

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

SPECIAL INVESTIGATION REPORT

OF

COUNTY AUDITOR

WHITLEY COUNTY, INDIANA

January 1, 2011 to August 25, 2014



FILED
02/02/2015

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COUNTY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------------------|----------------------|
| Auditor | Jennifer R. McGuire | 01-01-11 to 08-19-14 |
| | (Vacant) | 08-20-14 to 08-21-14 |
| | Vicky L. Schrader (Interim) | 08-22-14 to 09-03-14 |
| | Jana L. Schinbeckler | 09-04-14 to 12-31-14 |
| President of the County Council | Kim Wheeler | 01-01-11 to 12-31-11 |
| | John Barrett | 01-01-12 to 12-31-12 |
| | Thomas Western | 01-01-13 to 12-31-14 |
| President of the Board of County Commissioners | Thomas Rethlake | 01-01-11 to 12-31-11 |
| | Donald Amber | 01-01-12 to 12-31-12 |
| | George Schrupf | 01-01-13 to 12-31-14 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF WHITLEY COUNTY

We performed a special investigation of the records of the Whitley County Auditor for the period from January 1, 2011 to August 25, 2014. The results of our investigation are stated in the Investigation Results and Comments.

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

October 24, 2014

COUNTY AUDITOR
WHITLEY COUNTY
INVESTIGATION RESULTS AND COMMENTS

IMPROPER USE OF COUNTY CREDIT CARDS

Personal Expenses Charged to County Credit Cards

Jennifer R. McGuire, former County Auditor, charged personal expenses to County credit cards between May 18, 2011, and July 24, 2014. The cards were issued to her in her name as part of the County's combined credit card account which also included cards issued to several other County employees. The monthly credit card statements identified all transactions by individual card. The personal expenses charged include but were not limited to Facebook gaming, cash advances, entertainment/travel (restaurants, airline tickets, hotels, concert and sports tickets, campground fees), groceries and home supplies, gas stations and convenience stores, monthly utility bills, home repairs and improvements, auto repairs and maintenance, and clothing. Late fees and finance charges incurred on the account as a result of the personal expense charges were also considered personal expenses. The following schedule summarizes the personal expenses charged or incurred per credit card statement:

| Statement Date | Purchases/Charges (net) | Documented County Expenses | Undocumented Purchases | Cash Advances and Related Fees | Late Fees/Finance Charges | Total Personal Expenses |
|----------------------------|-------------------------|----------------------------|------------------------|--------------------------------|---------------------------|-------------------------|
| Card # xxxx xxxx xxxx 9184 | | | | | | |
| 02-12-11 | \$ 2,066.13 | \$ 2,066.13 | \$ - | \$ - | \$ - | \$ - |
| 03-12-11 | 36.30 | 36.30 | - | - | - | - |
| 04-12-11 | 592.70 | 592.70 | - | - | - | - |
| 05-12-11 | 167.30 | 167.30 | - | - | - | - |
| 06-12-11 | 862.89 | 566.71 | 296.18 | 574.97 | 1.86 | 873.01 |
| 07-12-11 | 1,926.33 | 296.10 | 1,630.23 | 643.00 | 188.41 | 2,461.64 |
| 08-12-11 | 852.80 | 428.41 | 424.39 | 410.00 | 197.65 | 1,032.04 |
| 09-12-11 | 1,411.52 | 190.59 | 1,220.93 | 226.00 | 267.90 | 1,714.83 |
| 10-12-11 | 364.42 | 149.65 | 214.77 | 226.00 | 202.07 | 642.84 |
| 11-12-11 | 2,310.66 | 985.68 | 1,324.98 | 603.50 | 223.35 | 2,151.83 |
| 12-12-11 | 2,184.24 | 241.40 | 1,942.84 | 605.99 | 260.12 | 2,808.95 |
| 01-12-12 | 656.39 | - | 656.39 | 518.00 | 315.28 | 1,489.67 |
| Card Totals | 13,431.68 | 5,720.97 | 7,710.71 | 3,807.46 | 1,656.64 | 13,174.81 |
| Card # xxxx xxxx xxxx 5989 | | | | | | |
| 02-12-12 | 1,084.03 | 274.69 | 809.34 | 246.00 | 240.39 | 1,295.73 |
| 03-12-12 | 1,035.83 | 1,035.83 | - | 419.12 | 244.32 | 663.44 |
| 04-12-12 | 1,512.15 | 226.89 | 1,285.26 | 512.12 | 325.79 | 2,123.17 |
| 05-12-12 | 1,622.20 | 14.21 | 1,607.99 | 552.99 | 350.70 | 2,511.68 |
| 06-12-12 | 3,169.09 | 363.41 | 2,805.68 | 635.48 | 318.94 | 3,760.10 |
| 07-12-12 | 1,693.40 | 131.59 | 1,561.81 | 539.00 | 325.44 | 2,426.25 |
| 08-12-12 | 22.22 | - | 22.22 | - | 394.36 | 416.58 |
| 09-12-12 | 1,200.26 | 33.15 | 1,167.11 | 528.12 | 318.61 | 2,013.84 |
| 10-12-12 | 1,040.30 | 289.96 | 750.34 | 581.12 | 331.04 | 1,662.50 |
| 11-12-12 | - | - | - | 213.00 | 351.65 | 564.65 |
| 12-12-12 | 250.00 | - | 250.00 | 532.12 | 307.59 | 1,089.71 |
| 01-12-13 | 1,033.53 | - | 1,033.53 | 532.12 | 364.55 | 1,930.20 |
| 02-12-13 | 1,531.22 | - | 1,531.22 | - | 340.77 | 1,871.99 |
| 03-12-13 | 1,866.10 | - | 1,866.10 | - | 238.74 | 2,104.84 |
| 04-12-13 | 3,886.32 | - | 3,886.32 | 548.76 | 123.35 | 4,558.43 |
| 05-12-13 | 2,970.57 | - | 2,970.57 | 212.00 | 97.12 | 3,279.69 |
| 06-12-13 | 1,758.54 | - | 1,758.54 | 424.00 | 192.64 | 2,375.18 |
| 07-12-13 | 2,142.71 | - | 2,142.71 | 864.00 | 45.79 | 3,052.50 |
| 08-12-13 | 3,770.31 | - | 3,770.31 | 1,069.00 | 58.09 | 4,897.40 |
| 09-12-13 | 3,831.32 | - | 3,831.32 | 528.12 | 8.87 | 4,368.31 |
| 10-12-13 | 4,036.29 | 82.05 | 3,954.24 | 645.12 | 64.64 | 4,664.00 |
| 11-12-13 | 4,766.24 | - | 4,766.24 | 532.12 | 12.93 | 5,311.29 |
| 12-12-13 | 4,555.39 | 50.80 | 4,504.59 | 532.12 | 8.76 | 5,045.47 |
| 01-12-14 | 2,838.05 | - | 2,838.05 | 652.00 | 152.07 | 3,642.12 |
| Card Totals | 51,616.07 | 2,502.58 | 49,113.49 | 11,298.43 | 5,217.15 | 65,629.07 |

COUNTY AUDITOR
WHITLEY COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

| Statement Date | Purchases/ Charges (net) | Documented County Expenses | Undocumented Purchases | Cash Advances and Related Fees | Late Fees/ Finance Charges | Total Personal Expenses |
|----------------------------|-----------------------------|----------------------------------|---------------------------|--------------------------------------|----------------------------------|-------------------------------|
| Card # xxxx xxxx xxxx 1193 | | | | | | |
| 02-12-14 | 761.99 | - | 761.99 | 528.12 | 49.32 | 1,339.43 |
| 03-12-14 | 2,148.27 | - | 2,148.27 | 966.12 | 37.35 | 3,151.74 |
| 04-12-14 | 2,318.34 | - | 2,318.34 | 639.00 | 4.23 | 2,961.57 |
| 05-12-14 | 5,812.99 | 57.36 | 5,755.63 | 540.08 | 5.39 | 6,301.10 |
| 06-12-14 | 4,688.94 | - | 4,688.94 | 639.00 | 5.16 | 5,333.10 |
| 07-12-14 | 4,571.09 | - | 4,571.09 | 1,473.76 | 156.16 | 6,201.01 |
| 08-12-14 | 1,123.74 | - | 1,123.74 | 419.12 | 112.14 | 1,655.00 |
| Card Totals | 21,425.36 | 57.36 | 21,368.00 | 5,205.20 | 369.75 | 26,942.95 |
| Grand Totals | \$ 86,473.11 | \$ 8,280.91 | \$ 78,192.20 | \$ 20,311.09 | \$ 7,243.54 | \$ 105,746.83 |

Three payments from sources unrelated to the County totaling \$3,531.12 were made to the credit card company between September 9, 2011, and July 16, 2014. On September 9, 2011, and November 10, 2011, payments of \$6.12 and \$25.00, respectively, were made from unidentified sources. On July 16, 2014, Jennifer R. McGuire, former County Auditor, made a payment of \$3,500 from an Indiana County Auditors' Association account. Jennifer R. McGuire, former County Auditor, became Treasurer of that Association on January 1, 2014.

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 Counties of Indiana, Chapter 1)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

We requested Jennifer R. McGuire, former County Auditor, to reimburse Whitley County in the amount of \$102,215.71 for personal expenses charged to County credit cards. (See Summary of Charges, page 10)

Falsified Credit Card Payment Vouchers

Jennifer R. McGuire, former County Auditor, falsified payment vouchers for 35 payments made to the credit card company from County funds between July 5, 2011, and May 27, 2014. She used one or more of the following methods in preparing each of the falsified payment vouchers:

- Credits for returns or refunds on charges made by other cardholders were not deducted from the payment made on the account.
- Documentation included with the payment voucher were duplicates of prior payments already made on the account.
- Documentation included with the payment voucher did not correspond to charges on the credit card account. In some instances, the documentation was for legitimate County expenses already paid directly to the vendor. In other instances, the documentation was fictitious.

COUNTY AUDITOR
WHITLEY COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

- No documentation included with the payment voucher other than a reference to pending transactions and/or exceeded credit limit in the description section of the voucher.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

INTERNAL CONTROL DEFICIENCIES

Internal controls over disbursements and the use of credit cards were insufficient:

- The County has not separated incompatible activities related to disbursements. The County Auditor had access to the check stock and had the ability to process claims, print checks, print voucher registers, and make adjustments in the computer system.
- Approval of claims by the Board of County Commissioners is an important internal control that is required by law for all the effected claims except those paid from the Redevelopment Fund. There were no procedures to ensure that all of the claims that are required to be presented to the Board of County Commissioners for approval were actually presented to them.
- Approval of claims paid from the Redevelopment Fund by the Redevelopment Commissioners is an important internal control that is required by law. The minutes of the Redevelopment Commission meetings state that claims were approved; however, there was no list of claims and there were no signed dockets. In a few instances, the claim vouchers were signed by one member of the Redevelopment Commission; however, most of the vouchers were not signed.
- Another important control is for the department heads and commissions to receive reports and to review and verify disbursements and balances for the budgets and funds under their control. There were no review procedures in place for the Redevelopment Fund or the Rainy Day Fund.
- The County does not have a formal credit card policy.

COUNTY AUDITOR
WHITLEY COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

- For purchases made using the County's credit cards, the Board of County Commissioners reviewed only the claim vouchers and attached invoices as presented by the departments and the County Auditor. They did not review the credit card statement to ensure that all charges on the cards were supported by a claim and to ensure that the balance on the statement was paid in full each month.

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 Counties of Indiana, Chapter 1)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
WHITLEY COUNTY
INVESTIGATION RESULTS AND COMMENTS
(Continued)

PUBLIC OFFICIAL BOND

Jennifer R. McGuire, former County Auditor, was covered by an Official Bond. The bond was with the Western Surety Insurance Company and provides \$30,000 of coverage each year for the periods January 1, 2011 to January 1, 2012; January 1, 2012 to January 1, 2013; January 1, 2013 to January 1, 2014; and January 1, 2014 to January 1, 2015.

| Period | Gross Charges | Credits | Net Charges |
|----------------------|----------------------|----------------------|----------------------|
| 01-01-11 to 01-01-12 | \$ 11,685.14 | \$ (31.12) | \$ 11,654.02 |
| 01-01-12 to 01-01-13 | 20,017.32 | - | 20,017.32 |
| 01-01-13 to 01-01-14 | 43,459.30 | - | 43,459.30 |
| 01-01-14 to 01-01-15 | <u>30,585.07</u> | <u>(3,500.00)</u> | <u>27,085.07</u> |
| Totals | <u>\$ 105,746.83</u> | <u>\$ (3,531.12)</u> | <u>\$ 102,215.71</u> |

The County had additional insurance coverage for public employee dishonesty in the amount of \$300,000 per year through policy number H-630-4623R549-TIL-13 from Travelers Property Casualty Company of America. The initial policy period began July 1, 2010, and the coverage has been renewed annually through July 1, 2015.

| Period | Gross Charges | Credits | Net Charges |
|----------------------|----------------------|----------------------|----------------------|
| 07-01-10 to 07-01-11 | \$ 873.01 | \$ - | \$ 873.01 |
| 07-01-11 to 07-01-12 | 22,655.92 | (31.12) | 22,687.04 |
| 07-01-12 to 07-01-13 | 24,293.86 | - | 24,293.86 |
| 07-01-13 to 07-01-14 | 50,068.03 | - | 50,068.03 |
| 07-01-14 to 07-01-15 | <u>7,856.01</u> | <u>(3,500.00)</u> | <u>11,356.01</u> |
| Totals | <u>\$ 105,746.83</u> | <u>\$ (3,531.12)</u> | <u>\$ 109,277.95</u> |

ADDITIONAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of personal expenses charged to county credit cards totaling \$27,666.24. We requested Jennifer R. McGuire, former County Auditor, to reimburse the State of Indiana \$27,666.24 of the additional costs incurred in the investigation of personal expenses charged to County credit cards. (See Summary of Charges, page 10)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR
WHITLEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2014, with Jennifer R. McGuire, former County Auditor, and Seth Tipton, the former County Auditor's personal Attorney.

The contents of this report were discussed on October 20, 2014, with Jana L. Schinbeckler, County Auditor; George Schrumpf, President of the Board of County Commissioners, and Kim Wheeler, former President of the County Council.

COUNTY AUDITOR
WHITLEY COUNTY
SUMMARY OF CHARGES

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|--|-----------------------------|---------------------------|-----------------------------|
| Jennifer R. McGuire, former County Auditor: Improper use of County Credit Cards, pages 4 through 6 | <u>\$ 105,746.83</u> | <u>\$ 3,531.12</u> | <u>\$ 102,215.71</u> |
| Additional Investigation Costs, page 8 | <u>27,666.24</u> | <u>-</u> | <u>27,666.24</u> |
| Totals | <u><u>\$ 133,413.07</u></u> | <u><u>\$ 3,531.12</u></u> | <u><u>\$ 129,881.95</u></u> |

AFFIDAVIT

STATE OF INDIANA)
Kosciusko COUNTY)

We, Stephen R. Poor and Stanley W. Willmert, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the County Auditor, Whitley County, Indiana, for the period from January 1, 2011 to August 25, 2014, is true and correct to the best of our knowledge and belief.

Stephen R. Poor

Stanley W. Willmert
Field Examiners

Subscribed and sworn to before me this 28th day of January, 2015.

Erica Parris
Notary Public

My Commission Expires: 1/29/2015

County of Residence: Kosciusko