

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

SPECIAL INVESTIGATION REPORT
OF

PARKS AND RECREATION DEPARTMENT
CITY OF BLOOMINGTON
MONROE COUNTY, INDIANA

July 1, 2009 to December 31, 2014



FILED
02/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Michael Trexler	07-01-09 to 01-01-13
	Susan West	01-02-13 to 06-13-14
	Donna Slater (Interim)	06-14-14 to 08-15-14
	(Vacant)	08-16-14 to 09-01-14
	Jeffrey Underwood	09-02-14 to 12-31-15
Mayor	Mark Kruzan	01-01-08 to 12-31-15
Park Director	Mick Renneisen	07-01-09 to 12-31-15
President of the Common Council	Andy Ruff	07-01-09 to 12-31-09
	Isabel Piedmont-Smith	01-01-10 to 12-31-10
	Susan Sandberg	01-01-11 to 12-31-11
	Tim Mayer	01-01-12 to 12-31-12
	Darryl Neher	01-01-13 to 12-31-14
	David R. Rollo	01-01-15 to 12-31-15
President of the Park Board	John Carter	07-01-09 to 12-31-12
	Leslie J. Coyne	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON

We have conducted a special investigation of the records of the Parks and Recreation Department, City of Bloomington for the period from July 1, 2009 to December 31, 2014. Our investigation was limited to the following records; receipts issued and bank deposits for lease rental payments of the Bloomington Project School. The purpose of our investigation was to determine if the accountability for cash and other assets was 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, the United States Attorney's Office, 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

September 29, 2015

PARKS AND RECREATION DEPARTMENT
CITY OF BLOOMINGTON
SPECIAL INVESTIGATION RESULTS AND COMMENTS

RECEIPTS IMPROPERLY DEPOSITED

Judith Seigle, former City of Bloomington Parks and Recreation Department (Parks Department) Office Manager, was indicted on March 11, 2015, by the Grand Jury for the Southern District of Indiana on one count of wire fraud for using her position and authority as an employee of the Parks Department to divert, embezzle, and misappropriate approximately \$30,000 in funds intended for the Parks Department and approximately \$400,000 in charitable funds donated to the Bloomington Community Parks and Recreation Foundation Inc. (Foundation). Judith Seigle, former Parks Department Office Manager, was responsible for managing the Parks Department's Office functions and maintaining the books and records for two Parks Department funds. Additionally, Judith Seigle, former Parks Department Office Manager, was also responsible for maintaining the books and records of the Foundation. The Foundation is a separate entity from the City.

The Parks Department has a lease agreement with Bloomington Project School for property at 349 South Walnut Street, Bloomington, Indiana. The lease is for 10 years commencing April 21, 2009, and ending June 30, 2019. An examination of the payments since the inception of the lease to December 31, 2014, showed five payments totaling \$36,718.75 were not deposited into the City's bank accounts. Further examination by the Federal Bureau of Investigation (FBI) showed that the five payments in question had been improperly deposited into the Foundation's bank account.

On December 19, 2012, receipt number 69821 was written to the Foundation in the amount of \$16,715.05 and the funds were deposited into the City's bank account on December 20, 2012. The Parks Department nonreverting deposit record showed that \$7,343.75 of that receipt was for transfer of erroneously deposited funds. This would be reimbursement for one of the five lease payments erroneously deposited, leaving four payments totaling \$29,375 still due to the City.

The City carries a crime insurance policy which covers City employees in the case of misconduct. On July 29, 2015, receipt number 133973 was written to Traveler's Insurance in the amount of \$26,875 in connection with a claim filed with proof of loss dated June 2, 2015. This payment was in conjunction with the loss of \$29,375 less a deductible of \$2,500.

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)

Judith Seigle, former Parks Department Office Manager, was requested to reimburse the City of Bloomington for receipts improperly deposited in the amount of \$2,500. (See Summary of Charges, page 8)

COLLECTION OF AMOUNTS DUE

The amount of \$2,500 for receipts improperly deposited was due to the City of Bloomington as of the date of this report. The City should seek collection of the amount due from the Foundation.

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 Cities and Towns, Chapter 7)

PARKS AND RECREATION DEPARTMENT
CITY OF BLOOMINGTON
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL OVER RECEIPTS AND LEASE RENTAL PAYMENTS

Deficiencies in the internal control structure were identified related to receipts and lease rental payments received by the Parks Department as follows:

Lack of Segregation of Duties: Duties were not sufficiently segregated over receipts and lease rental payment collections. Receipts were prepared, posted to the ledger and bank deposits prepared by the same individual.

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 \$14,433.39 due to the special investigation of Judith Seigle, former Parks Department Office Manager.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Judith Seigle, former Parks Department Office Manager, was requested to reimburse the State of Indiana for additional special investigation costs in the amount of \$14,433.39. (See Summary of Charges, page 8)

CRIME INSURANCE POLICY

The City of Bloomington was covered by a crime insurance policy to cover employees as follows:

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Policy Number</u>	<u>Amount</u>
Travelers Insurance	01-01-13 to 01-01-16	105877146	\$ 250,000
Travelers Insurance	01-01-10 to 01-01-13	105397458	250,000
Travelers Insurance	01-01-09 to 01-01-10	105050762	100,000
Travelers Insurance	01-01-08 to 01-01-09	105050762	100,000

The City's policy is a claims made policy. Even though some of the loss occurred in a prior year, the current policy applies because the losses were discovered in 2014.

PARKS AND RECREATION DEPARTMENT
CITY OF BLOOMINGTON
EXIT CONFERENCE

The contents of this report were discussed on April 22, 2015, with Mary Higdon, Attorney, and Judith Seigle, former Parks Department Office Manager.

The contents of this report were discussed on September 21, 2015, with Mark Kruzan, Mayor; Jeffrey Underwood, Controller; David R. Rollo, President of the Common Council; Margie Rice, Corporation Counsel; Daniel Sherman, Council Attorney; Mick Renneisen, Park Director; and Adam Wason, Deputy Mayor.

The contents of this report were discussed on September 29, 2015, with James L. Whitlatch, Attorney; Karin St. John, Executive Director Bloomington Community Parks and Recreation Foundation, Inc.; and Travis Vencel, President of the Bloomington Community Parks and Recreation Foundation, Inc.



**MARK KRUZAN
MAYOR**

CITY OF BLOOMINGTON

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OFFICE OF THE MAYOR

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October 5, 2015

State Board of Accounts
302 W. Washington Street, Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE from the City of Bloomington – Judy Seigle

The City of Bloomington appreciates the review and analysis provided by the State Board of Accounts. Measures were implemented last year that address each of the deficiencies noted by the Auditors. Specifically, additional controls and segregation of duties were implemented throughout the City in order to prevent and detect similar incidents in the future.

Additionally, the employee involved in the incident performed work for a legally distinct and separate non-profit organization, the Parks Foundation. Using the Foundation's bank accounts, the employee was able to improperly channel and withdraw City funds. The City and the Parks Foundation have amended their practices so that the Parks Foundation is now solely responsible for its accounts. No employee or volunteer from the City is authorized to handle fiscal responsibilities for the Parks Foundation.

As a final note, the City maintains insurance covering acts of employee dishonesty. The policy is subject to a \$2,500 deductible. This past summer, the City submitted an insurance claim for the City's misappropriated funds, \$29,375. In July, the City received a reimbursement check under this policy for \$26,875, which is the total amount of the City's loss, less the \$2,500 deductible. The City will continue to explore and pursue all legal measures available to collect the remaining \$2,500.

Thank you,

Mark Kruzan, Mayor
City of Bloomington



PARKS AND RECREATION DEPARTMENT
CITY OF BLOOMINGTON
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Judith Seigle, former Parks Department Office Manager:			
Receipts Improperly Deposited, page 4	\$29,375.00	\$	\$
Crime Insurance Policy, page 5	<u> </u>	<u>26,875.00</u>	<u>2,500.00</u>
Total before special investigation costs	<u>29,375.00</u>	<u>26,875.00</u>	<u>2,500.00</u>
Additional Special Investigation Costs	<u>14,433.39</u>	<u> </u>	<u>14,433.39</u>
Totals	<u>\$43,808.39</u>	<u>\$26,875.00</u>	<u>\$ 16,933.39</u>

This report was forwarded to the Office of the Indiana Attorney General, the United States Attorney's Office, and the local prosecuting attorney.

AFFIDAVIT

STATE OF INDIANA)
Knox COUNTY)

I, M. Annette Ladson, Auditor in Charge, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of the City of Bloomington, Monroe County, Indiana, for the period from July 1, 2009 to December 31, 2014, is true and correct to the best of my knowledge and belief.

M. Annette Ladson
Auditor in Charge

Subscribed and sworn to before me this 11 day of February, 2016

Deborah S. Mitchell
Notary Public

My Commission Expires: 8-31-2017

County of Residence: KNOX

