



**THE CITY OF
CALUMET CITY**
204 PULASKI ROAD | (708) 891-8100

Agreed-Upon Procedures Report
Document Disposal Invoice Analysis

Period Covering May 1, 2019 - April 30, 2021

(With Independent Accountants' Report Thereon)

CITY OF CALUMET CITY

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Independent Accountants' Agreed-Upon Procedures Report

To the City Council and Mayor of the City of Calumet City:

We have performed the procedures enumerated below on certain accounts payable transactions during the period May 1, 2019 to April 30, 2021. The City of Calumet City (City) is responsible for paying the invoices received for document shredding. Services are provided by Proshred Security. The City is also responsible for the governance and execution of disbursements, as well as, detection and prevention of fraud, misappropriations, and other irregularities. The City is responsible for complying with (50 ILCS 205) of the Local Records Act regarding document destruction.

The City's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to assist users in determining whether the City maintained compliance with the Local Records Act and determining whether fraud, waste or abuse occurred. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures are appropriate for their purposes.

The procedures and the associated findings are as follows:

BB&A interviewed key personnel and reviewed document shredding invoices for the period May 1, 2019 to April 30, 2021. We reviewed associated accounting records and reports. We also reviewed the State of Illinois Local Record Act (50 ILCS 205) regarding document destruction. Results from our application of agreed-upon procedures for May 1, 2019 through April 30, 2021 indicate that the City was not in compliance with the Local Record Act during this time period. Results from our application of agreed-upon procedures for May 1, 2019 through April 30, 2021 also indicate that internal control processes related to document destruction and payment of invoices for document destruction were not operating in compliance with the City's policies and procedures over these types of transactions during this time period.

We were engaged by the Board of Trustees to perform this agreed-upon procedures engagement and conducted our in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants our whether the underlying assumptions are suitably supported or provide a reasonable basis for management's forecast. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

Byford Brown & Associates, LLC

Bolingbrook, IL
October 25, 2021

CITY OF CALUMET CITY

Agreed-Upon Procedures

Period Covering May 1, 2018 to April 30, 2021

Background

The City of Calumet City (City) has a population of 37,000 and is located in Cook County. Mayor Thaddeus Jones was sworn in as Mayor on May 1, 2021. Prior to the election of Mayor Jones, the Mayor of the City of Calumet City was Michelle Markiewicz Qualkinbush. The City Council members are:

Michael Navarette – 1st Ward
Monet S. Wilson – 2nd Ward
DeAndre Tillman – 3rd Ward
Ramonde D Williams – 4th Ward
DeJuan Gardner – 5th Ward
James Patton – 6th Ward

Anthony Smith – 7th Ward

Gerald Tarka – City Treasurer

Nyota Figgs – City Clerk

The City is responsible for the governance and execution of disbursements as well as, detection and prevention of fraud, misappropriations, and other irregularities. As stated in its policies and procedures, the City has the primary responsibility for the investigation of all suspected fraudulent acts as defined in its policies. The City may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the City will issue reports to appropriate designated personnel. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case. We were unable to obtain adequate detail regarding the City's purchasing and procurement practices from the prior administration. The City seeks to streamline and improve spending and procurement practices.

As such, Mayor Jones and the City Council contracted Benford Brown & Associates, LLC (BB&A) with the task of reviewing the disbursements for invoices for document shredding for the City. For purposes of this engagement, BB&A assessed the accounting policies and procedures as it relates to expenditures, disbursements, and authorizations of document shredding invoices. BB&A also reviewed (50 ILCS 205) Local Records Act for compliance.

The current Mayor requested a review of disbursements to Proshred Security in an effort to determine if the use of funds were in alignment with the City's policies and procedures and to

provide recommendations to strengthen controls, as necessary, so that funds are not susceptible to misappropriation or abuse.

Objectives and Scope

The objective of the agreed-upon procedures was to evaluate disbursements for document destruction services for completeness and accuracy and to determine if the City's internal control procedures were effective in mitigating fraud, waste and abuse.

Benford Brown & Associates, LLC's (BB&A) professional services were conducted in accordance with *Statement on Standards for Attestation Services No. 19* (SSAE No. 19) issued by the American Institute of Certified Public Accountants (AICPA). BB&A was engaged to review invoices received from Proshred Security and disbursements by the City to the vendor for the period from May 1, 2019 to April 30, 2021. The detailed testing of these invoices was designed to identify instances of noncompliance with the City's policies and procedures by reviewing quantitative and qualitative information. Our services were focused on the following objectives:

- Determine whether or not disbursements of City funds were properly authorized by the governing body.
- Determine whether or not there may have been related-party transactions that need to be disclosed to the public.
- Determine whether or not any disbursements from the various City accounts may have been improper (e.g., not for the benefit of and/or in the best interest of the City).
- Evaluate current internal controls and provide recommendations for improvement.

Procedures

BB&A conducted fraud inquiries to address incentive/pressures present within the organization that may lead to fraud, opportunities for persons within the organization to commit fraud, and attitudes/rationalizations of personnel within the organization that may lead to fraud. For the purposes of this engagement, BB&A conducted the following procedures:

- **Inquiries** – BB&A conducted inquiries of key personnel to gain an understanding of the organization, the financial procedures, control environment, and practices as it relates service calls for document shredding services during the period of May 1, 2019 to April 30, 2021. Inquiries were also used to obtain information about and to understand the reasoning for the agreed-upon procedures. We inquired and researched service calls during fiscal years ending April 30, 2020 and 2021 that impact services provided by Proshred Security.
 - **Result** – Upon inquiries of key personnel risk information was obtained that services provided by Proshred Security increased during the months of February 2021 to April 2021 compared to services provided during February 2020 to April 2020. The expenditure for document shredding cost increased 82% in 2021.

February 2021 to April 2021 was shortly after a municipal election and prior to a change in administration.

- **Result** – Review of 50 ILCS 205 Local Records Act for compliance. 50 ILCS 205/4 Section 4 of the Local Records Act states all public records made or received by, or under the authority of, or coming into the custody, control or possession of any officer or agency shall not be mutilated, destroyed, transferred, removed or otherwise damaged or disposed of, in whole or in part, except as provided by law. Any person who knowingly without lawful authority or with the intent to defraud any party, public officer, or entity, alters, destroys, defaces removes or conceals any public record commits a Class 4 felony. A record disposal certificate approved by the Local Records Commission is required prior to the disposal of documents. The Calumet City Clerk, Nyota Figgs, submits the Record Disposal Certificate requests to the Local Records Commission.

- **Result** – Review of Records Disposal Certificates for compliance. In June 2021, Clerk Figgs provided a copy of the Records Disposal Certificate approved by the Local Records Commission in April 2020. Clerk Figgs had not destroyed records due to COVID19 and the closure of City Hall. A request was made for the previous Records Disposal Certificate at that time. On August 9, 2021, a second request was made for the previous Records Disposal Certificate. After two attempts to obtain the information, we obtained a copy by other means and confirmed the last approved Records Disposal Certificate was December 31, 2017. On October 25, 2021, Clerk Figgs stated in an email that she had a certificate of destruction form August 11, 2021. The Illinois Local Records Commission does not have an approved Records Disposal Certificate for August 11, 2021. On Tuesday, October 26, 2021, Clerk Figgs provided us with a Certificate of Destruction from Proshred Security along with a copy of a Records Disposal Certificate dated January 25, 2021. The Records Disposal Certificate provided does not list an approval by the Illinois Local Records Commission. We contacted their office and confirmed the one dated January 25, 2021 was not provided to their office for approval. We also confirmed documents should not be listed for destruction that are part of an audit as stated in the commission’s instruction manual and on the application for destruction signed by Calumet City. On Tuesday, October 26, 2021, Proshred provided copies of invoices for dates of service for August 10, 2021 and August 11, 2021 for the Clerk’s Office. All information obtained has been forward to the legal counsel for Calumet City. Records were destroyed that were not in compliance with the Local Records Act.

- **Result** – Community Shred Events Dates identified:

Alderman Swibes –2nd Ward

Alderman Swibes reminded residents that the Citywide Spring Clean-up will be April 10, 2021 with shredding at Caroline Sibley School and electronics recycling at Public Works.

Alderman Williams –4th Ward	Alderman Williams gave honor to God and reminded residents of the Citywide Clean-up event on Saturday, April 10, 2021 with shredding at Caroline Sibley School.
Document Shred Event/ Report Suspicious Activity	Alderman Smith informed residents of the Document Shred Event on Saturday October 26, 2019 at the Fire Training Center. Alderman Smith instructed residents to report all suspicious activity to the police.
November 14 and 21, 2020	Sandridge Fitness Center and Our Lady of Knock
Ald. Smith – 7 th Ward	Alderman Smith informed residents there will be a document shredding and electronic recycling event sponsored by Alderman Smith, 34 th State Representative Nick Smith, Alderman Swibes, and Alderman Williams at the Public Safety Training Center 24 State St. on November 16, 2019.

- **Summarization of Expenditures Reviewed** – We reviewed and analyzed the invoices received from Proshred Security from May 1, 2019 through April 30, 2021. The transactions were analyzed to understand 1) the volume of transactions, 2) the dollars associated with the transaction, 3) the location of the service provided, 4) a description of the service provided, and 5) the reasonableness of the expenditure. BB&A compiled a summary by fiscal year with the total expenditures by fiscal year and by service location. The summary included a listing of all disbursements to Proshred Security from May 1, 2019 through April 30, 2021. BB&A noted a significant increase in service calls during the month of April 2021 compared to April 2020. BB&A also noted a significant increase in total expenditures for shredding services for the fiscal year ending April 30, 2021 compared to fiscal year ending April 30, 2020. BB&A noted any disbursements made that were not in accordance with the City’s cash disbursement policies and procedures.
 - **Result** – BB&A identified fifty-eight (58) invoices, totaling \$11,556.73. BB&A reviewed the City’s policies and procedures to determine reasonableness of expenses. BB&A also reviewed procedures for compliance with the Local Record Act (50 ILCS 205). Calumet City Clerk, Nyota Figgs did not host a document destruction date for the year ending April 30, 2021 due to the COVID 19 pandemic. The prior document destruction date coordinated by Clerk Figgs was June 2018, which occurred during fiscal year 2019. In February 2021, a primary municipal election was held and in April 2021, a general municipal election was held. The City experienced a 253% increase in document shredding expenditures

in April 2021 compared to April 2020. Total expenditures for fiscal year ending April 30, 2021 increased by 47% over fiscal year ending April 30, 2020.

- Follow up interviews with the Finance Department confirmed an expenditure for \$500 for fiscal year ending April 30, 2020 was reversed and not paid. Also, the Earth Shred Day Purchase Order was not paid. Removal of the Finance Department expenditure (\$500) and Earth Shred Day expenditure (\$1,200) results in total adjusted expenditures for fiscal year ending April 30, 2020 of \$2,970 for comparison purposes. Total expenditures of \$6,886.73 for fiscal year ending April 30, 2021 compared to the adjusted amount of total expenditures of \$2,970.00 for fiscal year ending April 30, 2020 resulted in a 132% increase in expenditures for document destruction for fiscal year ending April 30, 2021. Large increases in document destruction activity occurred during a fiscal year when Clerk Figgs did not organize document destruction dates based on the approved record destruction certificate as required by The Local Record Act (50 ILCS 205).

(Information Source: Proshred Security Invoices in Accounts Payable System)

Per Proshred Security Invoices Period May 1, 2019 - April 30, 2021				
Service Location (Description on Invoice)	# of Invoices Fiscal Year 4/30/2020	# of Invoices Fiscal Year 4/30/2021	Total Expenditures Fiscal Year 4/30/2020	Total Expenditures Fiscal Year 4/30/2021
1200 Pulaski Road	10	15	\$870.00	\$2,546.73
1701 Dolton Road	1	0	\$900.00	\$0.00
204 Pulaski Road	3	7	\$725.00	\$1,055.00
660 Manistee	8	11	\$400.00	\$460.00
670 Wentworth	1	1	\$75.00	\$75.00
Caroline Sibley School	0	1	\$0.00	\$900.00
Finance Dept	1	0	\$500.00	\$0.00
Our Lady of Knock	0	1	\$0.00	\$900.00
Sandridge Fitness Center	0	1	\$0.00	\$900.00
Earth Day Shred Event	1	0	\$1,200.00	\$0.00
No Location	0	1	\$0.00	\$50.00
Total	25	38	\$4,670.00	\$6,886.73

Location Description

Calumet City Police Department - 1200 Pulaski Road

Calumet City Public Works - 1701 Dolton Road

Calumet City - City Hall - 204 Pulaski Road
 Calumet City Public Library - 660 Manistee Ave
 Calumet City Building Department - 670 Wentworth

- **Supporting Documentation** – As stated in the Calumet City’s policy and procedures, a purchase order number is issued by the director of purchasing and personnel. Vendors shall not commence any work or forward any products prior to the issuance of a purchase order. BB&A requested copies of a listing of all invoices for Proshred for fiscal years ending April 30, 2020 - 2021.
 - **Result** – BB&A reviewed all invoices from Proshred for fiscal years ending April 30, 2020 and 2021. We noted two (2) invoices had multiple purchase order numbers and approval dates. We noted two (2) expenditures were paid without a corresponding invoice, however one of those expenditures noted a purchase order number. BB&A noted two (2) purchase orders in the accounts payable system without a corresponding invoice. Upon further discussion with the finance department, one purchase order was cancelled in the accounting records, but both are still listed as active purchase orders in the accounts payable system. We noted two (2) invoices that appear to have been paid multiple times. One invoice had two (2) purchase order numbers in the accounts payable system and a third purchase order number was referenced in the accounting system when paid. Twenty-five (25) invoices did not have a purchase order number listed on the invoice and/or in the accounts payable system. The counts were as follows:
 - Calumet City Library – 19 Invoices
 - Calumet City Police Department – 3 Invoices
 - Calumet City Hall – 2 Invoices
 - Calumet City Public Works – 1 Invoice
 - **Result** – BB&A compared the total amounts of invoices in the accounts payable system to the total amount of invoices listed on the vendor payment history report in the accounting system. Listed below are the invoices that are listed in the accounts payable system, but are not listed as paid invoices in the accounting system. For fiscal year ending April 30, 2020, BB&A noted the total amount of Proshred invoices listed as the accounts payable system was \$4,670. The total amount of invoices listed as paid in the accounting system for the same time period was \$2,030 resulting in a difference of \$2,315.

Date	Invoice #	Location	Amount
11/6/2019	100138938	1200 Pulaski Road	\$85.00

12/4/2019	100140505	1200 Pulaski Road	\$85.00
1/6/2020	100142216	1200 Pulaski Road	\$85.00
2/26/2020	990050914	1200 Pulaski Road	\$85.00
4/22/2020	1000124Pa	1200 Pulaski Road	\$85.00
3/25/2020	990053337	1200 Pulaski Road	\$85.00
4/22/2020	990054973	1200 Pulaski Road	\$105.00
6/10/2019		Finance Dept File Shredding	\$500.00
3/13/2020		Earth Shred Day	\$1,200.00
<u>Grand Total</u>			<u>\$2,315.00</u>

- For fiscal year ending April 30, 2020, there were four (4) invoices that were listed as paid in the accounting system, but were not included in the Proshred invoices we received from the fiscal years under review.

- Invoice #100135642 paid on 10/10/2019 - \$50
- Invoice #100137287 paid on 11/1/2019 - \$50
- Invoice #100138939 paid on 11/21/2019 - \$50
- Invoice #100140506 paid on 12/17/2019 - \$50

- For fiscal year ending April 30, 2021, BB&A noted the total amount of Proshred invoices listed as the accounts payable system was \$6,886.73. The total amount of invoices listed as paid in the accounting system for the same time period was \$5,403.16. The amount paid during the following fiscal year was \$2,373.57 for a total of \$7,776.73, resulting in a difference of \$890. The invoices that were not included in the accounting system are listed below.

Date	Invoice #	Location	Amount
6/16/2021	990088417	1200 Pulaski Road	92.66
2/24/2021	990078767	660 Manistee Ave	55.00

Grand Total **\$147.66**

- For fiscal year ending April 30, 2021, there were four invoices that were listed as paid in the accounting system but were not included in the Proshred invoiced we received from the fiscal years under review.

- Invoice #990081216 paid on 4/9/21 - \$55

- Invoice #990067700 paid on 10/29/20 - \$50

Recommendations

Based on our review of the document shredding invoices, accounting reports, policies and procedures and the approved record destruction certificate approved on July 20, 2021 for destruction of documents to begin on August 20, 2021 and after:

1. Vendors shall not commence any work or forward any products prior to the issuance of a purchase order, per the City's policies and procedures.
2. The City should conduct interviews with employees and the Clerk's Office to determine if records disposed after the June 2018 Calumet City document destruction event organized by the City Clerk were destroyed in accordance with the local records act and other applicable laws.
3. The City should develop policies and procedures to ensure records destroyed are in compliance with the current approved record destruction certificate and applicable laws.
4. The City should review the accounts payable system and pay all valid outstanding invoices and void any invoices for services not rendered.
5. The City should implement procedures to ensure that invoices are paid in accordance with its cash disbursements policies and procedures.
6. The City currently has an Accounting Policies and Procedures Manual created on March 1, 2014. The City also has Purchasing Guidelines created in December 2019. The City has Ordinance 09-51 approved on September 10, 2009 regarding purchasing procedures. We recommend that the City develop one set of policies, procedures and guidelines for purchasing for all departments to utilize. The city should implement a process to review the financial policies and procedures annually to ensure new ordinances and laws are updated in the policies and procedures.
7. The City should consult with legal counsel regarding the records that were destroyed that were not in compliance with the Illinois Local Records Act. The Illinois Local Records Act states any person who knowingly without lawful authority or with the intent to defraud any party, public officer, or entity, alters, destroys, defaces removes or conceals any public record commits a Class 4 felony. It is our recommendation that the information provided to the legal counsel is forwarded to local law enforcement, the Cook County State's Attorney, the Illinois Attorney General and the Federal Bureau of Investigations.

Summary

Results from our application of agreed-upon procedures for May 1, 2019 through April 30, 2021 indicate that internal control processes related to document destruction and payment of invoices for document destruction are not operating in compliance with the City's policies and procedures over these types of transactions. We were not able to determine if documents are destroyed in accordance with the Local Records Act due to a lack of written processes and procedures and lack of supporting documentation. Also, documentation is not maintained to support that documentation presented for destruction has been reviewed prior to its destruction. Any person who knowingly, without lawful authority or with the intent to defraud any party, public officer, or entity, alters, destroys, defaces removes or conceals any public record commits a Class 4 felony. As detailed earlier in our report, we noted the following:

- 1 We reviewed fifty-eight (58) invoices from Proshred Document Security Shredding invoices. There were thirty-three (33) paid invoices or 57% that were not paid in compliance with the City's purchasing policies and procedures.
- 2 The City experienced a 253% increase in document shredding expenditures in April 2021 compared to April 2020.
- 3 We noted six (6) invoices that were paid but did not have a corresponding purchase order.
- 4 The City does not maintain supporting documentation to support compliance with the Local Records Act.
- 5 The City paid invoices for document shredding that were not in compliance with the City's purchasing policy and procedures. Documents appear to have been shredded outside of the City Clerk's organized document destruction events and without approval or notice. Therefore, documents appear to have been shredded that were not in compliance with the Local Records Act.
- 6 Documents were destroyed without an approved Record Destruction Certificate. Also some documents may have been needed for the current audit. The Illinois Local Records Act requires that an approved Record Destruction Certificate is obtained from the Illinois Records Commission prior to the destruction of documents. We have provided information to the legal counsel for Calumet City. It is our recommendation to forward this information to law enforcement, the Cook County State's Attorney, the Illinois Attorney General and the Federal Bureau of Investigations.