

Dear Citizen and Supporter of Gary:

Late last week, we received the final report for the 224 fund from Whittaker and Company, the accounting firm retained to provide a full account analysis. The 224 fund is an account that is restricted by city ordinance to support Emergency Medical Services and Fire Equipment. Earlier this year, our new City Controller, Angelia Hayes observed that the fund had not always been used in the way the ordinance outlined and that those uses had not been authorized by the Gary Common Council. We immediately requested a detailed review of the account, a process that is MORE extensive than the annual audit conducted by the Indiana State Board of Accounts.

In the spirit of transparency, we have attached the report in its entirety. Additionally, we will place a link to access the report on the city's website (www.garyin.us) and place copies in the Gary Public Library. Finally, we will conduct a Facebook Live Town Hall meeting via the Team Gary Indiana page on Thursday, August 30, 2018 at 7:00 p.m. as well as an in-person Town Hall on Wednesday, September 5, 2018 at Art House: a Social Kitchen, 411 E. 5th Avenue, Gary, IN 46402 at 6:30 p.m. Both of these discussions will address the 224 account and city finances in general. In addition, those who would like to have a more detailed face-to-face discussion are welcome to schedule an appointment to meet with me by calling Joi Whiteside at 219-881-1302. Please specify city finances as the subject for your meeting.

What were the report findings?

The accounting firm tracked over \$8 million in deposits into the 224 account between January 1, 2015 and March 31, 2018. Whittaker and Company was able to identify the use for all but \$131,000 (less than 2% of total) through other city accounts. The detailed analysis revealed that some of the spending from the 224 fund was for allowable restricted purposes such as personnel. At the same time, a significant portion of the expenditures were for legitimate city expenses such as salaries, the Genesis Convention Center, up-front dollars needed for demolition, and equipment purchases. You can find details of all expenditures in the report. It is important to note that even though the dollars were spent for city-related purposes, these expenditures were made without Council approval.

The report makes a number of recommendations, many of which were implemented prior to the reports' completion and others that are underway. We have already forwarded this report to the State Board of Accounts for further review. Whittaker has suggested additional analysis of other city accounts. That is being done. Whittaker has also suggested that all city departments must adhere to internal control procedures. While key city staff have been trained on internal controls, we have also taken time to emphasize the importance of these procedures. We have also changed our wire transfer procedures to ensure accountability.

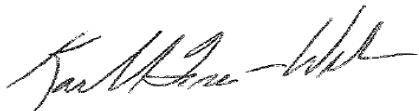
The 224 fund has now been placed in a segregated checking account at a bank separate from the general fund account, where the Fire Chief has the ability to see the account balance and activity at any time. Additionally, the Mayor, Council President, and Ambulance Chair will receive monthly reports from the same 224 account. No one outside of the finance department will be able to make transactions on the account, but the other parties will be able to review it regularly and question any irregular activity.

It should be noted that it is not customary for the Mayor or Council President to view bank account balances. City officials should be able to rely on the City Controller, however when there is an occurrence that deviates from the process, we think it is important that we provide a greater level of scrutiny. While I was not aware of any of the irregularities regarding the 224 fund, I understand that the “buck stops here” and it is my intent to ensure that measures are being implemented and adhered to make sure this does not happen again.

We have kept the Gary Common Council informed every step of the way. We have also met with the Fire Chief and other firefighters to discuss the preliminary findings of the detailed account analysis. I also held a Town Hall meeting early July where city finances were discussed and the preliminary findings were detailed. We will continue this effort to provide information to firefighters, citizens and the general public. We invite all to tune in on Thursday, August 30, 2018 at 7:00 p.m. via Facebook Live or join us on Wednesday, September 5, 2018 at 6:30 p.m. at Art House: A Social Kitchen.

Please email me at kfreemanwilson@ci.gary.in.us or text me at 219-293-5329 with questions related to this or any other information. Thank you for your commitment to the city of Gary.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Freeman-Wilson", written in a cursive style.

Karen Freeman-Wilson

August 27, 2018