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THE CITY OF
CALUMET CITY
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Agreed-Upon Procedures Report
Petty Cash Analysis

Period Covering May 1, 2018 – April 30, 2021

(With Independent Accountants' Report Thereon)

THE CITY OF CALUMET CITY

Agreed-Upon Procedures

Period Covering May 1, 2018 to April 30, 2021

THE CITY OF CALUMET CITY

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the City Council and Mayor of
Calumet City:

We have performed the procedures as described in detail in the Procedures section following this report. These procedures were agreed to by the Board of Trustees and management of the City of Calumet City (City), solely to assist in identifying potential fraud, waste or abuse in relation with Petty Cash transactions during the period May 1, 2018 to April 30, 2021. The City is responsible for its Petty Cash records. The City is also responsible for the governance and execution of disbursements as well as, detection and prevention of fraud, misappropriations, and other irregularities. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on internal control over compliance with specified requirements during the period May 1, 2018 to April 30, 2021. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council and Mayor of Calumet City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Benford Brown & Associates, LLC'.

Benford Brown & Associates, LLC
Bolingbrook, IL
June 4, 2021

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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 Mayor Jones election, the Mayor 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 the policy. 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 contracted Benford Brown & Associates, LLC (BB&A) with the task of reviewing the Petty Cash disbursements for the city. For purposes of this engagement, BB&A assessed the accounting policies and procedures as it relates to expenditures and disbursements, purchasing, and authorizations of employee expenses.

The current Mayor and City Council requested a review of Petty Cash funds and Petty Cash procedures in an effort to determine if use of Petty Cash funds are in alignment with policies and procedures and to strengthen controls so that funds are not susceptible to misappropriation.

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Objectives and Scope

The objective of the agreed-upon procedures was to evaluate Petty Cash disbursements for completeness and accuracy and determine if they are acceptable 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. 18* (SSAE No. 18) issued by the American Institute of Certified Public Accountants (AICPA). BB&A was engaged to cover all Petty Cash disbursements of the City for the period from May 1, 2018 to April 30, 2021. The detailed testing of these statements were 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 to employee expense disbursements, reimbursements, authorizations, employee roles and reasonableness of vendor purchases and Petty Cash disbursements. Inquiries were also used to obtain information about and to understand the reasoning for the agreed-upon procedures. The policies and procedures manual states the funds are subject to periodic audits. The personnel directive states Petty Cash will be subject to periodic announced and unannounced audits to determine compliance with the procedures.
 - **Result** – Upon inquiries of key personnel risk of fraud was identified. The City Council Finance Committee meets regularly. The Finance Committee Chairman, Alderman Patton and the Mayor review and approve all expenditures before they are

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submitted to the City Council for review and approval. There was no documentation of audits conducted of Petty Cash since the implementation of the Petty Cash directive in 2011. It does not appear that internal controls have been followed with respect to this directive and a regular practice of auditing Petty Cash should be implemented to minimize risk of misappropriation of funds on a going forward basis.

- **Summarization of Petty Cash Expenditures Reviewed** – We reviewed and analyzed the disbursements from the Corporate Fund, Water/Sewer Fund, and Ambulance/Paramedic Fund. Petty Cash transactions were analyzed to understand 1) the volume of transactions, 2) the dollars associated with the transaction, and 3) the reasonableness of the vendor type. BB&A compiled a summary by fund with the total expenditures by fund. The summary included a listing of all Petty Cash checks. BB&A noted any reimbursements made that were not in accordance with the policy and procedure. BB&A reviewed the supporting documentation to determine if the disbursement was under the \$35 limit. We calculated the amounts to determine if the amount reimbursed was correct. We reviewed the receipts to determine if the original receipts were included in the files. We reviewed the reimbursements to determine if the requester and approver signed the reimbursement request. We totaled the amount transactions that were reimbursed that were over the \$35 limit. Finally, we completed a count of the Petty Cash funds on June 1, 2021.
 - **Result** - The City does not maintain a master list of all Petty Cash boxes. In addition to the Corporate Fund, Water/Sewer Fund, and Ambulance/Paramedic Fund, we noted that there were other checks written to other funds during the period May 1, 2021 to April 30, 2021:
 - Tobacco Grant Fund – see recommendation in final report.
 - Farmer’s Market Fund – no supporting documentation included with paperwork.
 - Library Fund – Audit not completed at this time as paperwork was not at location.
 - **Result** – BB&A identified sixty-eight (68) Petty Cash disbursements during the period May 1, 2018 to April 30, 2021. We reviewed these disbursements to determine the dollar amount of the purchase, whether the reimbursement equaled the receipt, whether there were original receipts attached and if there were the appropriate approvals

Control Reviewed No. of Transactions

Reimbursement more than \$35 – 38 transactions

Receipts didn’t equal total reimbursed – 7 transactions

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Original receipts not attached – 7 transactions

No receipts included with reimbursement – 10 transactions

Missing approval or requestor's signature – 30 transactions

The City's policy and procedures manual states that the Petty Cash transaction limit is \$35. We noted 38 transactions for reimbursement that included individual receipts for more than \$35. Those receipts consisted of 113 individual receipts for a grand total of \$6,765.96 for the period reviewed.

- **Result** – BB&A performed a Petty Cash audit on June 1, 2021. The City's policies and procedures require regular and random audits of Petty Cash. We noted that there was no documentation of prior audits being performed during the period of May 1, 2018 – April 30, 2021. We conducted an audit of the Petty Cash on June 1, 2021 and noted none of the Petty Cash accounts contained the minimum \$500 noted in the policy. The counts were as follows:
 - Police Department - \$361.43
 - Purchasing Department - \$287.00
 - Fire Department - \$239.52
 - Public Works - \$476.85 - Salvage Yard Receipts total \$539.60
- **Result** – BB&A reviewed the process of recording the sale of scrap metal for cash to area scrap metal yards in the City's accounting records. Alderman Michael Navarette is the Chairman of the Public Works Committee. All expenses over \$5,000 must be approved by the Chairman and the City Council. BB&A was informed by members of the Public Works Department that there is a practice of selling scrap for Petty Cash, we noted that the cash proceeds from the sale were not being properly reported to the financial statements. Upon further investigation, city vehicles were being used to deliver scrap by city employees during work hours and the cash from the sale of scrap was not being deposited into the city's bank account. A police report has been filed to investigate the matter further.
- **Result** – BB&A reviewed the Petty Cash vouchers and supporting documentation for completeness and accuracy. We noted the following transactions had missing supporting documentation:
 1. Check number 320624 dated November 1, 2018 for \$500 was written to Petty Cash – Tobacco. There were no corresponding receipts for the disbursements.

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2. Check number 323758 dated October 9, 2019 for \$500 was written to Petty Cash -Tobacco. There were no corresponding receipts for the disbursements.
 3. Check number 322962 dated July 22, 2019 for \$400 was written to Petty Cash – Farmer’s Market. There were no corresponding receipts for the disbursements.
 4. Check number 319491 dated July 31, 2018 for \$244.22 was missing the receipt for \$50 reimbursement for the chamber luncheon.
 5. Check number 320852 dated December 5,2018 for \$240.84 was missing the receipt for \$50 for Halloween face painting.
 6. Check number 321783 dated March 14, 2019 was missing four receipts for reimbursements for the tree lighting event in the amount of \$30, \$70, \$50, and \$50.
 7. Check number 323185 dated August 9, 2019 was missing the receipt for \$21.50 for reimbursement for keys.
 8. Check number 326409 dated August 28,2020 was missing the receipt for \$24.34 for reimbursement for donuts.
 9. Check number 326410 dated August 28, 2020 was missing the receipt for 174.73.
- o **Result** – BB&A also reviewed the underlying transactions that appear to be outside of the normal Petty Cash reimbursement and were for purchases that need further explanation to determine propriety.
1. Check number 322387 for \$226.32 included an Amazon receipt dated April 4, 2019 for \$54.54. Wausau Specialty Cover Stock 65 lb. paper was shipped to Katerina Tsintis at an address in Dyer, Indiana.
 2. Check number 324370 for \$461.38 included an Amazon receipt dated December 5, 2019 for \$24.76. Large Moving Boxes were shipped to Katerina Tsintis at an address in Dyer, Indiana.
 3. Check number 325198 for \$437.78 included an invoice from Ready Refresh for \$36.30. The Ready Refresh account was on an auto pay and paid via a City credit card account ending in 3833. The credit card was issued to Katrina Tsintis. Katrina Tsintis is the employee also submitting the expense for reimbursement via Petty Cash. This appears to be a duplicate payment for the same expense.
 4. Check number 325884 included an Amazon receipt dated February 24, 2020 for \$119.69. Item purchased was a High Back Black Leather Executive Swivel Office Chair with Rose Gold Frame and Arms.

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5. Check number 327377 included the following Amazon receipts. Some items were shipped to Katerina Tsintis at an address in Dyer, Indiana.
 - FaceMasks – 3 pack - September 24, 2020 – \$20.13 – *(receipt was included with reimbursement for check 328668 below, items shipped to City Hall)*
 - 4-pack Isopropyl Alcohol – September 26, 2020 - \$42.79 *(shipped to Dyer, IN)*
 - Magnetic Chalkboard – October 2, 2020 - \$36.01 - *(receipt was included with reimbursement for check 328668 below, items shipped to City Hall)*
 - Isoprophyl Alcohol – July 17, 2020 - \$71.57 – *(shipped to Dyer, IN)*

6. Check number 327377 for \$452.82 included several invoices from Ready Refresh for \$188.28. The Ready Refresh account was on an auto pay and paid via a city credit card account ending in 3833. The credit card was issued to Katrina Tsintis. Katrina Tsintis is the employee also submitting the expense for reimbursement via Petty Cash. This appears to be a duplicate payment for the same expense.
 - Invoice 6700813142 dated 3/10/2020 – \$62.85
 - Invoice 00J6700813142 dated 11/3/2020 \$62.85
 - Invoice 00I6700813142 dated 9/15/2020 – \$62.58

7. Check number 328668 included the following Amazon receipts. Some items were shipped to Katerina Tsintis at an address in Dyer, Indiana.
 - FaceMasks – 3 pack - September 24, 2020 – \$20.13 *(receipt was included with reimbursement for on check #327377 above)*
 - Magnetic Chalkboard – October 2, 2020 - \$36.01 *(receipt was included with reimbursement on check 327377 above)*
 - Hardcover planner – January 10, 2021 - \$23.95 – *shipped to Dyer, IN*
 - Hardcover planner – January 5, 2021 - \$25.03 – *shipped to Dyer, IN*
 - Clorox 4 - Aerosol Spray – March 4, 2021 - \$95.75 – *shipped to Crown Point, Indiana*

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8. Check number 328688 for \$338.53 included several invoices from Ready Refresh for \$131.68. The Ready Refresh account was on an auto pay and paid via a city credit card account ending in 3833. The credit card was issued to Katrina Tsintis. Katrina Tsintis is the employee also submitting the expense for reimbursement via Petty Cash. This appears to be a duplicate payment for the same expense
 - Invoice 00J6700813172 dated 11/3/2020 – \$62.85
 - Invoice 00K6700813142 dated 12/2/2020 \$2.99
 - Invoice 00L6700813142 dated 1/5/2021 – \$62.85
 - Invoice 01A6700813142 dated 2/2/2021 -\$2.99

9. Check number 326987 for \$483.07 included the following Amazon receipts. Items were shipped to Katerina Tsintis at an address in Dyer, Indiana.
 - Paper Towels – dated July 19, 2020 – \$42.18
 - Family Made Company – 50 Pcs – Blue – 3 layer – dated July 13, 2020 - \$45.93

10. Check number 326987 for \$483.07 included several invoices from Ready Refresh for \$323.01. The Ready Refresh account was on an auto pay and paid via a city credit card account ending in 3833. The credit card was issued to Katrina Tsintis. Katrina Tsintis is the employee also submitting the expense for reimbursement via Petty Cash. This appears to be a duplicate payment for the same expense.
 - Invoice 00G6700813172 dated 7/31/2020 – \$62.85
 - Invoice 00D6700813142 dated 4/8/2020 - \$62.85
 - Invoice 00E6700813142 dated 5/8/2020 – \$2.99
 - Invoice 00F6700813142 dated 6/6//2020 – \$2.99
 - Invoice 00C6700813142 dated 3/10/2020 – \$62.85
 - Invoice 00G6700813142 dated 8/4/2020 – \$62.85
 - Invoice 00H6700813142 dated 9/2/2020 – \$2.99
 - Invoice 00I6700813142 dated 9/2/2020 – \$62.58

Recommendations

Based on our review of the Petty Cash operation for the City of Calumet City, we have the following recommendations to improve internal controls:

1. Assign personnel to conduct periodic and unannounced audits of Petty Cash and paperwork submitted for reimbursement.

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2. Establish and maintain a master list of the Petty Cash boxes issued to city departments.
3. Establish and maintain procedures for adding and removing Petty Cash boxes from the master listing (i.e. an approval process).
4. Consider decreasing the maximum limit of \$500.
5. Establish a pre-numbered Petty Cash reimbursement form and assign them to departments.
6. Ensure all departments are following the same procedures adopted by the City Council.
7. The City currently has personnel directives and an Accounting Policies and Procedures Manual. We recommend that the City develops one policy for Petty Cash for all departments to use.
8. If the City does not currently have an expense reimbursement policy and/or purchasing policy, we recommend the City considers adopting an expense reimbursement policy and/or purchasing policy. This policy should be used for regular and recurring expenditures (i.e. paper towels, water, etc.).
9. For City vehicle repairs, that are emergencies, we recommend the City consider hiring a mechanic on staff or contracting with a local auto repair service.
10. We recommend the Petty Cash – Tobacco Grant is changed to Department of Justice Grant as this does not appear to be a Petty Cash function.
11. All cash for scrap metal sales and other City assets should be given to the Clerk's Office's and recorded properly as Revenue.

Conclusion

Results from our application of agreed-upon procedures for May 1, 2018 through April 30, 2021 indicate that internal control processes related to Petty Cash credit were not operating in compliance with the City's policies and procedures over these types of transactions. A police report was filed regarding the scrap metal activity involving Public Works employees. Other police reports may be filed after evidence is reviewed regarding other matters currently under investigation involving former employees. As detailed earlier in our report, we noted that supporting documentation was maintained, we noted the following:

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- 1 We review Sixty-eight Petty Cash disbursements from the corporate fund, water/sewer fund, ambulance/paramedic fund. Fifty-two instances or 76% of the Petty Cash checks were not in compliance with the City's Petty Cash policy and procedures.
- 2 We noted several instances of Amazon purchases being delivered to the home address of an employee. We confirmed with the Treasurer's office that no staff, with the exception of elected officials, currently have home offices.
- 3 Copies of invoices previous paid with a City credit card were submitted to for Petty Cash reimbursement for the same expenses. Some of the invoices were submitted multiple times.
- 4 The City has a \$35 limit for Petty Cash, and we noted over \$6,700 in receipts submitted in amounts exceeding \$35.00 each.
- 5 Receipts were missing for over \$1,900 in Petty Cash reimbursements.
- 6 Items submitted via Petty Cash appear to be regular operating expenses (i.e. water, toilet paper, paper towel, vehicle repairs, etc.).
- 7 The policies and procedures require regular and random audits of Petty Cash. We were not able to locate documentation of prior audits. We conducted an audit of the Petty Cash on June 1, 2021 and noted none of the Petty Cash accounts contained the minimum \$500 noted in the policy. The balances were as follows:
 - Police Department - \$361.43
 - Purchasing Department - \$287.00
 - Fire Department - \$239.52
 - Public Works - \$476.85 - Salvage Yard Receipts total \$539.60
8. Revenue may not be properly recorded for the sale of recyclables. Also, expenditures may not be properly recorded when cash is being used to pay for expenditures.
9. The City does not maintain a master list of all Petty Cash boxes. In addition to the departments noted above, Petty Cash checks have been issued to the following entities during the period May 1, 2021 to April 30 2021:
 - Tobacco Grant – see recommendation in final report.
 - Farmer's Market – no supporting documentation included with paperwork.

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- Library Fund – Audit not completed at this time as paperwork was not at location.