

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

SPECIAL INVESTIGATION REPORT  
OF

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
LAKE COUNTY, INDIANA

July 1, 2018 to October 17, 2019



**FILED**  
02/27/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
Police Department:	
Results and Comments:	
Background .....	3
Receipts Not Deposited .....	3-4
Investigation Costs .....	4
Insurance Information .....	4
Internal Controls .....	4
Record Retention .....	5
Exit Conference .....	6
Summary of Charges .....	7
Affidavit .....	9



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NEW CHICAGO, LAKE COUNTY, INDIANA

This is a special investigation report for the Town of New Chicago (Town), for the period July 1, 2018 to October 17, 2019, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town 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 fees collected by the Police Department. 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

November 19, 2019

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
RESULTS AND COMMENTS

**BACKGROUND**

The Police Department employed a full-time Police Clerk. The primary duties of the Police Clerk included the collection of fees, such as towing, VIN checks, accident and incident reports, gun permits, and ordinance violations/fines. All fees were paid in cash or with a money order. Once a week the Police Clerk prepared a report of collections and remitted the report with the collections to the Clerk-Treasurer for receipt by the Clerk-Treasurer and deposit into the Town's bank account.

On July 16, 2018, Jamie Murga (Murga) was hired as a part-time Police Clerk while the regular Police Clerk was on extended leave. Murga held the position from July 16, 2018 to October 11, 2019. During that time period, Murga collected the money, issued receipts to the violator, prepared the necessary paperwork to reclaim towed vehicles, completed the reports of collections, and had custody of the money until it was remitted to the Clerk-Treasurer.

On October 11, 2019, the regular Police Clerk Carmie Guzman (Guzman) returned to her position as the full-time Police Clerk. Guzman attempted to prepare the report of collections for the week, but upon doing so, she found a discrepancy between the cash on hand and the receipts issued during that week. Guzman, along with the Police Chief Jim Richardson, questioned Murga to offer an explanation for the discrepancy. Murga admitted to taking cash and Murga was immediately terminated.

In accordance with Indiana Code 5-11, the incident was reported to the Indiana State Board of Accounts. The results of our investigation are described in the following paragraphs.

**RECEIPTS NOT DEPOSITED**

Murga collected fees and issued receipts for the fees collected at the Police Department for the period July 16, 2018 to October 11, 2019. Murga prepared a report of collections at the end of each week. The reports included the description of the fees, the number of fees, and the total dollar amount for each type of fee collected for the week. This information should have agreed to the individual receipts issued at the time of collection. The money was placed in a safe with the report of collections until the Clerk-Treasurer retrieved it from the safe. When the Clerk-Treasurer retrieved the money, it was counted in the presence of the Police Clerk to verify the accuracy. The Clerk-Treasurer issued receipts to "N.C. Police" and made the deposits to the bank.

The duplicate receipts issued during the time period of July 16, 2018 to July 8, 2019, were not presented for examination. Town personnel conducted an exhaustive search of the Town Hall, but were unsuccessful in locating the records.

We were able to compare the duplicate Police Department receipts issued from July 9, 2019 to October 17, 2019, to the reports of collections and the receipts issued by the Clerk-Treasurer. Collections totaling \$3,200 per the duplicate Police Department receipts were not reported on the reports of collections and were not remitted to the Clerk-Treasurer.

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)

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
RESULTS AND COMMENTS  
(Continued)

We requested Murga to reimburse the Town of New Chicago \$3,200 in receipts not deposited. (See Summary of Charges, page 7)

**INVESTIGATION COSTS**

The State of Indiana incurred investigation costs in the amount of \$3,512.62 due to the special investigation of the Town of New Chicago Police Department.

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 that Murga reimburse the State of Indiana for special investigation costs in the amount of \$3,512.62. (See Summary of Charges, page 7)

**INSURANCE INFORMATION**

The Town of New Chicago purchased an insurance policy with an effective date of May 17, 2019, to cover employee theft up to \$50,000.

**INTERNAL CONTROLS**

The Police Department did not have adequate controls over the collection of the fines and fees collected by the Police Clerk, such as an oversight and segregation of duties over collections. The Police Clerk was solely responsible for collecting fees, issuing receipts, preparing the reports of collections, and balancing the collections to the receipts. Management failed to perform minimal procedures to determine if all fees paid to the Police Clerk were remitted to the Clerk-Treasurer.

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. . . ."

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
RESULTS AND COMMENTS  
(Continued)

**RECORD RETENTION**

The duplicate receipts issued by Police Department personnel during the time period of July 16, 2018 to July 8, 2019, were not presented for examination. Town personnel conducted an exhaustive search of the Town Hall, but were unsuccessful in locating the records.

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2019, with Sharon Szvedo, President of the Town Council; Tara Pelfrey, Town Council member; Jimmy Gibson, Town Council member; Lori Collmar, Clerk-Treasurer; Jim Richardson, Chief of Police; Sue Pelfrey, Town Manager; and Lloyd Mullen, Attorney.

POLICE DEPARTMENT  
TOWN OF NEW CHICAGO  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jamie Murga, former Police Clerk:			
Receipts Not Deposited, pages 3 and 4	\$ 3,200.00	\$ -	\$ 3,200.00
Investigation Costs, page 4	<u>3,512.62</u>	<u>-</u>	<u>3,512.62</u>
 Total	 <u>\$ 6,712.62</u>	 <u>\$ -</u>	 <u>\$ 6,712.62</u>

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

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AFFIDAVIT

STATE OF INDIANA            )  
  )  
PORTER COUNTY)

I, Michelle M. Janosky, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of New Chicago, Lake County, Indiana, for the period from July 1, 2018 to October 17, 2019, is true and correct to the best of my knowledge and belief.

*Michelle M. Janosky*  
Field Examiner

Subscribed and sworn to before me this 27<sup>th</sup> day of JANUARY, 2020.

*Judy A. Hittle*  
Notary Public

My Commission Expires: 06-26-2021  
County of Residence: JASPER

