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

AUDIT REPORT

OF

COUNTY SHERIFF

DUBOIS COUNTY, INDIANA

January 1, 2008 to December 31, 2008

FILED
09/30/2009

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COUNTY OFFICIALS

Office	Official	Term
Auditor	Janet L. Sendelweck	01-01-08 to 12-31-11
Sheriff	Terry Tanner	01-01-07 to 12-31-10
President of the County Council	Gregory A. Kendall	01-01-08 to 12-31-09
President of the Board of County Commissioners	John G. Burger	01-01-08 to 12-31-08
	Randall L. Fleck	01-01-09 to 12-31-09

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF DUBOIS COUNTY

We have audited the records of the County Sheriff for the period from January 1, 2008 to December 31, 2008, 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Dubois County for the year 2008.

STATE BOARD OF ACCOUNTS

September 8, 2009

CONTRACT

In review and observation of employee meal collection procedures in conjunction with the Sheriff's contract, three exceptions to the Sheriff's contract were noted:

1. Records were not presented for audit to reflect that the Sheriff, Sheriff's officers, deputies or employees were not profiting from the appropriated funds for feeding prisoners.

   Observation of collection procedures and accountability of collections revealed:

   A. Adequate procedures were not established and implemented to ensure that all employees paid for breakfast, lunch, and dinner meals prepared on their behalf or for food that employees (jailers) prepared for themselves.

   B. Records reflecting the number of meals prepared/served for employees, the number of meals for which collection was received, from whom collection was received and total of meal collections were not retained for audit.

   C. Some collections were used to make purchases; therefore, not all collections were deposited intact in a timely manner and not all disbursements were made by check or from a properly established petty cash fund.

   IC 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."

   IC 5-15-6-3 (d) states:

   "No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

   (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.

   (2) The financial record or records have been copied or reproduced as described in subsection (e)."

   Supporting documentation such as receipts, cancelled checks, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for Counties in Indiana, Chapter 1)

   IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

   Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

The Sheriff's contract, section 4, states in part:

"The Sheriff shall at all times maintain all required records and reports in such form and manner as prescribed by the County as well as the Indiana State Board of Accounts. The Sheriff or the Sheriff's officers, deputies, or employee shall make no profit from the appropriation and shall not be entitled to share in said meals, except upon payment of reasonable compensation as set by the Commissioners."

2. In addition to each meal prepared for inmates, additional meal components were purchased and prepared for the Sheriff, Sheriff's officers, deputies or employees. Inquiry of employees revealed that additional meal components are routinely prepared for employees and employees were given the option of eating the additional meal components, the meal prepared for inmates, or both meals prepared in whatever quantity or number of servings desired. During 2008, the County incurred excessive food costs for employees' meals on an average of $450 per month. During the subsequent months, the excessive cost for food components for the Sheriff, Sheriff's officers, deputies, or employee meals had increased to an average of $773 per month. The average monthly excessive cost for food components do not include purchases made from collections, purchases of food components that may have been consumed by inmates and employees alike and the cost of labor to prepare the additional meal components.

   The Sheriff's contract, section 4, states in part:

   "The Sheriff or the Sheriff's officers, deputies, or employee shall make no profit from the appropriation and shall not be entitled to share in said meals, except upon payment of reasonable compensation as set by the Commissioners."

3. The Sheriff did not submit to the County Auditor a monthly summary, based upon itemized data required to be maintained by the Sheriff, showing the number of prisoners, the number of meals served, the expenses paid thereon and the rate per meal.

   The Sheriff's contract, section 6, states in part:

   "The Sheriff shall submit to the County Auditor a monthly summary, based upon itemized data maintained by the Sheriff, showing the number of prisoners, the number of meals served, the expenses paid thereon and the rate per meal."

DEPOSITS

Some receipts were written for amounts which could not be verified to supporting documentation. Further examination disclosed that these may have been the result of collections being withheld for cash disbursements instead of being deposited intact in a timely manner.

Peggy Carrico, Kitchen Manager, collected $1.50 per meal from employees for meals provided. As the employees entered the kitchen, the employees who paid, placed their money in a jar on the counter, signed a meal collections sign-in sheet, and entered the amount they paid.

Review of the Sheriff's receipts and supporting documentation revealed that during the period of June 15 through July 31, 2008, the collections were placed in an envelope and deposited at least weekly with the Sheriff. The Kitchen Manager reported that she included the cash register receipts for items purchased from collections and that the sign-in sheet did not accompany the collections upon remittance to the Sheriff. The Sheriff issued a prescribed receipt to the Kitchen Manager for each cash remittance that reflected the amount of cash and cash register receipts.

During July and subsequent months, money was withheld from collections to make purchases. The remittance envelopes contained documentation of total cash remitted along with cash register receipts for the purchases made from collections. Review of cash register receipts revealed initials and names of cooks, the Kitchen Manager, and the Matron.

During subsequent months, the deposits with the Sheriff became smaller in amount and less frequent. During each of the months of August and October 2008, there was only one deposit. There were two deposits made during the month of September and no deposits for the months of November and December 2008. During the months of no remittances of meal collections to the Sheriff, there were also no cash register receipts from vendors available for audit to reflect that the money collected was used for legitimate purchases for the kitchen for purchases of meal components for employee meal preparations. When the sign-in sheets were requested for audit, the Kitchen Manager stated that she did not keep them.

Review of collection procedures and the June 2009, meal collection sign-in sheet revealed that the Kitchen Manager and every other employee had access to the meal collections. For June 2009, the Kitchen Manager ran weekly totals of collections, then compared those totals from the sign-in sheet to actual collections on hand and remitted the collections to the Sheriff at the close of each week.

Our audit of the Sheriff's Department revealed that purchases were being made from daily cash employee meal collections.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

EMPLOYEE PURCHASES

During the audit of 2008 claims, we observed payments credited to Dubois County Sheriff Department's account to vendors that were not paid with a County warrant. We noted that credits from vendors were not applied, as shown by letters from the vendor attached to the claim requesting that the County please apply the credit or let them know that the credit was not due them. In addition, we noted that food and nonfood purchases paid from the County General Fund jail appropriation for meals, was not for inmates; but, was used exclusively for employees. No attempt was made to determine the additional cost of work time required to prepare the additional food components prepared for employees.

Payments were made by various employees, as shown by copies of checks and County invoices with items identified as employee purchases. However, at least one purchase by an employee was paid by the County and the check from the employee was then written to the County as reimbursement. At least one purchase by an employee was paid by the County and also paid by the employee, creating one of the credits from the vendor that was not applied as of June 30, 2009.

Per the review of the County claims and the vendors involved, Sheriff Department employees received the County's rate, including rebates, on their tax exempt account. Inquiry of one vendor revealed that a separate taxable account in the name of the County was established for employee purchases; however, this account was seldom used.

Inquiry of Terry Tanner, Sheriff revealed that as of the beginning of January 2009, the Department's policy pertaining to employees making purchases on County accounts was to stop. He stated that employees were informed that items of a personal nature could no longer be purchased on County accounts. Subsequent follow-up revealed that a small number of purchases continued to be made during the current year on the County accounts. Inquiry of employees revealed that they were expected to pay the vendor at the time the items were delivered or the items were to be taken back by the vendors.

Dubois County should have policies in place to prevent County officials and employees from taking advantage of the County's rate and tax-exempt status when making personal purchases. The policy should reduce the risk of public funds or governmental employees' work time being used for personal purposes.

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purpose of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1) The County received credit for personal expenses observed as paid by the County during 2008 and that credit was applied to County invoices in July 2009.

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities of the Sheriff's Department were insufficient to detect the following exceptions:

1. Deposit, recording, reporting errors in the maintenance of the jail inmate trust subsidiary and control ledgers;

2. Employee meal collection, deposit and reporting procedural deficiencies; and

3. Contract noncompliance.

Our audit of the Sheriff's Inmate Trust revealed that the Inmate Trust Subsidiary Ledger was not properly reconciled to the control ledger nor was the control ledger properly reconciled to the depository balance. Some depository errors were not corrected for up to three months and other were not detected. The petty cash fund was often used to make change and was not reconciled after shift changes.

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient to provide reasonable assurance regarding the reliability of financial information and records. The Sheriff's Department should implement internal procedures to ensure that the subsidiary ledgers are reconciled to the control ledger on a regular basis. The control ledger should be reconciled to the depository balance monthly and all discrepancies should be investigated and corrected in a timely manner. Management should review the inmate trust records to ensure that the controls are properly implemented.

The Sheriff's contract allowed for employees of the Department to purchase and eat meals prepared at the jail for $1.50. Review and observation of employee meal collection procedures in conjunction with the Sheriff's contract, revealed three items of noncompliance to the Sheriff's contract and receipt deposit procedural deficiencies described more fully in the 'contract' and 'deposit' audit results and comments.

The Sheriff's Department had not implemented adequate internal controls over the receipting, disbursing and accounting for the financial activities of the sale of meals to employees. The Sheriff's Department should implement controls to ensure that all meals eaten by employees are properly accounted for and that the fee is collected. Supporting documentation should be available for audit to document the number of meals eaten by employees and that should correspond with the amount of money deposited by the Sheriff and subsequently remitted to the County Auditor. All collections should be deposited intact and in a timely manner. No purchases should be made from collections. All disbursements should be through the claim process or a properly established petty cash fund. Management should monitor the procedures to ensure that all controls are followed.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and receipts, 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 controls. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Controls over 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 Counties of Indiana, Chapter 1)

At all times, the manual and/or 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 Manual for Counties of Indiana, Chapter 1)

LINE OF CREDIT – UNPAID BALANCE

Inquiry of Peggy Carrico, Kitchen Manager, revealed that, prior to 2008, she had established a line of credit with a local vendor for the purchase of items needed for preparing employee and inmate meals at the jail. During the review of County invoices for employee personal purchases, no such identifiable personal items were noted on the cash register receipts for this vendor; however, no Sheriff Department claims contained any statements from that vendor either.

Further inquiry of Peggy Carrico, Kitchen Manager, revealed that the account was no longer being used for purchases by the Sheriff's Department but that the account had not been closed. Inquiry as to whether employees were authorized and had in the past made personal purchases from this vendor and whether she had statements on file from that vendor, she responded that she no longer had any statements from that vendor and yes that she did make purchases for herself on that vendor account.

In addition to revealing that she had made personal purchases, she stated that Terry Tanner, Sheriff, had the vendor account information and that she had a verbal agreement with the Sheriff to make payments of $100 per month toward the balance of the account; although she stated that she did not know what that balance might be. Inquiry of Peggy Carrico, Kitchen Manager, revealed that she did not keep track of the payments she made to the Sheriff and that she had given the Sheriff the money order receipts and had received nothing to show for the amount in money orders paid toward the balance of the account.

Per a statement dated May 25, 2008, provided by the Sheriff's Department, the balance of the vendor account at May 25, 2008, was $2,591.83. Management also provided a letter they received from Peggy Carrico, Kitchen Manager, where Ms. Carrico states that she made personal purchases from the vendor on the line of credit that she established on behalf of the Sheriff's Department. When the vendor sold the business on June 2, 2008, the purchaser accepted only $429.45 of the receivables. Confirmation from the current vendor revealed that the Sheriff personally took responsibility and paid the current vendor account balance of $429.45. Confirmation from the former vendor revealed that at December 31, 2008, the account balance was $1,637.38 and at July 8, 2009, the account balance was $1,337.38.

Based on the audit of money order receipts provided by Terry Tanner, Sheriff, there is a $200 discrepancy between the former vendor account balance and the Sheriffs record balance of $1,137.38 on July 8, 2009.

Dubois County should have policies in place to prevent County officials and employees from taking advantage of the County's rate and tax-exempt status when making personal purchases. The policy should reduce the risk of public funds or governmental employees' work time being used for personal purposes.

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purpose of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Peggy Carrico, Kitchen Manager, filed a Chapter 13 bankruptcy on July 28, 2009. At that time an automatic stay went into effect.

PAYROLL DEFICIENCIES

Our testing of the payroll system revealed the following deficiencies and exceptions:

1. Employee Service Record (General Form 99A) was not maintained for all employees tested; not all contained necessary information.

2. For those employees who had service records, not all reflected the normal work schedule and exceptions to the normal work schedule were not documented as to what hours were worked.

3. Not all employees whose work schedule varied from day to day maintained time sheets to reflect what hours were worked. Although requests were made for officer, deputy, and jailor 28 day cycle shift schedules, no such records were presented for audit.

4. Employee Service records did not reflect when and the amount of compensatory time was earned and taken.

5. Some Employee Service Records did not reflect sick leave earned, or the proper amount earned, and a running balance; therefore, the test for the maximum leave balance and the verification of the proper leave balance being forwarded to the subsequent year could not be performed.

6. Vacation, sick, and personal leave taken per the employee service records of Sheriff's officers and deputies were not recorded, as such, on the payroll schedule and voucher.

7. Payroll time sheets were not always signed by the department supervisor.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

OVERLAPPING HOURS

Our testing of the payroll system revealed that an excessive number of jail kitchen employee time clock cards were not punched by the time clock to reflect either the start and/or the end time of shifts. In the majority of such instances, the time was manually written on the punch clock card; however, the card did not reflect the approval of the employee's supervisor. Due to the frequency of the punch clock cards reflecting the manual entry of the start or the end time of the shifts of one employee, further investigation was made.

Observation of time clock cards revealed that a large portion of the time clock card deficiencies were those of Kortni Carrico, Jail Cook. Inquiry of Peggy Carrico, Kitchen Manager revealed that Kortni Carrico was her 19 year old daughter. The supervision and scheduling of the kitchen staff, including that of her daughter, was performed by the Kitchen Manager.

Inquiries of Peggy Carrico, Kitchen Manager, revealed that in addition to working at the jail as a cook, Kortni Carrico, Jail Cook, also attended a local cosmetology school during the work day. Peggy Carrico, Kitchen Manager, stated that she arranged her daughter's work schedule to allow for her to work at the jail and also attend school.

Comparison of the attendance/time records, requested by the Sheriff from the cosmetology school, with what hours were charged the County as an employee of the Sheriff's Department revealed numerous overlapping time intervals. For the period September 27 through December 31, 2008, there were 9 days in which 10 overlapping time intervals consisted of 25.25 hours. Review of payroll records also revealed an overpayment of 8 hours sick leave for July 15, 2008. The 25.25 overlapping hours charged to the County while she was in attendance at the cosmetology school plus the 8 hours overpaid as sick leave is a total of 33.25 hours at a rate of $9.70 per hour for an overpayment in 2008 of $322.53.

During the subsequent period of January through June 2009, comparison of the attendance/time records, requested by the Sheriff from the cosmetology school with what hours were charged the County as an employee on the Sheriff's Department revealed the following: During the period of March 6 through June 11, 2009, there were 13 days in which 13 overlapping intervals consisted of 43 hours. In addition, there were two mathematical errors in the calculation of the hours remitted to the Sheriff for payment consisting of 7 hours of overpayment. During 2009, the 43 overlapping hours charged to the County while she was in attendance at the cosmetology school plus the 7 hour mathematical error is a total of 50 hours at a rate of $9.90 per hour for a total overpayment in 2009 of $495.00.

Summary:		
2008	Overpaid 33.25 hours at $9.70/hour	$ 322.53
2009	Overpaid 50.00 hours at $9.90/hour	495.00
Total overpayments		$ 817.53

IC 35-44-2-4 states:

"(a) A public servant who knowingly or intentionally:

(1) hires an employee for the governmental entity that he serves; and

(2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Class D felony.

(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony.

(c) A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Class D felony.

(d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Class D felony.

(e) Any person who accepts property from a governmental entity in violation of this section and any public servant who permits the payment of property in violation of this section are jointly and severally liable to the governmental entity for that property. The attorney general may bring a civil action to recover that property in the county where the governmental entity is located or the person or public servant resides.

(f) For the purposes of this section, an employee of a governmental entity who voluntarily performs services:

(1) that do not:

(A) promote religion;

(B) attempt to influence legislation or governmental policy; or

(C) attempt to influence elections to public office;

(2) for the benefit of:

(A) another governmental entity; or

(B) an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code;

(3) with the approval of the employee's supervisor; and

(4) in compliance with a policy or regulation that:

(A) is in writing;

(B) is issued by the executive officer of the governmental entity; and

(C) contains a limitation on the total time during any calendar year that the employee may spend performing the services during normal hours of employment; is considered to be performing duties related to the operation of the governmental entity."

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. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
DUBOIS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2009, with Terry Tanner, Sheriff; Randall L. Fleck, President of the Board of County Commissioners; Janet L. Sendelweck, Auditor; Jerry Hunefeld, County Council member; and Bonnie J. Luebbehusen, County Council member.