

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

SPECIAL INVESTIGATION REPORT

OF

CLERK OF THE CIRCUIT COURT

TIPPECANOE COUNTY, INDIANA

April 1, 2005 to June 30, 2014



FILED
01/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk of the Circuit Court	Linda Phillips	01-01-03 to 12-31-10
	Christa Coffey	01-01-11 to 12-31-18
President of the Board of County Commissioners	John Knochel	01-01-10 to 12-31-10
	David S. Byers	01-01-11 to 12-31-11
	Thomas P. Murtaugh	01-01-12 to 12-31-12
	David S. Byers	01-01-13 to 12-31-13
	John Knochel	01-01-14 to 12-31-14
	Thomas P. Murtaugh	01-01-15 to 12-31-15
	David S. Byers	01-01-16 to 12-31-16
	Tracy A. Brown	01-01-17 to 12-31-17
President of the County Council	Andrew S. Gutwein	01-01-10 to 12-31-11
	Roland K. Winger	01-01-12 to 12-31-13
	David Williams	01-01-14 to 12-31-16
	John R. Basham II	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TIPPECANOE COUNTY

We have conducted a special investigation of the records of the Clerk of the Circuit Court (Clerk) for the period from April 1, 2005 to June 30, 2014. Our investigation was limited to the following records: receipts issued, bank statements, bank deposits, system reports, and court records. 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 special 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

January 17, 2017

CLERK OF THE CIRCUIT COURT
TIPPECANOE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

CASH RECEIPTS NOT DEPOSITED

Kerri Smith (Smith), former Office Manager, was terminated from employment on June 4, 2014, after Clerk's office employees discovered her deposit for June 3rd business was short on cash \$513.

We compared receipts issued by the Clerk's office to bank deposits made for the period of January 1, 2010 to June 30, 2014, and found the bank deposits were cash short in the amount of \$142,841.21.

All cash shortages identified came from the cash drawer of Smith. To conceal cash taken, Smith would deposit checks received in place of cash removed from the deposit. The checks used to make the deposit whole, were never receipted in or posted to any case.

A similar pattern existed for the period of April 1, 2005 to December 31, 2009. We compared Smith's cashier balance reports to her deposit tape and found cash differences of \$156,747.24.

The following is a yearly breakdown of the cash receipt shortages:

<u>Years</u>	<u>Amount</u>
2005	\$ 11,927.54
2006	35,129.47
2007	42,214.65
2008	29,038.69
2009	38,436.89
2010	46,950.42
2011	29,055.93
2012	24,917.00
2013	26,204.52
2014	<u>15,713.34</u>
Total	<u>\$ 299,588.45</u>

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

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

Smith was requested to reimburse Tippecanoe County \$299,588.45 for cash receipts not deposited. (See Summary of Charges, page 9)

CLERK OF THE CIRCUIT COURT
TIPPECANOE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Internal controls over the receipting and accounting for the financial activities of the Clerk's office were insufficient as described below:

- Accounting duties were not adequately segregated. The Office Manager was responsible for opening mail, accepting payments, recording payments received, and preparing her cash drawer for deposit.
- There were internal controls for receipting, recording, depositing, and reconciling the financial activities of the Clerk's office. However, the controls did not incorporate verifying that deposits made were intact as required by Indiana Code 5-13-6-1(c).

The above internal controls are necessary to prevent, or detect and correct (material) misstatements in a timely manner. Once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness.

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 publication, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

"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."

SPECIAL INVESTIGATION COSTS

The County incurred costs, in the amount of \$38,992.17, due to the special investigation of the Clerk's office.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee.

Smith was requested to reimburse Tippecanoe County \$38,997.17 for Special Investigation Costs. (See Summary of Charges, page 9)

CLERK OF THE CIRCUIT COURT
TIPPECANOE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

CRIME INSURANCE POLICY

Smith is covered by the following crime insurance policy:

<u>Policy Period</u>	<u>Amount</u>
01-01-05 to 01-01-06	\$ 100,000
01-01-06 to 01-01-07	100,000
01-01-07 to 01-01-08	100,000
01-01-08 to 01-01-09	100,000
01-01-09 to 01-01-10	100,000
01-01-10 to 01-01-11	100,000
01-01-11 to Continuous	100,000

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CLERK OF THE CIRCUIT COURT
TIPPECANOE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2017, with Christa Coffey, Clerk of the Circuit Court; Tracy A. Brown, President of the Board of County Commissioners; John R. Basham II, President of the County Council; Roland K. Winger, County Council member; David Williams, County Council member; and Bryan Metzger, County Council member.



Christa Coffey

clerk@tippecanoe.in.gov

www.tippecanoe.in.gov/clerk

County Courthouse
301 Main Street
Lafayette, Indiana 47901

Tippecanoe County Clerk of the Courts

PO Box 1665
Lafayette, Indiana 47902
phone 765.423.9326
fax 765.423.9194

OFFICIAL RESPONSE TO SPECIAL INVESTIGATION RESULTS AND COMMENTS

Contact Person Responsible for Corrective Action: Christa Coffey

Contact Phone Number: 765-423-9724

Corrective Actions Taken:

After determination of theft identified June 4, 2014, the following changes were made to responsibilities and segregation of duties:

- On a rotating basis, a designated staff member is responsible each day to retrieve mail, including payments by check or money order, from the Clerk's PO Box and County Office Building Mail Room.
- That employee also opens the incoming mail on their assigned day and disburses payments to other staff for receipting. The person who opens and sorts mail does not process payments received in the mail that day.
- If short-staffed or an employee is unavailable on their assigned day, mail is opened and payments sorted for processing by the Main Office Supervisor, Chief Deputy, and / or Clerk. This person does not post payments received in the mail that day.
- If a payment cannot be receipted directly to the correct system due to a multi-case payment, cash is not transferred for that difference. The payment is receipted into the system with the majority of payments. The next day, a check is printed payable to Tippecanoe County Clerk for that sum designating the case information, and the check is then receipted to the correct system. As group payments are discovered, the payer is requested to send separate checks for each system.
- Total payments in the form submitted (cash, checks, money order, credit card) must match day-end totals for the Odyssey and Quest case management systems and the ISETS child support system.

January 19, 2017



 Christa Coffey
 Tippecanoe County Clerk

CLERK OF THE CIRCUIT COURT
TIPPECANOE COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kerri Smith, former Office Manager:			
Cash Receipts Not Deposited, page 4	\$ 299,588.45	\$ -	\$ 299,588.45
Special Investigation Costs, page 5	<u>38,997.17</u>	<u>-</u>	<u>38,997.17</u>
Totals	<u>\$ 338,585.62</u>	<u>\$ -</u>	<u>\$ 338,585.62</u>

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

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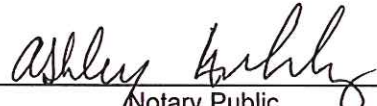
STATE OF INDIANA)
)
 _____ COUNTY)

I, Albert Marshall, Field Examiner, 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 Clerk of the Circuit Court, Tippecanoe County, Indiana, for the period from April 1, 2005 to June 30, 2014, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 25th day of January, 2017



Notary Public

My Commission Expires: 07/20/2023

County of Residence: Tippecanoe



ASHLEY LAKOSKEY
Resident of Tippecanoe County
My Commission Expires: 07/20/2023