

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

SPECIAL INVESTIGATION REPORT
OF

JACKSON COUNTY SOIL AND WATER
CONSERVATION DISTRICT
JACKSON COUNTY, INDIANA

May 15, 2009 to October 1, 2012



FILED
08/30/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Special Investigation Results and Comments:	
Background.....	4
Unauthorized Credit Card.....	4-5
Indiana Envirothon Expense Reimbursements	5-6
Payments Without Supporting Documentation.....	6-7
Unidentified Electronic Funds Transfers (EFT)	7
Penalties, Interest, and Other Charges	8
Special Investigation Costs	8
Internal Control Deficiencies.....	8-9
Crime Insurance Coverage.....	9
Exit Conference.....	10
Summary of Charges	11
Affidavit	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Coordinator/Treasurer	Rebecca Lauster (Vacant) Terry Ault	01-01-09 to 10-01-12 10-02-12 to 12-09-12 12-10-12 to 12-31-17
President of the Board of Supervisors	Tim Hoevener Charles Fox	01-01-09 to 04-01-15 04-02-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT

We have conducted a special investigation of the records of the Jackson County Soil and Water Conservation District (District), for the period from May 15, 2009 to October 1, 2012. Our investigation was limited to the following records: credit card statements of purchases and payments and reimbursement payments along with supporting documentation from the Indiana Envirothon (a not-for-profit third-party). 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 local 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

May 17, 2017

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
JACKSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

BACKGROUND

Rebecca Lauster (Lauster) served as District Coordinator/Treasurer during the period January 1, 2009 through October 1, 2012. On October 1, 2012, Lauster's employment was terminated with the District due to the misuse of District funds. The District's President of the Board of Supervisors (Board) discovered that Lauster had applied and obtained a credit card in the District's name without the Board's knowledge or approval and used the card for personal use.

Lauster also served as the President of the Indiana State Envirothon Committee (Committee) for the period June 26, 2009 to October 1, 2012. The Envirothon, which is sponsored by the Indiana Association of Soil and Water Conservation Districts, is a competitive learning event for high school-age students to test the student's knowledge of environmental resources. Lauster attended meetings and competitions on behalf of the Committee and was reimbursed for expenses incurred in representing the Committee.

Irregularities are described in the following Special Investigation Results and Comments in regards to the positions served by Lauster during the period May 15, 2009 through October 1, 2012.

UNAUTHORIZED CREDIT CARD

In March 2013, the Board became aware of the existence of an unauthorized credit card. At the time it was discovered, the card had a balance due of \$6,937.64. Review of the credit card transactions revealed it had been used for personal purchases by Lauster from May 15, 2009 to October 1, 2012. The District brought this information to the attention of the local County Prosecutor, who subsequently filed charges against Lauster. The Court ordered Lauster to repay the District the balance of \$6,937.64. The court-ordered repayment amount included only the balance due at the end of March 2013 and failed to include credit card transactions processed and paid for by the District prior to March 2013.

Review of credit card statements showed that the total charges to this credit card totaled \$20,951.28 which included late fees, finance charges, and personal charges by Lauster. Personal payments by Lauster and the court-ordered payments totaled \$8,966.64; leaving a balance of \$11,984.64 of personal items due from Lauster to the District. The balance of \$11,984.64 did not show as outstanding on the statement since Lauster used District funds to pay for personal purchases by electronic transfers of funds (EFTs) from the District's bank account. There were 31 EFTs made from the District's bank account by altering bank statements to show a different payee and, also, by presenting fictitious invoices to the Board along with the Accounts Payable Voucher to substantiate all of the fictitious payments.

The following schedule shows the total charges and payments made on the unauthorized credit card obtained by Lauster:

Credit Card Charges:	
Total Personal Purchases by Lauster	\$ 16,250.81
Account Charges for Late Fees and Finance Charges	<u>4,700.47</u>
Total Card Charges Due from Lauster	<u>20,951.28</u>

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
JACKSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Credit Card Payments Made by Rebecca Lauster:	
Payments made by Lauster Prior to Court- Ordered Settlement	\$ 2,029.00
Payments made According to Court- Ordered Plea Agreement	<u>6,937.64</u>
Total Payments made by Rebecca Lauster	<u>8,966.64</u>
Personal Charges Paid with District Funds Owed by Lauster	<u><u>\$ 11,984.64</u></u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the District for unauthorized credit card personal expenses in the amount of \$11,984.64. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

INDIANA ENVIROTHON EXPENSE REIMBURSEMENTS

The Committee approved Lauster to attend semiannual meetings and competitions in 2009, 2010, 2011, and 2012. Lauster would attend the meeting or competition and charge expenses to the District's business credit card. After returning, Lauster would take the receipts and invoices paid for from District funds and submit them to the Committee for reimbursement. Once the proper supporting documentation was presented, the Committee would issue a reimbursement check to Lauster for the expenses incurred. Lauster received the reimbursement checks from the Committee, cashed the checks and retained the reimbursements. Since the District's credit card was used by Lauster, the reimbursement check from the Committee should have been receipted to the District's records. The District's records that were presented did not show that any of the reimbursement checks totaling \$7,180.81 were receipted to the records or deposited into the District's bank account.

The following schedule shows the checks issued by the Committee less any refunds or expenses paid by Lauster totaling the amount paid from and due to District funds:

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
 JACKSON COUNTY
 SPECIAL INVESTIGATION RESULTS AND COMMENTS
 (Continued)

Meeting/Competition Date	Event	Committee Reimbursements to Lauster	Refunds and Expenses Paid by Lauster	Expenses Paid by District Funds
September 14, 2009	2009 Summer Meeting	\$ 913.36	\$ -	\$ 913.36
January 24, 2011	2010 Winter and Summer Meeting	1,500.00	2.06	1,497.94
May 4, 2011	2011 Winter Meeting	821.20	6.34	814.86
December 5, 2011	2011 Summer Meeting	1,587.61	-	1,587.61
May 9, 2011	2012 Winter Meeting	1,205.51	92.62	1,112.89
August 27, 2011	2012 Summer Meeting	1,261.34	68.03	1,193.31
September 5, 2012	Additional Payment 2012 Summer Meeting	60.84	-	60.84
Totals		<u>\$ 7,349.86</u>	<u>\$ 169.05</u>	<u>\$ 7,180.81</u>

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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 Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the District for the Committee expenses paid by the District of \$7,180.81. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

PAYMENTS WITHOUT SUPPORTING DOCUMENTATION

During the period of November 23, 2011 through July 27, 2012, the District business credit card was used by Lauster for expenses totaling \$383.76 incurred without providing supporting documentation for any of the purchases made. Due to the lack of supporting documentation, we could not verify the purpose of these disbursements and were unable to determine if they were District related expenses.

The following schedule shows purchases made by the use of the District's business credit card without supporting documentation:

Date of Charges	Vendor	Amount
November 23, 2011	Jay C Foods	\$ 12.40
December 7, 2011	Office Max	149.76
December 7, 2011	Shell Oil	24.01
December 8, 2011	Enterprise Rent-A-Car	37.73
March 28, 2012	Enterprise Rent-A-Car	79.00
July 21, 2012	Sizemore I-71 Pit SQPS	60.84
July 27, 2012	Shell Oil	20.02
Total Unsupported Credit Card Purchases		<u>\$ 383.76</u>

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
JACKSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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 Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the District for payments without supporting documentation of \$383.76. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

UNIDENTIFIED ELECTRONIC FUNDS TRANSFERS (EFT)

On November 9, 2010, and March 4, 2011, the District made payments of \$239.56 and \$300, respectively. Both payments were made by an electronic funds transfer (EFT) from the District's bank account with the description on the District's bank statement as "WFN PBP." Both of these payments were made without any supporting documentation being presented and without Board authorization.

An online search for "WFN PBP" revealed that the initials stood for "World Financial Network Pay by Phone." This is a credit card clearinghouse used by various department stores. The District's business credit card did not use this service.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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 Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the District for unidentified EFTs totaling \$539.56. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
JACKSON COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The District paid penalties and interest totaling \$191.47 for the period January 1, 2012 to October 1, 2012, due to late payments of the District's business credit card bill. Lauster was responsible for preparing claims for timely approval and payment.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the District for penalties and interest totaling \$191.47. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs of \$11,346.48 in the investigation of the payments of the unauthorized credit card, payments without supporting documentation, and penalties, interest, and other charges.

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 Special Districts, Chapter 1)

We were unable to reach Lauster by phone, so a meeting was scheduled for May 17, 2017, by certified mail to advise Lauster of our request for her to reimburse the State of Indiana \$11,346.48 for costs incurred in the investigation of unauthorized credit card payments, payments without supporting documentation, and the payment of penalties, interest, and other charges. Lauster did not attend the scheduled meeting. (See Summary of Charges, page 11)

INTERNAL CONTROL DEFICIENCIES

The District Coordinator/Treasurer was responsible for all aspects of the District's financial activity. This included preparing checks; recording financial transactions in the financial ledger; maintaining and accounting for the District's business credit card; and reconciling the District's bank account. Due to the lack of segregation of duties, unauthorized card credit charges and payments, payments without supporting documentation, and penalties and interest paid for late payment on credit card billings were able to occur and not be identified timely.

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:

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
 JACKSON COUNTY
 SPECIAL INVESTIGATION RESULTS AND COMMENTS
 (Continued)

"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. . . ."

CRIME INSURANCE COVERAGE

The District obtained crime insurance coverage as scheduled below:

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Amount of Coverage</u>	<u>Amount of Deductible</u>
US Specialty Insurance Co.	01-01-09 to 01-01-10	\$ 100,000	\$ 250
US Specialty Insurance Co.	01-01-10 to 01-01-11	100,000	250
One Beacon Insurance Co.	01-01-11 to 01-01-12	500,000	1,000
One Beacon Insurance Co.	01-01-12 to 01-01-13	500,000	1,000

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
JACKSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2017, with Terry Ault, District Coordinator/Treasurer, and Tyler Shaw, Board member.

JACKSON COUNTY SOIL AND WATER CONSERVATION DISTRICT
 JACKSON COUNTY
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rebecca Lauster, former District Coordinator/Treasurer:			
Unauthorized Credit Card, page 4 and 5	\$ 11,984.64	\$ -	\$ 11,984.64
Indiana Envirothon Expense Reimbursements, pages 5 and 6	7,180.81	-	7,180.81
Payments Without Supporting Documentation, pages 6 and 7	383.76	-	383.76
Unidentified Electronic Funds Transfers (EFT), page 7	539.56	-	539.56
Penalties, Interest, and Other Charges, page 8	191.47	-	191.47
Special Investigation Costs, page 8	<u>11,346.48</u>	<u>-</u>	<u>11,346.48</u>
Totals	<u>\$ 31,626.72</u>	<u>\$ -</u>	<u>\$ 31,626.72</u>

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

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AFFIDAVIT

STATE OF INDIANA)
DEARBORN COUNTY)

I, Richard Ahlrich, 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 Jackson County Soil and Water Conservation District, Jackson County, Indiana, for the period from May 15, 2009 to October 1, 2012, is true and correct to the best of my knowledge and belief.

Richard Ahlrich
Field Examiner

Subscribed and sworn to before me this 19th day of July, 2017.

[Signature]
Clerk of the Circuit Court

