

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

EXAMINATION REPORT
OF
COUNTY HIGHWAY
FLOYD COUNTY, INDIANA
January 1, 2006 to August 31, 2011



FILED
12/05/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Highway Superintendent	Ronald N. Quakenbush	01-16-06 to 12-31-11
President of the County Council	Ted Heavrin Larry McAllister Ted Heavrin	01-01-06 to 12-31-06 01-01-07 to 12-31-08 01-01-09 to 12-31-11
President of the Board of County Commissioners	Charles A. Freiburger Stephen A. Bush Mark Seabrook	01-01-06 to 12-31-06 01-01-07 to 12-31-09 01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FLOYD COUNTY

We have examined the records of the County Highway for the period from January 1, 2006 to August 31, 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 Examination Results and Comments.

STATE BOARD OF ACCOUNTS

October 17, 2011

COUNTY HIGHWAY
FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS

RECEIPTS NOT RECORDED OR DEPOSITED

Ronald N. Quakenbush, County Highway Superintendent, was responsible for the operations of the Highway Department. Among the duties of the Highway Superintendent is the removal and disposal of old culverts, guard rails, and other items of salvageable materials.

The normal process for disposal of these items was to haul them to various recycling companies. The truck drivers, at the time of delivery of the scrap, would receive either cash or vouchers. If they received vouchers, they would immediately turn them into cash at the machines provided at the recycling company, and then, the receipts along with the cash, were given to the Highway Superintendent. The Highway Superintendent was to turn the monies received into the County Auditor to be deposited into the County's bank account and recorded in the County Highway Fund.

There were allegations made by some of the employees of the Highway Department that not all monies received from the sale of this scrap metal were being turned into the County Auditor. They stated they would bring the receipts from the recycling companies and the cash to the Highway Superintendent and he would put some of the money into a locked drawer in a filing cabinet in the Highway office. According to these employees, there was a significant amount of cash in the drawer at all times. These employees also stated on numerous occasions they would be given cash from that drawer to purchase items for the Highway Department and bring the receipts to the Superintendent. In some instances, the Highway Superintendent would then submit a claim, along with these receipts to the County Auditor for reimbursement, as if he had paid for these items personally.

In addition to the above allegations, they also stated he would use money from the drawer to purchase candy, water, soft drinks, and ice cream and then sell them to the employees for a higher price.

During an interview with Mr. Quakenbush on September 15, 2011, he stated the above allegations were true. He stated he kept some of the receipts from the sale of scrap, so he could purchase things for the Department in emergency situations, rather than have to wait and go through the normal purchasing process. He stated there was approximately \$1,500 in the file drawer when he started his employment with the County on January 16, 2006, and that he tried to keep about that amount in the drawer at all times. He stated that he did not take any of the money for himself, but used the money to purchase items for the Highway Department, such as a vacuum cleaner, a camera, and the snacks and drinks mentioned above. When asked if he had the receipts from these purchases as proof he had purchased these items, he said no, he did not. When asked about the instances where he submitted receipts to the County Auditor for reimbursements, he said he cashed those checks and returned those monies to the drawer. He said the money made on the sale of the concession type items was put back into the drawer also. When asked if the drawer were to be counted, would it contain a considerable amount of money, he answered that it had already been counted and deposited.

Acting upon some of the allegations made by the Highway employees, the County Planner and two of the County Commissioners met with Mr. Quakenbush on August 24, 2011. He was asked to unlock the drawer containing the money and it was counted in his presence. The drawer contained \$1,492.00. The funds were remitted to the County Auditor and Quietus No. 19253 was issued for the receipt of those funds and they were deposited into the County Highway Fund later that day.

Two of the recycling companies used by the County Highway Department provided detailed documentation of payments made to the Floyd County Highway Department. The period covered by this documentation was May 15, 2007 to July 27, 2011. A comparison was made between the information from the detail provided by the recycling companies to the amounts remitted to the County Auditor. In

COUNTY HIGHWAY
FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

some instances these monies were receipted into the records; however, there were over 100 receipts that were either not remitted at all, or were only partially remitted. The following schedule shows a summary of the recycling receipts that were not remitted to the County Auditor for deposit to the County Highway Fund:

Year	Received from Recycling Companies		Total Receipts	Amounts	Receipts Not
	QRC Recycling (Riverside)	River City Metals		Remitted to County Auditor	Remitted to County Auditor
2007	\$ 788.85	\$ 123.00	\$ 911.85	\$ 233.80	\$ 678.05
2008	2,440.90	2,295.00	4,735.90	1,016.50	3,719.40
2009	1,920.21	-	1,920.21	337.20	1,583.01
2010	3,920.67	1,480.00	5,400.67	1,557.25	3,843.42
2011	3,673.49	-	3,673.49	970.70	2,702.79
Totals	<u>\$ 12,744.12</u>	<u>\$ 3,898.00</u>	<u>\$ 16,642.12</u>	<u>\$ 4,115.45</u>	12,526.67
Less:	Amount deposited on August 24, 2011				<u>(1,492.00)</u>
Total	Receipts unaccounted for				<u>\$ 11,034.67</u>

Mr. Quakenbush, County Highway Superintendent, was requested to reimburse the County Highway Fund for the scrap metal sales that were not remitted to the County Auditor in the amount of \$11,034.67. (See Summary, page 11)

IC 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository. The statute also provides public funds deposited shall be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision must be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 6)

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 Counties, Chapter 1)

Disbursements, other than properly authorized 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, Chapter 1)

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 Counties of Indiana, Chapter 1)

Indiana Code 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."

COUNTY HIGHWAY
FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT OUTSIDE OF COUNTY RECORDS

During the review of the Highway Department, it was determined there was an interest bearing savings account at First Harrison Bank (Bank), established on March 3, 2006, with an initial deposit of \$1,712.03. The primary account holder was Ronald N. Quakenbush, County Highway Superintendent. During our interview with Mr. Quakenbush, he indicated that all receipts not remitted to the County Auditor and the cash from the claims reimbursements were put in the locked file drawer, but review of this savings account indicates that some of those monies were deposited into this account.

The Bank provided us with bank statements from March 3, 2006 through March 25, 2011, when the account was closed by Mr. Quakenbush. After reviewing these statements, it was determined some, but not all, of the missing monies received from the sale of scrap metal were deposited into this savings account. Two deposits totaling \$132.50 were made prior to any of the amounts shown on the receipts printouts from the recycling companies.

The monies deposited into this account were subsequently withdrawn by Mr. Quakenbush. There were 24 withdrawals over the four and half year period. The withdrawals were made in even dollar amounts, ranging from \$100 to \$1,225, with the final withdrawal of \$447.60 to close the account. The following schedule shows a summary of the activity on the savings account.

Description	Initial Deposit	Deposits Not on Recycling Printouts	Deposits	Interest Earnings	Withdrawals	Account Balance
Initial deposit into account	\$ 1,712.03	\$ -	\$ -	\$ -	\$ -	\$ 1,712.03
Year 2006 activity	-	132.50	404.58	5.79	1,000.00	1,254.90
Year 2007 activity	-	-	507.00	4.39	700.00	1,066.29
Year 2008 activity	-	-	4,329.23	7.24	3,185.00	2,217.76
Year 2009 activity	-	-	377.00	1.26	1,300.00	1,296.02
Year 2010 activity	-	-	51.00	0.52	700.00	647.54
Year 2011 activity	-	-	-	0.06	200.00	447.60
Closeout of account	-	-	-	-	447.60	-
Totals	<u>\$ 1,712.03</u>	<u>\$ 132.50</u>	<u>\$ 5,668.81</u>	<u>\$ 19.26</u>	<u>\$ 7,532.60</u>	<u>\$ -</u>

There was no documentation provided to support the purpose of the withdrawals.

Mr. Quakenbush, County Highway Superintendent, was requested to reimburse the County Highway Fund for \$1,712.03 for the initial deposit amount, \$132.50 for receipts not on recycling printouts, and \$19.26 for interest earned on the account for a total of \$1,863.79. (See Summary, page 11)

Disbursements, other than properly authorized 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, Chapter 1)

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 Counties of Indiana, Chapter 1)

COUNTY HIGHWAY
FLOYD COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

AUDIT COSTS

Additional audit costs were incurred by the State of Indiana during the current examination due to the investigation of misappropriated funds by Ronald N. Quakenbush, County Highway Superintendent. The State of Indiana is requesting reimbursement of the additional costs incurred in the amount of \$4,846.88. (See Summary, page 11)

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, Chapter 1)

BLANKET BOND COVERAGE

Ronald N. Quakenbush, County Highway Superintendent, was covered by a Faithful Performance Blanket Position Bond, 69026339 with The Western Surety Company in the amount of \$15,000 per year. The term of this bond was from June 27, 2000 to 12 o'clock night on the effective date of the cancelation or termination of this bond as an entirety. According to the Insurance Agent that issued the Bond, the premium has been paid continuously from the beginning and expires on June 27, 2012.

COUNTY HIGHWAY
FLOYD COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2011, with Mark Seabrook, President of the Board of County Commissioners; Stephen A. Bush, County Commissioner; and Charles A. Freiberger, County Commissioner. The officials concurred with our examination findings.

The contents of this report were discussed on October 17, 2011, with Ronald N. Quakenbush, County Highway Superintendent. The Official Response has been made a part of this report and may be found on pages 9 and 10.

Rebecca L. Lockard
Attorney at Law

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December 1, 2011

Paul D. Joyce
Deputy State Examiner
State Board of Accounts
302 W. Washington Street, RM E418
Indianapolis, IN 46204-2765

RE: Ronald Quakenbush
Floyd County Highway

Dear Mr. Joyce:

Please be advised that I represent Ronald Quakenbush. I have reviewed the Examination Results and Comments with my client.

OFFICIAL RESPONSE

1. At the time that Mr. Quakenbush became Floyd County Highway Department Superintendent, he was advised that the "cash drawer" contained money that was to be used to purchase items for the Highway Department. He was told that the money came from the disposal of items from recycling. Mr. Quakenbush was never told that the money should be deposited in the Auditor's Office. There was money in the drawer when he became Superintendent.
2. Mr. Quakenbush was not given a the documentation of the payments made to the Highway Department from the two (2) recycling companies. Therefore, he cannot account for all the payments made to the Highway Department. Mr. Quakenbush was not the person who took the items to the recycling company and was not the person who was given the money. There is no way to know if the person that received the payment turned the money over to the Superintendent.
3. Mr. Quakenbush purchased several items for the Highway Department, when the County did not have accounts with suppliers with the money from the recycling fund. Here are a sample of the items he purchased for the benefit of the Highway Department with this money:

Lumber (Pole Barn)	PC Lumber, Co and Home Depo
Beds of the Dump Truck repair parts	Mr Kagie
Replacement Windows	John
Camera	Office Supply

Pipe
Electrical Repairs
Replacement Tools
Repairs on Vehicles

VCR
Equipment and Clothing for
Employees
Water, Soft Drinks, Candy, Coffee
Paper products for Department
Christmas Dinners

Plumbers Supply
RKR, Inc
Senca Auto & Supply; Southern Tools
John Jones; various local Car
Dealerships
Sam's Club

various suppliers

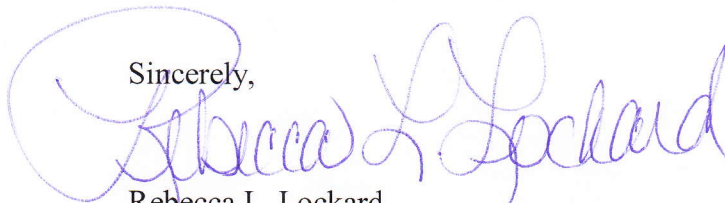
various suppliers
Vic's Café

4. There was a fire at the Highway Department and all the receipts up to that date were lost.

Mr. Quakenbush denies that he misappropriated county funds. He used all monies that were brought into the Highway Department for the Highway Department. Mr. Quakenbush was advised at the time that he became Highway Superintendent that this was common practice. Mr. Quakenbush may have used poor record keeping, but he did not misappropriate any funds. There should be a clear procedure for all Highway Superintendents regarding the handling of recycling funds and the proceeds.

Thank you for your attention to this important matter. Mr. Quakenbush and I would be available to meet with you to further discuss this matter. If you should have any questions, comments or concerns, please feel free to contact me.

Sincerely,



Rebecca L. Lockard
Attorney at Law

COUNTY HIGHWAY
FLOYD COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ronald N. Quakenbush, County Highway Superintendent:			
Receipts Not Recorded or Deposited, pages 4 and 5	\$ 11,034.67	\$ -	\$ 11,034.67
Bank Account Outside of County Records,			
pages 6 and 7	1,863.79	-	1,863.79
Audit Costs, page 7	<u>4,846.88</u>	<u>-</u>	<u>4,846.88</u>
Totals	<u>\$ 17,745.34</u>	<u>\$ -</u>	<u>\$ 17,745.34</u>

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AFFIDAVIT

STATE OF INDIANA)
Orange COUNTY)

I, Rebecca Sue Prifogle, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the County Highway, Floyd County, Indiana, for the period from January 1, 2006 to August 31, 2011, is true and correct to the best of my knowledge and belief.

Rebecca Sue Prifogle
Field Examiner

Subscribed and sworn to before me this 21 day of November, 2011.

Roger E. Burkholder
Clerk of the Circuit Court