

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, 2017 to December 31, 2017



FILED
09/13/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Valeriano Gomez	01-01-17 to 12-31-18
Mayor	Anthony Copeland	01-01-17 to 12-31-19
President of the Board of Public Works	Valeriano Gomez	01-01-17 to 12-31-18
President of the Common Council	Lenny Franciski Richard Medina	01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2017 to December 31, 2017. 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

August 9, 2018

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CITY CONTROLLER
CITY OF EAST CHICAGO

CITY CONTROLLER
CITY OF EAST CHICAGO
FEDERAL FINDING

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The City did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The review process in place was not effective since material misstatements went undetected.

Context

Due to an ineffective control process, the SEFA contained the following errors:

1. The Section 8 Housing Assistance Payments Program federal expenditures were understated by \$347,773.
2. The HOME Investment Partnerships Program amount passed through to subrecipients was overstated by \$143,414.

Audit adjustments were proposed, approved by the City, and made to the SEFA.

Criteria

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

CITY CONTROLLER
CITY OF EAST CHICAGO
FEDERAL FINDING
(Continued)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established an effective system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish effective internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

CITY CONTROLLER
CITY OF EAST CHICAGO
FEDERAL FINDING
(Continued)

Recommendation

We recommended that the City establish an effective system of internal controls to ensure that the federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



City of East Chicago

Administrative Services Division

4525 Indianapolis Blvd. East Chicago, Indiana 46312

Phone: (219) 391-8220

Facsimile: (219) 391-8223

Anthony Copeland
Mayor

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for the Corrective Action: Valeriano Gomez

Contact Phone Number: (219) 391-8220

Views of Responsible Official: The City of East Chicago concurs with the finding.

Description of Corrective Action Plan:

The City of East Chicago, Indiana will contract or hire a Grant Administrator to assist in maintaining the reporting standards that are required under the Schedule of Expenditures of Federal Awards.

The Chief of Staff and the Grant Administrator shall review all proposed Grants and approve the Applications.

The Grant Administrator will forward copies of all Grants to the City Controller so that all Grants are applied to the Accounting System.

The Grant Administrator will monitor all approved Grants and review any reports that are required to apply for reimbursement and review the reports that are submitted to the City Controller and used to prepare the Schedule of Expenditures and Federal Awards.

Anticipated Completion Date: November 1, 2018

Signature

City Controller

Title

9 Aug 2018

Date

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Training on internal controls, require by statute, was not provided to City personnel. The City Controller, however, incorrectly certified on the Annual Financial Report for 2017 that the City had received training concerning the internal control standards adopted by the Common Council.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Training and Certification on Internal Control Standards

The East Chicago Common Council charged the City's Department of Human Resources with the task of training all city personnel over the internal control standards as required by Indiana Code 5-11-1-27(g). The Office of the City Controller requested confirmation from the Human Resource Department that this training had taken place before the City Controller filed the certification on Gateway. The Department of Human Resources confirmed that this training had taken place yet at the time of audit they were unable to produce the necessary supporting documents. They are once again charged with this task and will begin to train city employees immediately.

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned to the right of the main text block.

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2018, with Valeriano Gomez, City Controller; Anthony Copeland, Mayor; and Kimberly Anderson, Deputy City Controller.

COMMON COUNCIL
CITY OF EAST CHICAGO

COMMON COUNCIL
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

The City failed to provide training to personnel during 2017 concerning the internal control standards adopted by the Common Council as required by Indiana Code 5-11-1-27(g).

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

". . . the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Training and Certification on Internal Control Standards

The East Chicago Common Council charged the City's Department of Human Resources with the task of training all city personnel over the internal control standards as required by Indiana Code 5-11-1-27(g). The Office of the City Controller requested confirmation from the Human Resource Department that this training had taken place before the City Controller filed the certification on Gateway. The Department of Human Resources confirmed that this training had taken place yet at the time of audit they were unable to produce the necessary supporting documents. They are once again charged with this task and will begin to train city employees immediately.

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned to the right of the main text block.

COMMON COUNCIL
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2018, with Valeriano Gomez, City Controller; Anthony Copeland, Mayor; and Kimberly Anderson, Deputy City Controller.

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
FEDERAL FINDINGS

FINDING 2017-002

Subject: Section 8 Housing Assistance Payments Program - Internal Controls
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 and Years (or Other Identifying Numbers): IN36L000278 & IN36M000280
Compliance Requirements: Cash Management, Reporting, Special Tests and Provisions - Vacant Units
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding cash management and reporting. The prior audit finding number was 2016-001.

Condition

Management of the City's Department of Redevelopment (Department) had not established an effective internal control system related to the grant agreement and the compliance requirements listed above.

The Department contracted with a management company to administer the Section 8 Housing Assistance Payments Program. The management company completed all of the compliance requirements for the Section 8 Housing Assistance Payments Program without documented oversight by the Department. A monthly checklist detailing the reports and work completed by the management company was created to allow for oversight by the Department. However, the checklists were determined to be ineffective since the August through December 2017 checklists were not completed by the Department.

Context

This was a systemic issue, which occurred over the last five months of the audit period.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The Department had not established an effective system of internal controls to ensure compliance with the requirements listed above.

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

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Department's management establish effective controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-003

Subject: Section 8 Housing Assistance Payments Program - Eligibility
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 and Years (or Other Identifying Numbers): IN36L000278 & IN36M000280
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the City's Department of Redevelopment (Department) had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The Department was to ensure that applications were completed that verified the eligibility of the tenants. The Department failed to provide completed applications for four of the tenants chosen to be sampled. Therefore, compliance with the eligibility requirements could not be verified.

Context

This was a systemic issue since 4 out of 24 of the eligibility applications were not provided for audit.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

24 CFR 886.318 states in part:

"(a) *Management and maintenance*. The owner shall be responsible for the management and maintenance of the project in accordance with requirements established by HUD. These responsibilities shall include but not be limited to: . . .

- (3) Performance of all management functions, including the taking of applications; determining eligibility of applicants in accordance with 24 CFR part 5 of this title; selection of families, including verification of income, obtaining and verifying Social Security Numbers submitted by applicants (as provided by part 5, subpart B, of this title), obtaining signed consent forms from applicants for the obtaining of wage and claim information from State Wage Information Collection Agencies (as provided in part 5, subpart B, of this title), and other pertinent requirements; and determination of the amount of tenant rent in accordance with HUD established schedules and criteria. . . ."

Cause

The Department's management had not developed an effective system of internal controls that would have ensured that the Department maintained and made available for audit the completed applications necessary to support compliance with the eligibility requirements.

Effect

The failure to retain or provide completed applications prevented the determination of the Department's compliance with the eligibility requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Department's management establish effective controls to ensure that completed applications related to eligibility determinations will be maintained and available for audit.

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-004

Subject: Section 8 Housing Assistance Payments Program - Special Tests and Provisions - Housing Quality Standards
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 and Years (or Other Identifying Numbers): IN36L000278 & IN36M000280
Compliance Requirement: Special Tests and Provisions - Housing Quality Standards
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

Condition

Management of the City's Department of Redevelopment (Department) had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Housing Quality Standards compliance requirement.

The Department failed to perform completed annual inspections in order to assure that units met housing quality standards. Therefore, compliance with the housing quality standards requirements could not be verified.

Context

The Department performed all 2016 annual inspections at the end of January 2017. Annual inspections for 2017 were not completed by the end of January 2018 to ensure the housing quality standards were met.

This was a systemic issue since the 2017 annual inspections were not completed; therefore, compliance could not be determined.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

24 CFR 886.113(a) states: "*General.* Housing used in this program must be maintained and inspected in accordance with the requirements in 24 CFR part 5, subpart G."

24 CFR 5.705 states:

"Any entity responsible for conducting a physical inspection of HUD housing, to determine compliance with this subpart, must inspect such HUD housing annually in accordance with HUD-prescribed physical inspection procedures. The inspection must be conducted annually unless the program regulations governing the housing provide otherwise or unless HUD has provided otherwise by notice."

Cause

The Department's management had not developed an effective system of internal controls that would have ensured that the Department performed annual inspections necessary to support compliance with the housing quality standards requirements.

Effect

The failure to perform annual inspections prevented the determination of the Department's compliance with the housing quality standards requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Department's management establish controls to ensure that annual inspections related to the Special Tests and Provisions - Housing Quality Standards compliance requirement will be performed.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 201⁷-002

Contact Person Responsible for Corrective Action: Frank Rivera, Executive Director-Department of Redevelopment
Contact Phone Number: (219) 391-8513

VIEWS OF RESPONSIBLE OFFICIAL

We concur with the finding.

DESCRIPTION OF CORRECTIVE ACTION PLAN

The City of East Chicago Department of Redevelopment will establish an effective internal control system related to the grant agreement and the compliance requirements by ensuring that the compliance checklist is submitted by the management company and reviewed internally by the Department.

ANTICIPATED COMPLETION DATE

September 30, 2018

Ezell Foster
President – Redevelopment Commission
City of East Chicago Dept. of Redevelopment
August __, 2018

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
August 9, 2018



CORRECTIVE ACTION PLAN

FINDING 201⁷-003

Contact Person Responsible for Corrective Action: Frank Rivera, Executive Director-Department of Redevelopment
Contact Phone Number: (219) 391-8513

VIEWS OF RESPONSIBLE OFFICIAL

We concur with the finding.

DESCRIPTION OF CORRECTIVE ACTION PLAN

The City of East Chicago Department of Redevelopment will establish an effective internal control system related to the grant agreement and the eligibility compliance requirement.

ANTICIPATED COMPLETION DATE

December 31, 2018

Ezell Foster
President – Redevelopment Commission
City of East Chicago Dept. of Redevelopment
August ____, 2018

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
August 9, 2018



CORRECTIVE ACTION PLAN

FINDING 201⁷-004

Contact Person Responsible for Corrective Action: Frank Rivera, Executive Director-Department of Redevelopment
Contact Phone Number: (219) 391-8513

VIEWS OF RESPONSIBLE OFFICIAL

We concur with the finding

DESCRIPTION OF CORRECTIVE ACTION PLAN

The City of East Chicago Department of Redevelopment is working diligently with the new management company and the HUD Indianapolis Field Office on establishing an effective internal control system to ensure compliance and comply with the Special Tests and Provisions – Uniform Physical Condition Standards (UPCS) requirement along with establishing a procedure to ensure that annual inspections and timely repairs are completed.

ANTICIPATED COMPLETION DATE

December 31, 2018

Ezell Foster
President – Redevelopment Commission
City of East Chicago Dept. of Redevelopment
August _____, 2018

Frank Rivera
Executive Director
City of East Chicago Dept. of Redevelopment
August 9, 2018

DEPARTMENT OF REDEVELOPMENT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2018, with Valeriano Gomez, City Controller; Anthony Copeland, Mayor; Kimberly Anderson, Deputy City Controller; Frank Rivera, Redevelopment Executive Director; Ezell Foster, President of the Redevelopment Commission; and Maune Morgan, Vice President of the Redevelopment Commission.

SANITARY DISTRICT
CITY OF EAST CHICAGO

SANITARY DISTRICT
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

WASTEWATER UTILITY BILLINGS

The same comment also appeared in prior Report B48743.

The following issues occurred regarding the City's Wastewater Utility billing:

1. The wastewater services monthly rates were not charged in accordance with the Utility's rate ordinance for 5 out of the 60 accounts tested.
2. Late payment fees were not assessed on delinquent accounts from January 2017 through June 2017.
3. After July 2017, 8 accounts tested were to be assessed late payment fees. Of the 8 accounts tested, 4 late payment fees were not assessed at all and 4 were determined to be correct.
4. For 8 out of 60 accounts tested, the reprinted monthly bills did not reflect the accurate usage amount. The billed amount was calculated based upon the change from the previous to the present meter reading; however, that amount differed from the usage noted on the bill.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in prior Reports B45364, B46872, and B48743.

Delinquent wastewater fees and penalties were not recorded with the County Recorder, nor certified to the County Auditor, which would have resulted in a lien against the property.

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

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 installment of property taxes. . . ."



CITY OF EAST CHICAGO

SANITARY WASTEWATER DISTRICT
5201 Indianapolis Blvd • East Chicago IN 46312
Phone 219-391-8466 • Fax 219-391-8254



*Honorable Anthony Copeland, Mayor
Utilities*

Abderrahman, Zehraoui, Ph.D., Director of

August 17, 2018

Provided below is the official response to the *City of East Chicago WasteWater Utility Audit Results and Comments* report issued by the Indiana State Board of Accounts for the Year 2017.

1. **The wastewater services monthly rates were not charged in accordance with the Utility’s rate ordinance for six out of the 60 accounts tested.**
Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.
2. **Late payment fees were not assessed on delinquent accounts from January 2017 through June 2017.**
Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.
3. **After July 2017, fourteen accounts tested were to be assessed late payment fees. Of the fourteen accounts tested, ten late payment fees were not assessed at all and four were determined to be correct.**
Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.
4. **For eight out of 60 accounts tested, the re-printed monthly bills did not reflect the accurate usage amount. The billed amount was calculated based upon the change from the previous to the present meter reading; however, that amount differed from the usage noted on the bill.**
The Water Department has contacted MUNIS/Tyler Tech support to assist with determining reason for this error and to assist with correcting the same.

Submitted by:

Abderrahman Zehraoui, PhD

Director of Utilities

City of East Chicago | 5201 Indianapolis Blvd. | East Chicago | Indiana | 46312

Phone: (219) 391-8466 | Fax: (219) 3918254

azehraoui@eastchicago.com | www.eastchicago.com

SANITARY DISTRICT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2018, with Valeriano Gomez, City Controller; Anthony Copeland, Mayor; Kimberly Anderson, Deputy City Controller; Winna Guzman, Director of Water Operations; John Bakota, Water Board member; and William Biller, Financial Consultant.

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WATER UTILITY
CITY OF EAST CHICAGO

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

WATER UTILITY BILLINGS

The same comment also appeared in prior Report B48743.

The following issues occurred regarding the City's Water Utility billing:

1. The water monthly rates were not charged in accordance with the Utility's rate ordinance for 5 out of 60 accounts tested.
2. Late payment fees were not assessed on delinquent accounts from January 2017 through June 2017.
3. After July 2017, 6 accounts tested were to be assessed late payment fees. Of the 6 accounts tested, 2 were not assessed at all, and 4 were determined to be correct.
4. For 32 out of 60 accounts tested, the reprinted monthly bills did not reflect the accurate usage amount. The billed amount was calculated based upon the change from the previous to the present meter reading; however, that amount differed from the usage noted on the bill.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.
(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)



East Chicago Water Department

400 E CHICAGO AVENUE • EAST CHICAGO, IN • 46312

PHONE: 219.391.8469 • FAX: 219.391.8499

OFFICE HOURS: 8:30AM-4:30PM

Honorable Anthony Copeland, Mayor

Winna G. Guzman, Director
wguzman@eastchicago.com

August 17, 2018

Provided below is the official response to the *City of East Chicago Water Utility Audit Results and Comments* report issued by the Indiana State Board of Accounts for the Year 2017.

- 1. The water monthly rates were not charged in accordance with the Utility's rate ordinance for nine out of the 60 accounts tested.**

Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.

- 2. Late payment fees were not assessed on delinquent accounts from January 2017 through June 2017.**

Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.

- 3. After July 2017, fourteen accounts tested were to be assessed late payment fees. Of the fourteen accounts tested, six late payment fees were not the correct amount, four were not assessed at all, and four were determined to be correct.**

Corrective Action Plan (CAP) for Repeat Findings submitted online on 08/17/2018.

- 4. For 32 out of 60 accounts tested, the re-printed bills did not reflect the accurate usage amount. The billed amount was calculated based upon the change from the previous to the present meter reading; however, that amount differed from the usage noted on the bill.**

The Water Department has contacted MUNIS/Tyler Tech support to assist with determining reason for this error and to assist with correcting the same.

Submitted by:

Winna Guzman,
Water Department Director

WATER UTILITY
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2018, with Valeriano Gomez, City Controller; Anthony Copeland, Mayor; Kimberly Anderson, Deputy City Controller; Winna Guzman, Director of Water Operations; John Bakota, Water Board member; and William Biller, Financial Consultant.