

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

SPECIAL INVESTIGATION REPORT

OF

CORRECTIONAL CENTER

MONROE COUNTY, INDIANA

January 1, 2007 to June 1, 2015



FILED
10/22/2015

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MONROE COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Sandra M. Newmann	01-01-05 to 12-31-08
	Amy Gertsman	01-01-09 to 12-31-12
	Steve Saulter	01-01-13 to 12-31-16
County Sheriff	James Kennedy	01-01-07 to 12-31-14
	Brad Swain	01-01-15 to 12-31-18
President of the Board of County Commissioners	Iris Kiesling	01-01-07 to 12-31-07
	Patrick Stoffers	01-01-08 to 03-23-12
	Mark Stoops	03-24-12 to 12-31-12
	Iris Kiesling	01-01-13 to 12-31-13
	Patrick Stoffers	01-01-14 to 12-31-14
	Julie Thomas	01-01-15 to 12-31-15
President of the County Council	Michael Woods	01-01-07 to 12-31-07
	Victor Kelson	01-01-08 to 12-31-09
	Geoff McKim	01-01-10 to 12-31-10
	Julie Thomas	01-01-11 to 12-31-11
	Victor Kelson	01-01-12 to 03-12-12
	Geoff McKim	03-13-12 to 12-31-14
	Cheryl Munson	01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF MONROE COUNTY CORRECTIONAL CENTER:

We have conducted a special investigation of the records of the Correctional Center, Monroe County, for the period from January 1, 2007 to June 1, 2015. Our investigation was limited to the following records: bank statements, deposits, ledger, receipts, and disbursements for the Cash Bond Fund; bank statements, deposits, ledger, receipts, and disbursements for the Inmate Trust Fund; bank statements, deposits, ledger, receipts, and disbursements for the Commissary Fund; and claims paid by the County on behalf of the Correctional Center. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents. This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

Any Official Response included herein this report has not been examined or verified for its accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 19, 2015

CORRECTIONAL CENTER
MONROE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS

CASH BOND RECEIPTS NOT DEPOSITED

A comparison of the Cash Bond Receipts and bank deposits from January 1, 2007 to June 1, 2015, revealed an overall shortage of \$263,932.71 of deposits. On October 16, 2015, Karen S. Bridges, former Correctional Center employee, was indicted on embezzlement, wire fraud and mail fraud charges by the U.S. Attorney General's Office.

Karen S. Bridges, former Correctional Center employee, was responsible for handling the Cash Bond fund during the period investigated. It was Karen S. Bridges, former Correctional Center employee, responsibility to deposit, post, and transfer cash bonds to the Clerk of the Circuit Court for inmates. In addition, Karen S. Bridges, former Correctional Center employee, prepared claims for the Correctional Center's services, opened Correctional Center mail, and worked with inmate trust and commissary funds when necessary.

An analysis of the account activity indicated the following methods of concealment related to the shortages discussed above:

1. Checks were substituted for bond payments that were made in cash. Many checks that should have been deposited into a different Correctional Center bank account or County bank account were deposited into the Cash Bond bank account to cover the cash that was taken.
2. In three instances, fraudulent claims for medical services were submitted to the County Auditor for payment. In each case, the additional payment to the vendor resulted in a credit which the vendor refunded the County. These three refund checks from the vendor were deposited into the Cash Bond bank account when they should have been deposited into the County bank account and receipted into the County General fund. By depositing checks into the Cash Bond account that were either obtained fraudulently or should have been deposited into a different county account, Karen S. Bridges, former Correctional Center employee, was able to conceal the theft of the cash deposits.
3. Detailed information obtained from the bank shows in February 2008 a \$9,000 cashier's check made out to Karen S. Bridges was deposited into the Cash Bond bank account. There was no receipt or entry into the ledger for this amount. Therefore, this will be handled as a repayment of cash funds taken.

The following is a yearly breakdown of the overall shortage of deposits.

CORRECTIONAL CENTER
MONROE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Years	Total Receipts	Total Deposits	Less Checks Substituted for Cash	Adjusted Total Deposits	Total Receipts Not Deposited
2007	\$ 893,396.69	\$ 890,623.69	\$ (1,960.00)	\$ 888,663.69	\$ 4,733.00
2008	806,785.22	808,646.73	(21,911.10)	786,735.63	20,049.59
2009	838,652.04	833,007.09	(30,194.06)	802,813.03	35,839.01
2010	829,984.50	822,107.79	(1,363.82)	820,743.97	9,240.53
2011	805,285.60	777,730.19	(61,579.59)	716,150.60	89,135.00
2012	682,087.00	739,080.79	(77,176.82)	661,903.97	20,183.03
2013	669,625.46	661,291.96	(21,763.63)	639,528.33	30,097.13
2014	678,610.00	678,530.00	(48,469.42)	630,060.58	48,549.42
2015	341,784.16	336,233.16	(9,555.00)	326,678.16	15,106.00
Total	<u>\$ 6,546,210.67</u>	<u>\$ 6,547,251.40</u>	<u>\$ (273,973.44)</u>	<u>\$ 6,273,277.96</u>	\$ 272,932.71
Payments 2008					<u>(9,000.00)</u>
Total cash bond receipts not deposited					<u>\$ 263,932.71</u>

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository.

The statute also provides public funds deposited shall be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision must be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 6)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Karen S. Bridges, former Correctional Center employee, was requested to reimburse Monroe County and Monroe County Correctional Center in the amount of \$263,932.71 for Cash Bond Receipts not deposited. (See Summary of Charges, page 10)

INTERNAL CONTROLS OVER CASH BOND RECEIPTS

Internal Controls Over Cash Bond Receipts were insufficient.

- The Correctional Center has not separated incompatible activities for Cash Bonds. Karen S. Bridges, former Correctional Center employee, was responsible for depositing, recording, and reconciling the cash bond fund. Karen S. Bridges, former Correctional Center employee, also worked with other Correctional Center funds and performed other office duties with no oversight.
- The Correctional Center has not established internal controls and a system to monitor controls. Internal Controls are necessary to prevent, or detect and correct (material) misstatements in a timely manner. Additionally, once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness.

CORRECTIONAL CENTER
MONROE COUNTY
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$53,207.48 due to the special investigation of the Monroe County Correctional Center.

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 Counties of Indiana, Chapter 1)

Karen S. Bridges, former Correctional Center employee, was requested to reimburse the State of Indiana \$53,207.48 for special investigation costs. (See Summary of Charges, page 10)

OFFICIAL BOND

Karen S. Bridges, former Correctional Center employee, is covered by the following crime insurance policy:

INSURANCE COMPANY	POLICY PERIOD	POLICY NUMBER	AMOUNT	CHARGES PER POLICY
Travelers Indemnity Company	01-01-15 to 01-01-16	H-660-3837X782-IND-15	\$ 50,000	\$ 15,106.00
Travelers Indemnity Company	01-01-14 to 01-01-15	H-660-3837X782-IND-14	50,000	48,549.42
Travelers Indemnity Company	01-01-13 to 01-01-14	H-660-3837X782-TIL-13	50,000	30,097.13
Travelers Indemnity Company	01-01-12 to 01-01-13	H-660-3837X782-TIL-12	50,000	20,183.03
Travelers Indemnity Company	01-01-11 to 01-01-12	H-660-3837X782-TIL-11	50,000	89,135.00
St Paul Fire and Marine Insurance	01-01-10 to 01-01-11	GP09314765	50,000	9,240.53
Argonaut Insurance Group	01-01-09 to 01-01-10	PE-4611922-03	50,000	35,839.01
Argonaut Insurance Group	01-01-08 to 01-01-09	PE-4611922-02	50,000	11,049.59
Argonaut Insurance Group	01-01-07 to 01-01-08	PE-4611922-01	50,000	4,733.00

CORRECTIONAL CENTER
MONROE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2015, with Steve Saulter, County Auditor; Jeff Cockerill, County Attorney; Samuel Crowe, Jail Commander; Julie Thomas, President of the Board of County Commissioners; Iris Kiesling, County Commissioner; Patrick Stoffers, County Commissioner; and Cheryl Munson, President of the County Council.

The contents of this report were discussed on October 19, 2015, with Brad Swain, County Sheriff.



OFFICE OF
MONROE COUNTY SHERIFF
BRADLEY A. SWAIN

301 NORTH COLLEGE AVENUE
BLOOMINGTON, INDIANA 47404
TELEPHONE (812) 349-2534 • FAX (812) 349-2828

October 20, 2015

OFFICIAL RESPONSE to Indiana State Board of Accounts investigation of Monroe County Correctional Center cash bond account.

Within a few weeks of my taking office as Sheriff of Monroe County, I was informed by State Board of Accounts (SBOA), that an investigation would be taking place regarding concerns over transactions involving the Correction Center cash bond account.

Arrangements were made to provide SBOA a secure and private work space during the investigation.

In June of 2015, I was invited to attend a meeting with SBOA investigators as well as law enforcement officials, in which there was concern that the employee who administers the cash bond account was conducting criminal action. That employee made an admission to stealing funds later that day, and was terminated from employment. I directed MCSO employees to cooperate with and accommodate investigators with any requests given.

In learning the details of the contributing circumstances to make the theft easier to commit, I made immediate changes in how cash bonds are paid, to minimize the opportunity in the future. In early 2016 a new accounting system will be in place to create a better delivery stream of bond payments to the County Clerk.

Present financial staff have met with SBOA investigators to address safeguards to detect potential irregularities early. My Jail Commander and I will also make routine personal review of the accounts handled by Correction Center staff.

The Monroe County Sheriff's Office is committed to being open and responsive to future recommendations or inquiries from SBOA

Respectfully,

Sheriff Brad Swain

CORRECTIONAL CENTER
MONROE COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Karen S. Bridges, former Correctional Center employee:			
Cash Bond Receipts Not Deposited, pages 4 and 5	\$ 263,932.71	\$ -	\$ 263,932.71
Special Investigation Costs, page 6	<u>53,207.48</u>	<u>-</u>	<u>53,207.48</u>
Total	<u>\$ 317,140.19</u>	<u>\$ -</u>	<u>\$ 317,140.19</u>

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

AFFIDAVIT

STATE OF INDIANA)

BARTHOLOMEW COUNTY)

I, Annette Ladson, Auditor-In-Charge, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of the Correctional Center, Monroe County, Indiana, for the period from January 1, 2007 to June 1, 2015 is true and correct to the best of my knowledge and belief.

Annette Ladson
Field Examiner

Subscribed and sworn to before me this 21 day of October, 2015.

[Signature]
(Notary Public)
(Clerk of the Circuit Court)

My Commission Expires: 12/31/2018 (Use with Notary)

County of Residence: Bartholoma (Use with Notary)

