

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

SPECIAL INVESTIGATION REPORT
OF

KNOX CITY COURT
CITY OF KNOX
STARKE COUNTY, INDIANA

January 1, 2013 to August 30, 2014



FILED
02/11/2015

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CITY COURT OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Court Clerk	Angela Jesuit	01-01-13 to 12-31-14
Judge	Charles F. Hasnerl	01-01-12 to 12-31-15
Mayor	Rick L. Chambers	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Gregory L. Matt Donald Kring	01-01-13 to 12-31-13 01-01-14 to 12-31-14
President of the Board of Public Works and Safety	Rick L. Chambers	01-01-12 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE CITY OF KNOX

We have examined the records for collections of tickets, bonds, and court costs of the Knox City Court for the period from January 1, 2013 to August 30, 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.

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

September 22, 2014

KNOX CITY COURT
CITY OF KNOX
SPECIAL INVESTIGATION RESULTS AND COMMENTS

COLLECTIONS NOT DEPOSITED

The Knox City Court uses computer software to account for the activities of the Court which generates a "Till Balance and Transaction Report." This report provides the detail of the dates and receipt numbers of each receipt issued, including the payment type and case number.

We compared Till Balance and Transaction Reports for the period of January 1, 2013 to August 30, 2014, to the duplicate deposit tickets and traced the deposits to the bank statements. The following deposits were either not deposited to the bank or the deposits were short of the amount reported on the Till Balance and Transaction Reports:

<u>Till Date</u>	<u>Deposit Date</u>	<u>Collections Per Till Report</u>	<u>Deposit Per Duplicate Deposit Ticket</u>	<u>Deposit Date Per Bank Statement</u>	<u>Deposit Per Bank Statement</u>	<u>Short</u>
01-16-13	None	\$ 534.00	\$ -	None	\$ -	\$ 534.00
03-14-14	03-14-14	2,057.00	2,032.00	08-14-14	2,032.00	25.00
07-28-14	07-28-14	1,827.29	1,735.79	08-18-14	1,735.79	91.50
07-30-14	07-30-14	<u>944.50</u>	<u>794.50</u>	07-31-14	<u>794.50</u>	<u>150.00</u>
Totals		<u>\$ 5,362.79</u>	<u>\$ 4,562.29</u>		<u>\$ 4,562.29</u>	<u>\$ 800.50</u>

We requested Angela Jesuit, City Court Clerk, reimburse the Knox City Court \$800.50 for collections not deposited. (See Summary of Charges, page 11)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance or non-feasance in the 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)

All funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

All funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

DEPOSITS IN TRANSIT NOT DEPOSITED

During the period of our investigation, Angela Jesuit, City Court Clerk, was responsible for counting the collections, comparing them to the receipts issued, preparing the deposit tickets, making adjustments, depositing to the bank, issuing and signing checks, and performing the monthly bank reconcilements.

The bank reconciliation, as prepared by Angela Jesuit, City Court Clerk, as of July 31, 2014, included deposits in transit which have remained unresolved as the amounts were not deposited:

KNOX CITY COURT
CITY OF KNOX
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

<u>Receipt Date</u>	<u>Amount</u>
06-10-11	\$ 275.00
10-09-12	8.00
01-31-13	102.50
04-22-13	<u>2,683.00</u>
 Total deposits in transit not deposited	 3,068.50
Less:	
Checks and money orders subsequently deposited	<u>(1,784.00)</u>
 Remaining deposits in transit not deposited	 <u>\$ 1,284.50</u>

We requested Angela Jesuit, City Court Clerk, reimburse the Knox City Court the remaining deposits in transit not deposited totaling \$1,284.50. Angela Jesuit, City Court Clerk, reimbursed the Knox City Court \$899 on August 29, 2014, which leaves a balance yet to be reimbursed of \$385.50. (See Summary of Charges, page 11)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines for City and Town Courts, Chapter 4)

ADDITIONAL AUDIT COSTS

The State of Indiana incurred additional audit costs in the investigation of the collections not deposited and deposits in transit not deposited at the Knox City Court. We requested Angela Jesuit, City Court Clerk, reimburse the State of Indiana \$2,059 of the additional audit fees incurred in the investigation of the collections not deposited and deposits in transit not deposited. (See Summary of Charges, page 11)

Audit costs incurred because of theft and 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 City and Town Courts, Chapter 4)

KNOX CITY COURT
CITY OF KNOX
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

INSURANCE COVERAGE

The City of Knox has public employee dishonesty insurance coverage. The policies provide coverage as follows:

<u>Insurance Agency</u>	<u>Policy Period</u>	<u>Limit of Insurance</u>	<u>Deductible</u>
Westfield Insurance Company	12-31-10 to 12-31-13	\$ 50,000	\$ 500
Argonaut Insurance Group	12-31-13 to 05-17-14	100,000	1,000
Argonaut Insurance Group	05-17-14 to 05-17-15	100,000	1,000

UNTIMELY DEPOSITS

We compared the dates of Till Balance and Transaction Reports to the bank deposit dates and found instances of deposits not being made timely.

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."

LACK OF SEGREGATION OF DUTIES

Essentially one person, the City Court Clerk, either participated in, or was solely responsible for:

- Entering fines and fees to be collected (charges) into the computer software.
- Issuing receipts and recording collections.
- Making adjustments to either charges or amounts collected.
- Counting the collections and recording those counts in the computer software.
- Preparing the bank deposit ticket and taking the money to the bank.
- Reconciling the bank account.
- Issuing checks.
- Transcribing court proceeding into the electronic docket.
- Making, reviewing, and approving adjustments.

KNOX CITY COURT
CITY OF KNOX
SPECIAL INVESTIGATION 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.

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 City and Town Courts, Chapter 4)

RECONCILIATION OF SUBSIDIARY LEDGERS

The City Court Clerk was unable to provide a detailed list of trust account or cash bonds held until disposition. The total should be reconciled to the December 31, 2013 Cash Book balances. The Cash Book balances for trust and cash bonds were \$53,869 and \$75,853, respectively.

REGISTER OF TRUST FUNDS (GENERAL FORM NO. 102) - This record is commonly referred to as the "trust fund register." It is a register wherein money received for the benefit of all persons or parties is entered in detail. The posting to this record is made from the duplicate receipts and checks and from the trust column of the court cash book. Items entered in other columns of the cash book must not be posted in the trust fund register. The total of all unpaid items as shown by the trust fund register must agree with the balance in trust as shown by the court cash book. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

KNOX CITY COURT
CITY OF KNOX
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2014, with Angela Jesuit, City Court Clerk, and Charles F. Hasnerl, Judge.

The contents of this report were discussed on November 17, 2014, with Rick L. Chambers, Mayor, and Jeffrey J. Houston, Clerk-Treasurer.



KNOX CITY COURT
101 WEST WASHINGTON STREET
KNOX, INDIANA 46534

CHARLES F. HASNERL – JUDGE
ANGELA K. JESUIT – CLERK
REBECCA CZARNECKI – BAILIFF

PHONE: 574-772-3766
FAX: 574-772-7224

November 13, 2014

Attn:

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

Official Response:

PART I – Corrective Action taken to resolve future issues, dated September 14, 2014.

New Internal controls –

The following issues have been addressed:

1. Deposits need to be made no later than the next business day.
2. Funds need to be kept in a secure location while waiting for deposit.
3. Training and distribution of responsibility in the event that the Clerk is absent.

Changes that have been made:

1. During a normal business day, all members of the court staff are responsible for receipting incoming funds. The money box has been relocated so that it is generally in view of a court staff member at all times. At the close of a business day; funds are counted by the Clerk, the till (Odyssey) is reconciled, and the deposit slip is prepared for deposit the following morning. The \$100 cash that is kept in the cash box is counted at that time and all of those funds are placed into the bank bag and locked in a desk drawer in the inner office.
2. There have been new locks added so that the inner office can also be locked to prevent persons other than court staff members from entering the area where the



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money is secured. There are copies of all of these keys located in the key box in the City Clerk-Treasurers office.

3. In the event that the Court Clerk is unavailable to remove, secure, and facilitate the deposit; the responsibility falls to the office assistant. The necessary training has been completed to ensure that this process can happen without fail.

Note: In the event that a deposit cannot be made the next business day, notations will be made to the deposit slip to explain.

Examples : Power failure that prevents reconciliation or holidays.

PART II

Additional changes have been made to upgrade security since September.

An automated cash drawer has been added to the Odyssey system so that the drawer can only be opened by key or upon receipt of a cash transaction.

The process has remained the same.

Efforts are being made to investigate and adjust errors that exist in Odyssey due to incorrect adjustments. JTAC will be overseeing this process and advising the Clerk on the proper way to make these adjustments. All adjustment details will be added to the file for the month that the transaction was completed.

Additional training and outlines of job responsibilities will be completed by January 1, 2015. This should satisfy the State's recommendation for additional segregation of duties.

KNOX CITY COURT
CITY OF KNOX
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Angela Jesuit, City Court Clerk:			
Collections Not Deposited, page 4	\$ 800.50	\$ -	\$ 800.50
Deposits in Transit Not Deposited, pages 4 and 5	1,284.50		
Reimbursed August 29, 2014		899.00	385.50
Additional Audit Costs, page 5	<u>2,059.00</u>	<u>-</u>	<u>2,059.00</u>
 Totals	 <u>\$ 4,144.00</u>	 <u>\$ 899.00</u>	 <u>\$ 3,245.00</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)
Porter COUNTY))

We, Michelle M. Janosky and Kristin Campbell, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Knox City Court, City of Knox, Starke County, Indiana, for the period from January 1, 2013 to August 30, 2014, is true and correct to the best of our knowledge and belief.

Kristin Campbell
Field Examiners

Subscribed and sworn to before me this 3rd day of Feb, 2015.

Judy A. Hittle
Notary Public

My Commission Expires: 6-26-2021

County of Residence: Jasper

