

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF FOWLER AND UTILITIES

BENTON COUNTY, INDIANA

January 1, 2013 to March 31, 2014



**FILED**  
02/03/2015



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathleen Schwartz Melissa Williams	01-01-12 to 12-31-12 01-01-13 to 12-31-15
President of the Town Council	Linda Brouillette	01-01-12 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FOWLER

We have reviewed the records of the Town of Fowler and Utilities for the period from January 1, 2013 to March 31, 2014, 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 Special Investigation Results and Comments. The financial transactions of the Town and Utilities are reflected in the Annual Report of the Town of Fowler for the year 2013.

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

August 5, 2014

TOWN OF FOWLER AND UTILITIES  
SPECIAL INVESTIGATION RESULTS AND COMMENTS

**COLLECTIONS NOT DEPOSITED - UTILITY SERVICES**

The Town of Fowler provides the following utility services to its residents: garbage removal, water, and wastewater (sewage). The Utilities use computer software to record the billings and collections for these services as well as to record the balance due from customers.

To allow for the proper credit to a customer's account, all payments (collections) made by the customer must be recorded in the computer software. Any one of three clerks, including the Clerk-Treasurer, was authorized to enter customer payments into the computer software; however, the majority of the transactions were entered by the two individual clerks. According to Melissa Williams, Clerk-Treasurer, Vina Lanie, former Utilities Clerk, was primarily responsible for entering the customer payments into the computer software, preparing the deposit tickets, and taking the collections to the bank. Annette Parker, Deputy Clerk-Treasurer, served as a backup in the absence of Vina Lanie, former Utilities Clerk, for accepting customer payments, entering the payments into the computer software, and preparing and making the deposit.

During the time period covered by our review of the Utilities billings and collections, there were two different computer software programs in use. In October 2013, a new computer system replaced older software. At the end of each business day, both systems generated a report showing receipts collected for the day and posted to the corresponding customer's account (End of Day Report). Both computer systems also had the ability to generate a historical payment report (Historical Report).

After recording the customer payments into the computer software, it was the responsibility of the clerk to balance to the cash drawer and End of Day Report. This same individual was also responsible for preparing the deposit ticket and taking the money to the bank.

We traced the bank deposits to the End of Day Reports. The bank deposits agreed to collections per the End of Day Reports; however, when we traced payments to the Historical Reports, significant differences were found. The Historical Reports showed monies collected from customers that could not be traced to deposit in a bank account. The Clerk-Treasurer and the office personnel handling the Utilities payments were unaware that the Historical Report could be generated allowing for an audit trail for all customer billing, payments, and/or adjustments.

Collections from the Historical Reports compared to the bank deposits indicated collections not deposited as follows:

<u>Period</u>	<u>Amount</u>
January 1, 2013 to January 1, 2014	\$ 39,300.72
January 1, 2014 to March 31, 2014	<u>7,756.59</u>
Total	<u>\$ 47,057.31</u>

We have requested Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, jointly and severally, reimburse the Town of Fowler \$47,057.31 for customer collections not deposited. (See Summary of Charges, page 12)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

TOWN OF FOWLER AND UTILITIES  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Cities and Towns, Chapter 7)

### **LACK OF CONTROLS OVER COLLECTIONS**

#### *End of Day Close-Out Procedures*

During the time period covered by our review of the Utilities' billings and collections, there were two different computer software programs in use by the Utilities. In October 2013, a new computer system replaced older software. With both computer software programs, in order to post transactions to customer accounts, the Clerk must "close the day." When "closing the day," a report showing collections for the day and posting to a customer's accounts was generated (End of Day Reports).

The Deputy Clerk-Treasurer and Utilities Clerk were responsible for closing the day and generating the End of Day Reports, including running an adding machine tape on the Utilities postcard payment stubs, signing or initialing the adding machine tape, balancing the cash drawer to the Utilities postcard payment stubs and End of Day Reports, preparing the bank deposit, and taking the money to the bank. If Clerk "A" was to perform the close of day, then Clerk "B" was expected to verify that the reports, adding machine tapes and deposit agreed. Clerk "B" was to indicate she had performed this review by signing or initialing the End of Day Reports. None of these practices were followed consistently.

#### *Computer Controls*

For one of the computer systems in place during the period of review, anyone who was given access to reports and/or entering transactions had to have a unique, valid User Identification (User ID) and password. Each of the two Clerks and the Clerk-Treasurer were assigned a User ID. Each Clerk chose their own unique password.

On the historical transactions reports (Historical Reports) generated by the computer system, the Clerk who recorded the collections was identified by their User ID as the "Operator." For at least three dates tested, a Clerk who, per their time card, was not at work that day was indicated on the Historical Report as the "Operator." This indicated that the confidentiality of the passwords had not been maintained.

TOWN OF FOWLER AND UTILITIES  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Effective logical security prohibits unauthorized access and restricts the computerized resources each authorized user may utilize. Access to accounting information and processes must be controlled by operating system software and by the computerized accounting application through user identification codes (user IDs) and passwords. User IDs are unique identifiers assigned to each authorized user, which remain constant for that user. Passwords are confidential keywords associated with the user ID to provide verification of the user's identity. Each user must have a unique user ID and password which must not be shared. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

***COLLECTIONS NOT DEPOSITED - METER DEPOSITS***

When a customer requests utility services at a residence/business, they were required to prepare an application and make a utility meter deposit. The Utilities Clerk would determine the meter deposit amount based upon criteria specified in Ordinance 2009-01. Customers determined to be high risk were required to make a water meter deposit of \$150. Nonhigh risk customers or customers in good standing were charged a meter deposit of \$75.

Any office personnel in the Clerk-Treasurer's Office were authorized to collect and record the transactions associated with the customer meter deposits.

Upon completion of an application for utility service and collection of the meter deposit, a handwritten two-part receipt was prepared by office personnel. The original receipt was the customer copy. The duplicate would be retained in the receipt book. The Clerk accepting the payment would also be responsible for noting on the application the dollar amount of the meter deposit, date, and receipt number.

The Town's financial records are maintained electronically using computer software specifically designed for accounting for the receipts, disbursements, and balances of Town and Utilities funds. In order to record the utility meter deposits to the financial records of the Utilities, the collection amount had to be entered into the computer system, which would generate a computer receipt. It was based upon the computer receipts that the Clerk prepared the bank deposit.

The Town also maintained a handwritten "Guarantee Deposit Register." The Guarantee Deposit Register is an alphabetical record by customer last name of meter deposits collected, released/refunded, and held, along with the dates of the entries. The Clerk that prepared the receipts of meter deposits collected was also responsible for recording the customer information onto the Guarantee Deposit Register.

Handwritten receipts for meter deposits collected were recorded in the Guarantee Deposit Register for which a corresponding bank deposit was not made. From March 5, 2013 through February 18, 2014, utility customer meter deposit collections not deposited were as follows:

TOWN OF FOWLER AND UTILITIES  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Period	Amount
March 5, 2013 to December 31, 2013	\$ 2,550
January 1, 2014 to February 18, 2014	750
Total	\$ 3,300

We have requested Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, jointly and severally, reimburse the Town of Fowler \$3,300 for customer meter deposit collections not deposited. (See Summary of Charges, page 12)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

**ADDITIONAL AUDIT COSTS - COLLECTIONS NOT DEPOSITED**

The State of Indiana incurred additional audit costs of \$38,350.29 in the investigation of collections not deposited at the Utilities of the Town of Fowler. The State of Indiana requests Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, jointly and severally, reimburse the Town of Fowler \$38,350.29 for investigation costs. (See Summary of Charges, page 12)

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)

**EMPLOYEE'S PUBLIC OFFICIAL BONDS**

The Town of Fowler has Public Official Bonds which cover the Clerk-Treasurer, Deputy Clerk-Treasurer, and Utilities Billing Clerk. The individual bonds are for the periods of January 1, 2013 to January 1, 2014 and January 1, 2014 to January 1, 2015. All are with the Auto-Owners Insurance Company. The bond for the Clerk-Treasurer provides \$100,000 of coverage for each bond period and the bonds for the Deputy Clerk-Treasurer and Utilities Billing Clerk each provide \$30,000 of coverage for each bond period.

**ONGOING INVESTIGATION**

The Indiana State Police are conducting an investigation of the collections not deposited. As of the date of this report, their investigation has not been completed.

TOWN OF FOWLER AND UTILITIES  
EXIT CONFERENCE

The contents of this report were discussed on August 5, 2014, with Melissa Williams, Clerk-Treasurer; Linda Brouillette, President of the Town Council; Stephen B. Rettig, Vice President of the Town Council; and Annette Parker, Deputy Clerk-Treasurer.

A copy of the comments was sent certified mail on August 6, 2014, to Vina Lanie, former Utilities Clerk.



# TOWN OF FOWLER

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August 6, 2014

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

## OFFICIAL RESPONSE

### **LACK OF CONTROLS OVER COLLECTIONS**

More strict controls have been put in place since March of 2014. I have made sure that these procedures put in place are being used every day. I also run a history report at the end of every month and compare it to what has been receipted into fund and deposited in the bank. This is done when my bank reconciliations are done.

Computer Controls – It is stated “that for at least three dates tested, a clerk indicated on the History Report who was not working per her time card”. I went back to the time cards for December 2013 and January 2014. It is clear that Vina was off work on some of these dates but if you compare the history report to the user report log it shows that she never logged in on her days off. The date for entering payments can be changed and it would show up on the History Report for the date selected. I believe that Vina would log in the day after her day off and receipt in payments using the day before so that it would appear someone else was trying to use her user ID and password and because the end of the day reports were already ran for the day so no one would suspect anything. She was unaware that there was a report that shows each date and time for when she logs in or out.

Month end reports are ran each month when bank reconciliations are done to verify that all deposits are being made.

Melissa Williams, Clerk-Treasurer



# TOWN OF FOWLER

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August 13, 2014

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

## OFFICIAL RESPONSE

### END OF DAY – CLOSE OUT PROCEDURES

From January 2013 to June of 2013 I did verify most of the deposits for the day. Melissa and I went to the yearly Clerk-Treasurer Conference in early June and after we came back Vina no longer brought the daily deposits to me to check and verify that they were correct. Not being familiar with the “control” process, I just assumed that she had gotten permission to not have to come to me to have it checked and verified. As of March 2014 verification of deposits are done and initialed and dated.

### COMPUTER CONTROLS

All computer log-in passwords are kept confidential, however, the week Melissa and I were at conference I wrote my password down so that the part-time girl that was working that week could access records to help customers as they stopped into the office or called. My guess is that Vina found my password and remembered it. Every 30 days our passwords expire and we are prompted to change it. I would normally keep the password the same and change the number. We checked the employee usage log report and found quite a few days I was off on vacation or a personal day and found that my password was used to log in while I was not present. When these instances occurred, she would log on for 1-4 minutes per log in.

On numerous occasions when Vina was off a certain day, I am assuming she would come in the next morning and add cash payments and back date the day to show that they were made on the day she was off. I never knew her password nor would I attempt to do something criminal or malicious.



**COLLECTIONS NOT DEPOSITED – METER DEPOSITS**

If you look through the deposit ledger, deposit receipt book and the deposit receipts in the computer, you will find every single deposit that I took in personally are recorded and deposited into the bank.

A handwritten signature in blue ink, appearing to read 'Annette Parker'.

Annette Parker, Deputy Clerk

TOWN OF FOWLER AND UTILITIES  
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, joint and severally: Collections Not Deposited - Utility Services, pages 4 and 5	\$ 47,057.31	\$ -	\$ 47,057.31
Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, joint and severally: Collections Not Deposited - Meter Deposits, pages 6 and 7	3,300.00	-	3,300.00
Melissa Williams, Clerk-Treasurer; Annette Parker, Deputy Clerk-Treasurer; and Vina Lanie, former Utilities Clerk, joint and severally: Additional Audit Costs - Collections Not Deposited, page 7	38,350.29	-	38,350.29
Totals	\$ 88,707.60	\$ -	\$ 88,707.60

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

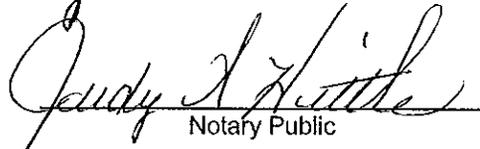
AFFIDAVIT

STATE OF INDIANA            )  
  )  
Porter COUNTY)

We, Michelle M. Janosky and Karen A. Tetrault, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Fowler and Utilities, Benton County, Indiana, for the period from January 1, 2013 to March 31, 2014, is true and correct to the best of our knowledge and belief.

  
\_\_\_\_\_  
Karen A. Tetrault  
Field Examiners

Subscribed and sworn to before me this 26 day of January, 2015.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 6-26-2021

County of Residence: Porter