

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

SPECIAL INVESTIGATION REPORT

OF

COUNTY TREASURER

MARION COUNTY, INDIANA

June 1, 2015 to August 1, 2016



FILED
02/09/2018

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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 MARION COUNTY, INDIANA

This is a special investigation report for the County Treasurer, Marion County (County), for the period June 1, 2015 to August 1, 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 and were limited to records associated with tax 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.

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

October 10, 2017

COUNTY TREASURER
MARION COUNTY
RESULTS AND COMMENTS

BACKGROUND

County officials became aware that some tax payments received had not been posted to the accounting records. The Indiana State Board of Accounts was notified by County officials in accordance with IC 5-11-1-27.

The Indiana State Board of Accounts examined the records and reviewed the accounting for tax collections at the County Treasurer's office. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for County Treasurers.

COLLECTIONS NOT DEPOSITED

Luz Luna (Luna), former cashier for the County Treasurer, began employment with the County Treasurer's office in June 2015. Her duties eventually included collecting payments, issuing receipts, and recording the receipts in the County Treasurer's accounting records. During the period May 2, 2016 to June 1, 2016, collections were received by Luna which were not accounted for in her daily process transactions. On the dates and for the amounts shown below, collections received by Luna were not deposited in the bank account of the Treasurer of Marion County.

Date	Funds Misappropriated
May 2, 2016	\$ 250.95
May 2, 2016	250.95
May 4, 2016	577.11
May 4, 2016	577.11
May 4, 2016	237.69
May 4, 2016	237.69
May 4, 2016	91.61
May 4, 2016	44.05
May 4, 2016	105.36
May 4, 2016	50.66
June 1, 2016	512.94
June 1, 2016	219.77
Total	\$ 3,155.89

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, Chapter 1)

We requested that Luna reimburse the County Treasurer for the collections not deposited in the amount of \$3,155.89. Payment of this amount was received by the County Treasurer's office on September 20, 2017. (See Summary of Charges, page 6)

COUNTY TREASURER
MARION COUNTY
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

Internal control weaknesses existed that contributed to Luna's ability to adjust entries to the accounts receivable records, including the voiding of legitimate transactions, and to not deposit all payments received.

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. . . ."

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the misappropriation of funds.

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, Chapter 1)

We requested that Luna reimburse the State of Indiana \$2,724.17 for special investigation costs. (See Summary of Charges, page 6)

INSURANCE COVERAGE

The County had public employees blanket bond coverage. The policy covering the period January 1, 2016 to December 31, 2016, was in the amount of \$15,000.

INVESTIGATION BY LAW ENFORCEMENT AGENCIES

An investigation into the collections not deposited was also conducted by the Indianapolis Metropolitan Police Department. Case number 49G24-1702-F6-005532 was filed in the Marion Superior Court, Criminal Division 24, Marion County, Indiana on February 10, 2017. Per a September 20, 2017 sentencing order, a plea agreement was entered into by Luz Luna. Ms. Luna pled guilty to the theft and was ordered to pay restitution in the amount of \$3,155.89. Payment of this amount was received by the County Treasurer's office on September 20, 2017.

COUNTY TREASURER
MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2017, with Claudia O. Fuentes, County Treasurer; Cindy Land, Administrative Deputy County Treasurer; Matt Jeziorski, Assistant Corporation Counsel; David Hammerling, Financial Manager; Bart Brown, Council CFO; Rodney Shine, Senior Audit Manager; and Detective Sergeant Tim Daggy, Indianapolis Metropolitan Police Department.

COUNTY TREASURER
 MARION COUNTY
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Luz Luna, former Cashier:			
Collections Not Deposited, page 3	\$ 3,155.89	\$	\$
Paid by Cashier's Check, deposited September 20, 2017, page 3		3,000.00	
Paid by Cashier's Check, deposited September 20, 2017, page 3		<u>155.89</u>	<u>-</u>
Subtotal	3,155.89	3,155.89	-
Special Investigation Costs, page 4	<u>2,724.17</u>	<u>-</u>	<u>2,724.17</u>
Totals	<u>\$ 5,880.06</u>	<u>\$ 3,155.89</u>	<u>\$ 2,724.17</u>

This report was forwarded to the Office of the Indiana Attorney General, Indianapolis Metropolitan Police Department, and the local prosecuting attorney.

AFFIDAVIT

STATE OF INDIANA)
)
Marion COUNTY)

I, David Bixler, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Marion County, Indiana, for the period from June 1, 2015 to August 1, 2016, is true and correct to the best of my knowledge and belief.

David Bixler
Field Examiner

Subscribed and sworn to before me this 07 day of December 2017

Sharon K. Hight
Notary Public

My Commission Expires: 3-1-2019

County of Residence: Marion