

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

EXAMINATION REPORT
OF

CLERK-TREASURER
TOWN OF SUNMAN

RIPLEY COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
09/13/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Town Officials.....	2
Transmittal Letter	3
Examination Results and Comments:	
Personal Purchases With a Credit Card.....	4
Records Retention	4-5
Internal Control Deficiencies.....	5-6
Additional Examination Costs.....	6
Exit Conference.....	7
Summary of Charges	8

TOWN OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristina S. Schneider	01-01-08 to 12-31-15
President of the Town Council	Wayne Jenner	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF SUNMAN

We have examined the records of the Clerk-Treasurer, Town of Sunman, for the period from January 1, 2009 to December 31, 2010, 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. The financial transactions of this office are reflected in the Examination Reports of the Town of Sunman for the years 2009 and 2010.

STATE BOARD OF ACCOUNTS

June 5, 2012

CLERK-TREASURER
TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS

PERSONAL PURCHASES WITH A CREDIT CARD

Payments for purchases made with the Town's Walmart credit card were supported only with monthly credit card statements. No itemized paid receipts identifying the items being purchased were presented with the claims paid to Walmart.

Walmart has the ability to provide itemization of purchases made using a Walmart credit card. At our request, Kristina S. Schneider, Clerk-Treasurer, requested Walmart to provide an itemization of the purchases made with the Town's Walmart credit card. Walmart provided an itemization of purchases for the years 2009, 2010 and 2011.

Kristina S. Schneider identified personal purchases totaling \$3,628.87 for the period March 29, 2009 to March 6, 2011. These personal purchases included groceries, clothing, and various household items. The following is a summary of personal purchases by year:

Year	(1) Number of Dates Purchases	Amount
2009	8	\$ 1,786.02
2010	7	1,317.65
2011	2	525.20
Total		\$ 3,628.87

Note to Schedule:

- (1) The "Number of Dates Purchases" represents the number of days purchases were made. There were multiple items purchased on each day the purchases were made.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

On May 24, 2012, Kristina S. Schneider refunded \$3,628.87 to the Town of Sunman. (See Summary of Charges, page 8)

RECORDS RETENTION

Walmart provides a paid receipt when purchases are paid using a Walmart credit card. Walmart also submits a monthly credit card statement to the cardholder that includes an itemization of the purchases. Paid receipts and the itemization of purchases were not presented for examination with claims paid to Walmart.

CLERK-TREASURER
TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments on the Walmart credit card totaled \$4,461.01 for the period January 1, 2009 to December 31, 2011. Kristina S. Schneider, Clerk-Treasurer, stated on April 3, 2012, that she did not know the whereabouts of the original paid receipts or the original itemized monthly credit card statements.

Indiana Code 5-15-6-3 states in part:

"(d) No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e).

(e) As used in this section, "public records" or "records" includes records that have been recorded, copied, or reproduced by a photographic, photostatic, miniature photographic, or optical imaging process that correctly, accurately, and permanently copies, reproduces, or forms a medium for copying or reproducing the original record on a film or other durable material. Original records may be disposed of in accordance with subsection (f), if the record has been copied or reproduced as described in this subsection. The copy must be treated as an original. Copies, recreations, or reproductions made from an optical image of a public record described in this subsection shall be received as evidence in any court in which the original record could have been introduced, if the recreations, copies, or reproductions are properly certified as to authenticity and accuracy by an official custodian of the records.

(f) Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. However, the guidelines established by the commission concerning the disposal of financial records must be approved by the state board of accounts before the guidelines become effective."

Indiana Code 5-15-6-8 states:

"A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Class D felony unless:

- (1) the commission shall have given its approval in writing that the public records may be destroyed;
- (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or
- (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."

INTERNAL CONTROL DEFICIENCIES

The use of a credit card to purchase personal items was able to occur and continue for an extended period of time due to the following:

CLERK-TREASURER
TOWN OF SUNMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. Internal controls were deficient due to a lack of segregation of duties. The Clerk-Treasurer was the custodian of the credit card, was authorized to make purchases with the credit card, and was also responsible for auditing of the credit card claims.
2. The Town Council did not implement monitoring procedures after the lack of supporting documentation for credit card claims. The lack of supporting documentation for credit card claims was brought to the Town officials' attention on November 19, 2009, in prior report B35406.
3. The Town Council did not establish a written credit policy until April 21, 2011. The failure to establish a credit card policy was brought to Town officials' attention on November 19, 2009, in prior report B35406.

Recommendations

1. The Town Council passed an ordinance establishing a credit card policy on April 21, 2011. The policy assigns the Clerk-Treasurer as the custodian of the credit card.

We recommend that the Town Council appoint a separate Town official as the custodian of the credit card to address the internal control deficiency caused by the lack of segregation of duties by having the Clerk-Treasurer being the custodian of the credit card. The custodian of the credit card would document the official or employee requesting use of the credit card and the purpose the credit card is to be used for. The custodian of the credit card would inspect the paid receipts to verify that the credit card was used for the requested purpose.

2. We recommend that the Town Council assign a Town Council member to perform a detail inspection of credit card claims to verify that adequate supporting documentation is attached to the claim prior to Town Council approval of the credit card claim.

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)

ADDITIONAL EXAMINATION COSTS

The State of Indiana incurred additional examination costs in the amount of \$3,628.87 in the investigation of personal expenditures from Town Funds.

Additional examination costs because of theft or shortage investigation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payment in the amount of \$3,628.87 was made by Kristina S. Schneider, Clerk-Treasurer, on July 30, 2012.

CLERK-TREASURER
TOWN OF SUNMAN
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2012, with Kristina S. Schneider, Clerk-Treasurer, Wayne Jenner, President of the Town Council, and Larry Eaton, Attorney for Kristina S. Schneider.

CLERK-TREASURER
TOWN OF SUNMAN
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Kristina S. Schneider, Clerk-Treasurer: Personal Purchases With A Credit Card, page 4 Refunded by Kristina S. Schneider, Receipt No. 3232, May 24, 2012	\$ 3,628.87	\$	\$
		3,628.87	-
Totals	\$ 3,628.87	\$ 3,628.87	\$ -

This report was forwarded to the Office of the Indiana Attorney General and the Ripley County Prosecuting Attorney.