

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

AUDIT REPORT

OF

COUNTY TREASURER

VIGO COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED

10/10/2014

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David R. Crockett James W. Bramble	01-01-09 to 12-31-12 01-01-13 to 12-31-16
President of the County Council	Kathy P. Miller Bill Thomas Kathy P. Miller	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the Board of County Commissioners	Michael Cioli Judith A. Anderson	01-01-12 to 12-31-12 01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VIGO COUNTY

We have audited the records of the County Treasurer for the period from January 1, 2012 to December 31, 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 Vigo County for the year 2012.

STATE BOARD OF ACCOUNTS

August 25, 2014

COUNTY TREASURER
VIGO COUNTY
AUDIT RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance. A comparison of the Treasurer's Daily Balance of Cash and Depositories (ledger) balance at December 31, 2012, to reconciled bank account balances indicated that the ledger balance was \$18,688.16 more than reconciled bank balances. The variance resulted from the net effect of various posting errors and it was determined that the ledger balance was overstated.

An examination of the Treasurer's Cash Book entries made during the term of office indicated amounts posted to the Cash Book for interest were less than the amounts credited by the bank. The differences occurred in 16 months from July 2006 through June 2008. The effect of posting less interest than received understated the Treasurer's Cash Book. If the interest was properly posted for the amount received, the effect to the Treasurer's Cash Book would be an increase of \$7,417.65 and a corresponding increase in the cash necessary to balance of the same amount.

Minutes of the May 20, 2014 County Commissioners meeting and County Council meeting indicate both governing bodies approved Joint Resolution 1-2014. The resolution approved an adjustment of \$18,688.16 to reconcile the bank balances to the Treasurer's Daily Balance of Cash and Depositories and indicated David R. Crocket, former Treasurer, shall pay the County \$7,417.65 for the interest received that was not posted. As of the date of this report, the adjustment has not been made and a payment to the County has not been received.

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."

CONDITION OF RECORDS

The County Treasurer is maintaining Bureau of Motor Vehicles (BMV) license excise tax direct deposits in a separate checking account. The BMV receipts are not recorded in the Treasurer's Cash Book until a withdrawal is made from this checking account and deposited into the County's bank account based on reports received from the BMV. The BMV account has been carrying a \$845,479.62 unidentified, noncurrent balance that has never been transferred out of the account. The money is not from a 2012 transaction and it has not been determined how long this money has been in the account. The checking account is not a part of the Treasurer's Cash Book or the bank reconciliations.

COUNTY TREASURER
VIGO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 County Treasurers of Indiana, Chapter 10)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of Vigo County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of oversight on monthly bank reconcilements: Unidentified differences were improperly labeled, indicating they had been identified, when they were actually being carried forward month after month. A Bureau of Motor Vehicles bank account was not reconciled to the depository bank statement or included in the Treasurer's reconciliation, which allowed a material balance to remain undetected and undistributed by the County. The failure to reconcile could enable material misstatements or irregularities to go undetected.

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 County Treasurers of Indiana, Chapter 10)

COUNTY TREASURER
VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2014, with David R. Crockett, former Treasurer. The Official Response has been made a part of this report and may be found on pages 7 through 10.

The contents of this report were discussed on August 25, 2014, with Judith A. Anderson, President of the Board of County Commissioners, Kathy P. Miller, President of the County Council, Timothy M. Seprodi, Auditor, and James W. Bramble, Treasurer.

Clerk of the Circuit Court

43rd Judicial Circuit



David R. Crockett

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December 6, 2013

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

SENT VIA REGULAR MAIL AND E-MAIL TO: tmood@sgoa.in.gov

RE: OFFICIAL RESPONSE

In 2004 I ran for Treasurer of Vigo County, it was a dream come true to be elected and do my best to serve the citizens of Vigo County. I had to sit out one (1) year due to a hold over, but attended a newly elected official school in December of 2004. I met both the state examiner and county supervisor; both thanked us for putting our name on the line and told us that the Indiana State Board of Accounts (hereinafter "SBOA") was there to help. I truly took that statement to heart and heard this at every conference while I was Treasurer. Shortly after taking office, I met the two SBOA examiners assigned to Vigo County and felt assured we would get any help needed. At various times the SBOA examiners would answer our questions and I felt comfortable things were going well. We had different SBOA examiners over my time in office and as questions arose, they offered their guidance. Never once was I given any indication there was a problem of any kind, never a write up, or even a comment. In fact, I didn't even know when the audit was complete. No exit interview was conducted. I was always told that I was lucky to have the personnel I had and they were good at their jobs. I had no reason to believe there were any problems.

In 2011, the SBOA examiners suggested that some things needed to be separated better on the bank reconciliation form that is submitted to the SBOA. Therefore, my clerk, Karen Calloway, was advised to separate the items better for SBOA examination.

It wasn't until July of 2012 that I knew of this potential problem. I was called by one of the new SBOA examiners for an exit interview. Pat, my head cashier, went with me as others were out of the office. I asked Pat, "I wonder if we're getting written up," but neither Pat nor I could figure out why. The write up was for not reconciling surplus funds, which had not been done in over thirty years. The SBOA examiners then discussed the Form 47-TR ("form") and the issue with the discrepancy between the cash book and bank statements. Furthermore, this is when I was advised that I could be responsible for paying money back. I was flabbergasted; I had no idea there had ever been a problem. I asked what we needed to do, and we were basically told to fix it.

Pat and I returned to the office and began asking questions and received numerous responses.

The next day my staff and I began digging through the information we had available to us. We called the former Chief Deputy, Jean Vibbrant, and she agreed to help. The two main employees; Kathy Clayton (who is responsible for the funds ledger) and Jean (former Chief Deputy) started the task. Karen Calloway, the receipt clerk, who was responsible for preparing the Form 47-TR was relieved of performing this task. It appeared progress was being made and we were hopeful that by the time we returned from the Treasurer's conference, the issue would be resolved.

While at the Treasurer's conference, my chief deputy and I sat down with the new State Examiner, Bruce Hartman, and were told about a number of scenarios that could take place and we were really set at ease. Bruce suggested we start from the beginning of 2006 and move forward. We felt much better and upon returning, set up a room at the annex so no one would be disturbed. Kathy and Jean made some great headway being able to balance back to figures from my first nine (9) months in office. After this balance is when the problem arose, which has yet to be rectified. In addition, it was discovered that the particular account in question had been off before I took office. Jean, the employee responsible for this task, did not even know or realize that the account had been off before. Understand that no mention was made of this in 2006 with the 2005 Audit. No exit interview with the former Treasurer.

I was told by Karen, the reconciliation clerk, on several occasions that the number on the form, which was usually followed by "to be corrected," varied. Looking back at past forms it did vary, but balanced. We had not been advised of this by previous SBOA audits, and I thought that may be the case. After all, we were dealing with thousands of voided or cancelled checks per month. I am not an accountant, all I knew was everything on that form appeared to balance. I was trusting the people who were working for me and who had been audited by the SBOA every year since I took office.

Some time in late July 2012 I made a trip to Tippecanoe County to run this issue past their Treasurer, Bob Plantenga. This is when I found out about the particular line on the form. After looking at our sheets, Bob concluded Karen was probably plugging in numbers to balance, or force balancing. Our Auditor, who was assisting us, came to the same conclusion about a month or so later. Understand there were four to five people working on this to find the problem. One other account the SBOA examiners had asked about had bank charges on it. I was told by the former head cashier that no bank charge should be occurring on any county account. I wanted to make sure of this, so I started asking questions. This is when I was told that there had been occasions where interest deposits were netted against bank charges. I was told by the branch manager at the relevant financial institution that no charges were taking place. I questioned as to whether we had a sweep account and was told we were not on a sweep account. However, the bank would sweep the money at various times to invest and then put it back. I asked this question because we had been receiving a notice from the bank, addressed to our office, for an employee of the Information Technology Department of Vigo County. I met with the bank a few days later and was informed that there were, in fact, charges taking place. We sat down and changed the account so we received no charge. I also found out that the notices we were receiving for IT were probably for the direct deposit, which was set up prior to my arrival, and had no knowledge of. I showed the bank a list of the charges we had been charged in the past and he advised we would have to talk with someone else. This issue has not been rectified.

I don't know what else to say. I am deeply hurt by this, but in all honesty, I didn't realize there was a problem until July of 2012. I was more worried about the cash part of the job, making sure the cash book and funds ledger balanced. Every deposit balanced to the penny and we balanced in the office every day. While working to solve the problem there were many errors found, some by our office, and some by the bank. I cannot stand over people all the time, I trusted they were doing their job correctly, and when things balanced on the form, as it appeared they were, I had no reason to ask questions. I feel that every time something was brought to my attention, I took whatever steps I could to correct it. In July of 2012 I had only about five months left in my term, I used every resource I could muster to try and rectify the problem. I had spoken with the new Treasurer prior to his arrival, and he thought he could probably figure it out. The new Treasurer is a Certified Public Accountant and former SBOA employee. Upon talking with him, he felt there were just too many errors on both sides to be able to pinpoint something exactly, especially since some of these bank statements go back to 2005.

We are talking about processing hundreds of millions of dollars over the course of my two (2) terms as treasurer. In addition, the SBOA had been performing their yearly audit and had not brought any issue to my attention. The form in question was being forwarded for the SBOA's review and at no time, prior to 2012, was I advised there was an issue.

I have always viewed myself as a steward of the tax dollars I was entrusted to invest. I have never had personal knowledge of anything which would create a problem of the magnitude we are discussing here. The forms I submitted were balancing, I now understand why, and because I was not hearing anything about a problem, I did not see a reason to institute drastic changes. Furthermore, we were looking at this in real time, as was the SBOA, in addition to performing the yearly audit. Our office was not receiving write-ups or comments on our yearly audit and I was constantly being told what a good staff was employed in the Treasurers Office. Even the SBOA isn't able to offer an explanation of what actually happened, all I have been told is the bank account balance is lower than the cash book balance and I am, personally, responsible for the difference. I do believe this is not equitable given the facts. These accounts had been off for some time (even before I took office) and when brought to my attention, every effort was made to ensure no one had misappropriated tax dollars and try to understand exactly what happened.

Mistakes happen at every level, and this is exactly what happened in this case. A mistake by me for not catching her error(s) (even though I did not know what to look for, for sure), a mistake by her (Karen), before I took office, and not telling anyone so it could have been corrected long ago, and then trying to do it the wrong way, and by the State Board Of Accounts (I feel), for not finding it in their audits, just a whole series of things. Mistakes happen everyday, and could be happening now. What I tried to do was minimize what I could to prevent mistakes from occurring. Some mistakes you find or see right away, others take awhile to surface. Such as if a tax payment is posted to the wrong account, or maybe not posted. There was a mistake made by one of the banks. A tax payer came in showing their taxes had been paid. Upon investigating it was found that the disk we were provided, did not pick up their payment. It was corrected, and because they came in, we also found three others. They were corrected, and a letter to explain. This was found about 6 months after it occurred.

Another is when someone went in to the old system, shortly after I took office in 2006, and changed a judgement, and put one book off over \$27,000.00 dollars. Once this was noticed, we began investigating, to find that someone changed a judgement from 2003, that had already been settled. The fact of being off was noticed quickly, finding what happened took about 4 months. These are just a couple of the many things that occurred over the course of 7 years.

You fix what you know or can find, which I did on a regular basis. What you can not fix, you don't know.

One thing for sure, I was hoping for a different outcome in this whole matter. Especially since she (Karen) admitted that she plugged numbers to reconcile, and did not go back to find her error(s). The SBOA also recommended in a letter that I should not be responsible for cash necessary to balance. The amount I am being asked to give to the county is already in the bank, and was deposited automatically every month. What she was apparently doing was, reconcile by shorting one end to bring the other closer to zero. I have a hard time just justifying giving the county something the SBOA has said is not missing, and should be done by an adjustment, from a letter dated May 5, 2004.

As for the other issue concerning the BMV, I was told that the state reconciled that, because they made all the deposits. All we did was transferred the amount we were told to our account. Again this is something that had not been balanced since it started and no one in 6 years of audits never said a word.

I just wish someone would step in or step up and do the right thing, and follow the SBOA's recommendations. One of the commissioners said in an article, that they didnt want to set a precedent. I believe they have just set one. Reminder mistakes happen, and not all mistakes are mis-appropriated funds, some are just errors, such as this one. Mistakes are like splinters, most splinters you recognize right away and get it out, other you may not know until they get infected. I hope this does not happen to anyone else, just remember mistakes happen, and a precedent is a precedent.

I am always available for questions should any arise. I thank you for your time in reviewing this official response.

Sincerely,


David R. Crockett,
Former Vigo County Treasurer

MJW/sab
cc.
File