

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

SPECIAL INVESTIGATION REPORT  
OF

GENESIS CENTER  
CITY OF GARY  
LAKE COUNTY, INDIANA

January 1, 2017 to May 14, 2018



**FILED**  
10/09/2019



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GENESIS CENTER, CITY OF GARY, LAKE COUNTY, INDIANA

This is a special investigation report for the Genesis Center, City of Gary (City), for the period January 1, 2017 to May 14, 2018, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City may be found at [www.in.gov/sboa/](http://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 the Genesis Center. 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 30, 2019

GENESIS CENTER  
CITY OF GARY  
RESULTS AND COMMENTS

**BACKGROUND**

The Genesis Center (Center) is a City owned venue that is available to rent for conferences, concerts, weddings, and other special occasions/events. The Center offers catering services (food and beverage) to the lessees for an additional charge.

The Center is governed by a Board of Directors (Board) appointed by the Mayor. The daily operation is managed by an Executive Director appointed by the Board. In addition to the Executive Director, the Center employs a full-time Bookkeeper to maintain the financial records of the Center.

Deborah Black (Black) was hired as Executive Director on November 14, 2016, and Victoria Wilson (Wilson) was hired as the Center's Bookkeeper on February 8, 2017.

Wilson was responsible for accounting for cash collected, including issuing receipts to lessees for room rentals, catering services (including security costs and service personnel costs), and processing accounts payable vouchers.

Black resigned as Executive Director on August 29, 2017. The Board appointed Victoria Wilson (Wilson) as interim Director beginning August 29, 2017. After becoming interim Director, Wilson continued to perform the duties of Bookkeeper, as well as Executive Director. Wilson resigned on April 27, 2018.

The results of our investigation are described in the following comments and are based on the records provided by the Center's interim Director (Wilson) and City Controller's office and other audit and investigation procedures that were conducted.

**RECEIPTS NOT DEPOSITED**

Room rental and catering services were required to be paid in advance. At the time an event was scheduled, a contract was prepared. A deposit was required upon signing of the contract with the remaining balance due within 7 days of the event. A receipt was issued to the payer by the employee collecting the payments and the event was added to the event calendar. Collections of event payments were placed in the office safe daily where they remained until they were remitted to the City Controller's office.

Cash registers were used for bar and concession sales. At the close of the event, Z-tapes were generated from the cash registers to balance to the cash collections in the drawer by the cashier. The cash and Z-tapes were then placed in the safe through a drop box. Wilson was responsible for retrieving the collections from the safe, ensuring the collections agreed to the Z-tapes, and issuing a receipt. The collections were maintained in the safe until remitted to the City Controller.

Wilson and Black were the only known employees that had access to the safe.

The receipts issued at the Center were traced to the City Controller's ledger to determine if all receipts and collections were remitted to the City Controller for deposit to the bank account designated for the Center. Receipts and collections not remitted to the City Controller for deposit totaled \$103,895.42.

Based on inquiry of Wilson and the records presented for examination, the collections maintained in the safe were not remitted on a timely basis to the City Controller. According to Wilson, it was a common practice for the former Director (Black) to use the cash on hand to purchase money orders and cashier checks to satisfy invoices owed to vendors. Copies of the cashier checks and money orders, as well as the invoices paid, were retained for examination. Based on this information, the cash not deposited amount was reduced by \$18,642.58 for invoices paid using cashier checks and money orders.

GENESIS CENTER  
CITY OF GARY  
RESULTS AND COMMENTS  
(Continued)

In addition to expenses paid with money orders and cashier's checks, cash payments were made to chefs, disc jockeys, and security officers. A generic type receipt book was used to document these payments. The cash not deposited was reduced by \$21,305.18, the total cash payments to Center chefs, disc jockeys, and security officers.

The table below summarizes the net receipts not deposited:

Receipts Not Deposited	\$	103,895.42
Less: Expenses paid by Cashier Check/Money Order		(18,642.58)
Expenses paid in Cash		(21,305.19)
 Net Receipts Not Deposited	 \$	 <u>63,947.65</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The receipts not remitted to the City Controller subsequent to Black's resignation totaled \$2,055.04. We requested Wilson to reimburse \$2,055.04 to the City for receipts not remitted to the City Controller. (See Summary of Charges, page 9)

We requested Black and Wilson, jointly and severally, to reimburse \$61,892.61 to the City for receipts not remitted to the City Controller. (See Summary of Charges, page 9)

**CASH DISBURSEMENTS**

Money orders and cashier checks were purchased by either Black or Wilson with cash proceeds withheld from events. The money orders and cashier checks were used to satisfy vendor invoices for food, alcohol, and linen purchases and services of a disk jockey.

One money order was purchased by the Center for \$1,000. No invoice or other documentation was provided as support for this money order. Additionally, the "payable to" line was blank; therefore, we could not verify the purpose of this disbursement.

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Black and Wilson, jointly and severally, to reimburse the City \$1,000 for undocumented cash disbursements. (See Summary of Charges, page 9)

GENESIS CENTER  
CITY OF GARY  
RESULTS AND COMMENTS  
(Continued)

**PENALTIES, INTEREST, AND FEES PAID ON SALES TAX**

Revenue derived from rentals, concessions, and bar sales are subject to sales tax. Sales and related sales taxes were to be reported and paid to the Indiana Department of Revenue on a monthly basis using Form ST-103. Sales tax is generally due by the 20<sup>th</sup> day of the subsequent month. For the period January 1, 2017 to February 28, 2018, the Indiana Department of Revenue assessed \$1,264.41 in penalties, interest, and other fees against the Center for failure to remit sales taxes timely as scheduled below:

Period	Penalty	Interest	Collection Fee	Total Penalties, Interest, and Fees Paid
01-01-17 to 01-31-17	\$ 6.54	\$ 0.36	\$ -	\$ 6.90
02-01-17 to 02-28-17	12.15	0.41	3.00	15.56
03-01-17 to 03-31-17	-	-	-	-
04-01-17 to 04-30-17	91.45	4.74	-	96.19
05-01-17 to 05-31-17	165.66	3.95	-	169.61
06-01-17 to 06-30-17	92.09	0.08	-	92.17
07-01-17 to 07-31-17	-	-	-	-
08-01-17 to 08-31-17	134.38	21.94	73.17	229.49
09-01-17 to 09-30-17	159.07	22.03	-	181.10
10-01-17 to 10-31-17	113.28	12.69	-	125.97
11-01-17 to 11-30-17	138.09	12.32	-	150.41
12-01-17 to 12-31-17	115.96	6.86	-	122.82
<b>Total - 2017</b>	<b>1,028.67</b>	<b>85.38</b>	<b>76.17</b>	<b>1,190.22</b>
01-01-18 to 01-31-18	-	-	-	-
02-01-18 to 02-28-18	73.23	0.96	-	74.19
<b>Total - 2018</b>	<b>73.23</b>	<b>0.96</b>	<b>-</b>	<b>74.19</b>
<b>Total 2017 and 2018</b>				<b>\$ 1,264.41</b>

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 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 unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

GENESIS CENTER  
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RESULTS AND COMMENTS  
(Continued)

We requested Wilson to reimburse \$1,264.41 to the City for penalties, interest, and fees paid on sales tax. (See Summary of Charges, page 9)

***EMPLOYEE DISHONESTY INSURANCE***

The City, of which the Center is a department, has an insurance policy which protects them from employee theft. The City's policy covered periods February 1, 2017 to February 1, 2020, in the amount of \$50,000.

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred costs in the amount of \$27,600.61 due to the special investigation of the Center.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested Black and Wilson, jointly and severally, to reimburse the State of Indiana for special investigation costs in the amount of \$27,600.61. (See Summary of Charges, page 9)

***CASH CHANGE FUND***

A cash change fund was used to provide change to customers. The City's policy established a balance of \$3,000 for this fund. Wilson, in her capacity as Bookkeeper, was the designated custodian of the cash change fund as of February 8, 2017.

City officials performed periodic counts of the cash change fund. The earliest cash change fund count was performed on December 11, 2015, with cash on hand agreeing to the designated amount of the fund. A subsequent cash count made on April 12, 2016, indicated the fund was short by \$415.36, prior to either Black's or Wilson's hire date. All subsequent cash counts indicated shortages of varying amounts.

Other than inquiries of staff, City officials did not take action to resolve the cash shortages.

The most current cash count was performed on April 30, 2018, by City officials, and on May 14, 2018, we conducted a cash count for cash change fund. Both cash counts indicated \$2,161.78 on hand, resulting in a cash shortage in the amount of \$838.22.

Indiana Code 36-1-8-2(c) states: "The fiscal body shall require the entire cash change fund to be returned to the appropriate fund whenever there is a change in the custodian of the fund or if the fund is no longer needed."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

GENESIS CENTER  
CITY OF GARY  
RESULTS AND COMMENTS  
(Continued)

***INTERNAL CONTROLS***

The Center's management were able to override controls due to the lack of sufficient oversight and monitoring by the Board and/or the City's management. The Board was monitoring compliance with their policies and procedures for the facility rentals. The City was not ensuring receipts issued at the Center agreed to the collections remitted to the City Controller. Lack of oversight and monitoring creates a substantial risk of invalid transactions, accountability, and safeguarding assets, which may result in poor decision making by the Board and the City.

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. . . ."

***INVESTIGATIONS BY OTHER GOVERNMENTAL AGENCIES***

Investigation of the Genesis Center cash collections and receipting activities has also been conducted by the United States Attorney's Office, Federal Bureau of Investigation, and Indiana State Police. Criminal theft charges were filed against Wilson on August 27, 2019.

GENESIS CENTER  
CITY OF GARY  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2019, with Karen Freeman-Wilson, Mayor; Rebecca Wyatt, Common Council member; Angelia Hayes, City Controller; Rinzer Williams, President of the Genesis Center Board; and Deborah Delk, interim Director of the Genesis Center.

GENESIS CENTER  
CITY OF GARY  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Victoria Wilson, Bookkeeper/interim Director: Receipts Not Deposited, pages 3 and 4	\$ 2,055.04	\$ -	\$ 2,055.04
Deborah Black, former Executive Director, and Victoria Wilson, former Bookkeeper/interim Director, joint and severally: Receipts Not Deposited, pages 3 and 4	61,892.61		61,892.61
Deborah Black, former Executive Director, and Victoria Wilson, former Bookkeeper/interim Director, joint and severally: Cash Disbursements, page 4	1,000.00	-	1,000.00
Victoria Wilson, Bookkeeper/interim Director: Penalties, Interest, and Fees Paid on Sales Tax, pages 5 and 6	1,264.41	-	1,264.41
Deborah Black, former Executive Director, and Victoria Wilson, former Bookkeeper/interim Director, joint and severally: Special Investigation Costs, page 6	<u>27,600.61</u>	<u>-</u>	<u>27,600.61</u>
Totals	<u>\$ 93,812.67</u>	<u>\$ -</u>	<u>\$ 93,812.67</u>

This report was forwarded to the Office of the Indiana Attorney General, United States Attorney, and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA )  
Porter COUNTY )

We, Mary Jo Small and Kristin Campbell, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Genesis Center, City of Gary, Lake County, Indiana, for the period from January 1, 2017 to May 14, 2018, is true and correct to the best of our knowledge and belief.

Mary Jo Small

Kristin Campbell  
Field Examiners

Subscribed and sworn to before me this 14<sup>th</sup> day of Sept, 2019

Judy A. Hittle  
Notary Public

My Commission Expires: 06-26-2021

County of Residence: JASPER

