



INSPECTOR GENERAL REPORT

2010-05-0125

December 27, 2010

ALCOHOL AND TOBACCO COMMISSION THEFT

Inspector General David O. Thomas and Staff Attorney Amanda Schaeffer, after an investigation by Special Agent Mark Mitchell, report as follows:

This case was reported to the Office of the Inspector General (OIG) by the Alcohol and Tobacco Commission (ATC) regarding one its employees. In May of 2010, the ATC reported that its employees found multiple unprocessed “application for employee permit” forms in an employee’s (“Employee”) desk. None of the applications had been entered into the ATC database and the money that should have accompanied these applications could not be found. Special Agent Mark Mitchell was assigned to investigate.

The ATC licenses and regulates these permits. A permit authorizes an individual to dispense alcoholic beverages as a clerk in a package liquor store, a bartender, waiter, waitress, or manager in a retail establishment. The cost for a permit ranges from \$15 to \$45. Applicants may walk in to the ATC and drop off their application for employee permit and payment. Employee’s position was an ATC processor, meaning Employee would accept the applications and money from individuals, which Employee should have

then entered into the ATC database. At the end of the day, the processors should balance and batch their payments received and forward them to an ATC cashier, who then deposits the funds with the State Treasurer.

On May 17, 2010, an applicant came into the ATC office to check on the status of his employee permit application. The processor who assisted the individual found that his receipt had been issued by Employee, who was off work that day. The processor was unable to find the applicant's name in the database, then checked Employee's desk to see if his application was there. She discovered the application along with 118 other applications that had not been processed. Each application had a receipt attached to it for a cash payment received from each applicant, totaling \$4,925. The money from these applications could not be found.

Employee was interviewed on May 18, 2010. Employee acknowledged she used the money for her children. Employee stated she started taking the money around the first of the year and had intended to pay it back eventually.

The ATC has instituted procedures to help prevent such occurrences in the future. ATC Controllers will access a report from the ATC Licensing System for each employee that enters cash. That report contains the employee's entry history, as well as a manual cash receipt number from the cash receipt books. Based on that report, controllers will initial on the cash receipt that the cash was actually entered in the system. If an employee neglects to enter the manual number or inadvertently enters it as a check or money order, this will be noted on the receipt in the receipt book. Prior to this procedure, cash intake was not reconciled with the manual receipt book.

This case was submitted to the Marion County Prosecuting Attorney. In November of 2010, the Employee was indicted by a grand jury in Marion County and criminal charges were filed for theft and official misconduct, both class D felonies.

In conclusion, the OIG makes the recommendation that ATC institute and maintain procedures to come into compliance with IC 5-13-6-1(b), the statute which requires immediate deposits. The OIG further recommends that its new internal control be continued and reexamined periodically for effectiveness.

Dated this 27th day of December, 2010.



David O. Thomas, Inspector General