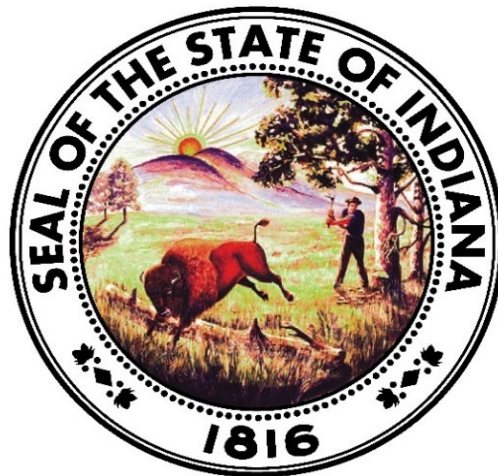


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT
OF

CITY OF RICHMOND
SANITARY DISTRICT
WAYNE COUNTY, INDIANA

December 7, 2016 to June 30, 2023



FILED
10/23/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Cash Receipts Not Deposited	3-8
Special Investigation Costs	8
Internal Control Deficiencies.....	9
Insurance Coverage	10
Investigation by Law Enforcement Agency	10
Exit Conference.....	11
Summary of Charges	12
Official Response	13
Affidavit	15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

This is a special investigation report for the City of Richmond (City), for the period December 7, 2016 to June 30, 2023, 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 the City of Richmond Sanitary District (District). 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

October 3, 2024

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts (SBOA) was contacted by the District Director (Director) regarding discrepancies discovered with the District's utility and landfill cash collections. According to the Director, the Richmond Police Department (RPD) received an anonymous call stating that Jennifer Wilson (Wilson), Accounts Payable Clerk (now known as Finance Specialist), was taking money from the District. The Director performed a preliminary internal audit and found that the cash deposited was less than the cash amounts collected for several days tested. After discovering these discrepancies, the Director questioned Wilson. The Director stated Wilson said she had made a mistake. Wilson was terminated from her position with the District. The Director then contacted the SBOA and the RPD in accordance with Indiana Code 5-11-1-27.

The SBOA examined the records and accounting of the District's collections. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

CASH RECEIPTS NOT DEPOSITED

The SBOA performed an abstract of the District's cash collected versus cash deposited. In total, from December 7, 2016 to June 28, 2023, \$825,819.74 in cash was receipted into the District's software systems and not deposited on days Wilson worked. The SBOA's investigation revealed that Wilson was responsible for preparing all the District's deposits on days she worked. The following chart is a visual representation of the breakdown of the \$825,819.74 by year:

<u>Years</u>	<u>Cash Receipts Not Deposited</u>
2016	\$ 1,752.48
2017	55,152.66
2018	122,423.08
2019	147,411.58
2020	127,828.10
2021	149,103.31
2022	152,113.07
2023	<u>70,035.46</u>
Total	<u>\$ 825,819.74</u>

Background

Landfill Daily Operations and Procedures

Each day, customers utilize the landfill to dispose of waste. The fees charged by the District are based on the weight of the objects being dropped off. The landfill also provides additional services that require additional fees to be paid by the customers. These services include tire disposal, freon unit disposal, and hazardous waste disposal.

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

During the investigation period, as these funds were collected, landfill employees recorded the transaction on the landfill daily cash report and denoted if the payment received was check or cash. These transactions were then entered in the landfill's software system. Credit card transactions were not recorded on the daily cash report, but were directly entered in the software system.

The landfill offered credit accounts to frequent customers. Each credit account was tracked separately. When a customer with a credit account paid, the amount collected appeared as additional revenue in the District's bank deposit. These collections were not recorded on the daily cash reports.

Additionally, the landfill received recycling revenue checks from Rumpke Waste and Recycling (vendor used for recycling services). These checks were added into the envelope to be deposited by the District with the customer collections. These checks were not included on the daily cash reports.

At the end of each day, a landfill Supervisor reviewed the daily cash report to ensure that all revenue received was placed in an envelope to be turned in at the District office. The Supervisor then signed off on the daily cash report. By signing off, the Supervisor was verifying the amount collected was placed in the envelope.

The following morning, a landfill employee took the envelope with the cash and checks received from the previous day, along with a copy of the daily cash report, and placed it in a safe deposit box at the District office. Before the safe deposit box was installed, the landfill employee gave the cash, checks, and report to Wilson directly.

Sanitary District Office Daily Operations and Procedures

The District office bills and receives money from customers who utilize the District's services. These services include trash pick-up, dumpster rental, wastewater utility usage, and stormwater utility usage. When customers receive their bills, they have the option to pay online via credit card, pay by mail via cash or check, or pay in person via cash, check, or credit card.

During the investigation period, when customers utilized the District office to make their payments, the employee entered the payment in the utility software system and recorded if it was paid by cash, check, or credit card. When a cash transaction occurred, the amount collected was written on an envelope and tracked throughout the day. These envelopes had lines for each cash collection during the day. At the end of the day, the cash collected was counted and put inside the envelope. The envelope was then signed by the employee who collected the money. By signing off on the envelope, the employee was verifying that the amount of money inside the envelope matched the cash collected during the day. This envelope was then placed in the safe deposit box located in the District's office. Before the installation of the safe deposit box, the envelope was given directly to Wilson. The checks received at the District office for utility payments were scanned in at the District office and deposited remotely in batches during the day.

When customers mailed in their payments, the money collected was identified as cash or check and was receipted in the utility software system and credited to the customers' accounts. The cash that was mailed in was placed in an envelope, and the transaction was recorded on the envelope by the employee who opened the mailed payment. The checks that were mailed in were scanned in and deposited in the same way as other utility check payments.

Additionally, each employee who worked a register was required to turn in their register drawers to Wilson to ensure that each drawer ended the day with \$150.

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

Wilson's Daily Procedures

At the end of the day, Wilson retrieved the cash envelopes from the District office from the safe deposit box to prepare the deposit for the following day. Before the safe deposit box was installed, the cash envelopes were given by the employees directly to Wilson. Wilson counted the money inside each cash envelope and signed off that the amount contained in the envelope matched the days cash collections.

Wilson counted each cash register drawer to ensure that it contained \$150. If the amount was below \$150, and the cash inside the envelope matched the days collections, the employee was required to pay the District from their personal funds for the amount that was not accounted for.

The following morning after the landfill collections were brought to the District office, Wilson finalized preparing the deposit to be taken to the bank. She filled out an internal deposit ticket that matched the amount of money that was deposited in the bank. After the deposit was ready, Wilson or another employee took the deposit to the bank.

Wilson also filled out the daily recap report documenting the total money received each day by the District. This daily recap and the deposit slips were given to the City Controller's office.

Investigation by the SBOA

The SBOA performed a special investigation into the discrepancies between the amounts collected and the amounts deposited by the District for the period of December 7, 2016 to June 30, 2023.

We obtained the daily cash reports from the landfill and utility software systems and compared them to the District's deposits made in the City's bank account. The District did not have a separate bank account from the City.

For the entire period, we reviewed and documented the deposit tickets, cash-in slips, and checks deposited for each deposit. We then compared the amounts deposited by the District to the amounts receipted by the District.

The deposit tickets and cash deposited in the bank did not match the cash amounts credited in the landfill and utility software systems.

After documenting cash receipts in comparison to the amounts deposited, we reviewed Wilson's official timecards from January 1, 2016 to June 30, 2023. We separated the days Wilson worked and days where leave time was used by Wilson. We then compared the days where not all cash receipts were deposited.

Below is an example of the work completed by the SBOA:

**CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)**

Deposit Ticket Information				Landfill (LF) & Utility Cash Reports Information					Comparison	
Deposit Date	TOTAL	Cash	Check	Collection Date	LF Cash	LF Check	Utility Cash	Total Cash	Cash Difference	Check Difference
09-03-21	\$ 904.51	\$ 721.95	\$ 182.56	08-31-21 & 09-02-21	\$ 957.95	\$ 182.56	\$ 1,457.46	\$ 2,415.41	\$ (1,693.46)	\$ -
09-07-21	2,460.02	2,173.69	286.33	09-03-21 & 09-04-21	661.73	286.33	3,611.96	4,273.69	(2,100.00)	-
09-09-21	2,103.37	2,103.37	-	09-07-21	400.42	-	2,608.70	3,009.12	(905.75)	-
09-09-21	1,501.90	1,312.77	189.13	09-08-21	535.22	189.13	2,191.44	2,726.66	(1,413.89)	-
09-10-21	1,076.65	830.90	245.75	09-09-21	233.56	245.75	1,297.84	1,531.40	(700.50)	-
09-15-21	1,932.52	1,423.26	509.26	09-10-21 to 09-14-21	1,135.30	509.26	3,648.92	4,784.22	(3,360.96)	-
09-16-21	1,492.08	1,402.83	89.25	09-15-21	244.38	89.25	1,128.45	1,372.83	30.00	-
09-17-21	1,108.92	1,108.92	-	09-16-21	278.38	-	810.54	1,088.92	20.00	-
09-20-21	2,120.10	1,735.55	384.55	09-17-21 & 09-18-21	744.42	384.55	991.13	1,735.55	-	-
09-21-21	1,603.41	1,576.41	27.00	09-20-21	171.82	27.00	1,384.59	1,556.41	20.00	-
09-23-21	963.87	925.87	38.00	09-21-21	237.43	38.00	688.44	925.87	-	-
09-23-21	784.61	742.86	41.75	09-22-21	250.16	41.75	492.64	742.80	0.06	-
09-24-21	1,122.02	1,112.16	9.86	09-23-21	179.86	9.86	932.30	1,112.16	-	-
09-29-21	1,537.74	981.41	556.33	09-24-21 to 09-28-21	1,216.08	555.83	2,245.84	3,461.92	(2,480.51)	0.50

*Wilson used leave time from September 16, 2021 through September 24, 2021

From December 7, 2016 to June 28, 2023, we documented 150 deposits where Wilson used leave time on either the collection day or the deposit day. Of the 150 deposits examined, 141 (94%) of the deposits contained no discrepancies or a cash surplus in comparison to the amount reported as collected in the software system. The remaining nine deposits had immaterial discrepancies totaling a cash short of \$50.01.

Out of the remaining 1,220 deposits where Wilson worked, 994 (82%) deposits contained less cash than what was reported as collected in the software systems.

From May 16, 2018 to June 22, 2023, we documented \$173,750 in cash deposited into Wilson's personal bank account. We also compared deposits made in Wilson's personal bank account to the amount of cash receipts not deposited in the City's bank account to see if there were consistencies between the two amounts. We documented 243 cash deposits in Wilson's personal bank account on days where the District's deposit contained less cash than what was collected.

The following chart shows examples of the District's collections and deposits in comparison to cash deposited into Wilson's account:

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

Date	City of Richmond Account			Wilson
	Cash Collections	Cash Deposited	Cash Receipts Not Deposited	Personal Account Wilson Personal Cash Deposit
07-05-18	\$ 2,765.36	\$ 2,485.36	\$ (280.00)	\$ 200.00
07-26-18	1,504.35	684.35	(820.00)	700.00
09-24-18	2,462.52	2,018.57	(443.95)	400.00
11-06-19	3,181.46	2,603.18	(578.28)	500.00
12-06-19	1,437.31	953.59	(483.72)	500.00
01-16-20	1,231.59	621.59	(610.00)	600.00
04-07-20	927.01	194.22	(732.79)	650.00
05-12-20	462.30	210.91	(251.39)	230.00
06-03-20	1,299.07	831.33	(467.74)	380.00
06-11-20	675.30	294.93	(380.37)	300.00
07-15-20	1,299.02	692.28	(606.74)	600.00
06-07-21	2,153.79	1,446.39	(707.40)	700.00
09-07-21	4,273.69	2,173.69	(2,100.00)	1,500.00
10-04-21	3,301.67	601.67	(2,700.00)	1,600.00
12-06-21	3,618.05	1,278.04	(2,340.01)	2,000.00
01-18-22	1,458.70	1,053.04	(405.66)	400.00
05-12-22	1,030.05	750.05	(280.00)	300.00
06-28-22	1,789.00	839.00	(950.00)	700.00
11-07-22	2,625.84	1,916.25	(709.59)	700.00
05-23-23	1,969.16	1,138.58	(830.58)	800.00

We then reviewed the District's collections versus deposits for the period following Wilson's termination. For the period of July 1, 2023 through April 30, 2024, we confirmed that all of the landfill revenue and cash collected at the District office was being deposited, along with miscellaneous income.

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."

Indiana Code 5-13-14-3 states: "A public servant who violates the depository duties in this article is subject to [IC 35-44.2-2-1](#). The public servant also is liable upon the public servant's official bond for any loss or damage that accrues."

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44.2-2-1 states:

"A public servant who knowingly or intentionally fails to deposit public funds (as defined in [IC 5-13-4-20](#)) not later than one (1) business day following the receipt of the funds, in a depository in the name of the state or political subdivision by the public servant having control of the funds, commits a violation of the depository rule, a Class C infraction. However, the violation is a Class A misdemeanor if the person has a prior unrelated adjudication or conviction for a violation of this section within the previous five (5) years."

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)

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 Cities and Towns, Chapter 1).

We requested that Wilson reimburse the City for cash receipts not deposited in the amount of \$825,819.74. (See Summary of Charges, page 12)

SPECIAL INVESTIGATION COSTS

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

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings."

We requested Wilson to reimburse the State of Indiana for special investigation costs in the amount of \$80,548.71. (See Summary of Charges, page 12)

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

Segregation of Duties: Daily Sanitary Collections and Deposits

The District did not implement an effective internal control system in regard to the preparation of the deposits and daily recap reports. There was no reconciliation control that would compare what was deposited to what was collected while Wilson was employed. This allowed Wilson to have the opportunity to prepare deposits and then fill out the daily recap reports to match the cash that was deposited, not collected. This allowed for cash that was receipted in to not be deposited. The City was encumbered with a loss of \$825,819.74 due to the lack of segregation of duties.

Timely Deposits of Daily Collections of District Revenue

Additionally, not all collections were deposited daily, allowing for exposure to theft or loss of funds. In addition, there were checks included in the District's deposits that were not from the regular daily collections. This caused there to be discrepancies with the checks as well as the cash. The SBOA was able to document and explain the cause of the check discrepancies in our workpapers; however, this created additional work that needed to be done to complete the investigation.

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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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. Clear documentation should be maintained for continuity as well as ease of communication to outside parties. . . ."

CITY OF RICHMOND SANITARY DISTRICT
RESULTS AND COMMENTS
(Continued)

INSURANCE COVERAGE

The following charts represent the insurance coverage by the two insurance policies obtained by the City for the period July 1, 2018 through January 1, 2024:

Policy A		Policy B	
Period	Coverage	Period	Coverage
07-01-18 to 07-01-19	\$ 25,000	01-01-21 to 01-01-22	\$ 100,000
07-01-19 to 07-01-20	25,000	01-01-22 to 01-01-23	500,000
07-01-20 to 07-01-21	25,000	01-01-23 to 01-01-24	500,000
07-01-21 to 07-01-22	25,000		

INVESTIGATION BY LAW ENFORCEMENT AGENCY

It is our understanding that an investigation into the cash discrepancies is also being conducted by the Richmond Police Department.

CITY OF RICHMOND SANITARY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2024, with Pat Smoker, District Director; Denise Johnson, District Assistant Director; Sue Miller, President of the District Board; Ron Oler, Mayor; AJ Sickman (via phone), City Attorney; and Pat Tudor, RPD Detective.

CITY OF RICHMOND SANITARY DISTRICT
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jennifer Wilson, former Accounts Payable Clerk:			
Cash Receipts Not Deposited, pages 3 through 8	\$ 825,819.74	\$ -	\$ 825,819.74
Special Investigation Costs, page 8	<u>80,548.71</u>	<u>-</u>	<u>80,548.71</u>
 Totals	 <u>\$ 906,368.45</u>	 <u>\$ -</u>	 <u>\$ 906,368.45</u>

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



RONALD OLER , PhD
Mayor

Patrick Smoker
Director

CITY OF RICHMOND

DEPARTMENT OF SANITATION
2380 LIBERTY AVENUE•RICHMOND, INDIANA 47374
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The Richmond Sanitary District is aware of the recently alleged activities relative to one of its prior employees. Upon discovering information pertaining to the misappropriation of funds, the Sanitary District acted quickly, within twenty-four (24) hours, and took appropriate action to rectify the issue. During the immediate internal investigation to gauge the scope of the alleged misappropriation of funds, the City quickly identified the money handling process being exploited and terminated the suspected employee believed to be responsible. After reviewing the alleged misappropriation of funds, the City has made adjustments to its internal controls in the interest of safeguarding against similar situations from occurring in the future. Additionally, the City is reviewing all of its internal controls to ensure adequate protection in all money handling processes.

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AFFIDAVIT

STATE OF INDIANA)
)
Marion COUNTY)

I, Cole Wesley, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Richmond, Wayne County, Indiana, for the period from December 7, 2016 to June 30, 2023, is true and correct to the best of my knowledge and belief.

Cole Wesley
Field Examiner

Subscribed and sworn to before me this 22 day of October, 2024.

Juanita M. Hendricksen
Notary Public

My Commission Expires: 10-19-2031

County of Residence: HENDRICKS

