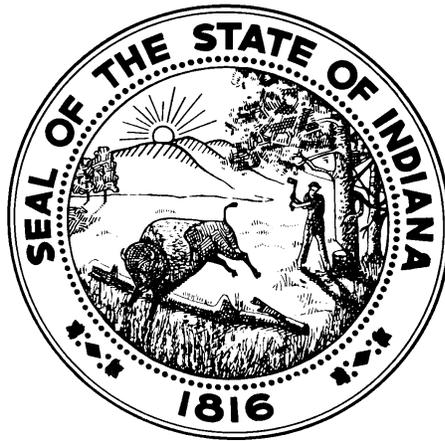


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF ROCKY RIPPLE
MARION COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
04/07/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret Ann Jansen	01-01-04 to 11-18-08
	Vacant	11-19-08 to 12-08-08
	Cathy Hurt	12-09-08 to 12-31-11
President of the Town Council	Greg Goodrich	01-01-07 to 12-31-07
	Robert Tomey	01-01-08 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROCKY RIPPLE, MARION COUNTY, INDIANA

We have examined the financial information presented of the Town of Rocky Ripple (Town), for the period January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial statements.

The financial records presented for examination for the years ended December 31, 2007 and 2008, were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions due to the failure to post or correctly post all transactions. Accordingly, the financial information for the years ended December 31, 2007 and 2008, is not presented. As a result, the validity and accountability of cash and investments as of December 31, 2008, could not be established. However, we did examine available records to the extent possible for compliance with State statutes and with the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

Because the Town was not able to provide evidence or corroborating evidence in support of the financial information, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

March 9, 2009

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS

MISAPPROPRIATION OF FUNDS

Margaret Ann Jansen, former Clerk-Treasurer, manually wrote 118 Town of Rocky Ripple checks totaling \$59,474.90 to herself for payments which are not obligations of the Town of Rocky Ripple. The following is a summary of the checks written:

Period	Number of Checks	Amount
09-18-06 to 12-31-06	3	\$ 1,050.00
01-01-07 to 12-31-07	34	14,913.98
01-01-08 to 11-06-08	81	43,510.92
Totals	118	\$ 59,474.90

The 118 checks scheduled above were written in a manner which concealed from Town Officials payments which are not obligations of the Town of Rocky Ripple as described below:

1. Checks Not Posted to Accounting System

The Town processes all checks through a hand-written accounting system. Receipts and checks are posted to a Control Ledger and, subsequently, to the Ledger of Receipts, Disbursements and Balances (Funds Ledger). Checks were also posted to the Ledger of Appropriations, Encumbrances, Disbursements and Balances (Appropriations Ledger). Margaret Ann Jansen was responsible for posting all ledgers.

Of the 118 checks written by Margaret Ann Jansen payable to herself and noted above, 88 were not posted to the Funds Ledgers. In addition, 87 were not posted to the Appropriations Ledgers. Funds and Appropriations ledgers were not presented for examination for all of 2006 and from July 2008 through December 2008. Therefore, we could not determine whether an additional 30 checks written between the periods September 18, 2006 to December 31, 2006 and July 29, 2008 to November 6, 2008, were posted or not.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 36-5-6-6 (a) states in part: "The clerk-treasurer shall do the following:

- (1) Receive and care for all town money and pay the money out only on order of the town legislative body.
- (2) Keep accounts showing when and from what sources the clerk-treasurer has received town money and when and to whom the clerk-treasurer has paid out town money. . . ."

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-13-14-3 states: "A public officer who knowingly fails to deposit public funds, or knowingly deposits or draws any check or negotiable order of withdrawal against the funds except in the manner prescribed in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue."

2. Checks Not Reported To or Approved By Town Council

Prior to the monthly Town Council meeting, a Treasurer's Report detailing bank account balances, receipts, transfers from the savings account, and each check written, was prepared for presentation to and approval of the Town Council. Margaret Ann Jansen, former Clerk-Treasurer, was responsible for preparing the Treasurer's Report.

We noted 3 methods used to conceal the check writing tendencies of Margaret Ann Jansen on these monthly reports:

a. Indicating "VOID": Several instances were noted where a check number on the Treasurer's Report was listed as "void" but the check actually was paid by the bank. For example, on the Treasurer's Report dated June 12, 2007, check 8826 was listed as "Void". A cancelled check for check 8826 was not presented for examination but the check was listed on the bank statement as having cleared on May 30, 2007. An optical image of check 8826 obtained directly from the bank indicated the check was written payable to and endorsed by "M. Jansen" in the amount of \$350.00.

b. Not Reporting: In one instance, we noted a check omitted from a Treasurer's Report. The last check number listed on the Treasurer's Report dated November 14, 2006, was 8667. The first check number listed on the Treasurer's Report dated December 14, 2006, was 8669. A cancelled check for check 8668 was not presented for examination but the check was listed on the bank statement as having cleared on November 20, 2006. An optical image of check 8668 obtained directly from the bank indicated the check was written payable to and endorsed by "Margaret Ann Jansen" in the amount of \$350.00.

c. Erroneous Reporting: Several instances of checks and amounts on the Treasurer's Report not corresponding to the actual check and amount written by Margaret Ann Jansen were noted. For example, check number 8950 was listed on the Treasurer's Report dated November 13, 2007, as "Federal Tax 279.36". The cancelled check presented for examination indicated the check was written payable to and endorsed by "M. Jansen" in the amount of \$625.22.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

3. Bank Statements

The bank statements obtained for examination did not contain all of the cancelled checks listed on the statements as having cleared the bank during the particular months. We noted 1 cancelled check from 2006 and 25 cancelled checks from 2007 were not presented. We obtained optical images of these 26 checks directly from the bank. All 26 checks were written payable to and endorsed by Margaret Ann Jansen.

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

In addition, no bank statements or cancelled checks were presented for examination for the period January 2008 through May 2008. We obtained copies of the statements and optical images of the cancelled checks directly from the bank for the missing months. We noted 56 checks written payable to and endorsed by Margaret Ann Jansen during that time period.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

IC 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, cancelled 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)

A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Class D felony unless:

1. The commission shall have given its approval in writing that public records may be destroyed;
2. The commission shall have entered its approval for destruction of the public records on its own minutes; or
3. Authority for destruction of the records is granted by an approved retention schedule. [IC 5-15-6-8]

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

4. Bank Reconcilements

Depository reconciliations of the fund balances to the bank account balances presented for examination were not always correct. In 2007, 7 monthly reconciliations had cash necessary to balance amounts ranging from \$109 to \$12,566. The reason for the variances was due to the former Clerk-Treasurer issuing checks payable to herself and not recording all the disbursements in the funds ledgers. The depository reconciliations for 8 months in 2008 were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Accounting Environment – Segregation of Duties

Accounting duties were not adequately segregated. The Clerk-Treasurer is the only Town employee who performs accounting functions. The following is a description of some of the activities, all of which the Clerk-Treasurer performed, for which compensating controls were not in place:

- a. Margaret Ann Jansen had access to unused checks and was also authorized to sign checks.
- b. Margaret Ann Jansen had the monthly bank statements mailed directly to her home address and had direct access and control over the cancelled checks.
- c. Margaret Ann Jansen was responsible for posting transactions, including adjustments and error corrections, without approval of the Town Council.
- d. Margaret Ann Jansen was responsible for preparing the month end reconcilements between the record balance of cash and bank balances.

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.

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 Cities and Towns, Chapter 7)

We have requested Margaret Ann Jansen, former Clerk-Treasurer, to reimburse \$59,474.90 in misappropriated funds to the Town of Rocky Ripple. (See Summary, page 13)

BANK FEES

The Town's bank account was charged fees it otherwise would not have been subjected to but for the misappropriation of funds by former Clerk-Treasurer Margaret Ann Jansen. The following is a summary of the fees charged:

<u>Type of Fee</u>	<u>Charged per Occurrence</u>	<u>Number of Occurrences</u>	<u>Total Charged Town Accounts</u>
Overdraft Protection	\$ 10.00	9	\$ 90.00
Exceeding Maximum Withdrawals	12.00	2	24.00
Balance Below Minimum Required	8.00	2	16.00
Check Photocopy Retrieval	-	-	<u>716.00</u>
 Total			 <u><u>\$ 846.00</u></u>

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Town had a savings and checking account at the same financial institution. Receipts to the Town were deposited into the savings account and approximately twice a month, Margaret Ann Jansen, former Clerk-Treasurer, would transfer money from the savings account to the Town's checking account to meet current expenses. Because of the misappropriation of funds previously discussed, the checking account balance declined sharply until finally in June 2008, the account would have been overdrawn except for overdraft protection provided by the bank. On 8 occasions in June 2008, and once again in November 2008, the bank automatically transferred monies from the savings account to the checking account to prevent the account from being overdrawn and, subsequently, charged the account a \$10.00 fee each time.

The bank had a limit on the number of withdrawals allowed from the savings account each month and charged a fee if actual transfers exceeded the maximum. Twice in June 2008, Margaret Ann Jansen made transfers in excess of the bank's maximum number of transfers and the bank charged a \$12.00 fee for each occurrence.

The bank also had a minimum balance requirement on the savings account. Once in July 2008, and again in October 2008, the savings account balance dropped below the minimum allowed and each time the Town was charged a fee of \$8.00.

Also, due to numerous bank statements and cancelled checks not being able to be located after the resignation of the former Clerk-Treasurer, Town Officials had to request and pay for copies to be provided by the bank. The Town's checking account was charged \$716.00 in December 2008 for all of the copies provided.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We have requested Margaret Ann Jansen, former Clerk-Treasurer, to reimburse \$846.00 in bank fees to the Town of Rocky Ripple. (See Summary, page 13)

AUDIT COSTS

Additional costs were incurred by the State of Indiana during the current examination due to misappropriation of funds by Margaret Ann Jansen, former Clerk-Treasurer. The additional time and cost to investigate and document the misappropriation of funds was \$10,214.10.

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)

BOND COVERAGE

The following is a schedule of bond coverage the Town obtained on former Clerk-Treasurer Margaret Ann Jansen:

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Surety	Period of Coverage	Bond Number	Bond Amount
Western Surety Company	12-31-03 to 12-31-07	68461854	\$ 15,000
Western Surety Company	12-31-07 to 12-31-11	68461854	15,000

OFFICIAL BOND

The Clerk-Treasurer had an Official bond in the amount of \$15,000 with coverage beginning on December 31, 2003 through December 31, 2007. The bond was recorded in the Office of the County Recorder. However, in lieu of obtaining a new Official bond, a continuation certificate covering the period December 31, 2007 to December 31, 2011, was obtained. The continuation certificate was not recorded in the Office of the County Recorder.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

Based upon language contained in IC 5-4-1-9, it is our audit position that an official bond written to cover an elected city or town officer's term of office would satisfy the bonding requirements in IC 5-4-1-18.

If such official is subsequently reelected, it is our audit position that a new bond be acquired in lieu of a continuation certificate. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2004)

FINANCIAL REPORT OPINION MODIFICATIONS

The receipts, disbursements, and ending balances presented for the current examination period were incomplete due to not all disbursements being posted or posted incorrectly for 2007 and 2008. Some monthly ledgers in 2008 were not presented for examination. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending cash balances, or the accuracy or correctness of the transactions. Therefore, the scope of our work was not sufficient to enable the State Board of Accounts to express an opinion on the financial information.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEDERAL AND STATE REGULATIONS – COMPENSATION

Federal and state withholdings were not made from the salaries of Town Council members nor the Clerk-Treasurer. During the period of examination, Town Council members' salaries were approved at \$800 per year and paid quarterly. The salary of the Clerk-Treasurer was approved for \$1,400 per year, also paid quarterly. The former Clerk-Treasurer issued Internal Revenue Service (IRS) Form 1099-MISC to herself and each member of the Town Council for 2007 compensation. The current Clerk-Treasurer is in the process of issuing Form 1099-MISC to Town Council members, the former Clerk-Treasurer, and herself for 2008 compensation.

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the period of examination:

- (1) Claims were not prepared for all disbursements. Of the 118 checks written to and endorsed by the former Clerk-Treasurer, none of them had a claim prepared.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoices or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

RECEIPT ISSUANCE

Receipts were not always issued when monies were received. Our testing noted 2 months where the total deposits into the bank account exceeded the total of all receipts issued for the month, thus indicating monies were collected and deposited without a receipt being issued.

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 Cities and Towns, Chapter 7)

TOWN OF ROCKY RIPPLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

The Clerk-Treasurer did not have office space at the Town Hall and instead performed her duties and maintained the Town's records in her home using a Town-owned computer and her personal internet service. The former Clerk-Treasurer was paid \$10 per month from Town funds to help offset the cost of the internet service in her home. These \$10 monthly payments were not included in the payroll system or on the salary ordinance or resolution. Town officials acknowledged they were aware of the \$10 internet amount being paid to the former Clerk-Treasurer, although it was not formally documented.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT AND CERTIFIED REPORT NOT FILED

An annual report (form CTAR-1) for 2007 was presented for examination. However, it was not complete or correct and no documentation was presented that it was advertised as required. No annual report for 2008 was presented or advertised.

Additionally, the Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2007 and 2008. A similar comment appeared in prior Report B30007.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

IC 5-11-13-1 states, in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

CAPITAL ASSET RECORDS

The Town did not record all capital asset additions, and it was unclear if any disposals were being recorded. The Town prepared a listing of all Police Department equipment; however, assets for land, buildings, and equipment were not itemized or recorded on the appropriate forms. Similar comments appeared in prior Reports B25450 and B30007.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ROCKY RIPPLE
EXIT CONFERENCE

An exit conference was scheduled for March 2, 2009, to discuss the contents of this report with Margaret Ann Jansen, former Clerk-Treasurer. Margaret Ann Jansen did not attend.

The contents of this report were discussed on March 9, 2009, with Robert Tomey, President of the Town Council; Carla Gaff-Clark, Town Council member; and Cathy Hurt, Clerk-Treasurer.

TOWN OF ROCKY RIPPLE
MARION COUNTY
SUMMARY

	Charges	Credits	Balance Due
Margaret Ann Jansen, former Clerk-Treasurer:			
Misappropriation of Funds, pages 4 through 7	\$ 59,474.90	\$ -	\$ 59,474.90
Bank Fees, pages 7 and 8	846.00	-	846.00
 Totals	 \$ 60,320.90	 \$ -	 \$ 60,320.90

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AFFIDAVIT

STATE OF INDIANA)
MARION COUNTY)

We, Todd E. Caldwell and Jenny Wagner, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Rocky Ripple, Marion County, Indiana, for the period from January 1, 2007, to December 31, 2008, is true and correct to the best of our knowledge and belief.

Todd E Caldwell

Jenny M. Wagner
Field Examiners

Subscribed and sworn to before me this 19th day of March, 2009.

Leida J. Olson
Notary Public

My Commission Expires: July 15, 2010 Use with Notary

County of Residence: Marion Use with Notary