

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

SPECIAL COMPLIANCE REPORT

OF

GARY PUBLIC TRANSPORTATION CORPORATION

LAKE COUNTY, INDIANA

July 1, 2018 to April 30, 2019



FILED
09/30/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GARY PUBLIC TRANSPORTATION
CORPORATION, LAKE COUNTY, INDIANA

This is a special compliance report for the Gary Public Transportation Corporation (Corporation), for the period July 1, 2018 to April 30, 2019, and is in addition to any other report for the Corporation as required under Indiana Code 5-11-1. All reports pertaining to the Corporation 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 purchases of equipment. 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

July 8, 2019

GARY PUBLIC TRANSPORTATION CORPORATION RESULTS AND COMMENTS

BACKGROUND

In accordance with Indiana Code 5-11-1-27(j), Daryl Lampkins (Lampkins), Director of Gary Public Transportation Corporation (GPTC), notified the Indiana State Board of Accounts of suspected fraudulent activity by Dante Pickett (Pickett). Pickett was hired as a Storeroom Clerk in May 2018 and resigned his position in December 2018. Subsequent to his resignation, GPTC personnel found irregular purchases from a local vendor. GPTC's Director of Procurement identified five vendors that Pickett allegedly made purchases from on behalf of GPTC; however, none of the merchandise was delivered to the maintenance department. All purchases were made by Pickett on the weekends (his time off) or before or after his shift at GPTC. Upon this discovery, GPTC's Director of Procurement alerted local vendors to refuse sales to Pickett. On March 5, 2019, Pickett was arrested by local law enforcement when he attempted to make a purchase at a local vendor.

UNAUTHORIZED PURCHASES

According to GPTC's Procurement Policy Manual, Pickett's duties and responsibilities in his position as Storeroom Clerk did not include the authority to purchase any items on behalf of GPTC. Upon reviewing the invoices, the Procurement Director noted that the items purchased were not used or needed in the routine operation of GPTC.

In accordance with the Procurement Policy Manual all purchases were to be approved by the Procurement Director prior to issuance of a purchase order. The Procurement Director did not recall approving any purchases of these types. Items purchased included generators, various combinations of tool sets, power drills, etc. The cumulative dollar amount of these purchases allegedly made by Pickett was \$19,566.83. Pickett made the purchases from vendors that GPTC had established lines of credit.

GPTC has not paid for any of these invoices as of the date of this report and its uncertain if they will be financially responsible for the payment of these invoices.

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 maybe the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

GARY PUBLIC TRANSPORTATION CORPORATION
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The Procurement Policy Manual establishes policies and procedures for the purchasing of supplies and equipment. The objective is to maximize cost savings and to establish internal controls over the procurement process. Internal controls are designed to detect and/or prevent errors or irregularities; however, there may be cases whereby the controls may be circumvented by personnel as described above. Although the controls established by GPTC did not prevent irregularities to occur, the controls were effective causing early detection and preventing additional losses to accumulate.

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. . . ."

ONGOING INVESTIGATION

There is an ongoing investigation by the Gary Police Department regarding the purchases made by Pickett. No charges have been filed with the Lake County Prosecutor as of July 8, 2019.

GARY PUBLIC TRANSPORTATION CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 16, 2019, with Daryl Lampkins, General Manager; Jerome Parker, incoming General Manager; Clay Cates, Grants/Procurement Oversight Director; and Walter Scott, Chairman of the Board.