

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

SPECIAL INVESTIGATION REPORT

OF

EMERGENCY MEDICAL SERVICES

PULASKI COUNTY, INDIANA

September 1, 2011 to October 31, 2017



FILED

10/11/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Emergency Medical Services:	
Results and Comments:	
Background	3
Cash Collections Not Deposited	3
Withdrawals of Cash	4
Personal Expenses	4-5
Training Fund Checks Deposited to Lowry's Personal Checking Account.....	5
Internal Control Deficiencies	5-6
Special Investigation Costs	6
Repayment Agreement	6
Exit Conference	7
Summary of Charges.....	8
Affidavit	9



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PULASKI COUNTY, INDIANA

This is a special investigation report for the Pulaski County Emergency Medical Services (EMS), for the period of September 1, 2011 to October 31, 2017, and is in addition to any other report for Pulaski County (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 the EMS bank account. 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

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
RESULTS AND COMMENTS

BACKGROUND

The County became aware that the EMS Director, Nichole Lowry (Lowry), had opened an EMS bank account entitled Pulaski County EMS Training Center (EMS Bank Account), in September of 2011 without the County's knowledge. The bank account was established to account for EMS training fees. Unauthorized uses of the funds and undeposited receipts were reported to the Board of County Commissioners in October of 2017. This account was closed by the County Treasurer on October 30, 2017, and the remaining balance of \$4,066.97 was receipted to the County's records.

The Board of County Commissioners contacted local law enforcement officials to conduct an investigation on the account. This investigation concluded that \$12,678.42 of EMS funds had been used to pay the personal expenses of Lowry. When confronted by the County Commissioners, Lowry agreed to reimburse the County for the entire amount identified by the investigation and resigned her position as the Director of the EMS.

The Indiana State Board of Accounts was notified by the County officials in accordance with Indiana Code 5-11-1-27. A special investigation of the records for the period of September 1, 2011 to October 31, 2017, was conducted. The findings of this investigation are discussed in the following comments.

CASH COLLECTIONS NOT DEPOSITED

The EMS maintained a "Statement of Account" form to document each payment received for training and materials. This form identified the payer, date, the amount, and whether the payment was made by cash or check. While not all "Statement of Account" forms were presented for our investigation, a comparison of cash deposits collected, per the "Statement of Account" forms presented, to the bank deposit history, provided by the bank, revealed \$2,011 of cash collections that had not been deposited to the EMS Bank Account.

On November 22, 2017, Lowry signed a repayment agreement, which stated that Lowry agreed that the EMS Bank Account funds had been misappropriated either by herself or at her direction.

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

". . . all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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 Counties of Indiana, Chapter 1)

We requested Lowry to reimburse the County \$2,011 for cash collections not deposited to the EMS Bank Account. (See Summary of Charges, page 8)

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
RESULTS AND COMMENTS
(Continued)

WITHDRAWALS OF CASH

A review of the bank statements for the EMS Bank Account for the period of September 1, 2011 to October 31, 2017, revealed 19 separate withdrawals of cash, totaling \$7,654. The amount of the withdrawals ranged from \$40 to \$2,000. A review of Lowry's personal checking account revealed five deposits to her checking account that corresponded closely with the dates and amounts of the cash withdrawals from the EMS Bank Account. These deposits are scheduled below.

Date of Cash Withdrawal from EMS Bank Account	Amount	Date of ATM Deposit to Lowry's Personal Checking Account	Amount
Wednesday, May 30, 2012	\$ 2,000.00	Monday, June 18, 2012	\$ 1,000.00
Monday, November 26, 2012	500.00	Monday, November 26, 2012	500.00
Wednesday, July 10, 2013	500.00	Tuesday, July 16, 2013	591.52
Wednesday, July 31, 2013	300.00	Wednesday, July 31, 2013	300.00
Monday, September 9, 2013	500.00	Tuesday, September 10, 2013	500.00

There were no records presented to indicate how the cash was used.

On November 22, 2017, Lowry signed a repayment agreement, which stated that Lowry agreed that the EMS Bank Account funds had been misappropriated either by herself or at her direction.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law. (Accounting and Uniform Compliance Guideline Manuals for Counties of Indiana, Chapter 1)

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

". . . all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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 Counties of Indiana, Chapter 1)

We requested Lowry to reimburse the County \$7,654 for cash withdrawals made from the EMS Bank Account. (See Summary of Charges, page 8)

PERSONAL EXPENSES

A review of the bank statements for the EMS Bank Account for the period of September 1, 2011 to October 31, 2017, revealed 111 separate disbursements for personal expenses. These disbursements included, but were not limited to, repairs, maintenance and gas for a personal vehicle, eye doctor bill, daughter's class trip payment, and personal telephone bills and totaled \$10,257.08. (See Summary of Charges, page 8)

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
RESULTS AND COMMENTS
(Continued)

On November 22, 2017, Lowry signed a repayment agreement, which stated that Lowry agreed that the EMS Bank Account funds had been misappropriated either by herself or at her direction.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guideline Manuals for Counties of Indiana, Chapter 1)

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 Counties of Indiana, Chapter 1)

We requested Lowry to reimburse the County \$10,257.08 for personal expenses paid from the EMS Bank Account. (See Summary of Charges page 8)

TRAINING FUND CHECKS DEPOSITED TO LOWRY'S PERSONAL CHECKING ACCOUNT

A review of Lowry's personal checking account for the period of September 7, 2011 to September 5, 2017, revealed 32 deposits classified as "Mobile Deposits," 25 deposits classified as "Deposit-ATM," and 7 deposits classified as "Remote Deposits," totaling \$3,409.94, \$8,932.52, and \$287.76, respectively. Detailed information necessary to support the ATM and "Remote Deposits" was not available.

A review of the supporting documentation provided for the "Mobile Deposits" revealed eight checks, issued to Lowry, totaling \$197 that were for EMS shirts sales and one check, issued to Lowry, for \$100 for EMS training fees. These checks should have been deposited to the EMS Bank Account instead of Lowry's personal checking account.

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

". . . all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds. . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

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 Counties of Indiana, Chapter 1)

We requested Lowry to reimburse the County \$297 for EMS checks deposited to her personal checking account. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

There were insufficient internal controls established over the financial transactions of the EMS. 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 the SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
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. . . ."

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred \$19,513.20 of additional costs in the investigation of the misappropriation of funds of the EMS.

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 of Indiana, Chapter 1)

We requested that Lowry reimburse the State of Indiana \$19,513.20 for special investigation costs. (See Summary of Charges, page 8)

REPAYMENT AGREEMENT

On November 22, 2017, Lowry resigned her position with the County and entered into a repayment agreement. Provisions of the agreement required Lowry to repay \$12,678.42 to the County by March 1, 2018. On March 26, 2018, the County received and deposited the payment.

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2018, with Laura Wheeler, County Auditor; Kenneth Becker, President of the Board of County Commissioners; Jerry Locke, Vice President of the Board of County Commissioners; and John McClure, County Commissioner.

EMERGENCY MEDICAL SERVICES
PULASKI COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nichole Lowry, former EMS Director:			
Cash Collections Not Deposited, page 3	\$ 2,011.00	\$	\$
Withdrawals of Cash, page 4	7,654.00		
Personal Expenses, pages 4 and 5	10,257.08		
Training Fund Checks Deposited to Lowry's Personal Checking Account, page 5	297.00		
Special Investigation Costs, page 6	19,513.20		
Repayment Agreement, page 6			
Amount repaid by Lowry, March 2018	-	12,678.42	27,053.86
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 39,732.28</u>	<u>\$ 12,678.42</u>	<u>\$ 27,053.86</u>

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

AFFIDAVIT

STATE OF INDIANA)
Cass)
COUNTY)

I, Sandra Gerlach, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Pulaski County, Indiana, for the period from September 1, 2011 to October 31, 2017, is true and correct to the best of my knowledge and belief.

Sandra Gerlach
Field Examiner

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

Daphne Slusher
Notary Public

My Commission Expires: July 19, 2019
County of Residence: Cass

