

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

SPECIAL INVESTIGATION REPORT
OF

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA

January 1, 2010 to March 12, 2012



FILED
06/07/2012

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Amy Gerstman	01-01-10 to 12-31-12
Human Resource Director	Rhonda Foster (Vacant)	01-01-10 to 01-03-12 01-04-12 to 03-12-12
President of the County Council	Geoff McKim Julie Thomas Victor Kelson Geoff McKim	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 03-12-12 03-13-12 to 12-31-12
County Commissioner	Patrick Stoffers	01-01-10 to 12-31-12
County Commissioner	Iris Kiesling	01-01-10 to 12-31-12
County Commissioner	Mark Stoops	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF MONROE COUNTY

We have performed a special investigation of the credit card records of Monroe County for the period from January 1, 2010 to March 12, 2012, 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 Monroe County for the year 2011.

STATE BOARD OF ACCOUNTS

March 12, 2012

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS

CREDIT CARDS POLICY NOT FOLLOWED

Upon review of all credit card statements for 2010 and 2011, we found the County is not following the credit card policy it has in place, Monroe County Code, Title 2 Administration and Elections, Chapter 269.

The Board of County Commissioners amended the County's credit card policy on February 5, 2004. Section 269-3 of the policy required all elected officials and department heads "to apply to the Commissioner's Office for issuance of a credit card in the name of such department or office."

A request of the approved departments or elected officials that had a credit card issued for 2010 and 2011 was made to the Board of County Commissioners. No list of County approved credit cards was presented for audit. In January 2012, the Board of County Commissioners requested the bank provide a list of credit cards issued in the name of Monroe County.

The credit cards payments to VISA for all departments using credit cards for 2010 and 2011 were reviewed. It was found all departments using credit cards; were using them to purchase supplies which was not allowed per section 269-8 (H) of the Credit Card Policy.

Further review of credit card statements for accounts ending in 1004, 1020, 1038, 1517, and 1525 in the name of County Auditor, Amy Gerstman, and accounts ending in 1432 and 1333 in the name of former Human Resource Director, Rhonda Foster, indicated these cards were used for personal purchases which were not paid with County funds. Of the \$32,665.87 charged to accounts in the County Auditor's name during 2010 and 2011, \$11,101.13 in payments was made from outside sources in payment for personal purchases. Of the \$54,139.99 charged to accounts in the former Human Resource Director's name during 2010 and 2011, \$27,469.29 in payments was made from outside sources for payment of personal purchases. Except as noted below, no records presented for review showed the County had paid for any personal expenses, penalties, or interest. As of February 12, 2012, the above noted credit cards were paid off and canceled.

On January 26, 2011, a claim was submitted to the County for \$2,592.75 and County check number 169435 was written and applied to the credit card account ending 1004 on February 10, 2011. County Auditor, Amy Gerstman, stated "this was for a conference to New York that she was not able to attend." The claim was not presented for audit but a copy of an Expedia traveler and cost summary for \$1,097.75 and Cornell University training for \$1,495 was presented as the documentation that was attached to the claim for payment. Neither of these specific charges, nor any charges for a trip and conference in New York were noted on this credit card statement or any other County credit card statements used by the County Auditor, Amy Gerstman. Credit card number 1004, to which the payment was applied, contained personal charges. However, the credit card statements were not included with the claim for audit and approved as required by County policy. Amy Gerstman reimbursed the County for this payment on November 18, 2011, for \$2,592.75 on quietus 30074.

Section 269-5 of the credit card policy stated:

"The Purchasing Agent or elected Township Assessor of each department or office shall be responsible for authorizing all uses of the credit card, physical custody of the credit card and timely submission of claims for its invoices. The claim shall include the invoice, and supporting

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
(Continued)

documents such as the credit card transaction receipt, purchase receipt, paid bill or other documentation as may be required by the Auditor's Office. Any interest, penalty or fee incurred due to late filing of the claim or furnishing of documentation required by the Auditor shall be the responsibility of the Purchasing agent or elected Township Assessor."

Section 269-8 states the prohibited uses:

- (A) Any purchase for which there is not an existing appropriation at the time of use.
- (B) Any purchase which would not be eligible for employee reimbursement in accordance with Section 10.1 of the County of Monroe, Indiana Personnel Policy Handbook.
- (C) Cash Advances.
- (D) Personal or non-business purchases.
- (E) Alcoholic beverages.
- (F) Gasoline or repairs for non-county-owned vehicles except for rental cars.
- (G) Conference or seminar registration fees, educational course fees or school tuition fees which are not required to be paid in advance by the sponsor.
- (H) Office supplies, equipment or services.

Section 269-10 states: "The Board of Commissioners may revoke the credit card privileges of any department or office whose Purchasing Agent or employee violate the terms of this Ordinance, and may take or recommend disciplinary action against the violator."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

EXCESSIVE OR UNREASONABLE COSTS FOR COPIES OF CREDIT CARD STATEMENTS

On January 31, 2012, the County paid \$2,700.00 (check #181335) for copies of 18 credit card statements for credit cards used by the County Auditor, Amy Gerstman. Per the County's credit card policy, credit card statements were required to be attached to the claim for payment. The Board of County Commissioners requested that the County Auditor, Amy Gerstman, present copies of monthly statements for the period of January 1, 2010 to December 31, 2011, for all credit cards in the name of the Monroe County Auditor. Upon the failure of the County Auditor, Amy Gerstman, to provide these statements, the Board of County Commissioners ordered copies of these statements from the bank.

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
(Continued)

Upon review of the statements it was found that additional statements were missing from the County Auditor's records and were ordered. The additional credit card statements were received March 1, 2012. The County received a bill for \$900 for an additional 6 statements on March 12, 2012, and will be paid (check #182687) on April 5, 2012.

Failure of the County Auditor to retain the credit card statements or provide those statements resulted in total additional costs to the County in the amount of \$3,600.

The County Auditor, Amy Gerstman, has been requested to reimburse the County for the cost of these records that were not retained in the office as required by county policy. (See Summary of Charges, page 13)

Section 269-5 stated:

"The Purchasing Agent or elected Township Assessor of each department or office shall be responsible for authorizing all uses of the credit card, physical custody of the credit card and timely submission of claims for its invoices. The claim shall include the invoice, and supporting documents such as the credit card transaction receipt, purchase receipt, paid bill or other documentation as may be required by the Auditor's Office. Any interest, penalty or fee incurred due to late filing of the claim or furnishing of documentation required by the Auditor shall be the responsibility of the Purchasing agent or elected Township Assessor."

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."

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 County Auditors of Indiana, Chapter 14)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

OFFICIAL BOND

The County Auditor's official bonds were filed in the office of the County Recorder for the period of January 1, 2009 until successor is duly qualified on instrument #2009002458. The bond for the period January 1, 2011 to January 1, 2012, is instrument #21010020341 and for the period of January 1, 2012 until successor is duly qualified, instrument #2012001407 for \$50,000 each with Travelers Casualty and Surety Company of America.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
(Continued)

AUDIT COSTS - CONDITION OF RECORDS

We noted the following concerning the records: the unit did not have supporting documentation for all charges on their credit card statements; some charges that did have supporting documentation seemed excessive in nature; and it was noted that two employees were charging personal expenses to the County credit cards. Due to lack of internal control over credit cards, numerous hours were spent determining which charges were the obligations of the unit and which charges were personal in nature. A review of credit card payments was made for all departments which required additional audit time.

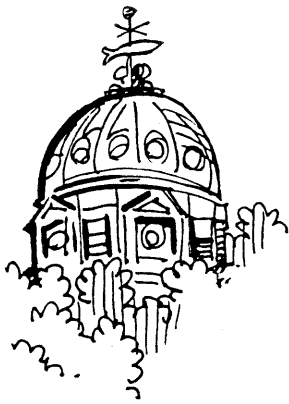
Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

BOARD OF COUNTY COMMISSIONERS
CREDIT CARD POLICIES AND PROCEDURES
MONROE COUNTY, INDIANA
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2012, with Amy Gerstman, County Auditor, and Steve Saulter, Financial Director. The officials concurred with our audit findings.

The contents of this report were discussed on April 3, 2012, with Geoff McKim, President of County Council; Marty Hawk and Ryan J. Langley, County Council members; Michael Flory; County Council Attorney; and Jeff Cockerill, County Attorney.

The contents of this report were discussed on April 3, 2012, with Mark Stoops, President of the Board of County Commissioners; Iris Kiesling and Patrick Stoffers, County Commissioners; and David Schilling, Attorney for the County Commissioners. The exit conference was held independently with each of the three County Commissioners. The official response has been made a part of this report and may be found on pages 9 through 12.



OFFICE OF
MONROE COUNTY COMMISSIONERS
100 West Kirkwood Avenue
The Courthouse Room 322
BLOOMINGTON, INDIANA 47404

Telephone 812-349-2550
Facsimile 812-349-7320

Patrick Stoffers, President

Iris F. Kiesling, Vice President

Mark Stoops, Member

April 12, 2012

Indiana State Board of Accounts
Room E418
302 West Washington Street
Indianapolis, Indiana 46204-2765

Re: OFFICIAL RESPONSE of the Board of Commissioners
of the County of Monroe, Indiana, to the Credit Card Review
component of the 2011 Monroe County Audit

Dear Sir or Madam:

On behalf of the Board of Commissioners of the County of Monroe, Indiana ("County Commissioners"), I am responding to certain examination results and comments expressed in the Credit Card Review portion of the 2011 Monroe County Audit ("Review"). The Review confirmed the County Commissioners' belief that only two individuals had abused the County's credit card policies by using County credit cards to pay for personal expenses. That belief was expressed to you in a letter dated January 4, 2012, from the Commissioners. A copy of that letter is enclosed and should be treated as part of this Official Response.

The January 4th letter also detailed the steps taken by the County Commissioners to address the abuses and to minimize the likelihood of future abuses. With respect to the abuses, the steps taken included cancelling the misused credit cards, accepting the resignation of the County employee who used a County credit card to pay for personal expenses, and ensuring that all personal charges on the cards were, or would be, paid from the card users' personal funds. The Review confirmed that all personal charges, and associated interest charges, have been satisfied from non-public funds (via original payment or reimbursement to the County).

With respect to minimizing future card abuse, the County implemented a new credit card program through a different financial institution. With limited exceptions (based on statutory requirements), County credit card purchases may be made only on credit cards issued under the new program. The new program allows the County Commissioners to obtain immediate, unlimited access to card use information for each card issued under the program. That type of access was not available under the previous program. Consequently, the County Commissioners' ability to monitor credit card usage

and to deter future abuses has been greatly enhanced. In the January 4th letter, the County Commissioners described the new program with the hope that the State Board of Accounts would review and comment on it. The Review does not mention the new program.

The new program also provides the County with rebates based on the total amount of card purchases. Accordingly, the County Commissioners formally revised the County's policy to expand the scope of authorized credit card purchases to include the purchase of office supplies and of other items necessary to conduct the County's business. The new policy may result in a direct financial benefit to the County (increased use = greater rebate) and is consistent with the past practice of many, but not all, County departments.

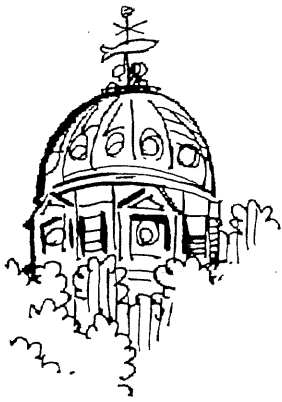
The Review noted that the County Commissioners purchased copies of credit card statements from the issuing financial institution. The total cost of the copies was three thousand six hundred dollars (\$3,600.00). The County was charged the standard commercial rate of one hundred fifty dollars (\$150.00) per statement copy. The Review characterizes the cost as "excessive or unreasonable." In that the original statements should have been readily available in County offices, the County Commissioners agree that incurring the costs should not have been necessary, and the Auditor has acknowledged her responsibility for those costs. Nevertheless, because some of the statements are located at an off-site long-term storage facility, because some of the statements have been lost or redacted, and because of the involvement of the custodian of the County's financial records, the County Commissioners believed that providing the State Board of Accounts Field Examiners with a complete set of statements obtained directly from the original source would promote the efficiency, the thoroughness, and the integrity of the credit card use review. In that context, the County Commissioners believe that the cost of the copies was both reasonable and necessary.

If you have any questions or concerns regarding this Official Response, please contact me at (812) 349-2550.

Sincerely,



Mark Stoops
President
Monroe County Commissioners



OFFICE OF
MONROE COUNTY COMMISSIONERS
100 West Kirkwood Avenue
The Courthouse Room 322
BLOOMINGTON, INDIANA 47404

Telephone 812-349-2550
Facsimile 812-349-7320

Patrick Stoffers, President

Iris F. Kiesling, Vice President

Mark Stoops, Member

January 4, 2012

Bruce A. Hartman, CPA
State Examiner
Indiana State Board of Accounts
302 W. Washington St., RM E418
Indianapolis, IN 46204

Tammy White
Supervisor - Counties

Indiana State Board of Accounts
302 W. Washington St., RM E418
Indianapolis, IN 46204

Re: Use of County credit cards

Dear Mr. Hartman and Ms. White:

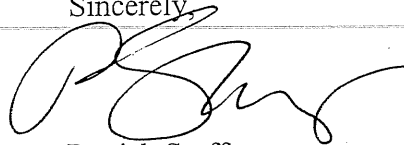
Recently, the Monroe County Commissioners discovered that certain credit cards issued to Monroe County had been misused by an elected County official (Auditor) and by a County employee. I am writing on behalf of the Commissioners to inform you of the problem and of the steps the County has taken to address the situation. This information is being provided to you prior to the Boards annual audit of the County, so that your field examiners may arrive prepared to review both past credit card use and the new program implemented to oversee future use.

By ordinance and personnel policy, County credit cards may be used to pay for certain types of County government expenses, namely: travel expenses; postage; and, seminar fees in those cases where County purchase orders are not accepted. Personal use of the credit cards is not allowed. Unfortunately, both the official and the employee in question used County credit cards to purchase goods and services for personal use. The official and the employee have surrendered or physically destroyed their County credit cards. The Commissioners have requested the issuer, via telephone and letter, to cancel all credit cards issued to the County. We believe the misuse ceased as of November, 2011. The employee has paid for all of her personal charges directly to the credit card company and her employment ended with Monroe County on January 3, 2012. The official is in the process of paying for her personal charges, and it is our understanding she intends to complete those payments by mid-month.

The Commissioners have entered into a new credit card service agreement with First Financial Bank. Under the new agreement, read only access to credit card statements are available to the County Auditor and to the officials and the department heads to which cards will be issued. The County Commissioners, and the County Commissioners Administrator have enhanced access to all cards issued under program and may immediately cancel or restrict the use of any card issued under the service agreement, via online access, should the need arise. Under the previous program, access to card statements was limited to the official or employee named on the card. The cooperation of the named card holder was required to obtain information on card use. Now, the Commissioners have immediate access to use information for each card issued under the program. The Commissioners will diligently review the monthly statements for all cards issued to County officials and employees.

If you have any questions or concerns regarding this letter, or if you desire that specific materials be made available to you prior to your audit visit, please contact Jason Carnes, the Commissioners Administrator, at (812) 349-2553.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Stoffers', written over a horizontal line.

Patrick Stoffers
President
Monroe County Board of Commissioners

BOARD OF COUNTY COMMISSIONERS
 CREDIT CARD POLICIES AND PROCEDURES
 MONROE COUNTY, INDIANA
 SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Amy Gerstman, County Auditor:			
Excessive or Unreasonable Costs for Copies of Credit Card Statements, pages 5 and 6:			
Paid by County January 31, 2012	\$ 2,700	\$ -	\$ 2,700
Paid by County April 5, 2012	<u>900</u>	<u>-</u>	<u>900</u>
 Totals	 <u>\$ 3,600</u>	 <u>\$ -</u>	 <u>\$ 3,600</u>

This report was forwarded to the Office of the Attorney General and the local Prosecuting Attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
Morgan COUNTY)

We, Karen Braun and Elizabeth Steele, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the credit cards of the County Auditor and the Board of County Commissioners, Monroe County, Indiana, for the period from January 1, 2010 to March 12, 2012, is true and correct to the best of our knowledge and belief.

Karen Braun

Elizabeth A. Steele
Field Examiners

Subscribed and sworn to before me this 23 day of May, 2012.

Sandy Masie
Notary Public

My Commission Expires: June 14, 2015

County of Residence: Morgan