

B40559

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

AUDIT REPORT  
OF

CITY CLERK  
CITY OF MUNCIE  
DELAWARE COUNTY, INDIANA

June 6, 2011 to February 7, 2012



**FILED**  
07/03/2012



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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Phyllis Reagon	01-01-08 to 12-31-15
Mayor	Sharon McShurley Dennis Tyler	01-01-08 to 12-31-11 01-01-12 to 12-01-15
President of the Board of Public Works and Safety	Harold Mason John Quirk	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Robert S. Marshall Jerry D. Dishman	01-01-11 to 12-31-11 01-01-12 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

We have audited the records of the City Clerk for the period from June 6, 2011 to February 7, 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 the City of Muncie for the year 2011.

STATE BOARD OF ACCOUNTS

June 6, 2012

CITY CLERK  
CITY OF MUNCIE  
AUDIT RESULTS AND COMMENTS

**MALFEASANCE**

Misty Buck, former Deputy Clerk (Cashier), failed to deposit all collections received. She was the cashier and her primary function was to collect all monies, issue receipts, post records, etc. Below are the steps taken and the results of our review of the records under the authority of Ms. Buck:

1. An examination of Trial Balances, cash register tapes and copies of deposits obtained from the bank indicated that receipts were not written for all collections received.
2. Copies of the deposits were obtained from the bank. We verified all money orders deposited to supporting receipts, which were detailed on the Trial Balance. We determined that \$11,450.50 of those money orders did not have a supporting receipt. These unreceipted money orders, which numbered 132, were used to replace cash received in subsequent collections thereby shorting the cash deposited by \$11,450.50.
3. Deposits were less than monies received a total of 88 days. We verified that Misty Buck, former Deputy Clerk (Cashier), prepared the deposit on 77 of those 88 days. A review of Misty Buck's time cards and a calendar maintained by the Chief Deputy Clerk of employee time worked indicated Misty Buck, former Deputy Clerk (Cashier), did work on the remaining 11 days that she did not prepare the deposit.
4. A review of Misty Buck's time cards and a calendar maintained by the Chief Deputy Clerk indicated Misty Buck did not attend work at all a total 17 days. A review of the records and bank deposits indicated there were no differences between monies received and deposits on those 17 days.
5. The City Clerk's office handles citations issued by the Muncie Police Department, Delaware County Sheriff's Department, and Ball State Police. A sample of 55 money orders deposited without supporting receipts was given to the Muncie Police Department in order to verify that citations were issued to these individuals. We verified that the Muncie Police Department issued 46 percent of the sample supporting the fact that monies were due from these individuals.
6. Money orders not supported by a receipt numbered 132. Fourteen of those money orders were posted to the records but were reflected as unpaid. In some of these instances, individuals erroneously had their licenses suspended. In other instances, diversion payments collected through the money orders were not remitted to the Prosecutor's Office.
7. We noted four instances which totaled \$125 where money orders not receipted by the Cashier were paid at a later date.
8. A total of 114 money orders were not posted to the records. The Cashier posted collections received to the records when copies of tickets were included with the mailed payments or at the time the original tickets were received from the Prosecutor's Office. The copies of tickets received in the mail and the original tickets were given to the cashier in order for her to post the records. The ticket numbers are required in order to post to the records. Since all tickets were entered by the Cashier without any oversight, money orders with no supporting receipts were not always posted.

CITY CLERK  
CITY OF MUNCIE  
AUDIT RESULTS AND COMMENTS

The City and Town Court Receipt form is designed to contain two (2) on each page with each individual receipt to measure 13 ½" X 8 ½". The form is to be printed in duplicate, prenumbered by the printer, with the binding margin on the left side. The form shall be issued and recorded at the time of each receipt transaction. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

During an interview with an Indiana State Police officer, Misty Buck, former Deputy Clerk (Cashier), admitted responsibility for the above mentioned items. We requested that Misty Buck, former Deputy Clerk (Cashier), reimburse the City of Muncie \$11,450.50 for collections not deposited. (See Summary of Charges, page 9)

***INTERNAL CONTROLS***

The following procedures were in place for cash collections:

1. All collections received in the mail, which primarily consisted of money orders, were given to the cashier. No one verified the amount of monies received through the mail prior to remitting the collections to the cashier.
2. The cashier issued receipts for all collections including those received by mail. When receipts were issued, the payment method could only be noted as cash or money order, but not both.
3. One cash drawer was used for the Cashier and her replacement when she was at lunch.
4. The Cashier posted collections received to the records when copies of tickets were included with the mailed payments or at the time the original tickets were received from the Prosecutor's Office. The copies of tickets received in the mail and the original tickets were given to the Cashier in order for her to post the records. The ticket numbers are required in order to post to the records. Since all tickets were entered by the Cashier without any oversight, several money orders with no supporting receipts were not always posted to the records.
5. All money orders deposited were copied and retained by the Chief Deputy Clerk.
6. The Cashier made up the deposit.

CITY CLERK  
DELAWARE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

7. The Chief Deputy Clerk counted the collections and determined that the total cash and money orders counted agreed with the total of the Trial Balance and the total of the deposit slip. She did not verify that money orders deposited agreed with the money orders received per the Trial Balance.
8. The Chief Deputy Clerk took the deposits to the bank.

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 City and Town Courts, Chapter 4)

**OFFICIAL BOND**

Misty Buck, former Deputy Clerk (Cashier), was covered under a Public Employee Dishonesty policy in the amount of \$50,000 for the year 2011 and \$50,000 for the year 2012 with U.S. Specialty Insurance Company.

CITY CLERK  
CITY OF MUNCIE  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2012, with Dennis Tyler, Mayor; John Quirk, President of the Board of Public Works and Safety; and Jerry D. Dishman, President of the Board of the Common Council.

The contents of this report were discussed on June 5, 2012, with Phyllis Reagon, Clerk, and Norma Norman, Chief Deputy Clerk. The Official Response has been made a part of this report and may be found on page 8.

The contents of this report were discussed on June 6, 2012, with Misty Buck, former Deputy Clerk (Cashier).

Phyllis Reagon - City Clerk

# CITY OF MUNCIE

City Hall - 300 North High Street - Muncie, Indiana 47305

Phone: (765) 747-4831

On February 8, 2012 I, Phyllis Reagon, Muncie City Clerk, terminated an employee from our office (Misty Buck) due to a discrepancy in our cash register, along with an attendance problem.

After her termination other discrepancies began appearing. It was at that point that my chief deputy and the state board of accounts representative, Stephanie Heath, began researching all receipts and money orders that came into our office for the entire time of Misty's employment.

When we realized how easy it was for her to be able to take the money we immediately began making changes in our office. The first thing we did was to contact CSI and set it up for 2 drawers for 2 cashiers. On any given day, only two people will be permitted to take payments; each having their own drawer total. Also, the cause number that the money is applied to is now written on the money order. At the end of the day, all money orders MUST total the money order total reported on the trial balance and the cash MUST equal the cash total. If this is not possible (for example, a money order is less than the payment due and cash had to be given along with it) a notation is to be made on the cash register tape as well as in the comment line on the receipt. We have also bought a new cash register which will allow us to specify which cashier puts in the money.

Another change that has been made in our office is that when I or my chief deputy opens the mail, a copy of all tickets & payments is made and then verified that the payment has been posted with the trial balance at the end of the day.

We do not expect to have any further issues with how the money is handled by any cashier in our office. If further changes need to be made we will be making them.

Phyllis Reagon,  
City Clerk  
City of Muncie



*Phyllis Reagon*  
City Clerk

CITY CLERK  
CITY OF MUNCIE  
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Misty Buck, former Deputy Clerk (Cashier):			
Malfeasance, page 4	\$ 11,450.50	\$	\$
Repayment of Collections Not Deposited		125.00	11,325.50
 Totals	\$ 11,450.50	\$ 125.00	\$ 11,325.50

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA            )  
Delaware                    ) COUNTY)

I, Stephanie Heath, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City Clerk, City of Muncie, Delaware County, Indiana, for the period from June 6, 2011 to February 7, 2012, is true and correct to the best of my knowledge and belief.

Stephanie Heath  
Field Examiner

Subscribed and sworn to before me this 18<sup>th</sup> day of June, 2012.

Kay J. Piner  
Notary Public

My Commission Expires: 1-29-2017  
County of Residence: Delaware