

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

SPECIAL INVESTIGATION REPORT
OF

UTILITIES
CITY OF NORTH VERNON
JENNINGS COUNTY, INDIANA

January 1, 2014 to August 17, 2015



FILED
06/01/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Special Investigation Results and Comments:	
Background Information	4
Adjustments to Customer Accounts	4
Missing Adjustment Printouts	5
Charges for Adjustment Printouts.....	5
Special Investigation Costs	6
Internal Control Deficiencies.....	6
Official Bonds.....	6
Exit Conference.....	7
Summary of Charges	8
Affidavit	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manger	Deanna Salyers	01-01-14 to 06-15-14
	Robin L. Jones	06-16-14 to 08-10-15
	(Vacant)	08-11-15 to 11-29-15
	Traci Wahlman-Ickx	11-30-15 to 12-31-16
Clerk-Treasurer	Raymond S. Gerkin	01-01-12 to 12-31-19
Mayor	Harold Campbell	01-01-12 to 12-31-15
	Michael Ochs	01-01-16 to 12-31-19
President of the Board of Works	Harold Campbell	01-01-14 to 12-31-15
	Michael Ochs	01-01-16 to 12-31-19
President of the Utility Service Board	Karen Snyder	01-01-14 to 12-31-15
	Issaac Brown	01-01-16 to 12-31-16
President of the City Council	David Shaw	01-01-14 to 12-31-15
	Brian Hatfield	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF NORTH VERNON

We have conducted a special investigation of the records of the Utilities of the City of North Vernon for the period from January 1, 2014 to August 17, 2015. Our investigation was limited to the records related to adjustments made to utility customer accounts. 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 Jennings County Prosecuting Attorney.

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

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

March 30, 2016

UTILITIES
CITY OF NORTH VERNON
SPECIAL INVESTIGATION RESULTS AND COMMENTS

BACKGROUND INFORMATION

The City of North Vernon (City) regularly adjusted customers' accounts for a variety of reasons including but not limited to billing errors, sprinkler adjustments, meter errors, and water leaks. All adjustments were to be presented to and approved by the Water or Wastewater Utility Superintendents.

In August of 2015, City officials became aware of unauthorized adjustments being made to customer accounts. This discrepancy was reported to the City Police Department on August 7, 2015, and subsequently to the Indiana State Board of Accounts, as required by Indiana Code 5-11-1-27.

Robin L. Jones, former Office Manager, worked as a Utility Clerk prior to being appointed Office Manager on June 16, 2014. As Office Manager, Robin L. Jones, had access to the daily collections, balanced cash drawers, prepared deposit tickets, and had full access to the accounts receivable, including the ability to post adjustments to the customer's accounts.

A City Police Report stated that on August 10, 2015, Robin L. Jones, former Office Manager, admitted to diverting utility collections for personal use.

On August 17, 2015, the Jennings County Prosecuting Attorney, in Cause No. 40C-401-1508-F6-208, charged Robin L. Jones, former Office Manager, with counts of Theft and Official Misconduct.

ADJUSTMENTS TO CUSTOMER ACCOUNTS

A review of adjustments made to customer accounts revealed 134 adjustments totaling \$17,692.72 made to customer accounts without any explanation for the period January 1, 2014 to August 10, 2015. The following is additional information regarding the adjustments:

1. Of the 134 adjustments reviewed, 111 resulted in the customers' accounts being adjusted to a \$0 balance. Valid adjustments could reduce the customer's balance; however, the balance would not be reduced to \$0. There would be no basis for a customer not to owe at least a minimum bill for City services.
2. The remaining 23 customer account adjustments reviewed were for customers who had entered into a payment plan with the Utility and made partial payments to their accounts. These customer's payments were usually made in cash.
3. When an adjustment was made to a customer's account, an adjustment report was to be printed out and approved either by the Water Utility Superintendent or the Wastewater Utility Superintendent. No printouts were presented for the 134 adjustments reviewed (see Special Investigation Result and Comment "Missing Adjustment Printouts").

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)

Robin L. Jones, former Office Manager, was requested to reimburse \$17,692.72 to the Utilities for adjustments to customer accounts. (See Summary of Charges, page 8)

UTILITIES
CITY OF NORTH VERNON
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

MISSING ADJUSTMENT PRINTOUTS

The Utilities computer system generates an adjustment printout when an adjustment is made to a customer's account. The adjustment printout is used to document and explain any adjustments that are made and to document the approval by either the Water Utility Superintendent or Wastewater Utility Superintendent.

The Utilities officials contracted with a private company to obtain a listing of all adjustments made to customer accounts for the period January 1, 2014 to August 10, 2015. A comparison of the listing of adjustments obtained from the private company with the adjustment printouts on file in the Utilities Office showed that the adjustments to the 134 customer accounts reported in the Special Investigation Result and Comment "Adjustments to Customer Accounts" were not presented for examination.

Robin L. Jones, former Office Manager, was responsible for the original customer printouts.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Indiana Code 5-15-6-8 states:

"A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Level 6 felony unless:

- (1) the commission shall have given its approval in writing that the public records may be destroyed;
- (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or
- (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."

CHARGES FOR ADJUSTMENT PRINTOUTS

As stated in the Special Investigation Result and Comment "Missing Adjustment Printouts," the Utilities officials were required to contract with a private company to obtain a listing of adjustments made to customer accounts. The cost of obtaining the listing of adjustments was \$1,063.75.

Robin L. Jones, former Office Manager, was responsible for the original customer printouts.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Robin L. Jones, former Office Manager, was requested to reimburse \$1,063.75 to the Utilities for charges for adjustment printouts. (See Summary of Charges, page 8)

UTILITIES
CITY OF NORTH VERNON
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs totaling \$16,310.57 in the investigation of adjustments made to customer accounts.

Audit costs incurred because of theft or 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)

Robin L. Jones, former Office Manager, was requested to reimburse \$16,310.57 to the State of Indiana for special investigation costs. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

Duties related to the cash receipts and customer receivables were insufficiently segregated, allowing the office manager complete access to collections, deposits and customer receivable accounts with no oversight. Additionally, no process was implemented to insure the proper approval of adjustments to the customer's accounts.

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)

OFFICIAL BONDS

The City obtained the following official bonds:

Bond Coverage	
Term	Amount
12-15-13 to 12-15-14	\$ 15,000
12-15-14 to 12-15-15	15,000

UTILITIES
CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on March 30, 2016, with Michael Ochs, Mayor; Raymond S. Gerkin, Clerk-Treasurer; Issac Brown, President of the Utility Service Board; Russell L. Vaught, Wastewater Superintendent; Michael Hess, Water Superintendent; and Rita L. Elmore, Assistant Clerk-Treasurer.

UTILITIES
CITY OF NORTH VERNON
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robin L. Jones, former Office Manager:			
Adjustments to Customer Accounts, page 4	\$ 17,692.72	\$ -	\$ 17,692.72
Charges for Adjustment Printouts, page 5	<u>1,063.75</u>	<u>-</u>	<u>1,063.75</u>
Totals	18,756.47	-	18,756.47
Special Investigation Costs, page 6	<u>16,310.57</u>	<u>-</u>	<u>16,310.57</u>
Totals	<u>\$ 35,067.04</u>	<u>\$ -</u>	<u>\$ 35,067.04</u>

This report was forwarded to the Office of the Indiana Attorney General and the Jennings County Prosecuting Attorney.

