

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

AUDIT REPORT

OF

COUNTY TREASURER

LAWRENCE COUNTY, INDIANA

January 1, 2009 to December 31, 2009



FILED

04/01/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Cash Necessary to Balance, Bank Reconciliations.....	4-5
Reconciliation of Treasurer's Daily Cash Book, Treasurer's Monthly Financial Statement, and Auditor's Funds Ledger	6
Bank Account Reconciliations	6
Posting Errors	6
Reconciliation of Detailed Surplus Tax Lists to Funds Ledger	7
Official Bond	7
Exit Conference.....	8
Official Response	9-11
Summary	12
Affidavit	13

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debbie Thompson Paula R. Stewart	01-01-05 to 10-27-09 10-28-09 to 12-31-12
President of the County Council	Keith Dillman Steven Flores	01-01-09 to 12-31-09 01-01-10 to 12-31-10
President of the Board of County Commissioners	Christopher May William Spreen	01-01-09 to 12-31-09 01-01-10 to 12-31-10



E OFFICIALS OF LAWRENCE COUNTY
STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAWRENCE COUNTY

We have audited the records of the County Treasurer for the period from January 1, 2009 to December 31, 2009, 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 Lawrence County for the year 2009.

STATE BOARD OF ACCOUNTS

June 29, 2010

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account on December 31, 2009, indicated cash necessary to balance of \$9,546.10. As of May 31, 2010, that amount had been reduced to \$7,081.25, but these unresolved items pertained to transactions that occurred prior to October 28, 2009.

Four checks received by the Treasurer were returned for insufficient funds. These checks total \$3,052.80 and are itemized below with the date of the check, payor, date returned by the bank, and the amount. The Treasurer sent a letter to each of these payors for the insufficient funds checks requesting payment of the check amount and the related service fee but failed to take further action. The insufficient funds checks were not turned over to the prosecuting attorney as required by IC 36-1-8-13. Additionally, the Treasurer did not follow the requirement to adjust the Treasurer records to remove the credit given for the checks received and later dishonored as stated in IC 6-1.1-22-6.5. The Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 5, provides detailed procedures for the county treasurer to follow to make the adjustment required by statute after extended efforts to collect on the returned check have not been successful. Because the Treasurer did not take action earlier it will be difficult if not impossible for the County to collect on these dishonored checks.

<u>Date of Check</u>	<u>Payor's Name</u>	<u>Date Returned by Bank</u>	<u>Amount</u>
June 22, 2007	4 Seasons Lawncare	July 11, 2007	\$ 1,389.96
June 22, 2007	4 Seasons Lawncare	July 11, 2007	48.27
October, 11, 2007	Michael Dennison	October 23, 2007	962.02
August 15, 2008	Robert Fleetwood	August 28, 2008	652.55
Total			<u>\$ 3,052.80</u>

Adding machine tapes found with the attempted bank reconciliations indicated there were two additional insufficient fund checks returned in the amounts of \$1,316.79 and \$274.52. The Treasurer did not retain returned checks for these amounts. The Treasurer did not trace these returned check amounts to a receipt posted in the tax duplicate and did not trace them to the bank statements where adjustment for the insufficient funds checks were posted.

IC 36-1-8-13 states:

"A unit that is unable to obtain payment of a dishonored check shall, not later than ninety (90) days after the check is initially received by the unit, refer the matter to the prosecuting attorney for the county where the dishonored check was received for prosecution."

IC 6-1.1-22-6.5 states in part:

"Notwithstanding IC 26-1-3.1-310, if a payment subject to this article is made by:

- (1) check;
- (2) bank draft;
- (3) money order;

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

(4) bank card or credit card; or

(5) any other draft or financial instrument that is payable by a third party;

and the third party refuses to pay the amount of the payment to the county treasurer after proper presentment, the county treasurer shall adjust the county treasurer's records to remove any credit made for the payment. . . ."

In addition to the insufficient funds checks received and not recovered, the bank deposit on September 3, 2008, was less than the deposit recorded in the Treasurer's records by \$1,329.46. On October 10, 2008, and January 8, 2009, corrections were deposited in the amount of \$400 each date leaving the deposit \$529.46 short.

The current Treasurer found and we confirmed during the audit that a paid receipt was issued in the amount of \$710.52 but the transaction was voided in the Treasurer's office on September 3, 2009, leaving the taxes unpaid while the customer holds a receipt showing taxes were paid.

A batch posting of property tax collections from the bank included a payment of \$163.20 that was posted to the wrong parcel. At a later date, the payment was applied to the proper parcel without correcting the original posting. Therefore, two parcels were given credit for the same payment making the Treasurer's office \$163.20 cash short.

On September 3, 2009, a check in the amount of \$166.20 was electronically deposited. This same check was scanned again for deposit on September 4, 2009. The bank adjusted the September 4th deposit to not include the check that had been honored the previous day, making the deposit for September 4th short by \$166.20.

As of May 31, 2010, there remained a variance between the Treasurer's records, County Auditor's Funds Ledger, and the reconciled bank balance due to transactions prior to October 28, 2009, in the amount of \$867.76 short. Subsequently, the current Treasurer found unidentified cash in the safe in the amount of \$653.00, which was deposited on June 24, 2010. After applying this amount to the total cash short from the former Treasurer's records, the total cash necessary to balance is \$6,428.25.

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 Treasurers, Chapter 10)

We have requested Debbie Thompson, former Treasurer, submit detailed documentation which provides for a proper accounting for the issues as detailed herein, or remit \$6,428.25, to Lawrence County. (See Summary, page XX)

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

RECONCILIATION OF TREASURER'S DAILY CASH BOOK, TREASURER'S
MONTHLY FINANCIAL STATEMENT, AND AUDITOR'S FUNDS LEDGER

Reconcilements were not made between the Treasurer's Monthly Financial Statement, Form 61, and the Auditor's Monthly Financial Statement, Form 61, until November 30, 2009.

Reconcilements were not made between the Treasurer's Daily Cash Book and the Treasurer's Monthly Financial Statement, Form 61. On December 31, 2009, the Treasurer's Daily Cash Book had a balance of \$131,248.85 less than the Treasurer's Monthly Financial Statement. As of May 31, 2010, all of the differences had been identified, except for \$356.08.

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 Treasurers, Chapter 10)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations were not completed correctly each month. Depository reconciliations of the fund balances to the bank account balances included numerous posting errors. The original December 31, 2009, reconciliation presented for audit contained numerous errors and unidentified amounts. However, during the audit, the Treasurer worked on the reconciliations and identified and corrected errors.

As of May 31, 2010, the Treasurer's Cash Book is in balance and indicates a cash short amount of \$7,081.25, which pertained to periods prior to the current Treasurer taking office on October 28, 2009.

IC 5-13-6-1(e) states: "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."

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 Treasurers, Chapter 10)

POSTING ERRORS

There were a considerable number of posting errors in the Treasurer's Daily Cash Book. Numerous receipts and disbursements were posted to the wrong line and quietus and disbursed amounts posted did not agree with the detailed days work.

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 County Treasurers, Chapter 10)

COUNTY TREASURER
LAWRENCE COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

RECONCILIATION OF DETAILED SURPLUS TAX LISTS TO FUNDS LEDGER

Surplus Tax Funds were not handled properly. The Treasurer's Surplus Tax Fund Detail was not reconciled to the Surplus Tax amount in the Treasurer's Cash Book and Surplus Tax Funds in the Auditor's Ledger. The balance of the Surplus Tax in the Treasurer's Daily Cash Book and the Auditor's Ledger was \$14,615.23 more than the amount in the Surplus Tax Fund Detail.

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 Treasurers, Chapter 10)

OFFICIAL BOND

Debbie Thompson, former Treasurer, had official bond coverage through Western Surety Company. Bond No. 69833211 was in the amount of \$200,000 and covered the period January 1, 2009 to January 1, 2013.

COUNTY TREASURER
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2010, with Paula R. Stewart, Treasurer; Billie J. Tumey, Auditor; William Spreen, President of the Board of County Commissioners, and Gene McCracken; County Council member.

The contents of this report were discussed on June 18, 2010, and February 23, 2011, with Debbie Thompson, former Treasurer. The official response has been made a part of this report and may be found on pages 9 through 11.

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February 28, 2011

State Board of Accounts
302 West Washington Street
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Indianapolis, IN 46204-2765

Re: Official Response to Exit Conference
Official's Response

County Treasurer—Lawrence County

ADDENDUM TO OFFICIAL RESPONSE

This is an Addendum to the "Official Response" I presented to the State Board of Accounts on July 6, 2010.

On February 23, 2011, my client, Debbie Thompson, and I met with two (2) representatives from the State Board of Accounts (Phyllis and Brandon) at Plummer Law Offices in Bedford, Indiana. Phyllis termed the meeting was an 'Exit Conference'. At the outset of said Exit Conference, Phyllis assured Debbie Thompson that she was neither suspected of any intentional misdeeds nor that she personally profited from the shortfall revealed in the audit(s).

The first part of this Addendum to Official Response addresses the language of the first page of the 'Preliminary Draft' of the 'Cash Necessary to Balance, Bank Reconciliations' which was provided by Phyllis to Debbie Thompson. In particular, on said first page of said 'Preliminary Draft', Phyllis lists four dishonored checks, totaling \$3,052.80.

The primary disputed issues seem to be whether: (1) Debbie Thompson was made aware through previous audits so that she could have taken action to remedy the shortfall while she was still Treasurer of Lawrence County pursuant to I.C. 6-1.1-22-6.5; and, (2) whether the current office holder could still take action against the property owners at issue to remedy the shortfall pursuant to I.C. 6-1.1-22-6.5.

Debbie Thompson resigned her position as Lawrence County Treasurer in October, 2009. Although a recent audit conducted by the State Board of Accounts reveals a \$3,052.80 shortfall based on four (4) separate dishonored checks which were presented in 2007 and 2008, audits

from 2008 and 2009 failed to reveal precisely where the shortfall came from so that Debbie Thompson could take action to remedy the situation while she was still the Lawrence County Treasurer pursuant to I.C. 6-1.1-22-6.5.

I.C. 6-1.1-22-6.5 does not impose a time limitation on when a county treasurer “shall adjust the county treasurer’s records to remove any credit made for the payment”. In fact, the “shall” language would seem to indicate that regardless of time frame, upon actual notice of the dishonored check, that the county treasurer is mandated by state law to remove any credit that was given for payment. Based on my discussions with Phyllis at the Exit Conference, Phyllis speculated that it is too late for the current county treasurer to comply with I.C. 6-1.1-22-6.5. I respectfully disagree and have asked Phyllis to direct me to the state law which supports her belief. She was unable to do so. I believe that the current county treasurer **must** comply with I.C. 6-1.1-22-6.5 to attempt to mitigate damages to the county and, frankly, to comply with the letter of the law. Until this is done and an effort is made for the taxpayers to remedy their respective delinquency, Debbie Thompson should not be held personally responsible for the shortfall.

The balance of this Addendum to Official Response specifically addresses the language of the second page of the ‘Preliminary Draft’ of the ‘Cash Necessary to Balance, Bank Reconciliations’ which was provided by Phyllis to Debbie Thompson.

In response to the paragraph which states: “the bank deposit on September 3, 2008 which was less than the deposit recorded in the county treasurer’s records by \$1,329.46; and, on October 10, 2008 and January 8, 2009 corrections were deposited in the amount of \$400 each date leaving the deposit \$529.46 short”; this amount appears that a check did not scan or make it to the bank. Debbie Thompson’s official position is that if the current office holder looks at the receipts for that particular day, it would be found, and then should be recharged. Thus, there is a remedy that has not been attempted, but remains available.

In response to the paragraph which states: “the current county treasurer found and we confirmed during the audit that at paid receipt was issued in the amount of \$710.52 but the transaction was voided in the treasurer’s office on September 3, 2009 leaving the taxes unpaid while the customer holds a receipt showing taxes were paid”; this was a cash receipt that was stamped paid. Debbie Thompson does not recall this specific transaction; she disputes that she should have to pay for it, but acknowledges that if the law requires her to pay for it, she will.

In response to the paragraph which states: “a batch posting of property tax collections from the bank included a payment of \$163.20 that was posted to the wrong parcel. At a later date, the payment was applied to the proper parcel without correcting the original posting. Therefore, two parcels were given credit for the same payment making the treasurer’s office \$163.20 cash short”; this can be corrected by removing the credit from the incorrect parcel by recharging the tax. Thus, there is a remedy that has not been attempted, but remains available.

In response to the paragraph which states: “on September 3, 2009 a check in the amount of \$166.20 was electronically deposited. This same check was scanned again for deposit on

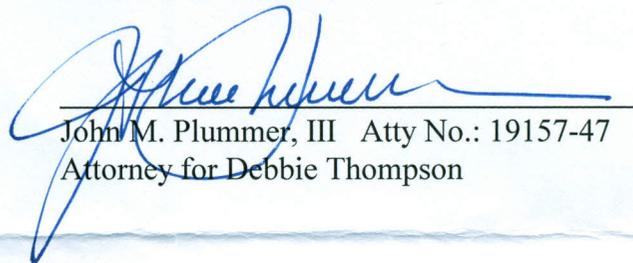
September 4, 2009. The bank adjusted the September 4th deposit to not include the check that had been honored the previous day, making the deposit for September 4th short by \$166.20"; this should be resolved through Main Soruce Bank. If the bank looks at the records, it should be able to determine why it was posted twice and whether the credit did not get adjusted correctly. The problem could then be corrected.

In response to the paragraph which states: "As of May 31, 2010 there remained a variance between the county treasure's records, county auditor's funds ledger and the reconciled bank balance due to transactions prior to October 28, 2009 in the amount of \$869.76 short"; this difference could be a mistake on the Auditor's side. Why is it assumed that the Treasurer was a fault? The paragraph goes on to say: "Subsequently, the current treasurer found unidentified cash in the safe in the amount of \$563.00, which was deposited on June 24, 2010. After applying this amount to the total cash short from the former county treasurer's records, the total cash necessary to balance is "\$6,428.25"; this was a payment from Nedra Fleetwood (the chief probation officer of Lawrence County) to pay for a bed check.

In conclusion, for the reasons stated above, Debbie Thompson's Official Response is that the current office holders have remedies available to remedy the aforementioned problems revealed by the audit(s). Those remedies, if attempted, should correct the shortfalls identified by the audit(s). As such, under the circumstances, those remedies should be pursued before seeking to hold Debbie Thompson personally responsible for the amounts needed to balance the fund.

Thank you in advance for your immediate consideration to this Addendum to Official Response of Debbie Thompson.

Sincerely,
PLUMMER LAW OFFICES



John M. Plummer, III Atty No.: 19157-47
Attorney for Debbie Thompson

cc: Debbie Thompson
David Smith, County Attorney of Lawrence County

COUNTY TREASURER
LAWRENCE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Debbie Thompson, former Treasurer:			
Cash Necessary to Balance, Bank Reconciliations, pages 4 and 5	\$ 7,081.25	\$	\$
Cash found in safe, deposited on June 24, 2010	<u> </u>	<u>653.00</u>	<u> </u> -
Totals	<u>\$ 7,081.25</u>	<u>\$ 653.00</u>	<u>\$ 6,428.25</u>

AFFIDAVIT

STATE OF INDIANA)
)
LAWRENCE COUNTY)

We, Phyllis S. Moffatt and Brandon Brough, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the County treasurer, Lawrence County, Indiana, for the period from January 1, 2009 to December 31, 2009, is true and correct to the best of our knowledge and belief.

Phyllis S. Moffatt
BB
Field Examiners

Subscribed and sworn to before me this 7 day of March, 2011.

Ally Roush
Clerk of the Circuit Court