

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

SPECIAL INVESTIGATION REPORT

OF

COUNTY HIGHWAY DEPARTMENT

WASHINGTON COUNTY, INDIANA

December 30, 2013 to June 14, 2017



FILED
05/03/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF WASHINGTON COUNTY, INDIANA

This is a special investigation report for Washington County (County), for the period December 30, 2013 to June 14, 2017, 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 driveway application permits, sale of culverts, and sale of County Highway Department (Department) scrap material. 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

January 30, 2019

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS

BACKGROUND

Pamela Hasty (Hasty) is the County Highway Clerk (Clerk) for the Department. Her duties include receiving money, issuing receipts, issuing driveway permits, remitting collections to the County Auditor, and adjusting errors. County officials became aware of improper accounting of the Highway funds by Hasty.

The Indiana State Board of Accounts was notified by the County 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 Highway fund receipts received by Hasty. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana*.

CASH COLLECTIONS NOT DEPOSITED

During the period December 30, 2013 to June 14, 2017, cash collections received by Hasty in the amount of \$2,244.32 were not remitted to the County Auditor or deposited in the County's bank accounts. Below is a schedule of collections not remitted by year:

<u>Years</u>	<u>Collections Not Remitted To County Auditor</u>
2015	\$ 530.20
2016	657.92
2017	<u>1,056.20</u>
Total	<u>\$ 2,244.32</u>

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 Counties of Indiana, Chapter 1*)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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

"The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . .

- (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS
(Continued)

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 Counties of Indiana, Chapter 1)

We requested Hasty reimburse the County \$2,244.32 for cash collections not deposited. Reimbursement was received by the County from Hasty on April 8, 2019, check No. 1981. (See Summary of Charges, page 10)

SALE OF CULVERTS

When putting in a new driveway or making changes to an existing driveway on their property, landowners were required to complete a driveway permit application (application). After the application was completed and returned to the Clerk, it was given to the applicable District Foreman (Foreman) who would document on the application whether a culvert was needed and the recommended size of the culvert. The Foreman then returned the form to the Clerk who used the application to calculate the cost of the culvert and bill the landowners. When payment was received, the Clerk recorded the payment date on the application.

The following items were noted in the processing of the driveway permit applications and collection of the cost for the culverts:

1. The applications were not prenumbered. As a result, the number of applications completed and issued could not be determined.

Also, many of the applications lacked all of the required information; such as, whether a culvert was needed, date of installation, the itemized culvert cost, date paid and check number and signature of the landowner.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

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 Counties of Indiana, Chapter 1)

2. Prenumbered receipts were not issued for any collections. On the application there is a line for the date of the payment and applicant's check number which the Clerk was to use to document the receipt of monies collected. A photo copy of the application and the applicant's check would be made and given to the individual as their receipt.

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

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS
(Continued)

3. Collections of the sale of culverts were not remitted in a timely manner to the County Auditor. Collections were held up to 62 days before remittance to the County Auditor.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part: "The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . . (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

4. The Report of Collections (General Form No. 362) was not used until May 2017.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

5. Not all amounts billed were collected. Invoices were observed for which no payment could be located.

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

SALE OF SCRAP

The Department periodically sold scrap metal or other recyclable items which were no longer needed to the local salvage/recycling company (company). The company determined the value of the scrap items, issued a receipt with the price to be paid and then gave a cash payment to the employee who brought in the scrap. The employee brought the cash and the company's receipt back to the Clerk. The Clerk retained this money at the Department. Miscellaneous purchases, such as, funeral flowers, postage, food and drinks for Department employees, and some office furniture, were made from these proceeds.

The following items were noted in the handling of the proceeds of the sale of scrap:

1. No receipts were issued for the monies received from the sale of scrap.

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

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

2. The proceeds from the sale of scrap were retained at the Department and not remitted to the County Auditor.

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Indiana Code 5-13-6-1(g) states in part: "The following are not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500): . . . (2) A local officer of a political subdivision required to deposit funds under subsection (c) other than a township trustee. . . ."

3. No ledger or record was maintained to account for the proceeds from the sale of scrap and payments for items purchased.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

4. Purchases of items from the sale of scrap proceeds were made without a claim form being prepared or approval for payment by the Board of County Commissioners. An itemized invoice was not always retained for the purchases.

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 Counties of Indiana, Chapter 1)

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 Guidelines Manual for Counties of Indiana, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

5. No policy was presented allowing for the purchasing of personal items; such as, flowers and food for employees.

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 Guidelines Manual for Counties, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS
(Continued)

PERSONAL USE OF COUNTY OWNED COMPUTER

An image of the hard drive of Hasty's computer was made by Indiana State Police. A review of the files on the imaged hard drive revealed several invoices and other documents pertaining to Hasty's personal lawn care business.

The assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Department.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping 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 Hasty to reimburse the State of Indiana \$2,769.81 for special investigation costs. Reimbursement was received from Hasty on April 10, 2019, check No. 1980. (See Summary of Charges, page 10)

INTERNAL CONTROL DEFICIENCIES

Internal control deficiencies existed at the Department due to a lack of segregation of duties. The Clerk was responsible for all aspects of the financial activity at the Department garage office. This included receiving money, issuing receipts, issuing driveway permits, remitting collections to the County Auditor, adjusting errors, custodian of records, and preparing claims for Department expenses.

The 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. . . ."

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
RESULTS AND COMMENTS
(Continued)

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the collections not deposited was also conducted by the Indiana State Police.

OFFICIAL BOND COVERAGE

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

<u>Term</u>	<u>Amount of Coverage</u>
01-01-13 to 01-01-14	\$ 10,000
01-01-14 to 01-01-15	10,000
01-01-15 to 01-01-16	10,000
01-01-16 to 01-01-17	10,000
01-01-17 to 12-31-17	15,000

COUNTY HIGHWAY DEPARTMENT
WASHINGTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2019, with Todd Ewen, County Commissioner; Ben Bowling, County Council member; Rick Voyles, County Highway Superintendent; and Pamela Hasty, County Highway Clerk.

COUNTY HIGHWAY DEPARTMENT
 WASHINGTON COUNTY
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Pamela Hasty, County Highway Clerk:			
Cash Collections Not Deposited, pages 3 and 4	\$ 2,244.32	\$ 2,244.32	\$ -
Special Investigation Costs, page 7	<u>2,769.81</u>	<u>2,769.81</u>	<u>-</u>
Totals	<u>\$ 5,014.13</u>	<u>\$ 5,014.13</u>	<u>-</u>

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