

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF CLOVERDALE

PUTNAM COUNTY, INDIANA

January 1, 2013 to March 31, 2015



FILED
10/28/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cheryl Galloway	01-01-12 to 12-31-19
President of the Town Council	Donald Sublett Coweta Patton	01-01-13 to 12-31-13 01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CLOVERDALE

We have conducted a special investigation of the records of the Town of Cloverdale for the period of January 1, 2013 to March 31, 2015. Our investigation was limited to the following records: utility customer account histories, utility adjustment reports, utility adjustment documentation, and payroll information. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully 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.

Any Official Response included herein this report has not been examined or verified for its accuracy.

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

March 3, 2016

TOWN OF CLOVERDALE
SPECIAL INVESTIGATION RESULTS AND COMMENTS

UNDOCUMENTED UTILITY CUSTOMER ADJUSTMENTS

A review of utility customer adjustments from January 1, 2013 to March 31, 2015, revealed 54 adjustments totaling \$7,259.31 were made to customer accounts without proper documentation.

A joint investigation with the Indiana State Police (ISP) revealed the following:

1. Nine payment receipts were obtained from customers. In all nine cases, the payments made by customers were not posted to their accounts nor were the funds deposited into the appropriate utility account. After the date the customers made their payment, an adjustment was made to their account to reflect their payment.
2. One adjustment was made under an employee's name that did not work the day of the adjustment.
3. Customers interviewed who received adjustments to their accounts said they neither requested nor should have received an adjustment.

Brittney Duncan, former Utility Clerk, was responsible for processing utility customer adjustments. Procedures were in place to be followed to document authorized adjustments; however, these procedures were not always followed. Other than as stated in item 2 above, the undocumented utility customer adjustments were made in Brittney Duncan's name.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (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)

Brittney Duncan, former Utility Clerk, was requested to reimburse the Cloverdale Utilities \$7,259.31 for undocumented utility customer adjustments. (See Summary of Charges, page 7)

INTERNAL CONTROLS

Lack of Segregation of Duties: The Town has not separated incompatible activities related to preparing utility bills, collecting utility payments, posting payments, preparing utility deposit tickets, and processing adjustments to customer accounts. The same person was responsible for billing, collecting, posting, and adjusting all utility customer accounts.

TOWN OF CLOVERDALE
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 Cities and Towns, Chapter 7)

ADDITIONAL SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs, in the amount of \$3,253.77, due to the special investigation of undocumented utility customer adjustments.

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 Cities and Towns, Chapter 7)

Brittney Duncan, former Utility Clerk, was requested to reimburse the State of Indiana \$3,253.77 for additional special investigation costs. (See Summary of Charges, page 7)

OFFICIAL BONDS

Brittney Duncan, former Utility Clerk, was covered by the following bonds:

Period	Amount
06-19-12 to 06-19-13	\$ 10,000
01-01-13 to 01-01-14	15,000
06-25-13 to 06-25-14	10,000
06-25-14 to 06-25-15	10,000

TOWN OF CLOVERDALE
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2016, with Cheryl Galloway, Clerk-Treasurer, and Coweta Patton, President of the Town Council.

TOWN OF CLOVERDALE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Brittney Duncan, former Utility Clerk:			
Undocumented Utility Customer Adjustments, page 4	\$ 7,259.31	\$ -	\$ 7,259.31
Additional Special Investigation Costs, page 5	<u>3,253.77</u>	-	<u>3,253.77</u>
Totals	<u>\$ 10,513.08</u>	<u>\$ -</u>	<u>\$ 10,513.08</u>

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

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