

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

SUPPLEMENTAL REPORT  
OF

THE CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
VIGO COUNTY, INDIANA

January 1, 2009 to December 31, 2010



**FILED**  
09/13/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melody Buchanan	01-01-08 to 12-31-11
President of the Town Council	Scott McClain	01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TOWN OF WEST TERRE HAUTE

We have audited the records of the Clerk-Treasurer's Office, Town of West Terre Haute for the period from January 1, 2009 to December 31, 2010, and certify that the records are satisfactory to the best of our knowledge and belief, except that the omission of some utility receipts in the business-type activities and the Water, Wastewater, and Storm Water funds results in incomplete presentation as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Audit Report of Town of West Terre Haute for the years 2009 and 2010.

STATE BOARD OF ACCOUNTS

August 11, 2011

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

***MANAGEMENT OVERRIDE OF CONTROLS (Applies to Utilities)***

During the course of the audit, we determined that the Deputy Clerk-Treasurer of the Town of West Terre Haute bypassed the internal controls in place for receipts from customer utility payments. Controls were in place to properly accept, post, deposit, and reconcile customer utility payments. Each day, the employees accepted payments from customers, retained the bill stubs, posted the payments in batches, and ran a Cash Posting Journal report for each batch. Then the cash and checks accepted were reconciled to the bill stubs and Cash Posting Journal report and a bank deposit was made.

However, the bill stubs and Cash Posting Journal reports for certain batches posted in 2007-2011 were not retained for audit. Upon running a Cash Payment Summary Report at the time of the audit, customer payments appeared that could not be found on the Cash Posting Journal and those payments could not be traced to a deposit.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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)

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 Cities and Towns, Chapter 7)

***MISSING UTILITY CUSTOMER PAYMENTS (Applies to Utilities)***

As Deputy Clerk-Treasurer, Vickie Ashburn is responsible for accepting payments from customers, posting the payments in batches to the customer accounts, and running a daily Cash Posting Journal report for each batch. She also prepared bank deposits and delivered deposits to the bank. Once a month she totaled the deposits by utility and posted the total revenue to the General Ledger.

A comparison of Cash Payment Summary Reports from the Utility computer system with bank deposits revealed a large number of customer payments that were posted to the customers' accounts but were not deposited in the bank or posted to the General Ledger.

The Cash Posting Journal Reports were retained as supporting documentation for the bank deposits. By comparing the customer payments listed in the Cash Posting Journal Reports with the customer payments listed on the Cash Payment Summary Reports, we were able to identify specific customers whose payments were not included in the bank deposits.

Our investigation revealed customer payments were missing on 74 percent of days that payments were collected during 2007, 2008, 2009, 2010, and the first six months of 2011. Out of 1,102 business days from January 1, 2007 to June 30, 2011, the Cash Payment Summary Reports indicated some customer payments were not deposited on 810 of those days.

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

The amount of collections not deposited is summarized below:

Years	Water Utility	Wastewater Utility	Storm Water Utility	Totals
2007	\$ 37,983.92	\$ 44,176.94	\$ 1,563.19	\$ 83,724.05
2008	39,625.46	45,716.06	6,050.32	91,391.84
2009	35,696.18	42,039.58	5,733.00	83,468.76
2010	38,466.67	47,148.55	6,090.00	91,705.22
2011	9,809.83	10,245.58	1,461.85	21,517.26
Totals	<u>\$ 161,582.06</u>	<u>\$ 189,326.71</u>	<u>\$ 20,898.36</u>	<u>\$ 371,807.13</u>

As Clerk-Treasurer, Melody Buchanan was responsible for supervising the Deputy Clerk-Treasurer and the operations of the utility office.

We consider Melody Buchanan, Clerk-Treasurer and Vickie Ashburn, Deputy Clerk-Treasurer, to be jointly and severally responsible for the missing funds. We have requested reimbursement in the amount of \$161,582.06 to the West Terre Haute Water Utility, \$189,326.71 to the Wastewater Utility, and \$20,898.36 to the Storm Water Utility. (See Summary, page 9)

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)

***LACK OF SUPPORTING DOCUMENTATION (Applies to Town)***

As stated in prior Reports B34855, B35831, and B30886, several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Our examination of disbursements revealed that payments were made to the credit card company only on the basis of the credit card statement, without itemized receipts or invoices to support the purchases made with the credit card.

Melody Buchanan, Clerk-Treasurer, was requested to reimburse \$19,757.56 to the Town of West Terre Haute. (See Summary, page 9)

Indiana Code 5-11-10-1.6 states in part: "(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."

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 Cities and Towns, Chapter 7)

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ADDITIONAL AUDIT COSTS (Applies to Town and Utilities)**

The State of Indiana incurred additional audit costs in the investigation of missing funds and lack of supporting documentation.

Melody Buchanan, Clerk-Treasurer and Vickie Ashburn, Deputy Clerk-Treasurer, jointly and severally, were requested to reimburse \$70,125.00 to the State of Indiana for the audit costs incurred in the missing funds investigation. (See Summary, page 9)

Melody Buchanan, Clerk-Treasurer, was requested to reimburse \$2,062.50 to the State of Indiana for the audit costs incurred in the lack of supporting documentation investigation. (See Summary, page 9)

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND (Applies to Town and Utilities)**

The official bonds for Melody Buchanan, Clerk-Treasurer and Vickie Ashburn, Deputy Clerk-Treasurer are as follows:

Name	Title	Bond Company	Term	Coverage	Bond Number
Melody Buchanan	Clerk-Treasurer	Fidelity and Deposit Company of Maryland	07-28-06 to 07-28-07	\$15,000	8816469
Melody Buchanan	Clerk-Treasurer	Fidelity and Deposit Company of Maryland	07-01-07 to 06-30-08	\$15,000	8816469
Melody Buchanan	Clerk-Treasurer	Fidelity and Deposit Company of Maryland	07-01-08 to 06-30-09	\$15,000	8816469
Melody Buchanan	Clerk-Treasurer	Pekin Insurance Company	08-18-09 to 01-01-2010	\$80,000	B168601
Melody Buchanan	Clerk-Treasurer	Pekin Insurance Company	12-31-10 until successor	\$180,000	B168601
Vickie Ashburn	Deputy Clerk-Treasurer	Ohio Casualty Insurance Company	10-09-06 to 10-09-07	\$10,000	28344890
Vickie Ashburn	Deputy Clerk-Treasurer	Pekin Insurance Company	10-09-07 until successor	\$10,000	34135
Vickie Ashburn	Deputy Clerk-Treasurer	Pekin Insurance Company	10-09-08 until successor	\$10,000	B160571

In addition, a bond was not recorded for Melody Buchanan, Clerk-Treasurer for 2010 and the 2011 bond recorded for her is a renewal or continuation certificate. A blanket bond for Vickie Ashburn, Deputy Clerk-Treasurer; Jody Roach, Utility Clerk; or the Town Council members was not recorded for 2010. The blanket bond recorded for the periods August 18, 2009 to January 1, 2010, and January 1, 2011 to December 31, 2011, does not have enough coverage for the employees included.

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee.

County auditors shall file bonds that provide annual coverage of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

***STATE POLICE INVESTIGATION (Applies to Utilities)***

There is an ongoing Indiana State Police investigation of Melody Buchanan, Clerk-Treasurer, and Vickie Ashburn, Deputy Clerk-Treasurer.

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2011, with Melody Buchanan, Clerk-Treasurer, and Scott McClain, President of the Town Council.

The contents of this report were discussed on August 11, 2011, with Vickie Ashburn, Deputy Clerk-Treasurer.

CLERK-TREASURER'S OFFICE  
TOWN OF WEST TERRE HAUTE  
SUMMARY

	Charges	Credits	Balance Due
Melody Buchanan, Clerk-Treasurer/ Vickie Ashburn, Deputy Clerk-Treasurer jointly and severally:			
Missing Utility Customer Payments, pages 4 and 5	\$ 371,807.13	\$ -	\$ 371,807.13
Additional Audit Costs, page 6	70,125.00	-	70,125.00
Melody Buchanan, Clerk-Treasurer:			
Lack of Supporting Documentation, pages 5 and 6	19,757.56	-	19,757.56
Additional Audit Costs, page 6	2,062.50	-	2,062.50
Totals	\$ 463,752.19	\$ -	\$ 463,752.19

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AFFIDAVIT

STATE OF INDIANA            )  
  )  
Vigo COUNTY)

We, Laura Ping and Katie Elliott, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clerk-Treasurer's Office, Town of West Terre Haute, Vigo County, Indiana, for the period from January 1, 2009 to December 31, 2010, is true and correct to the best of our knowledge and belief.

Laura Ping

Katie Elliott

Field Examiners

Subscribed and sworn to before me this 1<sup>st</sup> day of September, 2011.

Patricia R. Marsink

Clerk of the Circuit Court

