

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, 2018 to December 31, 2018



FILED
07/16/2019

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any 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/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

June 12, 2019

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CITY CONTROLLER
CITY OF EAST CHICAGO

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the City included the Fire Pension fund with an overdrawn cash balance of \$147,948 at December 31, 2018.

Those funds with overdrawn cash balances due to the timing of reimbursements for expenditures were not included in this comment.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Valeriano Gomez, City Controller; Lenny Franciski, President of the Common Council; and Robert Garcia, Common Council member.

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SANITARY DISTRICT
CITY OF EAST CHICAGO

SANITARY DISTRICT
CITY OF EAST CHICAGO
AUDIT RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

The same comment also appeared in four prior reports, including prior Reports B45364, B46872, B48743, and B50834.

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.

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. . . ."



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

OFFICIAL RESPONSE

June 21, 2019

State Board of Accounts
302 W Washington Street, Room E418
Indianapolis, IN 46204-2765

Re: Official Response – 2018 Audit

Provided below is the official response to the City of East Chicago Sanitary District City of East Chicago Audit Results and Comments report issued by the Indiana State Board of Accounts for the Year 2018.

Delinquent Wastewater Accounts

The same comment also appeared in four prior Reports, including prior Reports B46872, B48743 and B50834.

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

Response

Pursuant to I.C. 36-9-23-33, the officer charged with collection of fees and penalties assessed shall prepare and file/record a listing of delinquent fees and penalties with the County Recorder/Auditor.

Baker Tilly Municipal Advisor, LLC (Accounting Firm) has been contracted to assist the collections officer with preparing policies/procedures to follow and currently is under review by counsel and to be presented before the East Chicago Sanitary Board for review and approval. We have involved corporation counsel to assist in implementing the policies/process. Note that Corrective Action Plan (CAP) for Repeat Findings was submitted online on 06/21/2019.

Should you have any questions or need additional information, please feel free to contact me at your convenience.

Respectfully Submitted.

Abderrahman Zehraoui, PhD

Director of Utilities

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SANITARY DISTRICT
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2019, with Valeriano Gomez, City Controller; Lenny Franciski, President of the Common Council; Robert Garcia, Common Council member; Miguel Rivera; President of the Sanitary District Board; Anthony Galindo, Sanitary District Board member; Winna Guzman; Director of Water Operations; Dr. Abderrahman Zehraoui; Director of Utilities; John Martinez, Director of Wastewater Operations; Ray Lopez, Sr., Water Board member; and William Biller, Financial Consultant.