

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

AUDIT REPORT

OF

PARK AND RECREATION DEPARTMENT

CITY OF CRAWFORDSVILLE

MONTGOMERY COUNTY, INDIANA

January 1, 2003 to December 31, 2005



FILED
01/22/2007

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Stephen Gentry	01-01-00 to 12-31-03
	John P. Zumer	01-01-04 to 12-31-07
Clerk-Treasurer	Nellie Thompson	01-01-00 to 12-31-07
Park and Recreation Director	Cheryl Keim	01-01-00 to 12-31-07
Park Board President	Dr. C. Richard Walker	01-01-03 to 12-31-04
	Dr. Phillip Mikesell	01-01-05 to 12-31-06
President of the City Council	Leslie Ingersoll	01-01-03 to 12-31-03
	Dr. Les Hearson	01-01-04 to 10-31-06
	Vacant	11-01-06 to 11-12-06
	Steven Frees	11-13-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF CRAWFORDSVILLE

We have audited the records of the Park and Recreation Department for the period from January 1, 2003 to December 31, 2005, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of City of Crawfordsville for the years 2003, 2004, and 2005.

STATE BOARD OF ACCOUNTS

November 14, 2006

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION – GOLF COURSE

From January 1, 2003 through February 28, 2005, the Golf Course utilized Sportsman Software. From March 1, 2005 to December 31, 2005 they utilized Park District Software. The period (daily or longer) transaction reports for the cash register transactions in Sportsman are called Cash Register Till ZTape Reports; in Park District they are called End of Shift Reports. Not all reports were retained for audit. For the year 2003, 24 of 260 or 9% were missing from the files. For the year 2004, 3 of 181 or .02% were missing from the files. For the year 2005, only one report was missing.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS – GOLF COURSE

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The following internal control weaknesses were found:

1. Transactions were not closed out and balanced at the end of each day. During 2003, 10 out of 260 or 4% of Cash Register Till ZTape Reports were for a period of time greater than one day's business. During 2004, 68 of 181 or 38% of Cash Register Till ZTape Reports were for a period of time greater than one day's business. During 2005, 12 of 257 or 5% of the reports were for a period of time greater than one day's business. During 2005, due to a change in computer software, 10 of these reports were Cash Register Till ZTape Reports and 2 were End of Shift Reports.
2. The Sportsman software reconciliation process provides a Cash Register Till Balance Report for each ZTape Till Report that summarizes the postings to the ZTape Till Report by General Ledger Account and by Payment Type (Cash, Check or Charge). This Cash Register Till Balance Report provides a signature line that the employee balancing the cash register drawer to the report should sign. During 2003, 10 of the Cash Register Till Balance Reports provided for audit were not signed. During 2004, there were 14 not signed. During 2005, the 12 Cash Register Till Balance Reports provided for audit were signed but as of March 18, 2005, the golf course converted to Park District Software, which did not provide for a signature line and, therefore, none of the End of Shift Reports were signed. This results in an inability to determine the employee responsible for reconciling each cash register till.
3. The Golf Course deposited their receipts with the Park and Recreation Department. No subsidiary ledger was maintained by the Golf Course; therefore, no reconciling process occurred between the Golf Course and the Park and Recreation Department. This resulted in the ability for Golf Course receipts to be misappropriated.
4. Numerous tills were opened by one employee and were closed by another employee. This means that more than one employee would have access to the cash register drawer during that period. This results in an inability to track transactions by day or by employee.

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day by both the Golf Course and the Park and Recreation Department. For example, for the first three months of 2005 the Park and Recreation Department deposited eight times in January, three times in February, and four times in March.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PUBLIC RECORDS RETENTION - PARK AND RECREATION DEPARTMENT

All "till" reports (the receipt records) were not presented for audit. The till reports had apparently been destroyed and had to be recovered from archived files for audit purposes.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - PARK AND RECREATION DEPARTMENT

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

1. The Sportsman computer program accounts for each cash register till with a "Till ID" number that is sequential for the Park and Recreation Department, as a whole. There were numerous tills "missing" or unaccounted for in the Park and Recreation Department files. The lack of accounting for all tills allowed the cash from "missing" tills to be misappropriated.
2. The Park and Recreation Department did not post its records and then reconcile with the Clerk-Treasurer's postings. It appears that the Park and Recreation Department postings were "made" to agree with the Clerk-Treasurer's records. The Park and Recreation Department bookkeeper had numerous "Deposit Reports" in the files that had not been deposited with the Clerk-Treasurer's office and had not been questioned.

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

3. There was inadequate segregation of duties which allowed the Office Manager to open, close and reconcile tills, to have the ability to change cash register till reports, destroy records and misappropriate receipts without detection.
4. There was no policy in place that would require administrative approval for voiding transactions.
5. Sign-in sheets for walk-ins (patrons that are not members, who want to pay for a one time use of the walking track or take one class) were discontinued when they could not be reconciled to receipts.
6. Other departments submitting receipts to the Park and Recreation Department were not required to keep subsidiary ledgers and no reconciling process took place.
7. From September 2003 to September 2005, the Office Manager knew other employees' passwords.
8. Tills were not timely "accepted" (i.e. reconciled) leaving them susceptible to misappropriation.
9. Deposits are accepted for room rentals for events such as graduation parties, baby showers, etc. These room deposits are generally paid in check form. Checks were routinely held until the event took place and were then returned to the patron as a refund of their deposit. This circumvents the cash disbursement process, including claims approval. If the check was applied to the room rental cost, the check was then deposited, sometimes months after its receipt.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CASH SHORTAGE

In July 2005, envelopes containing cash from swimming pool daily receipts were discovered to be missing from the Park and Recreation Department safe. Some of the money was found in the safe about one month later in a box where spare keys are kept. The remaining \$500 was not found and the Office Manager, Stacey Osborne, later admitted taking it. Mrs. Osborne was terminated and she paid back the missing money on January 11, 2006.

A subsequent investigation of the Park and Recreation Department revealed the following information:

The Park and Recreation Department, including the Golf Course, utilized Sportsman Software (from the year 2000 to February 7, 2005) to account for their receipts and to track patrons' activities. Each day's cash register activity was represented by a Cash Register Till ZTape Report. Each Cash Register Till ZTape Report was numbered sequentially. In accounting for every "till" it was determined that some of the till reports were missing. They were reprinted from archived files and it was determined that the cash from those tills was not deposited.

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

The Golf Course closes out their tills and deposits them with the Park and Recreation Department. The cashier at the Park and Recreation Department enters the Golf Course receipts by type and payment type to the Park and Recreation Department "till" report which is then attached to the deposit report. It was determined that not all of the cash receipts reported on the Golf Course tills were being included in the Park and Recreation Department tills.

For the period of February 8, 2005 to September 11, 2005, the Park and Recreation Department converted to another software called Park District. Park District accounted for each transaction and provided Receipt List reports showing each sequential receipt. It was possible to run this report by location. When it was generated for just the Park and Recreation Department (not including the Golf Course), it was determined that there were Park and Recreation Department receipts in the system that had not been deposited.

It was also determined that during 2004 and 2005 there were "deposit reports" prepared for which there were no corresponding bank deposits.

The Golf Course shortages due to misappropriated receipts from missing tills, incomplete postings of cash receipts and/or receipts not deposited, totaled \$12,621.76 in 2003, \$37,273.03 in 2004 and \$35,015.59 in 2005. The total shortage for the Golf Course is \$84,910.38.

The Park and Recreation Department shortages due to missing tills were \$10,324.09 in 2003, \$25,149.02 in 2004, \$8,585.74 in 2005. The Park and Recreation Department shortages due to deposit reports for which there were no corresponding bank deposits were \$1,691.99 in 2004 and \$385.57 in 2005. The Park and Recreation Department shortages due to receipts within the Park District system undeposited were \$26,551.80. The total shortage for the Park and Recreation Department (excluding the Golf Course) is \$72,688.21.

From the information presented for audit, it would appear that Stacey Osborne, prior Park and Recreation Department Office Manager, failed to record and deposit all receipts of the Crawfordsville Golf Course and the Park and Recreation Department and is responsible for repayment.

Stacey Osborne, prior Park and Recreation Department Office Manager, was requested to reimburse the Golf Course \$84,910.38 and the Park and Recreation Department \$72,688.21 for a total of \$157,598.59. (See Summary, page 11)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

AUDIT COSTS - MISSING FUNDS

Additional audit fees were incurred in the investigation of missing funds. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$36,074.79.

Stacey Osborne, prior Office Manager of the Park and Recreation Department, was requested to reimburse \$36,074.79 to the State of Indiana. (See Summary, page 11)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK AND RECREATION DEPARTMENT
 CITY OF CRAWFORDSVILLE
 AUDIT RESULTS AND COMMENTS
 (Continued)

INSURANCE COVERAGE

The following insurance information was presented for our audit:

Description	Effective Dates	Coverage	Deductible	Company/Insurer
Public Employee Dishonesty	09-16-02 to 09-16-03	\$ 10,000.00	\$ 250.00	Insurance Selective
Commercial Crime Bond Renewal	09-16-03 to 09-16-04	10,000.00	250.00	Insurance Selective
Employee Theft - Per Loss Coverage	09-16-04 to 09-16-05	200,000.00	250.00	The Fidelity and Deposit Companies
Employee Theft - Per Loss Coverage	09-16-05 to 09-16-06	200,000.00	250.00	The Fidelity and Deposit Companies

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2005, with Stacey Osborne, former Park and Recreation Department Office Manager.

The contents of this report were discussed on November 30, 2006, with John P. Zumer, Mayor; Nellie Thompson, Clerk-Treasurer; Cheryl Keim, Director of Park and Recreation Department; Steven Frees, City Council President; Dr. Phillip Mikesell, Park Board President; Jack Clements, Golf Authority Board President, Bob Hodges, Golf Authority Board Treasurer; Terry Kendricks, Golf Course Manager/Superintendent; Vance Pyle, Assistant Golf Course Manager; and David Peebles, City Attorney. The official response has been made a part of this report and may be found on page 10.

922 East South Boulevard
Crawfordsville, IN 47933
765-364-5175

Indiana State Board of Accounts
320 W. Washington St., Room E148
Indianapolis, IN 46204-2738

Official Response to SBOA Preliminary Audit Report

Dec. 14, 2006

This is a statement in response to the exit meeting held November 30, 2006, regarding our department. Many helpful suggestions have been brought to our attention through this audit process and we are intent on applying them as best we can with the resources and staff we have. The following changes have been implemented:

- Till numbers are being tracked sequentially and logged so that should a till ever again come up "missing", it will be recognized immediately. That document, which is password protected is kept by the office manager.
- Separate tills are being kept for day and evening shifts, rather than one till per day.
- Tills are not only "closed" promptly, but are also "accepted" or "reconciled" promptly.
- A system has been established for prompting the changing of passwords, both system and software, simultaneously. (Different passwords for each as always).
- All voids are to be approved by the Office Manager or Director when available and will be reviewed by the Director at least monthly.
- The use of a "sign-in" sheet has been re-instituted for all daily admissions. This is used to cross reference with number of daily admits on the z-tape each shift.
- Deposits for room rentals are no longer "held" but are deposited immediately, and those renting now have to submit a claim for reimbursement of the deposit after the event.
- Receipts are printed for all transactions.
- With the recent creation of the Crawfordsville Municipal Golf Authority, effective today, the golf course is now making their deposits directly to the Clerk Treasurer's Office.

Effective Jan. 1, 2007

- The General Lew Wallace Study & Museum will be responsible for depositing their own receipts, daily, with the clerk treasurer's office and for maintaining their own financial reports, copies of which shall be made available to the parks & recreation director and for reconciling each month with the clerk's office.
- A System Administrator for the point of sale software is being assigned. This is a current administrative employee, other than the department head and the office manager, who will no longer be assigned to work the front desk.

Respectfully,



Cheryl Keim
Director

cc: Nellie Thompson, Clerk Treasurer; David Peebles, City Attorney; John P. Zumer, Mayor

PARK AND RECREATION DEPARTMENT
CITY OF CRAWFORDSVILLE
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Stacee Osborne, former Office Manager: Cash Shortage, pages 6 and 7 Receipt Number 16596, dated January 11, 2006	\$ 158,098.59	\$ 500.00	\$ 157,598.59
 Audit Costs - Missing Funds, page 7	<u>36,074.79</u>	<u>-</u>	<u>36,074.79</u>
 Totals	<u>\$ 194,173.38</u>	<u>\$ 500.00</u>	<u>\$ 193,673.38</u>

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AFFIDAVIT

STATE OF INDIANA)
)
MONTGOMERY COUNTY)

We, Ronda Conrad, Misti Thornton and Janet Lindley, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Park and Recreation Department, City of Crawfordsville, Montgomery County, Indiana, for the period from January 1, 2003 to December 31, 2005, is true and correct to the best of our knowledge and belief.

Ronda Conrad, CPA

Misti Thornton, CPA

Janet Lindley
Field Examiners

Subscribed and sworn to before me this 8 day of January, 2007

Kathleen McKeown
Notary Public

My Commission Expires: 8/4/2012

County of Residence: Montgomery