

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

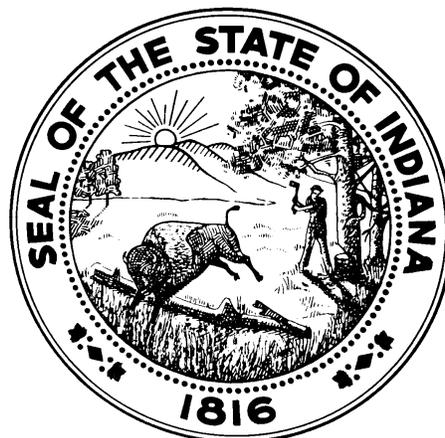
AUDIT REPORT

OF

COUNTY SHERIFF

KNOX COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

09/30/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Inmate Trust Records	4
Expense Reimbursement Itemization.....	4
Supporting Documentation	4-5
Penalties, Interest, and Other Charges.....	5
Compensatory Time	5-6
Condition of Records	7
Cash Necessary to Balance, Bank Reconciliations.....	7-8
Cash Disbursements	8
Excessive Vacation Leave.....	8-9
Audit Costs – Missing Funds	9
Insurance Policy	9
Exit Conference.....	10
Official Response	11
Summary	12
Affidavit	13

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Stephen P. Luce Michael Morris	01-01-07 to 01-31-09 02-01-09 to 12-31-10
President of the County Council	Timothy Ellerman	01-01-08 to 12-31-09
President of the Board of County Commissioners	Fred Thompson James Parish	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 audited the records of the County Sheriff for the period from January 1, 2008 to December 31, 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Knox County for the year 2008.

STATE BOARD OF ACCOUNTS

July 7, 2009

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS

INMATE TRUST RECORDS

Individual inmate records are kept as a subsidiary record to the Inmate Trust Ledger. The ledger currently reconciles with the bank, but the subsidiary records do not agree to the ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

A similar comment appeared in prior reports.

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for audit included claims for payments totaling \$8,154.00 to FIA Cards Services for credit card purchases made by Stephen P. Luce, former Sheriff. These charges were for meals, lodging, travel expenses, and gasoline. Credit card statements were filed in envelopes for the month paid, and some receipts were filed in the envelopes, but were not attached to the credit card statement. The receipts filed in the monthly envelopes were not always for the same month as the credit card statement contained in the envelope. The Field Examiner was unable to match the credit card statements and the receipts.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Payments made for credit card purchases did not have the supporting documentation attached to the invoice. Invoices are filed by month in envelopes for the corresponding month. Included in the envelopes were various receipts from purchases made from the credit cards, but these receipts were not always for the applicable month and were not attached to the invoice. Therefore, it was not possible to match the receipts to the credit card statements. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, 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 Counties of Indiana, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases amounts payable to vendors and other suppliers of goods and services are not being paid until 19 months after the invoice dates. Invoices to US Uniform & Supply were dated April 2006 and were not paid until January 2008. Invoices for other vendors were not being paid until 3 to 6 months after the invoice dates.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COMPENSATORY TIME

Payroll records indicated that employees were using compensatory time prior to earning the time-off. During the years 2002 through 2009, Debra Messeman, Assistant Matron (for the period 2002 through 2007) and Matron (for the period 2008 and 2009); Vickie L. Dreiman, Matron, for the period of 2002 through 2007; and Richard Messeman, Dog Warden, did not compute their compensatory leave in accordance with the County personnel policy handbook, which resulted in excess leave time reported as accrued that was not earned. On numerous occasions, the employees calculated their compensatory leave accrual amounts on a daily basis, rather than on a weekly basis, and in most instances, the employees had either claimed sick, vacation, or other compensatory leave for the week in which they posted compensatory time earned.

During the period January 1, 2002 through May 8, 2009, Debra Messeman, Assistant Matron/Matron, was paid an excess of 730.03 hours compensatory time that had not been earned. This resulted in an overpayment of \$7,818.78. Vickie L. Dreiman, Matron, during the period January 1, 2002 through December 31, 2007, was paid an excess of 856.85 hours compensatory time that had not been earned. This resulted in an overpayment of \$8,320.01. Richard Messeman, Dog Warden, began employment with Knox County on February 6, 2006. Mr. Messeman claimed 94.25 hours of accrued compensatory time that he had not earned. This resulted in an overpayment of \$1,055.60.

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

	Excess Compensatory Time Claimed (Hours)	Hourly Rate of Pay	Amount of Overpayment
Debra Messeman, Assistant Matron/Matron:			
2005	98.17	\$ 10.55	\$ 1,035.69
2006	232.37	11.10	2,579.31
2007	233.62	11.10	2,593.18
2008	262.25	9.71 *	2,546.45
2009	(96.38)	9.71 *	(935.85)
Totals	<u>730.03</u>		<u>\$ 7,818.78</u>
Vickie L. Dreiman, former Matron:			
2006	344.10	9.71	\$ 3,341.21
2007	512.75	9.71	4,978.80
Totals	<u>856.85</u>		<u>\$ 8,320.01</u>
Richard Messeman, Dog Warden:			
2007	4.25	11.20	\$ 47.60
2008	71.00	11.20	795.20
2009	19.00	11.20	212.80
Totals	<u>94.25</u>		<u>\$ 1,055.60</u>

*In 2008, Debra Messeman's, Assistant Matron/Matron, hours increased from 35 hours per week to 40 hours per week, but her salary did not change, which caused a decrease in her hourly rate.

The Knox County Policy Manual adopted August 1, 1996 and amended June 1999, states: "Compensatory time is calculated to all Non-exempt employees in accordance with federal and state wage and hour regulations. Compensatory time is based on actual time worked; time off on sick leave, holidays, vacation leave or any leave of absences will not be considered as actual time worked."

The Knox County Personnel Policy Handbook, adopted June 5, 2006, states in part: "Compensatory hours shall be awarded at a rate of one and one-half (1 1/2) times the amount of approved hours worked over forty (40) in a week as specified in this policy. Compensatory time for additional hours worked between thirty five (35) and forty (40) will be paid on an hour for hour basis."

IC 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

Debra Messeman, Assistant Matron/Matron, could not be contacted for a request to repay \$7,818.78 for excess compensatory leave paid that had not been earned. Vickie L. Dreiman, former Matron, was requested to repay \$8,320.01 for excess compensatory leave paid that had not been earned. Richard Messeman, Dog Warden, also could not be contacted for a request to repay \$1,055.60 for excess compensatory leave paid that had not been earned. (See Summary, page 12)

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of audit:

- (1) Record balances were not correctly reconciled to depository balances during the current audit period for the Sheriff's cash book.

IC 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."

- (2) There were a considerable number of posting errors to the Sheriff's cash book. These errors included deposits not receipted, and checks and receipts not recorded in the proper amounts.

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 of Indiana, Chapter 1)

A similar comment appeared in a prior report.

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Due to the condition of the records, 100% of receipts were compared to the Sheriff's cash book and then verified to the bank deposits. The comparison of the records to the bank deposits revealed that six receipts were not deposited.

Receipts 49070 and 49071 dated January 2, 2008, for \$405.00 and \$305.00, respectively, were not deposited. Receipt 49252 for \$10.00 dated January 14, 2008, was not deposited, nor was Receipt 49143 dated January 28, 2008, for \$505.00. Receipt 49613 dated April 20, 2008, for \$655.00 was not deposited. Devon Hicks, Deputy Matron, was responsible for making the daily deposits, posting the Sheriff's cash book, and reconciling the bank accounts to the ledger. Upon discussion with Ms. Hicks, she was not aware that these receipts were not deposited.

Receipt 49667, dated April 30, 2008, was for a cash bond in the amount of \$2,905.00 received by Olivia Wathen, Jailor, who did not turn the money in for deposit.

On three different occasions, deposits did not equal the total amount of the receipts listed on the bank deposit slip. This resulted in the deposits being short a total of \$445.00 for the year audited. Devon Hicks, Deputy Matron, was in charge of making out the deposit slips and comparing the deposit totals to the receipt totals.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds . . . shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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

Devon Hicks, Deputy Matron, was requested to remit \$2,325.00. Former employee Olivia Wathen, Jailor, could not be contacted to repay \$2,905.00. (See Summary, page 12)

CASH DISBURSEMENTS

Disbursements were not always made by check. Examples are: money received for the housing of out of county prisoners was electronically transferred from the sheriff cash book bank account to the County Auditor. Fees received for tax warrants were transferred electronically from the Sheriff's cash book account to the Sheriff's personal account.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

EXCESSIVE VACATION LEAVE

Richard Messeman, Dog Warden, began employment with Knox County on February 6, 2006. According to the policy handbook, his accrual date for vacations would be the month of February of the corresponding year. For the year 2008, Mr. Messeman was entitled to 10 vacation days, but claimed and was paid for 15 days vacation leave, resulting in an overpayment of \$392.00 for the 5 additional vacation days paid but not earned.

The Knox County Policy Manual, adopted August 1, 1996, and amended June 1999, states: "Vacation time employees receive each year increases with the length of their employment as shown in the following schedule":

Upon initial eligibility	10 work days
After 10 years	15 work days
After 15 years	20 work days

The Knox County Personnel Policy Handbook, adopted June 5, 2006, states in part: "Regular full-time employees are eligible to earn and use vacation time as described in this policy. Years of service are based on full-time continuous employment."

After 1 year	10 work days
After 10 years	15 work days
After 15 years	20 work days

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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

IC 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

Richard Messeman, Dog Warden, could not be contacted for a request to repay \$392.00 for vacation leave received which he had not earned. (See Summary, page 12)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees due to the investigation of the missing funds and poor accounting records. The State of Indiana incurred audit fees in the amount of \$23,984.22.

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 of Indiana, Chapter 1)

INSURANCE POLICY

Knox County was insured by EMC Insurance Companies with a government crime policy which covered employee theft for the period October 1, 2006 to October 1, 2009.

COUNTY SHERIFF
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2009, with James Parish, President of the Board of County Commissioners. The official concurred with our audit findings.

The contents of this report were discussed on July 7, 2009, with Vicki L. Dreiman, former Matron; and Devon Hicks, Deputy Matron. The official response has been made a part of this report and may be found on page 11.

The contents of this report were discussed on July 7, 2009, with Timothy Ellerman, President of the County Council; and Michael Morris, Sheriff.

Telephone calls were made to Debra Messeman, Assistant Matron/Matron; and Richard Messeman, Dog Warden, in an attempt to schedule an exit conference with them. Our telephone calls were not returned.

Olivia Wathen, Jailor, could not be located for an exit conference.

Bruce A. Hartman, CPA
State Examiner
302 West Washington St. Room R418
Indianapolis, Indiana 46204-2765

Dear Sir,

I herein submit my comment to your letter dated September 14, 2009.

I cannot believe that my accounting of compensatory time was in error. The bookkeeper, Debbie Messeman, would always review my time sheet. If she felt there was an error, she would tell me to do it over, which I did. Each claim would then be submitted to the Chief Deputy of the Sheriff's Dept. For further review.

I will not admit at this point that there was an error without being provided the claim sheets to review. If you wish to provide me with copies of the suspected forms, my attorney and I will review same.

It is requested for you to attach this letter to your report.

Thank you

Vicki Dreiman

COUNTY SHERIFF
KNOX COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Debra Messeman, Assistant Matron/Matron: Compensatory Time, pages 6 and 7	\$ 7,818.78	\$ -	\$ 7,818.78
Vickie L. Dreiman, former Matron: Compensatory Time, pages 6 and 7	<u>8,320.01</u>	<u>-</u>	<u>8,320.01</u>
Richard Messeman, Dog Warden: Compensatory Time, pages 6 and 7	1,055.60	-	1,055.60
Excessive Vacation Leave, pages 8 and 9	<u>392.00</u>	<u>-</u>	<u>392.00</u>
Total Richard Messeman	<u>1,447.60</u>	<u>-</u>	<u>1,447.60</u>
Devon Hicks, Deputy Matron: Cash Necessary to Balance, Bank Reconciliations, pages 7 and 8	<u>2,325.00</u>	<u>-</u>	<u>2,325.00</u>
Olivia Wathen, Jailor: Cash Necessary to Balance, Bank Reconciliations, pages 7 and 8	<u>2,905.00</u>	<u>-</u>	<u>2,905.00</u>
Totals	<u>\$ 22,816.39</u>	<u>\$ -</u>	<u>\$ 22,816.39</u>

AFFIDAVIT

STATE OF INDIANA)
)
 Knox COUNTY)

I, Sara Bellamy, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the County Sheriff, Knox County, Indiana, for the period from January 1, 2008 to December 31, 2008, is true and correct to the best of my knowledge and belief.

Sara Bellamy
Field Examiner

Subscribed and sworn to before me this 15th day of Sept., 2009

Carol A. Sherman
Notary Public

My Commission Expires: 1-24-2016
County of Residence: Knox

OFFICIAL SEAL
CAROL A. SHERMAN
NOTARY PUBLIC, STATE OF INDIANA
MY COMMISSION EXPIRES JAN. 24, 2016