

AUDIT REPORT
OF

CITY JUDGE
CITY OF GARY
LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
12/29/2006

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Scott L. King Dozier T. Allen Rudolph Clay, Sr.	01-01-04 to 03-24-06 03-25-06 to 04-07-06 04-08-06 to 12-31-07
Judge	Deidre Monroe	01-01-04 to 12-31-07
Controller	Husain G. Mahmoud	01-01-05 to 12-31-06
President of the Common Council	Charles Hughes Roy Pratt	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of Public Works and Safety	Geraldine B. Tousant	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CITY OF GARY

We have audited the records of the City Judge for the period from January 1, 2005 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of City of Gary for the year 2005.

STATE BOARD OF ACCOUNTS

November 8, 2006

CITY JUDGE
CITY OF GARY
AUDIT RESULT AND COMMENTS

INTERNAL CONTROLS OVER CREDIT CARD PAYMENTS

We noted the following internal control deficiencies during our review of the City Judge's credit cards:

- (1) We could not verify payments totaling \$10,107 made to the credit card company (Chase Bank, formerly Bank One) because not all statements were presented for audit. The Judge is pursuing obtaining copies of the missing statements from Chase Bank.
- (2) The City made overpayments in the amount of \$4,647 to Chase Bank. The overpayments resulted because the City did not make payments timely. The Judge is pursuing this issue upon receipt of copies of all the credit card statements from Chase Bank.
- (3) Most of the payments were made based on the credit statement only and did not have proper supporting documentation attached to the claims.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria, among others, are observed:

- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

CITY JUDGE
CITY OF GARY
AUDIT RESULT AND COMMENTS
(Continued)

(7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

(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."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

Penalties and interest totaling \$1,250 were paid on the City Judge's credit cards during 2005.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY JUDGE
CITY OF GARY
EXIT CONFERENCE

The contents of this report were discussed on November 8, 2006, with Deidre Monroe, Judge; Mildred Shannon, Administrative Assistant; and Lynn Reeves, Court Administrator. The officials concurred with our audit findings.