

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

SPECIAL COMPLIANCE REPORT  
OF

PARKS DEPARTMENT  
CITY OF FRANKFORT  
CLINTON COUNTY, INDIANA

January 1, 2016 to October 11, 2017



**FILED**  
02/02/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF FRANKFORT, CLINTON COUNTY, INDIANA

This is a special compliance report for the City of Frankfort (City), for the period January 1, 2016 to October 11, 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 and were limited to records associated with the City Parks Department's procedures relating to cash collections. 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.

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

December 12, 2017

PARKS DEPARTMENT  
CITY OF FRANKFORT  
RESULTS AND COMMENTS

**BACKGROUND**

In October 2017, City officials became aware that some of the cash revenue generated at the Parks Department was not being remitted to the Clerk-Treasurer. The Indiana State Board of Accounts was notified by City officials in accordance with Indiana Code 5-11-1-27.

The Parks Department generated cash revenue from the following sources: donations deposited in lock boxes located at the zoo, donations deposited in lock boxes during the Christmas in the Park display, and revenue from soft drink vending machines located on Parks Department property. It was common practice that one person emptied the donation boxes at the zoo once a week and gave the money to Joel Tatum (Tatum) Parks Department Superintendent. The donations from Christmas in the Park were emptied by one Parks Department employee nightly during the Christmas season as assigned on a rotating basis. The donations were subsequently deposited at a night deposit box at the bank. Tatum emptied the revenue from the soft drink machine and refilled the machine with product. Except for the cash donations generated from the Christmas in the Park display, all other cash revenue was retained by Tatum in the Parks Department office.

The Indiana State Board of Accounts examined the records and reviewed the accounting for cash collections at the Parks Department. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines for Cities and Towns.

**CASH NOT DEPOSITED**

On October 5, 2017, Jack Dodd, Human Resource Director, and Troy Beacon, Police Chief, interviewed Tatum regarding withholding cash collections and noncompliance with the City's policy that all monies collected were to be remitted daily to the Clerk-Treasurer. Tatum admitted that he had withheld cash collections to purchase Parks Department supplies and to make change for Parks Department patrons. Tatum kept the cash from soft drink vending machines and donations in coffee cans in the Parks Department's office. The cash on hand at the Parks Department's office was \$1,172.65. Jack Dodd and Troy Beacon transferred the money to the police evidence room for safekeeping until the conclusion of the examination by the Indiana State Board of Accounts. On November 28, 2017, \$1,172.65 was remitted to the Clerk-Treasurer.

All revenues generated and costs incurred in operating vending machines located on the units premises must be accounted for through the unit's records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

PARKS DEPARTMENT  
CITY OF FRANKFORT  
RESULTS AND COMMENTS  
(Continued)

***VENDING MACHINES/REVENUE***

In April 2016, Tatum authorized for three soft drink vending machines to be placed on park property. The revenue collected from the machines was retained in the Parks Department's office and not remitted to the Clerk-Treasurer. Based upon inquiries of Tatum and Parks Department employees, the revenues were used in part to purchase the soft drinks necessary to refill the machine and for other park related expenses. Records were not maintained of the amount of revenue generated from the machines or of expenses (i.e. invoices) that were paid from the cash revenues.

On June 19, 2017, Tatum opened a bank account in his name only and deposited a portion of the accumulated cash collections from the vending machines. From the period June 19, 2017, until the account was closed on November 27, 2017, there were deposits made totaling \$3,709.95, including interest of \$5.89 and checks/withdrawals totaling \$2,096.47. No documents were presented with details of the deposits. The checks written from the account were made payable to Coca Cola, except for one check written to the City for \$1,000, which was designated as a personal donation by Tatum.

There must be a clearly defined procedure adopted by the City concerning placement, use, maintenance, commissions, and profits of vending machines on their property. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All revenues generated and costs incurred in operating vending machines located on the City's premises must be accounted for through the City's records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund. Any alternative procedure must be authorized by resolution/ordinance of the governing body. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Tatum close the bank account and remit the revenues generated from vending machine sales to the Clerk-Treasurer. A cashier's check in the amount of \$1,613.48 was remitted to the Clerk-Treasurer on November 27, 2017. (See Summary of Charges, page 10)

***DEPOSITS NOT MADE TIMELY***

Receipts from the Parks Department were remitted to the Clerk-Treasurer's office later than the next business day. The Parks Department's Report of Collection, along with receipts issued and monies collected, were submitted to the Clerk-Treasurer's office on a sporadic basis. Generally, monies were remitted weekly, with the amounts ranging from \$125 to \$4,400.

Indiana Code 5-13-6-1(d) states in part:

"Except as provided in subsection (g), a city . . . or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories:

- (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and
- (2) approved as depositories of state funds."

PARKS DEPARTMENT  
CITY OF FRANKFORT  
RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(g) states in part:

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee.
- (3) A city or a town required to deposit funds under subsection (d). . . ."

***DATE OF RECEIPTS***

Receipts were not dated when the funds were collected. Tatum dated receipts when they were submitted to the Clerk-Treasurer along with the Report of Collection. This would insure the receipts would have appeared to have been remitted timely.

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

***CASH DISBURSEMENTS***

Cash donations collected from the locked boxes at the zoo were given to Tatum. Tatum retained the cash donations at the Parks Department. Based on inquiries of Tatum and Parks Department's employees, the donations were used for the care and maintenance of the animals at the zoo, acquisition of animals, and various other expenses at Tatum's discretion. Records were not maintained as to the amounts collected from the locked boxes nor were records presented documenting expenses that were paid in cash.

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Cities and Towns, Chapter 1)

***INTERNAL CONTROLS***

The Parks Department operated at least three cash collection points; zoo, Christmas in the Park, and soft drink vending machines. The City had not established sufficient controls designed to detect errors or irregularities occurring in the cash collection process.

PARKS DEPARTMENT  
CITY OF FRANKFORT  
RESULTS AND COMMENTS  
(Continued)

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. . . ."

PARKS DEPARTMENT  
CITY OF FRANKFORT  
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2017, with Judith Sheets, Clerk-Treasurer; Chris L. Barnes, Mayor; and Jack Dodd, Human Resource Director.

The contents of this report were discussed on December 12, 2017, with Joel Tatum, former Parks Department Superintendent.



December 18, 2017

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RE: OFFICIAL RESPONSE

The City of Frankfort would like to thank the Indiana State Board of Accounts (SBOA) for its assistance and its investigation into the matter concerning the City Parks Department. Please consider this as our official response to the State Board of Accounts Investigation and Findings from the Conference on December 12, 2017.

The City of Frankfort has an ordinance and according to City Ordinance Number 16-02, enacted the 28<sup>th</sup> day of March, 2016, Section 2 "When an incident involving any variance, loss, shortage or suspected theft of funds or property has been discovered by or brought to the attention of an employee of the City by any means or by any other person, such incident shall be reported to the employees' Department head who, shall in turn, report the incident to the Clerk-Treasurer and to the Mayor." Section 3 goes on to state that "If either the Clerk-Treasurer or the Mayor determines that an incident involving a variance, loss, shortage or suspected theft of any City funds or property is material and meets a threshold standard as defined above,[\$1,000] the Clerk-Treasurer shall immediately report the material incident to the State Board of Accounts." After a complete and intensive investigation, copies of all information was turned over to the SBOA along with the entire investigation file.

On September 26, 2017, the Human Resources Department received credible information that large amounts of cash was being kept in a coffee can in the office of the Superintendent of the Frankfort Parks Department. HR immediately notified the Mayor and City Clerk-Treasurer per the City Ordinance and an investigation was initiated.

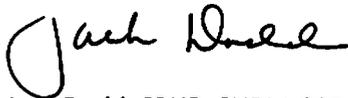
After the HR Director and Police Chief interviewed the Parks Superintendent and conducted a brief search of the Parks office, a coffee can with a large amount of cash was found in a desk drawer in the Park Superintendents Office. At first, the Parks Superintendent denied as to any knowledge of the cash. Later that evening, an email was received from the Parks Superintendent stating that the cash was his "personal cash and he demanded its return". The cash was placed in the police property room and counted and was found to contain \$1,071.60. An additional amount of cash (\$67.35) was found in another coffee can on the floor under the desk. This money was receipted into the Clerk-Treasurers Office from the Petting Zoo as donations. Also discovered was a bank account that had been set up with a current balance of \$1608.09 in unaccounted funds under the name of Joel Tatum. The State Board of Accounts concluded that it was not the Parks Superintendent's personal funds as he originally claimed and directed that all funds in the account be deposited to the proper City accounts, which was accomplished.

During the search of the Parks office, additional money was found on the table in the office in a cash drawer, which was estimated to be around \$400. These funds were identified as money belonging to a local service club that was unsecured on the desk. This money was directed to be removed from the Parks Office immediately and returned to the service club. During the investigation, it was discovered that the Parks Superintendent had taken some animals belonging to the City of Frankfort and sold them at auction for cash and purchased other animals without proper documentation or authorization. Funds donated to the Parks department were allowed to be taken home by staff, counted, and then deposited in the local bank, under the direction of the Parks Superintendent. All of this was in direct violation of the City of Frankfort's Internal Control policies and happened with approval of the Parks Department Superintendent.

Other items that were identified during the investigation were a lack of administrative protocols, which included numerous violations of the City's Internal Controls Policy that is attached as Exhibit A to the City Ordinance. The Ordinance includes a "trust but verify" approach. The Parks Superintendent admitted during the investigation that he had, on occasion, instructed his employees to enter dates on receipts and official receipt books, which were not the actual dates of the receipted transactions. Upon learning of this disclosure of an unacceptable practice, which could not be tolerated, immediate actions were taken by the City Administration to prevent reoccurrence of this behavior.

Many thanks to the tremendous effort of the employees of the City of Frankfort for stepping up and going above and beyond to come together as a team. We are extremely proud of the Parks and the City/Utility employees in providing exceptional quality programming for our citizens.

The City appreciates the SBOA pointing out the need to be more proactive in utilizing a stronger "trust but verify" means to assure Departmental compliance with the Internal Controls policy. The City had previously trained *all* staff including the Parks Superintendent in the Internal Control policies. The Parks Superintendent not only signed off that he participated in the training but that he understood all aspects of the policy. The City upholds the highest levels of integrity and moral high grounds and will reemphasize the absolute mandate that all aspects of the policy and training be followed and monitored.



Jack Dodd, SPHR, SHRM-SCP, IPMA-SCP  
Superintendent of Human Resources  
City of Frankfort

PARKS DEPARTMENT  
CITY OF FRANKFORT  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Joel Tatum, former Parks Department Superintendent: Vending Machines/Revenue, page 4	<u>\$ 1,613.48</u>	<u>\$ 1,613.48</u>	<u>\$ -</u>