

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

SPECIAL INVESTIGATION REPORT
OF

CITY COURT
CITY OF TIPTON
TIPTON COUNTY, INDIANA

January 1, 2013 to November 30, 2013



FILED
11/24/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Court Clerk	Cindy Chandler Michelle McCormick Tamera Tebbe	09-06-11 to 04-07-13 04-08-13 to 11-07-13 11-08-13 to 12-31-14
Judge	Jack Richter	11-25-09 to 12-31-15
Clerk-Treasurer	Tamera Clark	01-01-12 to 12-31-15
Mayor	Donald Havens	01-01-12 to 12-31-15
President of the Common Council	George Ogden	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF TIPTON, TIPTON COUNTY, INDIANA

We have examined the records of the City Court for the period from January 1, 2013 to November 30, 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of the City of Tipton for the year 2013.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

August 11, 2014

CITY COURT
CITY OF TIPTON
EXAMINATION RESULTS AND COMMENTS

BACKGROUND INFORMATION

In November 2013, the City Court Clerk's Office personnel discovered several deposits that had not been made timely. An investigation was initiated by City Court personnel and the Indiana State Police, which uncovered deposits for two days that were not intact. After the discovery of these deposits, the City Court Clerk, Michelle McCormick, was dismissed on November 7, 2013. The Indiana State Board of Accounts was notified on November 19, 2013, and a special investigation was performed on the deposits in question. Following are the results of our review.

COLLECTIONS NOT DEPOSITED

Deposits for three days did not agree with Receipt Journal amounts for the same time period.

<u>Dates</u>	<u>Total Collections</u>	<u>Amount Deposited</u>	<u>Collections Not Deposited</u>
July 15, 2013	\$ 725	\$ 461	\$ 264
October 7, 2013	798	488	310
October 8, 2013	<u>1,399</u>	<u>873</u>	<u>526</u>
Totals	<u>\$ 2,922</u>	<u>\$ 1,822</u>	<u>\$ 1,100</u>

We requested that Michelle McCormick, former City Court Clerk, reimburse the City Court \$1,100 for the collections not deposited. (See Summary of Charges, page 8)

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

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 City and Town Courts, Chapter 4)

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional examination fees in the investigation of the missing funds totaling \$1,100.

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 Cities and Towns, Chapter 7)

Based on our examination, the State of Indiana should be reimbursed \$1,100 for additional costs incurred as a result of this investigation. We requested Michelle McCormick, former City Court Clerk, reimburse the State of Indiana \$1,100. (See Summary of Charges, page 8)

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EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Receipts were deposited later than the next business day in several instances. Receipts from July, August, and September were deposited on a weekly or bi-weekly basis. Non-credit card receipts from October 5, 2013 to November 4, 2013, were not deposited timely. Delays of up to 38 days were noted.

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 . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not performed monthly. As of November 30, 2013, all required bank reconciliations had been performed up to date.

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."

INTERNAL CONTROLS

We noted the following deficiencies in internal controls:

1. As noted above, the Court accounting records were not reconciled to the bank statements in a timely manner during 2013. There was no review or verification of the reconciling process performed by the Court Clerk.
2. The Town has not separated incompatible activities related to receipts, disbursements and cash, and investment balances.

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

An individual Surety Bond for Michelle McCormick, former City Court Clerk, was not obtained.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

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EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any)."

COMMERCIAL CRIME POLICY

The City of Tipton has crime insurance coverage which covers employee dishonesty and includes faithful performance. The policies covering the period January 1, 2013 to November 30, 2013, are with the U.S. Specialty Insurance Company and provide \$150,000 of coverage per employee with a \$1,000 deductible.

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EXIT CONFERENCE

The contents of this report were discussed on August 18, 2014, with Cindy Chandler, former City Court Clerk.

The contents of this report were discussed on August 20, 2014, with Jack Richter, Judge, and Tamera Tebbe, City Court Clerk.

The contents of this report were discussed on October 21, 2014, with Michelle McCormick, former City Court Clerk.

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SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Michelle McCormick, former City Court Clerk:			
Collections Not Deposited, page 4	\$ 1,100	\$ -	\$ 1,100
Examination Costs - Missing Funds, page 4	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Totals	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 2,200</u>

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

AFFIDAVIT

STATE OF INDIANA)
Marion)
) COUNTY)

I, David Bixler, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City Court, City of Tipton, Tipton County, Indiana, for the period from January 1, 2013 to November 30, 2013, is true and correct to the best of my knowledge and belief.

David Bixler
Field Examiner

Subscribed and sworn to before me this 10 day of November, 2014.

Palmer C. South
Notary Public

My Commission Expires: 2-23-16

County of Residence: Marion