

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

SPECIAL INVESTIGATION REPORT  
OF  
OWEN COUNTY RECYCLING CENTER  
OWEN COUNTY, INDIANA  
January 1, 2015 to August 31, 2016



**FILED**  
09/06/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OWEN COUNTY, INDIANA

This is a special investigation report for Owen County (County), for the period January 1, 2015 to August 31, 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/](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 Owen County Recycling Center (Recycling Center). 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, non-compliance 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

May 29, 2018

RECYCLING CENTER  
OWEN COUNTY  
RESULTS AND COMMENTS

***INVESTIGATION BY LAW ENFORCEMENT AGENCY***

An investigation into recycling receipts and daily product log receipts not deposited by Oren Demaree (Demaree), former Owen County Recycling Director, had also been conducted by the Owen County Sheriff's Department. Case number 60C01-1609-F6-000511 was filed in the Owen Circuit Court, Owen County, Indiana, on September 12, 2016. On January 31, 2017, a judgement of conviction and sentencing order for Demaree was signed with a plea of guilty of theft.

***RECYCLING RECEIPTS NOT DEPOSITED***

Recycling receipts were examined from January 1, 2015 through August 31, 2016. It was found that materials being recycled were sold to various recycling centers. The Owen County Sheriff's Department obtained documentation from these businesses. The documentation was traced to the County receipts and ledger. Payments totaling \$8,563.24 were not receipted into the County ledger.

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 Counties, Chapter 1)

We requested that Demaree reimburse the County for recycling receipts not deposited in the amount of \$8,563.24. (See Summary of Charges, page 7)

***DAILY PRODUCT LOG RECEIPTS***

Daily Product Logs were obtained by the Owen County Sheriff's Department from January 1, 2015 through August 13, 2016. The logs had cash register tapes attached. The tapes and logs were compared with no exceptions noted. When comparing the logs to the County ledger, a shortage of \$517 was found.

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 Counties, Chapter 1)

We requested that Demaree reimburse the County for daily log receipts not accounted for in the amount of \$517. (See Summary of Charges, page 7)

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred costs in the special investigation of the Recycling Center.

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 Counties, Chapter 1)

We requested Demaree reimburse the State of Indiana for special investigation costs in the amount of \$4,496.52. (See Summary of Charges, page 7)

RECYCLING CENTER  
OWEN COUNTY  
RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS OVER RECEIPTS**

Internal Controls over cash receipts are insufficient.

- The Recycling Center had not separated incompatible activities for cash receipts. Demaree was responsible for collecting and delivering receipts to the County Auditor.
- The County had not established internal controls and a system to monitor controls.
- Internal Controls are necessary to prevent, or detect and correct, (material) misstatements in a timely manner. Additionally, once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness.

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. . . ."

**BOND AND INSURANCE COVERAGE**

The following is information regarding employee bond coverage obtained by the County:

<u>Term</u>	<u>Coverage</u>
11-15-14 to 11-15-15	\$ 15,000
11-15-15 to 11-15-16	15,000

RECYCLING CENTER  
OWEN COUNTY  
RESULTS AND COMMENTS  
(Continued)

The following is information regarding employee dishonesty insurance obtained by the County:

<u>Term</u>	<u>Coverage</u>
03-08-14 to 03-08-15	\$ 50,000
03-08-15 to 03-08-16	50,000
03-08-16 to 03-08-17	545,000

The County received \$9,439 from the employee bond on March 24, 2017, and \$3,370.59 from the employee dishonesty insurance policy on April 28, 2017.

RECYCLING CENTER  
OWEN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2018, with Patty Steward, County Auditor, and Donald Minnick, President of the Board of County Commissioners.

RECYCLING CENTER  
 OWEN COUNTY  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Oren Demaree, former Owen County Recycling Director:			
Recycling Receipts Not Deposited, page 3	\$ 8,563.24	\$ -	\$ 8,563.24
Daily Product Log Receipts, page 3	517.00	-	517.00
Special Investigation Costs, page 3	<u>4,496.52</u>	-	<u>4,496.52</u>
Totals	<u>\$ 13,576.76</u>	<u>\$ -</u>	<u>\$ 13,576.76</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            )  
Greene COUNTY) )

I, Mary Annette Ladson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Owen County, Indiana, for the period from January 1, 2015 to August 31, 2016, is true and correct to the best of my knowledge and belief.

Mary Annette Ladson  
Field Examiner

Subscribed and sworn to before me this 27 day of August, 2018.

Pamela A Barnhill  
Notary Public

My Commission Expires: 2-18-23  
County of Residence: Greene

