

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

EXAMINATION REPORT
OF
CLERK OF THE CIRCUIT COURT
WABASH COUNTY, INDIANA
January 1, 2011 to September 13, 2013



FILED
05/19/2014

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk	Elaine J. Martin	01-01-11 to 12-31-14
President of the County Council	James R. Kaltenmark	01-01-11 to 12-31-14
President of the Board of County Commissioners	Scott E. Givens Brian K. Hauptert Barry J. Eppley Scott E. Givens	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WABASH COUNTY

We have examined the records of the Clerk of the Circuit Court for the period from January 1, 2011 to September 13, 2013, 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 Annual Reports of Wabash County.

STATE BOARD OF ACCOUNTS

March 25, 2014

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

There were a number of recordkeeping irregularities performed by Sara Chamberlain, former Deputy Clerk, which resulted in a cash shortage in the Clerk's Office. Irregularities consisted of the following:

1. Undeposited Cash Receipts – Receipts issued that indicated cash was received that was not deposited.
2. Checks for Cash Substitution – Checks were deposited but not receipted into the records. Instead they were used to replace cash receipts that were not deposited.
3. Voids – Receipts were issued and later voided. The corresponding collections were not deposited. In some instances, receipts were issued and later voided; however, the corresponding collections by check were used to replace other cash receipts that were not deposited. Some voids of cash receipts were re-entered with a different form of payment.
4. Adjustments – Occasionally a negative receipt was created, as an adjustment, and used to compensate for cash receipts not deposited in the ledger.
5. Undeposited Garnishment Receipts – Receipts for garnishment payments which were not deposited.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

CASH SHORTAGES

A comparison of receipts written at the Clerk's Office to bank deposits made by the Clerk's Office for the period of January 1, 2011 to September 13, 2013, disclosed cash shortages of \$75,333.18. These shortages consisted of undeposited cash receipts, checks for cash substitutions, voids, adjustments, and undeposited garnishment receipts. Voids and adjustments other than cash (checks and money orders) are included in the checks for cash substitution shortage.

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

2011	Undeposited Cash Receipts	Checks for Cash Substitution	Cash Voids	Cash Adjustments	Undeposited Garnishment Receipts	Totals
January	\$ -	\$ 114.00	\$ -	\$ -	\$ -	\$ 114.00
February	-	-	20.00	-	-	20.00
March	550.00	80.00	542.50	-	-	1,172.50
April	700.00	452.00	6.00	-	-	1,158.00
May	800.00	417.00	310.00	-	-	1,527.00
June	-	75.00	155.00	-	-	230.00
July	100.00	50.00	190.00	-	-	340.00
August	-	415.00	295.00	249.00	-	959.00
September	-	-	748.00	-	-	748.00
October	-	168.00	185.00	-	-	353.00
November	50.00	460.00	113.00	-	-	623.00
December	150.00	1,204.00	294.00	150.00	-	1,798.00
Totals - 2011	<u>\$ 2,350.00</u>	<u>\$ 3,435.00</u>	<u>\$ 2,858.50</u>	<u>\$ 399.00</u>	<u>\$ -</u>	<u>\$ 9,042.50</u>
2012	Undeposited Cash Receipts	Checks for Cash Substitution	Cash Voids	Cash Adjustments	Undeposited Garnishment Receipts	Totals
January	\$ -	\$ 2,335.00	\$ -	\$ -	\$ -	\$ 2,335.00
February	42.00	2,326.00	-	-	-	2,368.00
March	-	848.00	-	-	-	848.00
April	-	1,627.00	-	-	-	1,627.00
May	-	1,902.00	124.00	-	-	2,026.00
June	600.00	1,483.00	20.00	-	-	2,103.00
July	300.00	1,529.00	45.00	63.00	-	1,937.00
August	150.00	2,592.00	294.00	233.00	-	3,269.00
September	1,800.00	1,736.00	265.00	546.00	-	4,347.00
October	475.00	2,526.00	-	679.00	-	3,680.00
November	304.00	2,617.00	117.00	152.00	-	3,190.00
December	156.00	2,711.78	84.00	-	-	2,951.78
Totals - 2012	<u>\$ 3,827.00</u>	<u>\$ 24,232.78</u>	<u>\$ 949.00</u>	<u>\$ 1,673.00</u>	<u>\$ -</u>	<u>\$ 30,681.78</u>
2013	Undeposited Cash Receipts	Checks for Cash Substitution	Cash Voids	Cash Adjustments	Undeposited Garnishment Receipts	Totals
January	\$ -	\$ 3,710.00	\$ 150.00	\$ -	\$ -	\$ 3,860.00
February	-	2,359.05	143.00	-	-	2,502.05
March	-	3,165.02	300.00	-	41.50	3,506.52
April	-	6,011.84	100.00	-	16.25	6,128.09
May	50.00	4,851.39	65.00	171.53	146.01	5,283.93
June	-	2,983.33	25.00	-	8.59	3,016.92
July	242.21	5,256.48	1,379.61	242.21	332.18	7,452.69
August	21.19	2,650.31	425.00	-	417.44	3,513.94
September	-	342.52	-	-	2.24	344.76
Totals - 2013	<u>\$ 313.40</u>	<u>\$ 31,329.94</u>	<u>\$ 2,587.61</u>	<u>\$ 413.74</u>	<u>\$ 964.21</u>	<u>\$ 35,608.90</u>
Totals - All	<u>\$ 6,490.40</u>	<u>\$ 58,997.72</u>	<u>\$ 6,395.11</u>	<u>\$ 2,485.74</u>	<u>\$ 964.21</u>	<u>\$ 75,333.18</u>

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Sara Chamberlain, former Deputy Clerk, was terminated September 6, 2013. Deposits were reviewed from the date of her termination through September 13, 2013, with no discrepancies noted.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Sara Chamberlain, former Deputy Clerk, was requested to reimburse the Clerk's Office \$75,333.18. (See Summary of Charges, page 13)

INTERNAL CONTROLS

Internal controls over the receipting and accounting for the financial activities of the Clerk's Office were insufficient as described below:

1. Some collection drawers at the counter and desks were used by multiple employees during the day. These drawers should be logged in separately and initials should appear in the comments beside each receipt entry. Controls over cash drawers and posting are not sufficient to prevent or detect timely fraudulent activities because the audit trails do not exist, are not monitored by management, or may be altered by employees within the Clerk's Office.
2. A review of Sara Chamberlain's work computer revealed that she had a list of employee logins and passwords. These could have allowed her to access the financial system using other employee credentials.
3. Each employee has the ability to void entries. No supervisory review of voided entries was performed. The computer system does not identify the individual making the voided entries. Employee roles within the system have not been properly defined to limit access to only the specific duties of each individual. The system lacks audit trails for management to prevent errors and fraud or to detect them in a timely manner.
4. Sara Chamberlain, former Deputy Clerk, was the only employee who could post adjustments. No supervisory review of adjustments was performed. Management oversight of voids and adjustments was not a part of the Clerk's internal control system. Therefore, the control processes that were in place could easily be overridden.
5. The duties of receiving collections, posting receipts, preparing deposits, making the deposits, voiding transactions, posting adjustments and reconciling are not compatible and should not be the responsibility of the same employee. By not segregating these incompatible duties, the Clerk's Office internal controls are not sufficient to provide reasonable assurance that financial records are complete and accurate. Additionally, assets of the office are not safeguarded when there is a lack of proper segregation of these duties.

We recommended appropriate internal controls be designed and implemented.

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

ALTERED DEPOSIT SLIPS

Several deposit slips were altered from their original form. Sometimes these deposit slips were changed during the daily reconciliation process at the Clerk's Office.

Examples of these altered deposit slips are as follows:

1. On July 27, 2011, the Clerk's Cashbook of Receipts indicated \$874 cash was received. The duplicate deposit slip retained by the Clerk's Office indicated \$774 cash was received. The currency amount on the duplicate deposit slip was originally \$874, but had been altered to show the lesser amount. The deposit slip obtained from the bank indicated \$774 cash was deposited. A similar scenario occurred on numerous occasions.
2. On February 20, 2012, the Clerk's Cashbook of Receipts indicated \$1,659.30 cash was received. The duplicate deposit slip retained by the Clerk's Office indicated \$1,604.30 cash was received. The deposit slip obtained from the bank indicated \$1,604.30 cash was deposited. The currency (cash) was written over on the duplicate deposit slip. A similar scenario occurred on numerous occasions.
3. On November 15, 2012, the Clerk's Cashbook of Receipts indicated \$1,504 cash was received. The duplicate deposit slip retained by the Clerk's Office indicated \$1,504 cash was received. The deposit slip obtained from the bank indicated \$1,352 cash was deposited. The deposit slip obtained from the bank was entirely rewritten from its original form. A similar scenario occurred on numerous occasions.
4. On July 15, 2013, the Clerk's Cashbook of Receipts indicated \$990.42 cash was received. The duplicate deposit slip retained by the Clerk's Office indicated \$836.42 cash was received. The deposit slip obtained from the bank indicated \$639.81 cash was deposited. The currency (cash) was written over on the deposit slip obtained from the bank. A check was added to the deposit but was not on the deposit slip duplicate. A similar scenario occurred on numerous occasions.
5. On July 29, 2013, the Clerk's Cashbook of Receipts indicated \$3,046 cash was received. The duplicate deposit slip retained by the Clerk's Office indicated \$2,250.01 cash was received. The deposit slip obtained from the bank indicated \$1,939.95 cash was deposited. The currency (cash) was whited out on the deposit slip obtained from the bank. A check was added to the deposit, but was not on the deposit slip duplicate. A similar scenario occurred on numerous occasions.

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

PUBLIC RECORDS RETENTION

The Trial Balance Report (daily) was not presented for examination. The Trial Balance Report details individual receipts by type of payment received. Without those reports, it was difficult to test the deposit type collected in comparison to the actual makeup of the deposit. Check stubs and other substantiating documentation for garnishment payments were not presented for examination. The Clerk's policy is to retain this information for three months before they discard it.

A public record is defined as any writing, paper, report, study, map, photograph, book, card, tape recording, or other material that is created, received, retained, maintained, or filed by or with a public agency and which is generated on paper, paper substitutes, photographic media, chemically based media, magnetic or machine readable media, electronically stored data, or any other material regardless of form or characteristics. [IC 5-14-3-2] (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 15)

Indiana Code 5-15-6-3 concerning destruction of public records states in part:

"(b) All public records which, in the judgment of the commission, have no official or historical value, and which occupy space to no purpose in the offices and storerooms of the local government of a county, shall be destroyed or otherwise disposed of. Except as provided in this section, such records shall not be destroyed until a period of at least three (3) years shall have elapsed from the time when the records were originally filed, and no public records shall be destroyed within a period of three (3) years if the law provides that they shall be kept for a longer period of time, or if the law prohibits their destruction.

(c) Subject to this section, records may be destroyed before three (3) years elapse after the date when the records were originally filed if the destruction is according to an approved retention schedule.

(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). . . .

(f) Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the missing funds.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

INSURANCE POLICY

The Clerk's Office has an insurance policy which included crime and fidelity coverage for the period of March 1, 2011 to March 1, 2014. The insuring agreement lists Employee Theft – Per Loss Coverage of \$20,000 per occurrence.

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2014, with Elaine J. Martin, Clerk; James R. Kaltenmark, President of the County Council; and Scott E. Givens, President of the Board of County Commissioners. The Official Response has been made a part of this report and may be found on pages 11 and 12.

Sara Chamberlain, former Deputy Clerk, did not respond to our written request for an exit conference.

OFFICIAL RESPONSE

I received the Examination Results and Comments from the SBOA on Tuesday, April 25th, 2013. This audit was conducted at my request in September of 2013, after my office discovered bookkeeping irregularities by the former bookkeeper Sara Chamberlain on Sept 3, 2013 and brought to my attention on Sept 4, 2013 (I was not in the office on Sept 3, 2013). I terminated her employment with Wabash County on Sept. 6, 2013.

When I took office on January 1, 2011, there were no changes made in respect to the bookkeeping practices of this office. The same internal controls in place prior to my taking office as Clerk remained in effect until I terminated Sara Chamberlain.

There are five (5) items set out in the Internal Controls category of the report which I would like to make comments.

(1) Multiple employees have always used the collection drawers at the counter throughout the day. That was never a problem with former employees until the theft of money by Sara Chamberlain. I will create a better practice without requiring that each individual employee have their own "drawer" or "money bag" as this would necessitate 9 separate bags of money in addition to 4 separate ISETS bags of money.

(2) The SBOA advised me on 2/14/14 that it had been discovered that Sara Chamberlain had a list of employee logins and passwords on her work computer. Every employee immediately changed their password the next day. There were only two (2) people who were to have access to those logins and passwords: Clerk Elaine Martin; and Kara Bever, First Deputy/Systems Administrator for our case management system. The only way that Sara Chamberlain could have obtained a copy of that list would have been from stealing it from First Deputy Kara Bever's computer or desk files. Even I, as Clerk, did not keep a copy of the passwords or logins. All of the Deputy Clerks have access to the clerk's accounting package within our case management system, however effective 4-3-14 no Deputy Clerk has possession of any other Deputy Clerk's password, only our computer company, CSI, maintains the list of passwords.

(3) Currently 8 of 10 employees in the Clerk's office have the ability to void entries, in addition to drawer 1 and drawer 2. There will be two (2) changes made:

(a) drawer 1 and drawer 2 will no longer be allowed to make voids, an employee must use their own specific login to conduct a void; and

(b) voids will require two (2) employees for a void process; one who makes the void, and a second person to initial the voided receipt. Any questions or concerns will be discussed with the Clerk.

(4) All adjustments made will be reviewed by **both** bookkeepers with any questions or concerns brought to the Clerk.

(5) Since the termination of the former bookkeeper in Sept of 2013 this office has been using two (2) separate Deputy Clerks as bookkeepers. Several practices were put into place immediately, including:

- (a) Trial Balance Report reviewed by both bookkeepers daily;
- (b) Whichever bookkeeper prepares the daily deposit slip, the other bookkeeper checks it against the Trial Balance Report;
- (c) Bookkeepers alternate doing the bank reconciliation;
- (d) Bookkeepers alternate issuing trust checks.

(6) Before my taking office this Clerk's office stopped issuing paper receipts for new cases filed. (Sometime between Jan-April of 2010) At that time it was thought to be redundant to have paper receipts since our system was computerized and we could always check in Clerk's accounting to confirm the filing fee amount. **It was assumed at that time that the bookkeeper responsible for receipting in filing fees would do so.** The very day that Sara Chamberlain was terminated I reinstated the practice of issuing paper receipts, which are placed in the file by a second deputy clerk. All receipts issued will therefore show up on the Trial Balance Report daily, which will then be matched against the daily deposit slip.

Respectfully submitted,

Elaine J. Martin, Clerk
Wabash Circuit & Superior Courts

Cc: James Kaltenmark, County Council
Scott Givens, Commissioner

CLERK OF THE CIRCUIT COURT
WABASH COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sara Chamberlain, former Deputy Clerk: Cash Shortages, pages 4 through 6	<u>\$ 75,333.18</u>	<u>\$ -</u>	<u>\$ 75,333.18</u>

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)
)
Huntington COUNTY)

We, Lois DeBolt and J. Maureen Sparks, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clerk of the Circuit Court, Wabash County, Indiana, for the period from January 1, 2011 to September 13, 2013, is true and correct to the best of our knowledge and belief.

Lois DeBolt

J. Maureen Sparks
Field Examiners

Subscribed and sworn to before me this 13th day of May, 2014.

Cynthia M. Gray
Notary Public Cynthia M. Gray

My Commission Expires: 1/30/2015

County of Residence: Huntington