

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

SPECIAL INVESTIGATION REPORT  
OF

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
PUTNAM COUNTY, INDIANA

January 1, 2012 to December 31, 2015



**FILED**

10/11/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE TOWN OF RUSSELLVILLE, PUTNAM COUNTY, INDIANA

This is a special investigation report for the Town of Russellville (Town), for the period January 1, 2012 to December 31, 2015, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town 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 water utility customer accounts and collections, and vendor payments. 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

September 17, 2018

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
RESULTS AND COMMENTS

**BACKGROUND**

Town officials found that there were discrepancies with the accounting for the water utility by Dallas Davis (Davis), former Clerk-Treasurer.

As a result, the Indiana State Board of Accounts was notified by the Town officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of the water utility managed by Davis. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

**UTILITY RECEIPTS NOT DEPOSITED**

Davis was the elected Clerk-Treasurer for the term January 1, 2012 to December 31, 2015. Her duties included billing water utility customers, collecting water utility payments, issuing and depositing receipts, processing payroll, filing claims, issuing vendor payments, and recording all transactions in the town and water utility records.

During the period November 1, 2012 to December 29, 2015, utility receipts totaling \$7,711.41 received by Davis were not deposited into the water utility bank account. All receipts not deposited were marked as cash payments. Bank statement deposits were all identified and did not include the unaccounted for cash receipts. In addition, the customer account history for each unaccounted for cash receipt did not indicate a payment was received.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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*)

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

". . . 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."

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (*Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1*)

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

We requested that Davis reimburse the Town \$7,711.41 for utility receipts not deposited. (See Summary of Charges, page 8)

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
RESULTS AND COMMENTS  
(Continued)

***UNAUTHORIZED UTILITY CUSTOMER ADJUSTMENTS***

On March 20, 2015, a payment in the form of a check was received from a water utility customer in the amount of \$163.98 and posted directly to Davis' account. On May 1, 2015, a check was received from a water utility customer in the amount of \$354.96 and posted to Davis' account. In each case, the customer's account was adjusted in the amount of their respective payment. In a joint interview with Indiana State Police and Indiana State Board of Accounts held April 9, 2018, Davis admitted to applying the payments to her personal water account and adjusting the two customer accounts.

In addition, water utility customer accounts were adjusted from January 1, 2012 to December 31, 2015, without supporting documentation to justify the adjustment. The unauthorized adjustments totaled \$15,345.09. Town Council meeting minutes from February 20, 2012, show that six water utility customer accounts were brought before the Town Council by Davis and approved for adjustments, indicating Davis was aware that adjustments were to be authorized by the Town Council. After that time, no authorizations or mention of water utility customer adjustments were included in the Town Council meeting minutes.

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)

Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs or adjustments. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Davis reimburse the Town \$15,864.03 for unauthorized utility customer adjustments. (See Summary of Charges, page 8)

***UNSUPPORTED CHECKS PAYABLE TO CASH***

From May 7, 2012 to August 17, 2015, we identified 15 checks made payable to "cash" totaling \$1,371.16 for which no supporting documentation existed to validate its purpose. Each check was endorsed by Davis.

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)

We requested that Davis reimburse the Town \$1,371.16 for unsupported checks payable to cash. (See Summary of Charges, page 8)

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
RESULTS AND COMMENTS  
(Continued)

***PENALTIES, INTEREST, AND OTHER CHARGES***

The same comment also appeared in prior Reports B32507, B37810, and B41709.

The Water Utility paid penalties, interest, and other charges to the Indiana Department of Revenue in the amount of \$61.09, and to Internal Revenue Service for \$1,265.85. In addition, the Town paid \$17.09 to miscellaneous vendors and \$1,812.15 to the Internal Revenue Service because payments were not made on a timely basis. The total of these payments was \$3,156.18.

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 governmental 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 governmental unit. Any penalties, interest or other charges paid by the governmental unit 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 Davis reimburse the Town \$3,156.18 for penalties, interest, and other charges. (See Summary of Charges, page 8)

***INTERNAL CONTROL DEFICIENCIES***

Internal control weaknesses existed that contributed to Davis's ability to make unsupported entries to the accounts receivable records and failure to deposit all payments received. Davis, as the only employee in the accounting office, was responsible for billing wastewater customers, collecting payments from customers, preparing deposit slips, depositing payments, posting the funds ledger, reconciling bank accounts, and maintaining and reconciling accounts receivable records. Deposits were not made timely, in a manner consistent with state statute. The Town Council did not routinely compare the monthly activity to any ledgers or bank statements or review any accounts receivable records.

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. 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. . . ."

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
RESULTS AND COMMENTS  
(Continued)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs due to the special investigation of Davis.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

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 or the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Davis reimburse the State of Indiana \$34,614.72 for special investigation costs. (See Summary of Charges, page 8)

**OFFICIAL BOND**

The following is information regarding an official bond obtained by the Town:

<u>Years</u>	<u>Amount</u>
01-01-12 to 12-31-15	\$ 30,000

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2018, with Martha Mandleco, Clerk-Treasurer, and Cary McGaughey, President of the Town Council.

CLERK-TREASURER  
TOWN OF RUSSELLVILLE  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dallas Davis, former Clerk-Treasurer:			
Utility Receipts Not Deposited, page 3	\$ 7,711.41	\$ -	\$ 7,711.41
Unauthorized Utility Customer Adjustments, page 4	15,864.03	-	15,864.03
Unsupported Checks Payable to Cash, page 4	1,371.16	-	1,371.16
Penalties, Interest, and Other Charges, page 5	<u>3,156.18</u>	<u>-</u>	<u>3,156.18</u>
 Subtotals	 28,102.78	 -	 28,102.78
 Special Investigation Costs, page 6	 <u>34,614.72</u>	 <u>-</u>	 <u>34,614.72</u>
 Totals	 <u>\$ 62,717.50</u>	 <u>\$ -</u>	 <u>\$ 62,717.50</u>

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

AFFIDAVIT

STATE OF INDIANA            )  
Greene COUNTY) )

I, Lynne Spencer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Russellville, Putnam County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Lynne Spencer  
Field Examiner

Subscribed and sworn to before me this 3 day of October, 2015

Terressa E. Sparks  
Notary Public

My Commission Expires: 01-22-2025

County of Residence: Greene

