

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

AUDIT REPORT  
OF

CITY COURT  
CITY OF MARTINSVILLE  
MORGAN COUNTY, INDIANA

January 1, 2010 to March 22, 2011



**FILED**  
09/13/2011



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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Judge	Mark Peden	01-01-10 to 12-31-11
Court Clerk	Cathy Neal Becky Tumey	01-01-10 to 03-23-11 03-24-11 to 12-31-11
Clerk-Treasurer	Mary Lou Peden	01-01-10 to 12-31-11
Mayor	Phil R. Deckard	01-01-10 to 12-31-11
President of the Board of Public Works	Phil R. Deckard	01-01-10 to 12-31-11
President of the Common Council	Gary Lester David Trout	01-01-10 to 12-31-10 01-01-11 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE

We have audited the records of the City Court for the period from January 1, 2010 to March 22, 2011, 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 Result(s) and Comment(s). The financial transactions of this office are reflected in the Annual Report of the City of Martinsville for the year 2010.

STATE BOARD OF ACCOUNTS

May 12, 2011

CITY COURT  
CITY OF MARTINSVILLE  
AUDIT RESULT(S) AND COMMENT(S)

**RECEIPT DEPOSITS**

The City Court receives money in payment for various court charges. Based on records presented for audit, we determined that Cathy Neal, former Court Clerk, was not making timely deposits and these deposits were not always in the same form in which they were received. At December 31, 2010, we determined that 19 days' receipts totaling \$64,769.50 had not been deposited until 2011. These deposits were made from 9 days after receipt to 135 days after receipt. The average time between receipt and deposit of these days court activity was 62 days. On March 21, 2011, we met with Cathy Neal, former Court Clerk, to discuss where she kept this large sum of money and to inquire as to why it was taking so long to deposit some of the City Court receipts. After this interview, we decided to expand our audit to include the current year. We requested these records on March 22, 2011. Cathy Neal, former Court Clerk, left work to obtain them but did not return.

On March 23, 2011, Cathy Neal, former Court Clerk, admitted to Ralph Foley and Judge Mark Peden, partners in the law firm for which she was a full-time employee, that she had taken money from the City Court. She was relieved of her duties as the Court Clerk and Judge Mark Peden requested that she return all City Court records to him. As of March 23, 2011, \$65,971 in City Court receipts had not been deposited. After being relieved of her duties as Court Clerk, Cathy Neal made 16 additional deposits totaling \$30,402. These deposits were made up mostly of money orders, with only \$7 of those deposits being cash. After taking these deposits into account, \$35,569 of City Court money remained unaccounted for.

Using the daily cash book printouts, we detailed the money receipted at the City Court along with the makeup of the day's receipts. We compared these printouts to the deposits made, to document the timeliness of the deposits as well as to verify the classification of the deposit agreed to what was originally recorded on the receipt. Our audit began with the current date and we analyzed the activity back into 2008. Based on the audit procedures performed, we have been able to document what days' receipts have not been accounted for, which total \$35,569.

We are requesting Cathy Neal, former Court Clerk, to pay the City Court the amount of \$35,569. (See Summary, page 6)

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

Public funds shall be deposited in the same form in which they were received. (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 \$14,265.62.

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)

**OFFICIAL BOND**

Cathy Neal, former Court Clerk, was covered by a City blanket bond with Travelers Insurance Company for \$50,000.

CITY COURT  
CITY OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2011, with Cathy Neal, former Court Clerk, and William Van Der Pol, Jr., Attorney.

The contents of this report were discussed on June 28, 2011, with Mark Peden, Judge, and Becky Tumey, Court Clerk. The officials concurred with our audit findings.

CITY COURT  
CITY OF MARTINSVILLE  
SUMMARY

	Charges	Credits	Balance Due
Cathy Neal, former Court Clerk:			
Receipt Deposits, page 4	\$ 35,569.00	\$ -	\$ 35,569.00
Audit Costs - Missing Funds, page 4	14,265.62	-	14,265.62
 Totals	 \$ 49,834.62	 \$ -	 \$ 49,834.62

AFFIDAVIT

STATE OF INDIANA            )  
  )  
Johnson COUNTY)

I, Beth A. Goss, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City Court, City of Martinsville, Morgan County, Indiana, for the period from January 1, 2010 to March 22, 2011, is true and correct to the best of my knowledge and belief.

Beth A. Goss  
Field Examiner

Subscribed and sworn to before me this 15<sup>th</sup> day of August, 2011.

Kathleen J. Berger  
Notary Public

My Commission Expires: May 24 2012

County of Residence: Shelby