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

AUDIT REPORT  
OF

POLICE DEPARTMENT  
CITY OF EAST CHICAGO  
LAKE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



**FILED**  
11/10/2010



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief of Police	Augusto Flores	01-01-09 to 12-31-10
Mayor	George Pabey	01-01-08 to 12-31-11
City Controller	Charles Pacurar	01-01-09 to 12-31-10
President of the Common Council	Richard Medina	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO

We have audited the records of the Police Department for the period from January 1, 2009 to December 31, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of the City of East Chicago for the year 2009.

STATE BOARD OF ACCOUNTS

August 12, 2010

POLICE DEPARTMENT  
CITY OF EAST CHICAGO  
AUDIT RESULTS AND COMMENTS

PETTY CASH FUND

The Police Department has a petty cash fund in the amount of \$1,000. In 2009, three accounts payable vouchers were submitted to reimburse the petty cash fund. The first, dated May 7, 2009, included invoices for reimbursement of supplies and food for an "employee luncheon/baby shower" totaling \$375.47. The final reimbursement, dated December 16, 2009, included an invoice from a department store for various men's and women's clothes and shoes totaling \$270.03, and one from an electronics store which indicated an "employee" purchase was made of a Country Music compact disc, and a bottle of vitamin water totaling \$11.17. Neither invoice included an explanation as to how the purchases related to the police department. Additionally, vendor invoices were included for reimbursement of meals without an explanation of the business nature of the meals or the attendees.

Upon inquiry of the petty cash custodian, it was indicated that the department store invoice for the clothing was submitted for reimbursement in error. He then provided five other original invoices covering the same time period for such items as meal reimbursements, and office supplies. These receipts totaled \$251.28. It is not known where these vendor invoices were kept, as they were not presented to reconcile the petty cash account when a cash count was performed on July 12, 2010. This cash count also revealed the fund to be cash short by \$53.96. The vendor invoices for meals were also discussed with the custodian. Specifically, purchases are made from a "White Castle" fast food restaurant, without explanation as to the business nature of the meal. The custodian indicated items would be purchased from the "White Castle" as refreshments for training seminars; however, one of the invoices reviewed was time-stamped 12:27am. In a subsequent discussion with the custodian, it was indicated that the "White Castle" purchases were for officers from other agencies who assisted with various "operation pull-over" blitzes.

Due to the issues described above with the petty cash fund, the only accounts payable voucher submitted as of July 12, 2010, for reimbursement was reviewed. It included reimbursement to the fund of an invoice for catering for an employee Christmas party, which totaled \$740.60. Also, the cash count performed on July 12, 2010, included invoices for supplies for the Christmas party totaling \$140.19.

IC 36-1-8-3 states:

"(a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to that prescribed by section 2 of this chapter. (b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund. (c) The custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed for expenditures from it. Reimbursement must be approved and made in the same manner as is required for other expenditures of the political subdivision.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses 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)

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

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 which 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)

We are requesting reimbursement from Augusto Flores, Chief of Police, \$1,145.99 for the disbursements that were reimbursed from the General Fund for the employee luncheon/baby shower (\$375.47), the excess of the department store receipt included in error over the amount due on valid vendor receipts (\$18.75), the "employee purchase" of personal items (\$11.17), and the catering for the Christmas Party (\$740.60).

We are also requesting reimbursement from Hector Rivera, Petty Cash Custodian, \$194.15 for the amount the fund was short on July 12, 2010, the day the cash count was performed (\$53.96), and receipts included to balance the fund for the Christmas party (\$140.19).

#### GUN PERMIT RECEIPTS AND FEES

Gun permit fees collected by the police department were remitted to the controller less frequently than once a week. The January through April 2009 collections were not remitted to the controller's office until June 2009; the May collections were remitted in August; the August through October collections were remitted in December and the November 2009 through April 2010 collections were not remitted until May 2010.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

#### PAYROLL ISSUES

Each department has a person who is responsible for accumulating payroll information for each bi-weekly payroll period. This person is also responsible for calculating additional pay for overtime and extra duty pay. The calculations for extra duty pay are not being calculated consistently among the departments. Specifically, the City is paying the Deputy Police Chief additional pay on a daily basis for duties performed as "Acting Police Chief" when the Police Chief is not scheduled. This additional pay is calculated based strictly on the difference between the Police Chief's base pay and the Deputy Chief's base pay. Also, during the audit period, a firefighter was paid additional pay for performing duties as "Acting Fire Chief". During the time period this individual was paid as the "Acting Fire Chief", a permanent Fire Chief had not been appointed. The additional pay was calculated as the difference between the Former Fire Chief's pay, including his longevity and certifications, less the firefighter's pay, including his longevity and certifications.

The salary resolution (2008-03) for Police, Fire, and Emergency Medical Services Personnel of the City for the Fire Department states, "Move-up Pay East Chicago Fire Department personnel filling in a higher rank or position due to a vacancy will be compensated at a rate equal to that of the vacant rank or

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

position to be filled, throughout the period the vacancy occurs. Vacancy will refer to an absence due to vacations, reduction days, illness, special assignments or training, union/pension business and any other vacancy, deemed by the Fire Chief to be proper." The dollar amount of the "Move-up" pay is not addressed in the salary resolution. "Move-up" pay or "acting" pay is not addressed at all for the Police Department.

The Common Council failed to adopt salary ordinances for the following departments: Sanitary District Solids, Wastewater, Police, Fire, Emergency Personnel, Utilities Administration, Port Authority, and Water Utility, as well as two resolutions amending salaries of the Wastewater Board and Utility Labor. These salaries were approved in resolution form by their respective boards, but were not approved in ordinance form by the Common Council.

IC 36-4-7-2 states:

". . . 'compensation' means the total of all money paid to an elected city officer for performing duties as a city officer, regardless of the source of funds from which money is paid. The city legislative body shall, by ordinance, fix the annual compensation of all elected city officers. The ordinance must be published under Indiana Code 5-3-1, with the first publication at least thirty (30) days before final passage by the legislative body. The compensation of an elected city officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

IC 36-8-3-3(d) states:

"The annual compensation of all members of the police and fire departments and other appointees shall be fixed by ordinance of the legislative body no later than September 30 of each year for the ensuing budget year. The ordinance may grade the members of the departments and regulate their pay by rank as well as by length of service. If the legislative body fails to adopt an ordinance fixing the compensation of members of the police or fire department, the safety board may fix their compensation, subject to change by ordinance."

### INSURANCE COVERAGE

As noted in the prior report, the City does not have employee dishonesty insurance coverage for employees that handle cash. Furthermore, a blanket bond or a crime insurance policy covering all employees was not purchased.

IC 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, . . . officers and employees shall file an individual surety bond: (1) City judges, controllers, clerks, and clerk-treasurers. . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county.

(b) The fiscal body of a city, . . . may by ordinance, authorize the purchase of a blanket bond or a crime insurance policy . . . to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit including those officers described in subsection (a)".

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT  
CITY OF EAST CHICAGO  
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2010, with Hector Rivera, Director of Human Resources; and Augusto Flores, Chief of Police. The official response has been made a part of this report and may be found on page 8.



*George Pabeey*  
Mayor

# *City of East Chicago*

*Police Department*  
2301 E. Columbus Drive, East Chicago, Indiana 46312

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*Augusto (Gus) Flores, Jr.*  
Chief of Police  
(219) 391-8331

September 1, 2010

State Board of Accounts  
302 West Washington Street, Room E-418  
Indianapolis, Indiana 46204-2765

Attention: Mr. Charlie Pride

**OFFICIAL RESPONSE**

Dear Mr. Pride:

I am responding to your Audit Results & Comments reference the Petty Cash Fund.

Be advised that petty cash was used to cover expenses for the Awards/Christmas Luncheon on December 15, 2010 totaling \$880.79.

Catering Expense	\$ 740.60
Miscellaneous Supplies	\$ 140.19

In previous years the Audit Field Examiners advised us that petty cash could be used to cover such expenses. We have never been audited on this expense until now.

After your review of this letter we hope you will reconsider your findings on this matter.

If you have any questions, please do not hesitate to call my office.

Respectfully,

Augusto Flores, Jr.  
Chief of Police

POLICE DEPARTMENT  
CITY OF EAST CHICAGO  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Augusto Flores, Chief of Police: Petty Cash Fund, pages 4 and 5	\$ 1,145.99	\$ -	\$ 1,145.99
Hector Rivera, Petty Cash Custodian: Petty Cash Fund, pages 4 and 5	<u>194.15</u>	<u>-</u>	<u>194.15</u>
Totals	<u>\$ 1,340.14</u>	<u>\$ -</u>	<u>\$ 1,340.14</u>

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AFFIDAVIT

STATE OF INDIANA )  
                          )  
Lake COUNTY)

We, Christina L. Griffin and Michelle M. Janosky, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Police Department, City of East Chicago, Lake County, Indiana, for the period from January 1, 2009 to December 31, 2009, is true and correct to the best of our knowledge and belief.

Christina L. Griffin

Michelle M. Janosky  
Field Examiners

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 2010.

Gerril L. Battle  
Notary Public

My Commission Expires: March 17, 2016

County of Residence: Lake

GERRIL BATTLE  
NOTARY PUBLIC  
SEAL  
STATE OF INDIANA  
COUNTY OF LAKE  
MY COMMISSION EXPIRES MARCH 17, 2016

