

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

SPECIAL INVESTIGATION REPORT

OF

COUNTY TREASURER

GRANT COUNTY, INDIANA

January 1, 2015 to May 27, 2016



FILED
05/09/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
County Treasurer:	
Results and Comments:	
Personal Checks Substituted for Cash	3
Property Tax Checks Substituted for Cash	3-4
Additional Investigation Costs	4
Public Official Bond/Crime Insurance Policy	4
Internal Control Deficiencies	5
Exit Conference	6
Official Response	7
Summary of Charges	8
Affidavit	9



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GRANT COUNTY, INDIANA

This is a special investigation report for the County Treasurer's office (County), for the period January 1, 2015 to May 27, 2016, and is in addition to any other report for the County as required under Indiana Code 5-11-1. All reports pertaining to the County may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. Our procedures were limited to records associated with the County Treasurer's office collections and bank deposits. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

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

March 1, 2017

COUNTY TREASURER
GRANT COUNTY
RESULTS AND COMMENTS

PERSONAL CHECKS SUBSTITUTED FOR CASH

Peggy Dickerson (Dickerson) was employed in the County Treasurer's office as Chief Deputy from August 1, 2012 to January 8, 2016. Her primary duties as Chief Deputy included reviewing bank deposits, taking deposits to the bank, reconciling bank accounts, and working with the County's financial accounting system.

On four occasions scheduled below, Dickerson removed cash from the daily bank deposit for the County Treasurer's office and substituted her personal check. On each occasion Dickerson's personal check was returned by the bank for insufficient funds (NSF). Dickerson was able to conceal the NSF checks because she was responsible for reconciling the bank accounts. We verified that each check was also listed as NSF on Dickerson's personal bank account statements.

<u>Date</u>	<u>Substituted Check Amount</u>
10-20-15	\$ 1,600.00
11-10-15	3,500.00
11-24-15	1,800.82
12-28-15	<u>2,660.90</u>
Total	<u>\$ 9,561.72</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

We requested Dickerson to reimburse Grant County \$9,561.72, for personal checks substituted for cash. (See Summary of Charges, page 8)

PROPERTY TAX CHECKS SUBSTITUTED FOR CASH

Dickerson was employed in the County Treasurer's office as a First Deputy from January 9, 2016, until her resignation on May 27, 2016. Her primary duties as a First Deputy were collecting and recording property tax payments, balancing the cash drawers, and preparing daily collection reports and bank deposits.

Prior to the spring 2016 due date, the County received duplicate tax payments on two parcels of property. These duplicate payments were not reported to the County Auditor as surplus tax on the affected parcels.

On one parcel that had been sold, a bank paid both spring and fall installments with two checks of \$495. These checks were recorded by the County as payments on the parcel on April 14, 2016, and May 9, 2016. The County also received a check from a title company, for the same parcel, in the amount of \$990, dated April 12, 2016. The payment from the title company was never credited to this parcel.

COUNTY TREASURER
GRANT COUNTY
RESULTS AND COMMENTS
(Continued)

On another parcel, the County received a lockbox payment from a mortgage company for the spring installment in the amount of \$322.06. This payment was recorded on May 5, 2016. The County also received a check from the property owner dated April 26, 2016, for both installments in the amount of \$644.12. The check from the property owner was never credited to his parcel number. The fall installment of taxes on this parcel was paid by the mortgage company by another lockbox payment. This payment was recorded on November 9, 2016.

On May 11, 2016, Dickerson removed cash receipts in the amount of \$1,634.12 from the daily bank deposit for the County Treasurer's office and replaced the cash with the aforementioned checks from the title company (\$990.00) and the property owner (\$644.12). In order to make the Pay Method Summary on the Drawer Balance Listing agree with the composition of the deposit, Dickerson recorded the method of payment received on three parcels from one taxpayer as partially check and partially cash. In an interview conducted by the Grant County Sheriff's Department, the taxpayer verified that his entire payment had been made in cash. The computer log maintained by the accounting system in use in the County Treasurer's office confirmed that the payment entries to this taxpayer's parcels were made under Dickerson's secure log in account.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

We requested Dickerson to reimburse Grant County \$1,634.12, for property tax checks substituted for cash. (See Summary of Charges, page 8)

ADDITIONAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of checks substituted for cash totaling \$6,078.33.

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

We requested Dickerson to reimburse the State of Indiana \$6,078.33, for the additional investigation costs. (See Summary of Charges, page 8)

PUBLIC OFFICIAL BOND/CRIME INSURANCE POLICY

The County had Public Employees Position Schedule Bonds which covered the County Treasurer's office employees. The bonds provided \$5,000 of coverage for each covered employee for the period January 1, 2016 to December 31, 2016.

The County also has a crime insurance policy for \$100,000 for the periods February 15, 2015 to February 15, 2016, and February 15, 2016 to February 15, 2017.

COUNTY TREASURER
GRANT COUNTY
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in the internal control system for the County Treasurer's office. These deficiencies included, but were not limited to, lack of segregation of duties relating to collecting, recording, and depositing property tax payments. These deficiencies were communicated to County officials.

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, Part 1)

COUNTY TREASURER
GRANT COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2017, with Sarah Melford, Grant County Treasurer; Tiffany Griffith, Chief Deputy Treasurer; and Michael Burton, President of the Grant County Commissioners.



March 6, 2017

**Grant County
Treasurer's Office**

Sarah A. Melford
Treasurer

State Board of Accounts
302 W Washington St, Room E418
Indianapolis, IN 46204-2765

RE: Official Response to Investigative Audit

Please accept this correspondence as my official response to the County Treasurer's Office Results and Comments for the investigative audit regarding Peggy Dickerson.

As Treasurer, I concur with the audit results and comments included in this report. We found no other incidents of theft other than those noted and agree with the amounts due the county.

It was brought to my attention early in the investigation by the investigators that internal controls were compromised by not having separate cash and posting drawers for each individual in charge of those duties. It was immediately implemented in the office at that point. Each deputy posting payments now works only in one drawer, thus strengthening internal controls.

I am committed to continue and build upon internal controls that keep the taxpayer dollars in the most secure manner. The deficiencies have been respectfully noted and are currently part of our day to day procedures.

Sincerely,

Sarah A. Melford
Sarah A. Melford

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COUNTY TREASURER
GRANT COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Peggy Dickerson, former Chief Deputy:			
Personal Checks Substituted for Cash, page 3	\$ 9,561.72	\$ -	\$ 9,561.72
Property Tax Checks Substituted for Cash, pages 3-4	1,634.12	-	1,634.12
Additional Investigation Costs, page 4	<u>6,078.33</u>	<u>-</u>	<u>6,078.33</u>
 Totals	 <u>\$ 17,274.17</u>	 <u>\$ -</u>	 <u>\$ 17,274.17</u>

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

AFFIDAVIT

STATE OF INDIANA)
WELLS COUNTY)

We, Stephanie Heath and Stephen Poor, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Grant County, Indiana, for the period from January 1, 2015 to May 27, 2016, is true and correct to the best of our knowledge and belief.

Stephanie Heath

Stephen Poor
Field Examiners

Subscribed and sworn to before me this 27 day of March, 2017



DIANA L. COLLINS, Notary Public
Wells County, State of Indiana
My Commission Expires February 16, 2021

Diana Collins
Notary Public
Diana L. Collins

My Commission Expires February 16, 2021

County of Residence: Wells