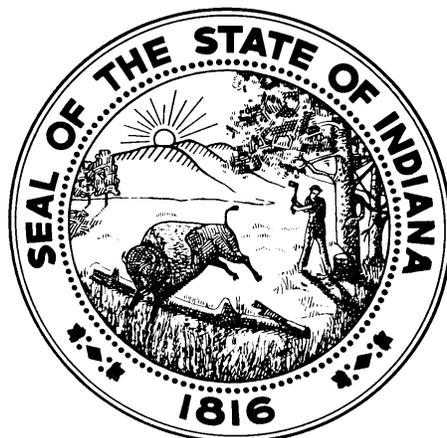


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

WABASH VALLEY REGIONAL
COMMUNITY CORRECTIONS
KNOX COUNTY, INDIANA

November 1, 2005 to September 30, 2008



FILED
03/31/2009

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Wabash Valley Regional Community Corrections	Robert W. Hatton	01-01-05 to 12-31-09
Auditor	Terry Ewer Sharon K. Duke	01-01-03 to 12-31-06 01-01-07 to 12-31-10
President of the Advisory Board	Jerry Gegenheimer	01-01-05 to 12-31-09
President of the County Council	Robert Lechner Timothy Ellerman	01-01-05 to 12-31-07 01-01-08 to 12-31-09
President of the Board of County Commissioners	Jerry Brocksmitth James Bobe James Parish Fred Thompson James Parish	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF KNOX COUNTY

We have examined the records of the Wabash Valley Regional Community Corrections for the period from November 1, 2005 to September 30, 2008, 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 Examination Results and Comments. The financial transactions of this office are reflected in the Annual Reports of Knox County for the years 2005 through 2007, inclusive.

STATE BOARD OF ACCOUNTS

March 3, 2009

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE

A search of the home of Bea Joyce, former Home Detention Officer, by the Indiana State Police on August 22, 2008, revealed numerous home detention receipts found that were not issued per procedures established by the accounting system at Wabash Valley Regional Community Corrections (WVRCC). Evidence showed that Ms. Joyce began circumnavigating the system by printing a blank receipt off of the system and handwriting information of the client's payment on that receipt or printing out a previously issued receipt and altering it and then presenting these receipts to the client. These receipts were not posted to the computer system, client's ledger, or deposited with the County Auditor. Weaknesses in the system, as detailed in the finding Internal Controls, allowed for the issuance of these receipts. When the Indiana State Police presented their investigation findings to WVRCC, Ms. Joyce was immediately terminated. The termination occurred on August 22, 2008.

To obtain further evidence, WVRCC requested from clients all receipts in their possession so that WVRCC could verify payments made and search for handwritten and altered receipts. WVRCC turned over all handwritten and altered receipts they were able to collect to State Board of Accounts to calculate the shortage of receipts deposited.

As a result of the handwritten and altered receipts collected by WVRCC, and the Indiana State Police, there was \$22,990 worth of receipts from November 1, 2005 to August 22, 2008, not deposited with the County Auditor as of September 30, 2008.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Bea Joyce, former Home Detention Officer, was requested to repay \$22,990 to the Wabash Valley Regional Community Corrections. (See Summary, page 9)

INTERNAL CONTROLS

Per the system in place at WVRCC, receipts are to be produced when monies are collected for home detention fees. The receipts are produced on an interface on the system and the officer types in all the information about the receipt on the interface, posts it to the system, and prints out a computerized copy for the client paying the fees. When posting occurs on the system, the receipt automatically populates to the client's payment history and to the daily receipt register. At the end of the day, Ms. Joyce would print out the daily receipt ledger and give the day's collections to the Assistant Director. The Assistant Director would count the money and ensure agreement with the daily receipt register and deposit the monies with the County Auditor. We were able to document that all home detention receipts written through the computer system were deposited with the County Auditor during the period reviewed.

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

However, we found internal control weaknesses with this system. Ms. Joyce had control over collecting fees, issuing receipts, posting, and writing violations against clients for non-payment of fees, which is a lack of segregation of duties. Also, there was an internal control weakness in the computer system that allowed blank, non-prenumbered receipts to be printed. In addition, Ms. Joyce's supervisors did not implement compensating controls, including sufficient oversight, to offset these internal control weaknesses. The lack of segregation of duties allowed Ms. Joyce to circumvent the system by accepting payment of fees and writing receipts without posting them to the computer system. The receipts appeared to be official as she was able to choose a "review receipts" option on the clients financial screen in the computer. When prompted to enter a posted receipt number to review, she left it blank and a blank receipt would show up in the "review receipts" screen. She would print it and handwrite payment information from the client and hand the receipt over to them. This receipt never went through the posting process and thus no record of the receipt was on the system. She also would printout and alter the dates or client names on previously issued receipts which again prevented the posting of the fee collection into the system. As a result, the computer client history balances had payments due even though the clients had paid their fees. This went unchecked as she was solely responsible for writing home detention violations for non-payment of fees in accordance with the client contract approved by the advisory board and there was no periodic review by a separate person.

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 Counties, Chapter 1)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers) adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 2)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

REASONABLENESS OF RECEIPTS

From November 1, 2005 to September 30, 2008, we calculated that \$603,760 in home detention fees should have been collected; however, only \$369,667 was turned over to the Auditor's office for this time period. We calculated the \$603,760 by multiplying the total number of client days by the appropriate client fee. The difference of \$234,093 is considered uncollected for this time period. As more fully explained in the finding Receipt Issuance, we were able to verify \$22,990 as monies not deposited with the County Auditor, but received by Bea Joyce from home detention clients. This leaves \$211,103 as monies not collected for fees charged during the period for home detention. We were not able to determine how much of the \$211,103 were monies still owed by clients or monies paid by clients that were not accounted for due to the following reasons:

- (1) We were only able to document a receipt as unaccounted for only if we had the handwritten or altered receipt as evidence. It was not possible to obtain all handwritten or altered receipts since some receipts were not kept by the clients and some clients could not be contacted.
- (2) Community Corrections did not follow its own client contract. If a client fell behind in payments, the client contract states that a home detention violation should be filed and a hearing with the judge conducted with possible removal from home detention. Violations were not filed by Bea Joyce, former Home Detention Officer, and the Director did not verify that violations were being filed as required.
- (3) No oversight on individual clients was conducted by the Director to ensure payments were being made up to date. All accounting for home detention fees was in the hands of Bea Joyce, former Home Detention Officer, and she did not keep the Director informed of clients who were in arrears.

After Bea Joyce was terminated on August 22, 2008, receipts turned over to the Auditor went from \$6,245 in August 2008 to \$14,820 in September 2008 with no significant change in clients or fees.

Given the reasons stated above, it is not possible to determine what part of the remaining unpaid balance at September 30, 2008, is unaccounted for receipts or clients that still owe Community Corrections for home detention fees.

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 Counties, Chapter 1)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

(See Summary, page 9)

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred examination fees in the investigation of missing funds of the Wabash Valley Regional Community Corrections in the amount of \$11,647.35.

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 Counties, Chapter 1)

OFFICIAL BOND

Wabash Valley Regional Community Corrections was insured by Western Surety Company with an employee dishonesty bond, No. 58529806, which covered employee theft, per incident, for the period November 1, 2005 to September 30, 2008.

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2009, with Robert W. Hatton, Director of Wabash Valley Regional Community Corrections; Janelle Waldroup, former Assistant Director of Wabash Valley Regional Community Corrections; Jerry Gegenheimer, President of the Advisory Board; Sharon K. Duke, Auditor; Timothy Ellerman, President of the County Council; and James Parish, President of the Board of County Commissioners.

Numerous attempts were made to contact Bea Joyce, former Home Detention Officer, for an exit conference; however, she returned none of our calls.

WABASH VALLEY REGIONAL COMMUNITY CORRECTIONS
KNOX COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Bea Joyce, former Home Detention Officer: Receipt Issuance, page 4	\$ 22,990	\$ -	\$ 22,990
Unidentified: Reasonableness of Receipts, pages 6 and 7	<u>211,103</u>	<u>-</u>	<u>211,103</u>
Totals	<u>\$ 234,093</u>	<u>\$ -</u>	<u>\$ 234,093</u>

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AFFIDAVIT

STATE OF INDIANA)
)
Greene COUNTY)

We, Jonathan H. Bennington and M. Annette Ladson, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Wabash Valley Regional Community Corrections, Knox County, Indiana, for the period from November 1, 2005 to September 30, 2008, is true and correct to the best of our knowledge and belief.

Jonathan H. Bennington
M. Annette Ladson
Field Examiners

Subscribed and sworn to before me this 17 day of March, 2009

Marsha K. Brown
Notary Public



My Commission Expires: 11/30/15

County of Residence: Greene