

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

SPECIAL INVESTIGATION REPORT

OF

CLERK OF THE CIRCUIT COURT

JENNINGS COUNTY, INDIANA

January 1, 2009 to April 8, 2011



FILED
01/22/2016

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of the Circuit Court	Ronald E. Bloemer Mary Dorsett Kilgore	01-01-07 to 12-31-10 01-01-11 to 12-31-18
President of the County Council	Edward L. Maschino Howard L. Malcomb	01-01-09 to 12-31-09 01-01-10 to 12-31-15
President of the Board of County Commissioners	Jeffrey S. Day Matt Sporleder	01-01-09 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF JENNINGS COUNTY

We have conducted a special investigation of the records of the Clerk of the Circuit Court for the period January 1, 2009 to April 8, 2011. Our investigation was limited to the review of records associated with the deposit of monies collected. The results of our investigation are described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents. This report was forwarded to the office of the Indiana Attorney General and the local Prosecuting Attorney.

The Official Response to this report has not been examined or verified for its accuracy.

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

December 11, 2014

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

CASH COLLECTIONS NOT DEPOSITED

An analysis of detailed bank deposit information for the period January 1, 2009 to April 8, 2011, showed cash collections, totaling \$61,393.73, were not deposited as summarized in the following schedule:

Period		Amount
From	To	
01-01-09	03-05-09	\$ 3,125.00
03-06-09	12-31-09	27,587.22
01-01-10	03-05-10	2,602.09
03-06-10	12-31-10	<u>20,816.77</u>
Total 01-01-09 to 12-31-10		<u>54,131.08</u>
01-01-11	03-05-11	3,893.00
03-06-11	04-08-11	<u>3,369.65</u>
Total 01-01-11 to 04-08-11		<u>7,262.65</u>
Total		<u><u>\$ 61,393.73</u></u>

Scheme

The process used to divert collections from deposits involved a scheme known as "checks substituted for cash." This type of scheme is facilitated when a payment received in the form of a check is not recorded as a receipt on the financial records. The unrecorded check is substituted in the deposit for cash derived from receipts that are recorded on the financial records. Cash in the amount of the substituted check or checks is then diverted from the deposit in the amount of the substituted check.

The following were other elements of the scheme:

1. There were a total of 193 dates that checks were substituted for cash during the period January 1, 2009 to April 8, 2011. Included in those 193 dates were 125 checks written from trust accounts representing monies held on behalf of various persons. These checks were written payable to the "Jennings County Clerk," "Jennings Co. Clerk" or similar name and not to the person named on the trust account. These payments were not supported by court order or a notification from the Prosecuting Attorney.
2. The County receives checks from the Auditor of the State for tax warrant service fees. When these checks were \$813 or less, no receipts were written for these checks and the checks were directly substituted for cash in the deposit.

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

On two occasions, receipts were written for Auditor of State checks (for tax warrant service fees) in the amount of \$2,055 and \$3,102; however, the receipts were not posted as "Fees Due to County," but instead the checks were posted to fictitious trust accounts. A series of checks were written payable to the "Jennings County Clerk" or similar name in smaller amounts from the fictitious trust accounts and used to substitute for cash.

The use of fictitious trust accounts for the larger Auditor of State check amounts and to draw monies from these accounts with a series of checks further facilitated the "checks substituted for cash" scheme. This element of the scheme allowed for the substitution of checks for cash when the Auditor of State checks were in excess of daily collections received in the form of cash.

Cathy Robertson, Bookkeeper

Cathy Robertson was a Bookkeeper for the Clerk of the Circuit Court's Office during the period January 1, 2009 to April 8, 2011. Based on interviews with the two Clerks of the Circuit Court, Cathy Robertson, former Bookkeeper, and another employee were primarily responsible for balancing monies collected with receipts written and preparing bank deposit tickets.

Cathy Robertson, former Bookkeeper, resigned her position with the Clerk of the Circuit Court's Office on April 8, 2011. The following is additional information regarding checks being substituted for cash:

1. The Employee Service Record for the year 2009 used to document leave time taken showed that when the other employee was on vacation for the dates January 20, March 9, April 9, July 21, September 14, and September 15, checks were substituted for cash on these dates. The Employee Service Record for Cathy Robertson showed that Cathy Robertson, former Bookkeeper, did not take leave on those dates.

The Employee Service Record showed that when Cathy Robertson, former Bookkeeper, claimed 21 days of paid leave time in 2009, no substitution of cash for checks occurred on those dates.

(Note: No Employee Service Records for the years 2010 and 2011 were presented for review; accordingly, no further comparisons could be made)

2. During the period January 1, 2009 to April 8, 2011, there were 193 dates that checks were substituted for cash. An analysis of bank deposits after April 8, 2011, (after Cathy Robertson's last day of work for the Clerk of the Circuit Court's Office) did not identify any checks being substituted for cash for the period reviewed.
3. During the period January 1, 2009 to April 8, 2011, 125 checks written from trust accounts were substituted for cash. An analysis of bank deposits after April 8, 2011, (after Cathy Robertson's last day of work for the Clerk of the Circuit Court's Office) did not identify any checks written payable to the "Jennings County Clerk" or similar name that were substituted for the period reviewed.

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

4. During the period September 1, 2009 to April 8, 2011, there were a total of 76 checks received from the Auditor of State totaling \$12,222 for tax warrant service fees. There were either no receipts written for these checks or if receipts were written, the checks were receipted to fictitious trust accounts. As a result, 100 percent of checks were either directly or indirectly substituted for cash.

A comparison of checks received from the Auditor of State for tax warrant service fees for the period April 9, 2011 to June 21, 2011 (after Cathy Robertson's last day of work for the Clerk of the Circuit Court's Office) showed that 100 percent of Auditor of State checks were properly recorded on the financial records. There were no Auditor of State checks substituted for cash and no Auditor of State checks receipted to fictitious trust accounts for the period April 9, 2011 to June 21, 2011.

Internal Control Deficiencies

As more fully described in the Special Investigation Result and Comment titled "Internal Control Deficiencies," sufficient internal controls were not in place to identify collections not deposited. Ronald E. Bloemer, Clerk of the Circuit Court for the term January 1, 2007 to December 31, 2010, was responsible for establishing and overseeing the internal accounting control system for the Office of the Clerk of the Circuit Court for the years 2009 and 2010.

Indiana Statutes and Accounting and Uniform Compliance Guidelines

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 . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 5-13-14-3 in effect prior to July 1, 2011, states:

"A public officer who knowingly fails to deposit public funds, or knowingly deposits or draws any check or negotiable order of withdrawal against the funds except in the manner prescribed in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue."

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Request for Refunds

Cathy Robertson, former Bookkeeper, and Ronald E. Bloemer, former Clerk of the Circuit Court, are jointly and severally responsible for refunding collections not deposited for the period January 1, 2009 to December 31, 2010, and, accordingly, have been requested to refund \$54,131.08 to Jennings County. The requests for refunds were discussed with Cathy Robertson, former Bookkeeper, on December 11, 2014, and with Ronald E. Bloemer, former Clerk of the Circuit Court, on February 12, 2015. (See Summary of Charges, page 13)

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Cathy Robertson, former Bookkeeper, is responsible for refunding collections not deposited for the period January 1, 2011 to April 8, 2011. On December 11, 2014, Cathy Robertson, former Bookkeeper, was requested to refund \$7,262.65 to Jennings County. (See Summary of Charges, page 13)

INTERNAL CONTROL DEFICIENCIES

No information was presented for review that accounting duties were adequately segregated. Ronald E. Bloemer, Clerk of the Circuit Court for the period January 1, 2007 through December 31, 2010, was responsible for establishing and overseeing the internal control system for the Office of the Clerk of the Circuit Court during the years 2009 and 2010. We noted the following internal control deficiencies during the years 2009 and 2010:

1. No evidence was presented for review that an employee was assigned to open mail and to log mail collections separate from employees responsible for receiving over the counter collections, reconciling receipts with collections, and making up deposit tickets.

An employee responsible for opening the mail should record all checks on a mail check log. This employee should be separate from employees responsible for receiving over the counter collections, reconciling receipts with collections, and making up deposit tickets. The mail check log should be used to verify that checks received in the mail are recorded on the financial records.

Mail check logs should be retained and held for future audit or examination.

2. 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."

No evidence was presented for examination that the Clerk of the Circuit Court's Office had a process in place documenting that a comparison of the composition of checks and cash in the deposit agree to the composition of checks and cash marked on receipts.

3. Various employees were authorized to use the Clerk of the Circuit Court's signature stamp to write trust checks. As a result, there was no documentation of a second employee or official approving the disbursement of monies and verifying there was supporting documentation for checks written.
4. The computerized accounting system used by the Clerk of the Circuit Court's Office during the period January 1, 2009 to April 8, 2011, did not identify the employee responsible for preparing trust checks written.
5. The Trust Fund balance (control account) as shown in the Cash Book was not reconciled with the detail of outstanding items shown in the Trust Register. This condition was reported in prior Reports B32043, B35761, and B37790 covering the years 2007, 2008, and 2009, respectively.

The above deficiencies also continued during the period January 1, 2011 to April 8, 2011.

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
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 Clerks of the Circuit Courts of Indiana, Chapter 13)

INVESTIGATION COSTS DUE STATE OF INDIANA

The State of Indiana incurred additional costs in the investigation of cash collections not deposited (see Special Investigation Result and Comment titled "Cash Collections Not Deposited") in the amount of \$61,393.73.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

Cathy Robertson, former Bookkeeper, and Ronald E. Bloemer, former Clerk of the Circuit Court, are jointly and severally responsible for refunding audit costs due to the State of Indiana for the period January 1, 2009 to December 31, 2010, and, accordingly, have been requested to refund \$54,131.08 to Jennings County. The requests for refunds were discussed with Cathy Robertson, former Bookkeeper, on December 11, 2014, and with Ronald E. Bloemer, former Clerk of the Circuit Court, on February 12, 2015. (See Summary of Charges, page 13)

Cathy Robertson, former Bookkeeper, is responsible for refunding audit costs due to the State of Indiana for the period for the period January 1, 2011 to April 8, 2011. On December 11, 2014, Cathy Robertson, former Bookkeeper, was requested to refund \$7,262.65 to Jennings County. (See Summary of Charges, page 13)

BOND AND INSURANCE COVERAGE

The following is a schedule of bond and insurance coverage that Jennings County has purchased to cover misappropriation of funds:

Principal:	Cathy Robertson
Surety:	Fidelity and Deposit Company of Maryland
Type of Coverage:	Faithful Performance
Bond No.	POB4143351
Terms and Amounts:	03-06-08 to 03-06-09 \$ 10,000
	03-06-09 to 03-06-10 10,000
	03-06-10 to 03-06-11 10,000

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Principal:	Cathy Robertson
Surety:	The Ohio Casualty Insurance Company
Type of Coverage:	Faithful Performance
Bond No.	5096508
Term:	03-06-11 to 03-06-12
Amount:	\$15,000
Surety:	Selective Insurance Co. of South Carolina
Type of Coverage:	Crime Policy
Policy No.	1862945
Term:	12-31-08 to 12-31-09
Amount:	\$10,000
Surety:	OneBeacon American Insurance Co.
Type of Coverage:	Crime Policy
Policy No.	791-00-02-82-0001
Term:	01-01-10 to 12-31-10
Amount:	\$25,000
Deductible:	1,000
Principal:	Ronald E. Bloemer
Surety:	Auto-Owners Insurance Co.
Type of Coverage:	Faithful Performance
Bond No.	66315148
Term:	01-01-09 to 01-01-11
Amount:	\$30,000

OTHER SPECIAL INVESTIGATION REPORT

A Special Investigation Report on the Jennings County Auditor covering the period July 11, 2013 to October 9, 2013, was filed concurrently with this report. That Special Investigation Report reported that Cathy Robertson, former 1st Deputy County Auditor, misappropriated \$3,515.56.

MISSING RECORDS

The Employee Service Record or an approved equivalent record is required to be used to monitor compliance with a government unit's leave policies. This record shows leave time earned, leave time used, and the balance of any unused leave. Employee Service Records for the years 2010 and 2011 were not presented for review.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CLERK OF THE CIRCUIT COURT
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SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana, Chapter 13)

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2014, with Cathy Robertson, former Bookkeeper, and William D. Dillon, Attorney at Law.

The contents of this report were discussed on February 11, 2015, with Mary Dorsett Kilgore, Clerk of the Circuit Court.

The contents of this report were discussed on February 12, 2015, with Ronald E. Bloemer, former Clerk of the Circuit Court.

The contents of this report were also discussed on February 12, 2015, with Kay Vance, County Auditor; Matt Sporleder, President of the Board of County Commissioners; Howard L. Malcomb, President of the County Council, and Dave Woodall, Council member.

February 17, 2015

OFFICIAL RESPONSE

This is the response of Ronald E. Bloemer to the Exit Conference on February 12, 2015. The contents of this report were discussed on February 12, 2015 with Brandon Brough (SBOA) and Ron Robertson, Special Investigation Coordinator. The official response has been made a part of this report and may be found on page 14.

I, Ronald E. Bloemer, understand the contents of this Exit Conference Report. In response to page 5 of Audit Report B39062, I was aware of the prescribed Form 46 that the State Board of Accounts required and as I recall, I thought the staff was using Form 46. The Trust Register not reconciling had been an issue when I took office. I did take steps to eliminate trust items on hand for a period of over five years or longer when I first took office based on Examination Report B32043. I did try to keep the Trust Book reconciliation “current” during the remainder of my term. In 2009 I took steps to initiate the implementation of the Odyssey system because the MHI system was always “going down” and possibly “losing” information. If a backup of the system had not been made, things would have been much worse. I always blamed some of our issues on the “system”; however, I am not so sure about that now.

When I took office as the elected Clerk, I retained the people already employed in the Clerk’s office, trusting that they would carry out their duties responsibly and legally. As time passed, I felt that the processes of the office were efficient and being done properly and as prescribed. Human nature is a curious thing and it is hard to believe that the measures taken by a staff member happened. Many people say I am trusting and honest to a fault. Sadly, my eyes have been opened.

Ronald E. Bloemer, Former Clerk of Courts

CLERK OF THE CIRCUIT COURT
JENNINGS COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Cathy Robertson, former Bookkeeper, and Ronald E. Bloemer, former Clerk of the Circuit Court, jointly and severally: Cash Collections Not Deposited, pages 4 to 7: Period: January 1, 2009 to December 31, 2010	\$ 54,131.08	\$ -	\$ 54,131.08
Cathy Robertson, former Bookkeeper: Cash Collections Not Deposited, pages 4 to 7: Period: January 1, 2011 to April 8, 2011	<u>7,262.65</u>	-	<u>7,262.65</u>
Total Due Jennings County	<u>61,393.73</u>	-	<u>61,393.73</u>
Cathy Robertson, former Bookkeeper, and Ronald E. Bloemer, former Clerk of the Circuit Court, jointly and severally: Investigation Costs Due State of Indiana, page 8 Period: January 1, 2009 to December 31, 2010	54,131.08	-	54,131.08
Cathy Robertson, former Bookkeeper: Investigation Costs Due State of Indiana, page 8 Period: January 1, 2011 to April 8, 2011	<u>7,262.65</u>	-	<u>7,262.65</u>
Totals	<u>\$122,787.46</u>	<u>\$ -</u>	<u>\$ 122,787.46</u>

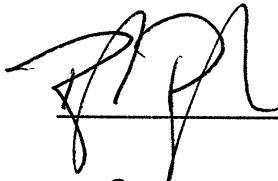
This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
Scott)
 COUNTY)

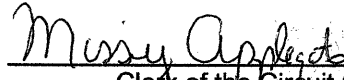
We, Brandon Brough and Ronald Robertson, Special Investigators, being duly sworn on our oaths, state that the foregoing report based on the official records as described in our letter to the officials of Jennings County, Indiana, for the period from January 1, 2009 to April 8, 2011, is true and correct to the best of our knowledge and belief.



Ronald Robertson

Special Investigators

Subscribed and sworn to before me this 21 day of January, 2016



Clerk of the Circuit Court