

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

SPECIAL INVESTIGATION REPORT

OF

TOWN OF OOLITIC

LAWRENCE COUNTY, INDIANA

January 1, 2015 to December 31, 2020



FILED

06/27/2024

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF OOLITIC, LAWRENCE COUNTY, INDIANA

This is a special investigation report for the Town of Oolitic (Town), for the period January 1, 2015 to December 31, 2020, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with customer utility records. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

June 25, 2024

TOWN OF OOLITIC
RESULTS AND COMMENTS

BACKGROUND

A Town Council member received a complaint from a water utility customer about their respective bill. Town employees reviewed the customer's utility account and discerned discrepancies. Town officials reported the discrepancies to the Indiana State Board of Accounts (SBOA) in accordance with Indiana Code 5-11-1-27. The SBOA examined the records and accounting for the Town's utilities for the period of January 1, 2015 to December 31, 2020. The following describes noncompliance with Indiana Code or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

UTILITY RECIEPTS NOT DEPOSITED

The Town's office consists of a Clerk-Treasurer and Utility Clerk. During the period of examination, Jessica Staggs (Staggs) served as the elected Clerk-Treasurer and Allison Lewis (Lewis) was employed as the Utility Clerk. Both Staggs and Lewis accepted utility payments, posted the utility payments to customer accounts, prepared the utility deposits, and took the utility deposits to the bank.

Starting July 31, 2015, we compared the utility cash and the utility checks deposited on a given day to the utility cash payments and the utility check payments posted to the system on that same day, to ensure payments were deposited intact (cash and checks were deposited in the same form they were received). We noted 99 days that utility payments were not deposited intact. Detailed bank statements were not available before July 31, 2015. The schedule below documents the date and discrepancy amounts:

Years	Amount	Number of Occurrences
2015	\$ 13,538.45	15
2016	22,330.77	23
2017	24,184.61	26
2018	11,049.52	23
2019	7,972.21	11
2020	741.32	1
Totals	<u>\$ 79,816.88</u>	<u>99</u>

For each of the ninety-nine days, we reviewed the cash and individual checks that made up the day's deposit. We compared the checks deposited to the utility check payments posted for the same day. We found one hundred and fifty-seven checks deposited that did not reflect what was recorded. Eighty-one of those checks came from 3 specific customers.

Customer 1 typically paid a flat amount each month with a check that was over the amount due on the bill. Customer 1's check was deposited but only received partial credit. The additional payment was never posted to Customer 1's account and instead was posted to other customers' accounts that paid with cash or was posted as paid by check, but no check was in the deposit.

TOWN OF OOLITIC
RESULTS AND COMMENTS
(Continued)

Customer 2 had three accounts that were all paid for with one check each month. However, in reviewing all three account histories from the computer system, from January 2015 through August 2017, November 2019, and December 2019, the computer system showed only two of the three accounts were billed and payments received. We contacted Customer 2 to ask if they retained any of the utility bill cards for that time period. Customer 2 was able to provide most of the utility bill cards for all three accounts proving all three accounts were billed and that the total of all three accounts agreed to the checks deposited. Since the bills for one of the accounts were deleted from the system, the payment for that account was posted to other customers' accounts that paid with cash or was posted as paid by check, but no check was in the deposit.

Customer 3, like customer 1, typically paid a flat amount each month with a check that was over the amount due on the bill. Customer 3's check was deposited but only received partial credit. The additional payment was never posted to Customer 3's account and instead was posted to other customers' accounts that paid with cash or was posted as paid by check, but no check was in the deposit.

The remaining seventy-six checks were non-utility customer checks that were deposited with the utility customer payments and posted to customers' accounts that paid with cash or was posted as paid by check, but no check was in the deposit. These checks were received by the Town or utility for other purposes, such as income from rentals, refunds, insurance claims, donations, etc.

The table below summarizes the checks substituted:

Substituted Checks		
Payee	Numbers	Totals
Customer 1	29	\$ 3,557.00
Customer 2	27	36,727.44
Customer 3	25	2,750.00
Other Non-Utility Customer Collections	76	36,782.44
Totals	<u>157</u>	<u>\$ 79,816.88</u>

The following items were noted during our review of the days with discrepancies:

- There were no days with discrepancies related to Lewis' utility customer account.
- Out of the ninety-nine days with discrepancies, twenty-nine days contained issues with Staggs' account.
- Twenty-eight of the days contained utility payments for Staggs' account that were posted as paid by check, but no check was in the deposit. Instead, a substituted check was deposited in place of Staggs' check.
- One day contained utility payment for Staggs' account that was posted as paid by cash. The utility bill stub was also marked it was paid by cash. However, that day's deposit was not intact and a substituted check was deposited in place of cash.
- On February 1, 2017, Staggs substituted her own check into the deposit. The check was not credited to her utility account and instead was substituted in place of utility payments posted as paid by check when no check was deposited.

TOWN OF OOLITIC
RESULTS AND COMMENTS
(Continued)

We interviewed Staggs on two occasions about the discrepancies. Staggs confirmed that she and Lewis were the only two people working in the utility office during the period of examination. She stated they both would accept utility payments, post the utility payments to customer accounts, and deposit the utility payments. Staggs also confirmed her own handwriting after being presented with a sample utility bill stub.

Based upon this discussion, we performed the additional work to determine Staggs's level of involvement in the discrepancies:

- We reviewed the handwriting on the deposit tickets to determine who filled out the deposit for the day. For all days, Staggs' handwriting was on the deposit ticket.
- We reviewed payroll records to determine who worked the days with discrepancies. Being an elected official, Staggs is not required to keep timecards or service records. In reviewing Lewis' payroll records, she did not work nineteen of the ninety-nine days with discrepancies.
- We reviewed mileage claims to determine who claimed mileage to the bank to make the deposit on the days with discrepancies. Lewis did not claim mileage on any day with a discrepancy. However, Staggs claimed mileage on ninety-seven of the ninety-nine days with discrepancies.

We interviewed Lewis on multiple occasions and she stated that she had no explanation for the substituted checks. Lewis stated she only dealt with customer payments and would not have handled any of the checks not related to customer payments. Lewis explained that both she and Staggs prepared the utility deposits, but Staggs usually took the deposits to the bank. Lewis explained that sometimes Staggs offered to do her deposit for her, for which Lewis would be amenable. Lewis also stated she never claimed mileage for going to the bank. We reviewed handwriting on utility bill cards and deposit tickets for the days with discrepancies. After being presented with some samples, Lewis attested it was not her handwriting on any of the deposit tickets. She also attested she did not delete, manipulate, or change any utility billings without just cause and that she had no knowledge of any theft or criminal activity while she served as Utility Clerk.

This investigation did not suggest that Lewis had any direct involvement or knowledge of the utility receipts that were not deposited.

Indiana Code 5-13-6-1 states in part:

". . . (c) Except as provided in subsections (d) and (g), all local officers, except township trustees, 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 several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received.

(d) . . . 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. . . ."

TOWN OF OOLITIC
RESULTS AND COMMENTS
(Continued)

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 1)

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 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 1)

We requested that Staggs reimburse the Town \$79,816.88 for utility receipts not deposited. (See Summary of Charges, page 10)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Clerk-Treasurer.

Indiana Code 5-11-1-27(m) states in part:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

(1) costs incurred by the state board of accounts . . ."

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 1)

We requested that Staggs reimburse the State of Indiana \$44,943.33 for special investigation costs. (See Summary of Charges, page 10)

INTERNAL CONTROLS

There were no segregation of duties or internal controls over utility payments, deposits, and posting to utility customer accounts. Both Staggs and Lewis accepted utility payments, posted the utility payments to customer accounts, prepared the utility deposits, and took the utility deposits to the bank. There was only one login for the utility system, so both used the same login to make any changes to the utility system. Therefore, there was no documentation of oversight, review, or approval process for utility payments, deposits, and posting to utility customer accounts.

The lack of segregation of duties and internal controls allowed for:

- Utility receipts to be deposited in a different form than received.
- Utility accounts to be altered after utility bills had been mailed to customers.
- Checks that were not for utility customer payments, to be deposited in place of customer payments.

TOWN OF OOLITIC
RESULTS AND COMMENTS
(Continued)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. These standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

INVESTIGATION BY LAW ENFORCEMENT AGENCY

It is our understanding that an investigation into the utility receipts not deposited has also been conducted by the Indiana State Police.

OFFICIAL BOND AND CRIME INSURANCE

The Town had an official bonds and crime insurance as shown in the table below:

Official Bond		Crime Insurance	
Period	Amounts	Period	Amounts
09-03-14 to 09-03-15	\$ 30,000	08-26-14 to 08-26-15	\$ -
09-03-15 to 12-31-16	30,000	08-26-15 to 08-26-16	-
01-01-17 to 01-01-18	30,000	08-26-16 to 08-26-17	-
01-01-18 to 01-01-19	30,000	08-26-17 to 08-26-18	-
01-01-19 to 01-01-20	30,000	08-26-18 to 08-26-19	-
01-01-20 to 01-01-21	30,000	08-26-19 to 08-26-20	25,000
08-05-15 until cancelled	85,000	08-26-20 to 08-26-21	25,000

Town of Oolitic

109 Main Street • P.O. Box 7 • Oolitic, Indiana 47451 • Phone 812-275-6813 Fax 812-278-7719



RE: - Town of Oolitic's official response to the SBOA draft audit report of the utility accounts investigation reviewed with Town Council on June 21st, 2024.

Town Officials discovered the discrepancies with the water utility accounts and reported the matter to the SBOA immediately. The Town requested that the SBOA investigate the matter. The Town has cooperated fully with the SBOA and the Indiana State Police investigations and has been very responsive to the needs, requests and questions of the SBOA & ISP related to their investigations.

The Town insists that any additional investigation costs above the \$44,943.33 mentioned in the draft report be assessed against Jessica Staggs. Other than Jessica Staggs, no Town Officials had any knowledge that money was being diverted from water utility customers. Jessica Staggs is solely responsible for all losses incurred by water utility customers and the related expenses incurred as a result of the investigations. The Town's budget is very tight and there are no excess funds to be spent towards this investigation.

The Town Council is also requesting a detailed listing and copies of all customer transactions such as checks, bank statements, credit card transactions and other documents produced by the SBOA investigation. The Council needs this documentation to assure that every utility customer identified by SBOA in this investigation is made whole financially, which the Town is committed to doing. The Town does not have the resources to try to gather the same documents that the SBOA already has in its possession to give the proper financial reimbursement the utility customers are entitled.

Oolitic Town Council


Brenda Corey – President

cc:
Greg Pittman – Town Counsel
Oolitic Board Members
Carla Hettle
Annette Norrick

TOWN OF OOLITIC
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2024, with Annette Norrick, Clerk-Treasurer; Brenda Corey, President of the Town Council; Jon Broglin, Town Council member; Carl Baker, Town Council member; John Dillon, Town Council member; Steven R. Kerr, Town Council member; Carla Hettle, Utility Clerk; and Greg Pittman, Town Attorney, via phone.

The contents of this report were discussed on June 25, 2024, with Jessica Staggs, former Clerk-Treasurer; D. Michael Allen, Council for Jessica Staggs; and Sadie Hatfield, Law Clerk.

TOWN OF OOLITIC
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jessica Staggs, former Clerk-Treasurer:			
Utility Receipts Not Deposited, pages 3 through 6	\$ 79,816.88	\$ -	\$ 79,816.88
Special Investigation Costs, page 6	<u>44,943.33</u>	<u>-</u>	<u>44,943.33</u>
Totals for Jessica Staggs, former Clerk-Treasurer	<u>\$ 124,760.21</u>	<u>\$ -</u>	<u>\$ 124,760.21</u>

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

AFFIDAVIT

STATE OF INDIANA)
)
MARION COUNTY)

We, Cole Wesley and Gina Gambaiani, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Oolitic, Lawrence County, Indiana, for the period from January 1, 2015 to December 31, 2020, is true and correct to the best of our knowledge and belief.

Cole Wesley

Gina Gambaiani
Field Examiners

Subscribed and sworn to before me this 27th day of June, 2024.

Juanita M. Hendricksen
Notary Public

My Commission Expires: October 19, 2031

County of Residence: Hendricks

