

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

SPECIAL INVESTIGATION REPORT

OF

COUNTY SHERIFF

JENNINGS COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
05/02/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Deputy	Jerry L. Sheperd	01-01-13 to 12-31-14
County Sheriff	Steve Hoppock Gary M. Driver	01-01-11 to 12-31-14 01-01-15 to 12-31-18
President of the County Commissioners	Matt Sporleder	01-01-13 to 12-31-17
President of the County Council	Howard Malcomb	01-01-13 to 12-31-17



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF JENNINGS COUNTY

We have conducted a special investigation of the records of the County Sheriff for the period from January 1, 2013 to December 31, 2014. Our investigation was limited to the County Sheriff's payroll time records, payroll claims, payroll histories, and holiday schedules. 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.

Any response to this report has not been examined or verified for its accuracy and we do not express an opinion on it.

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

March 7, 2017

COUNTY SHERIFF  
JENNINGS COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS

**OVERPAYMENT OF HOLIDAY PAY**

On December 18, 2013, and December 17, 2014, Jerry L. Shepherd (Shepherd), former Chief Deputy, was compensated for holidays worked during 2013 and 2014, respectively. A comparison of payments made to Shepherd with payroll claims and holiday schedules for 2013 and payroll claims, time records showing the actual holidays worked and holiday schedules for 2014 showed that Shepherd received excess payments totaling \$1,719.76 during the years 2013 and 2014 as shown in the following schedule:

	<u>2013</u>		<u>2014</u>		<u>Totals</u>
Actual Holiday Pay Paid	\$ 3,821.76		\$ 3,898.08		\$ 7,719.84
Calculated Holiday Pay Due	<u>(3,184.80)</u>	(1)	<u>(2,815.28)</u>	(2)	<u>(6,000.08)</u>
Total Overpayments	<u>\$ 636.96</u>		<u>\$ 1,082.80</u>		<u>\$ 1,719.76</u>

Notes to Schedule:

- (1) Amount based on 15 holidays worked at 8 hours per holiday times Shepherd regular hourly pay rate.
- (2) Amount based on 13 holidays worked at 8 hours per holiday times Shepherd regular hourly pay rate.

Indiana Code 36-2-5-11(c) states in part:

"At its annual meeting under IC 36-2-3-7(b)(2), the county fiscal body shall consider the statements and recommendations submitted by the county executive under section 4(b) of this chapter and shall then adopt an ordinance, separate from those adopted under subsection (b), fixing:

- (1) the compensation of all officers, deputies and other employees . . ."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation must be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

On March 7, 2017, Shepherd was requested to refund \$1,719.76 to Jennings County. Reimbursement of \$1,719.76 to the County was made on March 9, 2017. (See Summary of Charges, page 7)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs in the investigation of excess holiday pay paid by the County.

COUNTY SHERIFF  
JENNINGS COUNTY  
SPECIAL INVESTIGATION RESULTS AND COMMENTS  
(Continued)

Audit costs incurred because of poor records, nonexistent records or any other inadequate book-keeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**BONDS/INSURANCE POLICY COVERAGE**

The County obtained crime policy coverage as scheduled below:

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Amount of Coverage</u>	<u>Amount of Deductible</u>
One Beacon Insurance Co.	12-31-12 to 12-31-13	\$ 250,000	\$ 1,000
Federal Insurance Co.	12-31-13 to 12-31-14	250,000	1,000

**INTERNAL CONTROL DEFICIENCIES**

Shepherd maintained a log of all County Sheriff's officers who earned overtime for working over their regular hours and holidays. These logs were not retained or provided to the County Sheriff's Clerk, only a summary was provided for payroll purposes. Control deficiencies were noted due to a lack of segregation in the payroll for the County Sheriff's officers and the Chief Deputy.

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. The 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. . . ."

(Uniform Internal Control Standards for Indiana Political Subdivisions, pages 12 and 13)

COUNTY SHERIFF  
JENNINGS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2017, with Gary M. Driver, County Sheriff, and Jeffrey S. Day, Chief Deputy.

COUNTY SHERIFF  
 JENNINGS COUNTY  
 SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jerry L. Shephard, former Chief Deputy: Overpayment of Holiday Pay, page 4	\$ 1,719.76	\$ 1,719.76	\$ -
Total Due from Jerry L. Shephard, former Chief Deputy	<u>\$ 1,719.76</u>	<u>\$ 1,719.76</u>	<u>\$ -</u>