

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

SPECIAL INVESTIGATION REPORT  
OF

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
WABASH COUNTY, INDIANA

November 1, 2012 to May 31, 2017



**FILED**  
12/06/2017



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

This is a special investigation report for the City of Wabash (City), for the period November 1, 2012 to May 31, 2017, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City may be found at [www.in.gov/sboa/](http://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 Wastewater Utility collections and customer accounts. 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.

Any 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

November 9, 2017

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
RESULTS AND COMMENTS

**BACKGROUND**

The Wastewater Billing Department (Department) is responsible for the billing, payment collection, and maintenance of all customer accounts related to the operation of the Utility. Customer account data is maintained using a computer software application. Billings are posted to the customers' accounts based on water usage figures provided by a private Water Utility. Customers may pay their bills through Automated Clearing House (ACH) withdrawals, online, over the counter at a local bank, by mail, in an overnight drop box, or at a drive-through window. The Department receives third-party printouts for the ACH and online collections, and receives payment stubs with all other methods of payment. The third-party printouts and payment stubs are used by Department employees to enter the collections in the billing software system.

All collections are entered on the next business day after they are received. The collections are entered in batches with a separate batch for each payment method. After all collections are entered, the Department prints a Cash Entry Batch List that lists all payments from all sources with a grand total. Collections are added and balanced to the Cash Entry Batch List. The collections along with a copy of the Cash Entry Batch List are taken to the Clerk-Treasurer, who issues a receipt to the Department employee. The Clerk-Treasurer receipts the collections to the Department funds on the City's records and deposits the collections to the bank.

**COLLECTIONS NOT DEPOSITED**

The Department cannot account for collections credited to customer accounts totaling \$152,127.54. These collections were entered in the Department's computer system in 112 batches assigned to 94 different collection dates from September 5, 2013 to May 9, 2017. None of the 112 batches are included in the Department's daily Cash Entry Batch Lists, and none of the collections in those batches were ever remitted to the office of the Clerk-Treasurer, recorded in the City's fund ledger, or deposited in the bank.

The Department's billing and customer accounting software recorded the operator who was logged in to enter these collections. For each of the 112 missing batches, the operator recorded by the software was Angelina Monroe (Monroe), a former Billing Clerk for the Department.

Beginning on July 20, 2015, the software internally recorded the input date for each batch. Of the 112 missing batches, 63 had an internally recorded input date. Comparing input dates with the collection dates posted to the customers' accounts revealed that all 63 batches were input anywhere from 1 to 22 days after the posted collection dates. Because the collections were posted to a date that had already been balanced, failure to remit those collections to the Clerk-Treasurer could not be detected using normal Department balancing procedures. Employee time records indicate that Monroe was the only Department employee who worked on all 63 of the recorded input dates for missing batches.

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 following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
RESULTS AND COMMENTS  
(Continued)

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 Cities and Towns, Chapter 1)

We requested that Monroe reimburse the City of Wabash Wastewater Utility \$152,127.54 for collections not deposited. (See Summary of Charges, page 7)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs in the investigation of the Wastewater Utility Billing Department collections and customer accounts.

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 Cities and Towns, Chapter 1)

We requested that Monroe reimburse the State of Indiana \$26,477.38 for special investigation costs. (See Summary of Charges, page 7)

**INTERNAL CONTROL DEFICIENCIES**

The Department had two employees. These employees had the same title, the same salary, and shared the same duties and responsibilities equally. Except for approving bi-weekly timesheets, there was no supervisory oversight and review of the activities of the Department. Due to the lack of segregation of duties and supervisory review, officials were not able to prevent or detect in a timely manner the failure to deposit collections.

The lack of necessary input controls allowed discrepancies between collections posted to customers' accounts and collections deposited to the bank to go undetected.

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. . . ."

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
RESULTS AND COMMENTS  
(Continued)

**CRIME INSURANCE COVERAGE**

The Department was insured under a government crime policy as follows:

<u>Coverage Period</u>	<u>Amount</u>
11-01-12 to 01-01-16	\$ 10,000
01-01-16 to 12-31-17	5,000

WASTEWATER BILLING DEPARTMENT  
CITY OF WABASH  
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2017, with Scott Long, Mayor; Wendy Frazier, Clerk-Treasurer; Robert Gray, Wastewater Utility Superintendent; Doug Adams, President Pro Tempore of the Common Council; Regina Sundheimer, Billing Clerk; and Kelly Baker, paralegal for the City Attorney.

WASTEWATER BILLING DEPARTMENT  
 CITY OF WABASH  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Angelina Monroe, former Billing Clerk:			
Collections Not Deposited, pages 3 and 4	\$ 152,127.54	\$ -	\$ 152,127.54
Special Investigation Costs, page 4	<u>26,477.38</u>	<u>-</u>	<u>26,477.38</u>
 Totals	 <u>\$ 178,604.92</u>	 <u>\$ -</u>	 <u>\$ 178,604.92</u>

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

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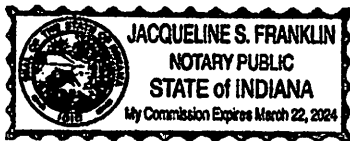
AFFIDAVIT

STATE OF INDIANA )  
White COUNTY)

I, Stanley W. Willmert, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Wabash, Wabash County, Indiana, for the period from November 1, 2012 to May 31, 2017, is true and correct to the best of my knowledge and belief.

Stanley W. Willmert  
Field Examiner

Subscribed and sworn to before me this 5 day of December, 2017



Jacqueline S. Franklin  
Notary Public

My Commission Expires: 3/22/2024

County of Residence: Tippecanoe