

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

SPECIAL INVESTIGATION REPORT
OF

UTILITY COLLECTIONS
TOWN OF CENTERVILLE
WAYNE COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
09/10/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CENTERVILLE, WAYNE COUNTY, INDIANA

This is a special investigation report for the Town of Centerville (Town), for the period January 1, 2013 to December 31, 2016, 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/.

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. 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

December 19, 2018

UTILITY COLLECTIONS
TOWN OF CENTERVILLE
RESULTS AND COMMENTS

BACKGROUND

Suzanne Stover (Stover), former Utility Billing Clerk, was responsible for duties including collecting utility payments, issuing receipts, tracking lien filings and payments, and recording the receipts in the Town's accounting records. Accounting records were maintained using a computer software application. Collections were entered into the system via several batches each day. The accounting software recorded the clerk who entered the batches.

The Indiana State Board of Accounts examined the records and reviewed the accounting of the utility collections. The following describes noncompliance with statutes, ordinances, or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

MISAPPROPRIATION OF UTILITY COLLECTIONS

Amounts were posted as paid to the utility accounts of Stover and a relative of Stover that were not supported by actual payments from the account owners. For example, some of the payments posted to these accounts were supported by lien documentation related to payments from other property owners. Additionally, there were instances where other customers had made duplicate payments or overpayments and the surplus was posted to Stover's or the relative's account as a payment. Stover was recorded as the clerk who entered each of these batches to the system. The following schedule details these amounts by year:

| <u>Years</u> | <u>Amount</u> |
|--------------|------------------|
| 2013 | \$ 522.21 |
| 2014 | <u>429.16</u> |
| Total | <u>\$ 951.37</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)

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 and 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 Stover reimburse the Town \$951.37 for the misappropriation of utility collections. (See Summary of Charges, page 6)

UTILITY COLLECTIONS
TOWN OF CENTERVILLE
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the special investigation of the utility collections.

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 Stover reimburse the State of Indiana \$2,442.25 for special investigation costs. (See Summary of Charges, page 6)

INTERNAL CONTROL DEFICIENCIES

Internal control weaknesses existed that contributed to Stover's ability to make unsupported entries to the utility records. Stover, as an employee in the utility office, was responsible for billing utility customers, collecting payments from customers, preparing deposit slips, depositing payments, posting the funds ledger, tracking liens, and maintaining and reconciling accounts receivable records. There was not effective oversight conducted in relation to the utility collections and accounts receivable records.

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. . . ."

INSURANCE COVERAGE

The following is information regarding insurance obtained by the Town:

| Period | Amount |
|----------------------|--------------|
| 04-01-12 to 04-01-13 | \$ 50,000 |
| 04-01-13 to 04-01-14 | Not Provided |
| 04-01-14 to 04-01-15 | 50,000 |

UTILITY COLLECTIONS
TOWN OF CENTERVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2019, with Susan Dillman, Clerk-Treasurer; Janice L. Roberts, former Clerk-Treasurer; George Sowers, Attorney for Janice L. Roberts; Dan Wandersee, Town Council President; Gary L. Holbert, Jack Bodiker, Mark A. Tucker, and James Bullen, Town Council members; and Edward O. Martin, Town Attorney.

UTILITY COLLECTIONS
TOWN OF CENTERVILLE
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|--|--------------------|----------------|--------------------|
| Suzanne Stover, former Utility Billing Clerk: Misappropriation of Utility Collections, page 3 | \$ 951.37 | \$ - | \$ 951.37 |
| Special Investigation Costs, page 4 | <u>2,442.25</u> | <u>-</u> | <u>2,442.25</u> |
| Totals | <u>\$ 3,393.62</u> | <u>\$ -</u> | <u>\$ 3,393.62</u> |

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

AFFIDAVIT

STATE OF INDIANA)
Marion COUNTY)

I, David Bixler, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Centerville, Wayne County, Indiana, for the period from January 1, 2013 to December 31, 2016, is true and correct to the best of my knowledge and belief.

David Bixler
Field Examiner

Subscribed and sworn to before me this 20 day of August, 2019

Karen M. Williams
Notary Public

My Commission Expires: August 8, 2025

County of Residence: Marion

