

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

EXAMINATION REPORT
OF
TOWN COURT OF BUNKER HILL
MIAMI COUNTY, INDIANA
January 1, 2011 to January 10, 2012



FILED
10/04/2012

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COURT OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Judge	Melvin D. Smith Paul T. Slone	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Court Clerk	Alexandra Poor Kimberly Zehring Careena Rogers	01-01-11 to 01-09-11 01-10-11 to 02-20-12 02-21-12 to 12-31-12
President of the Town Council	Shelly Dyer Bruce McEntyre	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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TO: THE OFFICIALS OF THE TOWN COURT OF BUNKER HILL

We have examined the records of the Town Court of Bunker Hill for the period from January 1, 2011 to January 10, 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 Examination Results and Comments. The financial transactions of this office will be reflected in the Biennial Report of The Town of Bunker Hill for the years 2011 and 2012.

STATE BOARD OF ACCOUNTS

August 14, 2012

TOWN COURT OF BUNKER HILL
EXAMINATION RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

During calendar year 2011, the Bunker Hill Town Court received money on each of 250 days in satisfaction of infractions violations. The Court only accepted cash or money orders. On 121 different days, from February 4, 2011 through December 30, 2011, deposits to the bank were less than the total receipts by amounts ranging from \$.50 to \$940.50. The total amount of receipts not deposited on those days was \$37,276.50. On three days, deposits exceeded the total receipts by a total of \$224.00. Therefore, receipts exceeded deposits for calendar year 2011 by a net amount of \$37,052.50.

The Court Clerk, Kimberly Zehring, performed all of the data entry for the receipts and balanced the cash and money orders to the daily till as reflected in the computer system. After balancing, the Court Clerk either prepared a deposit ticket herself, or gave the cash and money orders to the judge, Melvin Smith, from which he prepared the deposit ticket. The deposits were usually taken to the bank by the Judge, but occasionally they were taken by the Court Clerk. As judge, Melvin Smith was responsible for supervising the Court Clerk and the operations of the Court. We consider Melvin Smith, former Judge, and Kimberly Zehring, former Court Clerk, to be jointly and severally liable for the missing funds. We have requested reimbursement in the amount of \$37,052.50 to the Town Court. (See Summary, page 7)

Indiana Code 5-13-6-1(a) states:

"All public funds paid into the treasury of the state or the treasuries of the respective political subdivisions shall be deposited not later than the business day following the receipt of funds on business days of the depository in one (1) or more depositories in the name of the state or political subdivision by the officer having control of the funds."

Indiana Code 5-13-14-3 states: "A public servant who knowingly or intentionally:

- (1) fails to deposit public funds; or
- (2) deposits or draws any check or negotiable order of withdrawal against the funds; except in the manner prescribed in this article, commits a Class A misdemeanor. However, the offense is a Class D felony if the amount involved is at least seven hundred fifty dollars (\$750), and a Class C felony if the amount involved is at least fifty thousand dollars (\$50,000). The public servant also is liable upon the public servant's official bond for any loss or damage that may accrue."

INTERNAL CONTROLS

We noted the following deficiencies in internal controls:

1. On December 13, 2010, the Court converted from manual records to the statewide Odyssey computer accounting system. After conversion, individual receipts were generated by the computer system. These receipts were printed only if the person making payment requested a receipt. The Court Clerk did all of the data entry for the receipts and balanced the cash and money orders to the daily till as reflected in the computer system. After balancing, the Court Clerk either prepared a deposit ticket, or the Judge prepared the deposit ticket using only the cash and money orders received from the Court Clerk. No documentation was maintained to indicate that the Clerk or the Judge verified the receipts to computer generated reports.

TOWN COURT OF BUNKER HILL
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. The Court accounting records were not reconciled to the bank statements for all of 2011. The reconciling feature in the Odyssey system was used incorrectly so that the Court Clerk was reconciling the records to the record balance instead of to the bank balance. The Judge did not review or verify the reconciling process.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

OFFICIAL BONDS

An official bond was on file binding Melvin D. Smith as Principal and Auto-Owners Insurance Company as Surety to the State of Indiana. The bond covers the faithful performance of duties as Judge, Town of Bunker Hill, in the amount of \$5,000 for the term beginning January 1, 2011 and ending January 1, 2012.

An official bond was on file binding Kim Zehring as Principal and Auto-Owners Insurance Company as Surety to the State of Indiana. The bond covers the faithful performance of duties as Court Clerk, Town of Bunker Hill, in the amount of \$5,000 for the term beginning January 10, 2011 and ending January 10, 2012.

THE TOWN COURT OF BUNKER HILL
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2012, with Paul T. Slone, Judge.

The contents of this report were discussed on August 6, 2012, with Melvin D. Smith, former Judge. The official indicated that he would be responding to the report but no official's response was received.

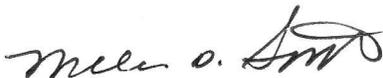
The contents of this report were discussed on August 14, 2012, with Kimberly Zehring, former Court Clerk. The Official Response has been made a part of this report and can be found on pages 7 and 8.

OFFICIAL RESPONSE

As indicated in the attached report, I was responsible for supervising the Bunker Hill Court's operation. I feel that my alleged joint responsibility for the missing funds is in error due to the following reasons:

1. I was never provided training in the Odyssey Court Management System, hence I was unaware of the requirement to sign off on the till on a daily basis with the clerk, or I would have done so.
2. At no time did I personally enter any data into the system. If I'm guilty of anything, it is being too trusting of what I considered a good, honest employee.
3. Prior to converting to the Odyssey system, I alone maintained all of the court's records and financial records manually. During this seven-year period I was audited three times with NO discrepancies noted.
4. I had no indication of anything being out of order until December of 2011. During the month of December the court attempted to discover where the error was, along with JTAC, without success. I personally talked with Mr. Charlie Pride, State Board of Accounts and reported the problem and requested either further JTAC assistance or an audit. It was my belief at the time that this was a system error that could easily be rectified.

I don't feel that I should be held partially responsible for the missing funds since I did everything I could in full faith to maintain the integrity of the court as I had the previous seven years.



Melvin D. Smith
Former Judge, Bunker Hill Town Court

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AUG 19 2015

BOARD OF ACCOUNTS

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August 23, 2012

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

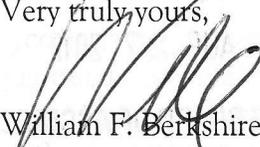
RE: The Town of Bunker Hill, Miami County
Audit Results and Comments

Please be advised that I represent Kimberly Zehring, who was the Court Clerk in Bunker Hill in 2011. This is in response to the findings, results and comments presented to Kim.

Kim began working for the Town of Bunker Hill in December 2010. She received no computer training from JTAC. JTAC had trained another person who then went on leave. That person attempted to give Kim some guidance, but that person had just recently been trained by JTAC to run Odyssey and didn't really know what she was doing either. When Kim printed out the December 2011, year end report, to the State Board of Accounts, Kim noticed that it was not balanced. Kim informed her supervisor, Judge Melvin Smith, of the problem, and Kim contacted the State Board of Accounts, telling them that the accounts did not balance. In December, 2011, Kim tried working with the people from Odyssey/JTAC to get the system balanced, and was unable to do so. In the report it states that Kim was the one who prepared the deposit tickets herself. Judge Melvin Smith prepared nearly all deposit tickets prior to April or May of 2011, after May of 2011, Kim prepared approximately 50% of all tickets.

It is Kim's belief, the Judge's belief, and other employees of Bunker Hill, that there was never as much cash brought into the system as the audit states. Most tickets were from Indiana State Troopers pulling over people of U.S. 31, who were either from another County or another State, and those tickets were almost all virtually paid by money orders. If someone wanted to steal money, one would just simply void the ticket and keep the money rather than put the entries in the computer. It is still our belief that it is the computer system, not Judge Melvin Smith or Kimberly Zehring that have led to the accounting errors presented by the State Board of Accounts.

Very truly yours,


William F. Berkshire

WFB/mcb/B-05-06

THE TOWN COURT OF BUNKER HILL
MIAMI COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Melvin Smith, former Judge, and Kimberly Zehring, former Court Clerk, jointly and severally: Receipts Not Deposited, page 4	<u>\$ 37,052.50</u>	<u>\$ -</u>	<u>\$ 37,052.50</u>

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AFFIDAVIT

STATE OF INDIANA)
CASS COUNTY)

I, Stanley W. Willmert, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town Court of Bunker Hill, Miami County, Indiana, for the period from January 1, 2011 to January 10, 2012, is true and correct to the best of my knowledge and belief.

Stanley W. Willmert
Field Examiner

Subscribed and sworn to before me this 12 day of September, 2012.

Cynthia D. Howard
Notary Public



CYNTHIA D. HOWARD
Notary Public, State of Indiana
My Commission Expires: October 21, 2017

My Commission Expires: _____

County of Residence: CASS