

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

SPECIAL INVESTIGATION REPORT

OF

CITY OF SULLIVAN

SULLIVAN COUNTY, INDIANA

September 1, 2012 to November 30, 2017



FILED
08/23/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF SULLIVAN, SULLIVAN COUNTY, INDIANA

This is a special investigation report for the City of Sullivan (City), for the period September 1, 2012 to November 30, 2017, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City 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 utility collections, certain ordinance violation collections and gun permit fees. The Special Investigation 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

February 13, 2019

CITY OF SULLIVAN
SPECIAL INVESTIGATION RESULTS AND COMMENTS

BACKGROUND

Nicole Bowne (Bowne), former Sewage Utility Clerk, was responsible for collecting utility payments, civic center rental payments, ambulance payments, ordinance violation payments, gun permit payments, and preparing the respective receipts. The Clerk-Treasurer and Deputy Clerk-Treasurer followed up on a complaint received by a customer and found discrepancies.

The Indiana State Board of Accounts was notified by City officials of the discrepancies in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting for the utility receipts, payments received for ordinance violations, and gun permit collections. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

PAYMENTS IMPROPERLY POSTED TO UTILITY ACCOUNT

Eleven payments received from customers for payments to their utility accounts were instead posted to the utility account of Bowne as noted in the schedule below:

<u>Date</u>	<u>Payment Type</u>	<u>Account Payment Posted to (Bowne)</u>	<u>Account That Payment Should Have Been Posted</u>	<u>Amount</u>
11-18-15	Money Order	1214600	110009010	\$ 68.08
02-16-16	Check	1214600	1203000	70.00
03-14-16	Check	1214600	1099300	22.10
03-14-16	Check	1214600	1224601	31.42
03-23-16	Check	1214600	11240200	53.56
04-15-16	Check	1214600	1099300	46.41
05-02-16	Check	1214600	1099300	48.46
12-05-16	Check	1214600	1210901	75.00
03-17-17	Check	1214600	1100575100	163.44
09-11-17	Check	1214600	1100586200	54.15
10-16-17	Check	1214600	1100586200	54.15
Total Payments Improperly Posted to Bowne's Utility Account				<u>\$ 686.77</u>

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 and Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Bowne reimburse the Sewage Utility \$686.77 for payments improperly posted to her utility account. Reimbursements were made by Bowne to the Sewage Utility on February 28, 2019, April 2, 2019, and May 2, 2019, in the amounts of \$350, \$100, and \$101.77, respectively. (See Summary of Charges, page 7)

CITY OF SULLIVAN
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

DISCONNECT/RECONNECT CHARGE

Due to the improper postings identified in the Special Investigation Result and Comment entitled, *PAYMENTS IMPROPERLY POSTED TO UTILITY ACCOUNT*, one customer's water account was disconnected and charged a disconnect/reconnect fee of \$65 by Indiana American Water. The customer provided proof of payment of the utility bill and the City paid the disconnect/reconnect fee of \$65 to Indiana American Water.

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 and Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Bowne reimburse the Sewage Utility \$65 for the disconnect/reconnect charge paid by the City. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the special investigation of the former Sewage Utility Clerk.

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 Cities and Towns, Chapter 1)

INTERNAL CONTROLS

The City had not separated incompatible activities related to preparing utility bills, collecting utility payments, posting payments, and processing adjustments to customer accounts. The same person was responsible for billing, collecting, posting, and adjusting all utility customer accounts.

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. . . ."

CITY OF SULLIVAN
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND AND EMPLOYEE DISHONESTY POLICY

The following is information regarding official bond coverage obtained by the City:

<u>Term</u>	<u>Amount</u>
08-10-12 to 01-01-13	\$ 30,000
01-01-13 to 01-01-14	30,000
01-01-14 to 01-01-15	30,000
01-01-15 to 01-01-16	30,000
01-01-16 to 01-01-17	30,000
01-01-17 to 01-01-18	30,000

The following is information regarding employee dishonesty insurance coverage obtained by the City.

<u>Term</u>	<u>Coverage</u>
01-01-12 to 01-01-13	\$ 25,000
01-01-13 to 01-01-14	25,000
01-01-14 to 01-01-15	25,000
01-01-15 to 01-01-16	25,000
01-01-16 to 01-01-17	25,000
01-01-17 to 01-01-18	25,000

CITY OF SULLIVAN
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2019, with Clint Lamb, Mayor; Sue Pitts, Clerk-Treasurer; Steve Martindale, President of the Common Council; Gene Bonham, Common Council member; and John Ellington, Common Council member.

The contents of this report were discussed on February 28, 2019, with Nicole (Bowne) Craighead, former Sewage Utility Clerk.

CITY OF SULLIVAN
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balances</u>
Nicole Bowne, former Sewage Utility Clerk:			
Payments Improperly Posted to Utility Account, page 3	\$ 686.77	\$ 551.77	\$ 135.00
Disconnect/Reconnect Charge, page 4	<u>65.00</u>	<u>-</u>	<u>65.00</u>
Totals	<u>\$ 751.77</u>	<u>\$ 551.77</u>	<u>\$ 200.00</u>

This report was forwarded to the Office of the Indiana Attorney General and the local county prosecutor.

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AFFIDAVIT

STATE OF INDIANA)
Greene COUNTY)

I, Annette Ladson, Field Examiner, being duly sworn my oath, state that the foregoing report based on the official records of City of Sullivan, Indiana, for the period from September 1, 2012 to November 30, 2017, is true and correct to the best of my knowledge and belief.

Annette Ladson
Field Examiner

Subscribed and sworn to before me this 19 day of August, 2019

[Signature]
Notary Public

My Commission Expires: Jan 22, 2025
County of Residence: Greene

