

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

SPECIAL INVESTIGATION REPORT  
OF

CLERK-TREASURER  
TOWN OF CAYUGA  
VERMILLION COUNTY, INDIANA

January 1, 2008 to December 31, 2015



**FILED**

10/11/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CAYUGA, VERMILLION COUNTY, INDIANA

This is a special investigation report for the Town of Cayuga (Town), for the period January 1, 2008 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 utility payments, receipts, and penalties, interest, and other charges. 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 18, 2018

CLERK-TREASURER  
TOWN OF CAYUGA  
RESULTS AND COMMENTS

**BACKGROUND**

Sami Dillon (Dillon) was elected Clerk-Treasurer of the Town of Cayuga from January 1, 2008 to December 31, 2015. Her duties as Clerk-Treasurer included billing and collecting payments, issuing receipts, depositing receipts, and recording all transactions.

In accordance with Indiana Code 5-11-1-27, the Indiana State Board of Accounts was notified by Town officials that unauthorized utility account adjustments had been made to Dillon's account. The Indiana State Board of Accounts examined the records and reviewed the accounting for utility bills, receipts, and penalties, interest, and other charges. The following describes the noncompliance with the statutes, ordinances, or the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns.

**NONPAYMENT OF PERSONAL UTILITY BILLS**

From September 8, 2012 to November 8, 2015, no payments were posted to Dillon's personal utility account. Three adjustments; \$97.93 on March 13, 2013, \$2,581.04 on August 22, 2014, and \$3,426.67 on November 8, 2015, totaling \$6,105.64 were made in lieu of payments. There was no supporting documentation or approval presented for examination to allow for the adjustments.

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)

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 Dillon reimburse the Town for nonpayment of personal utility bills in the amount of \$6,105.64. (See Summary of Charges, page 8)

**RECEIPTS NOT DEPOSITED**

From July 8, 2008 to April 8, 2015, utility customer payments were posted to a Cash Entry Batch List and to the customer's account, but some were not deposited into the Town's bank accounts. The following schedule shows the total receipts by year not deposited:

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

Years	Amount
2008	\$ 1,664.15
2009	6,666.57
2010	8,601.01
2011	13,899.89
2012	5,935.96
2013	5,164.10
2014	3,286.25
2015	1,489.13
Total	\$ 46,707.06

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 Dillon reimburse the Town for receipts not deposited in the amount of \$46,707.06. (See Summary of Charges, page 8)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The same comment also appeared in prior Report B38093.

A similar comment also appeared in prior Report B41439, entitled *FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS*.

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

From January 1, 2012 to December 31, 2015, Dillon did not properly and timely remit federal and state taxes and file returns that were due. Because of this, penalties, interest, and other charges were assessed by and paid to the Internal Revenue Service and the Indiana Department of Revenue in the amounts of \$10,982.57 and \$538.66, respectively.

In addition to not properly and timely remitting taxes and filing returns, the Indiana Department of Revenue placed liens on the titles of two Town vehicles in 2014. Those titles were released in November and December of 2016 after all payments were remitted.

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 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 unit. Any penalties, interest, or other charges paid by the 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 Dillon reimburse the Town for penalties, interest, and other charges in the amount of \$11,521.23. (See Summary of Charges, page 8)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional investigation costs in the special investigation of utility payments, receipts not deposited, and penalties, interest, and other charges.

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 Dillon reimburse the State of Indiana for special investigation costs in the amount of \$22,060.52. (See Summary of Charges, page 8)

**INTERNAL CONTROLS**

Internal control weaknesses existed that contributed to Dillon's ability to make unsupported adjustments to her own utility account and allowed her to not deposit all payments received without detection. Dillon, 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 had not adopted any procedures that would provide oversight to routinely compare the monthly activity to any ledgers and 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. The standards include adequate control activities. According to this manual:

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

"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. . . ."

**OFFICIAL BOND**

The following is information regarding official bonds obtained by the Town:

<u>Years</u>	<u>Amount</u>
01-25-08 to 01-25-09	\$ 25,000
01-25-09 to 01-25-12	25,000
01-25-12 to 01-25-13	30,000
01-25-13 to 01-25-14	30,000
01-25-14 to 01-25-15	30,000
01-25-15 to 01-25-16	30,000
01-25-16 to 12-31-16	30,000

CLERK-TREASURER  
TOWN OF CAYUGA  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2018, with Sami Dillon, former Clerk-Treasurer.

The contents of this report were discussed on September 18, 2018, with Ron Brink, President of the Town Council; Albert Clark, Town Council member; James Neil Smith, Town Council member; and Tamara Hetrick, Clerk-Treasurer.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sami Dillon, former Clerk-Treasurer:			
Nonpayment of Personal Utility Bills, page 3	\$ 6,105.64	\$ -	\$ 6,105.64
Receipts Not Deposited, pages 3 and 4	46,707.06	-	46,707.06
Penalties, Interest, and Other Charges, pages 4 and 5	<u>11,521.23</u>	<u>-</u>	<u>11,521.23</u>
Subtotals	64,333.93	-	64,333.93
Special Investigation Costs, page 5	<u>22,060.52</u>	<u>-</u>	<u>22,060.52</u>
Totals	<u>\$ 86,394.45</u>	<u>\$ -</u>	<u>\$ 86,394.45</u>

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

AFFIDAVIT

STATE OF INDIANA            )  
  )  
Vigo COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Cayuga, Vermillion County, Indiana, for the period from January 1, 2008 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Gina Gambaiani  
Field Examiner

Subscribed and sworn to before me this 3 day of October, 2018.

Michelle Edwards  
Notary Public

My Commission Expires: 09-13-2020  
County of Residence: VIGO