



INSPECTOR GENERAL REPORT

2006-11-0333, 2007-04-0084, 2007-04-0085, 2007-09-0193

December 18, 2008

CASH RECEIPTS

Inspector General David O. Thomas, after an investigation by Special Agent Chuck Coffin and DOR Auditor Walter Hocker, and with the assistance of the State Board of Accounts, reports as follows:

Summary

State agencies which receive cash from the public must:

- (1) maintain a cash book;
- (2) write receipts for all cash received;
- (3) deposit all receipts by the next business day.

I.

The Indiana Department of Revenue (DOR) and the Office of the Inspector General (OIG) have recently worked together on several criminal investigations which led to the arrest of several DOR employees. These cases were identified by DOR and reported to the OIG. Individual reports on these cases are reflected in separate OIG reports.

These investigations involved thefts by DOR employees who were in a

position to receive cash from the public for the payment of taxes. This method of receiving cash payments by DOR employees is authorized by IC 6-8.1-8-1(a)(1).

This statutory policy of permitting cash payments is convenient at times not only to the citizens, but also benefits the State by immediately collecting the tax revenue when currency rather than checks or other payment is presented by members of the public.

However, inherent in the receipt of currency by any organization, governmental or private, is the incentive of theft by employees because of the immediate access to the cash.

II.

The point of this report is to address and recommend various controls in order to prevent future thefts not only within DOR, but within all state agencies.

1.

Cash Receipts Journal

The OIG recommends that the rules relating to the maintenance of cash books be strictly followed and a copy of this recommendation be distributed to all DOR employees in the position of receiving cash payments from the public.

This requirement has been succinctly stated by the Indiana State Board of Accounts (SBOA):

In those agencies where money is received on a regular basis, some type of cash book is required per IC 5-13-5-1. The statute specifically requires daily entries of all funds received and balancing of the cash book daily to show funds on hand at the close of each day. The cash book must be so designed as to list the revenue by classification and amount in detail.

It may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding report of collections number must also be shown on the cash book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Since there is no standard cash book (also referred to as a cash receipts journal) prescribed for state agencies, all cash books or journals must be approved in writing by the State Board of Accounts.

SBOA State and Quasi Agency Manual, Chapter 3. See also: IC 5-13-5-1 (rule); IC 5-13-14-4 (penalty); IC 5-13-4-20 (public officer defined); IC 5-13-4-21 (public funds defined);

Often overlooked is the fact that the failure to follow these procedures subjects the state employee to a criminal offense as addressed in IC 5-13-4-4.

The cashbook is also a public record and is open to public inspection in accordance with the Access to Public Records Act (APRA or Open Records Act). Penalties for the violation of APRA may include a civil action to compel disclosure and the payment of attorney fees and costs. IC 5-13-5-1 (rule); IC 5-13-14-4 (penalty); IC 5-14-3 (APRA or Open Records Law); IC 5-14-3-9 (penalties for APRA violation); *SBOA State and Quasi Agency Manual, Chapter 15.*

2.

Receipts and Accountable Forms

In addition to maintaining proper cash books, the OIG also recommends that a receipting method be strictly followed, and a copy of this recommendation be likewise distributed. The following language provided by the SBOA is illustrative.

Some type of receipting method must be utilized for all money

received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (either prescribed or approved by the State Board of Accounts) to each person paying in money to the state agency. In those instances where the volume of receipts justifies it, the State Board of Accounts will approve a substitute method of accounting for the revenue. The substitute method may entail the use of cash registers, the validating of documents, the use of data processing cash listings, and other accountable forms. Any system other than the issuance of prescribed cash receipt forms must have the approval of the State Board of Accounts.

The official receipt forms are consecutively prenumbered. The agency clerk must complete the form in ink. Information to be entered includes date, entity or person received from, description, and indication of cash or check payment. The official receipt forms have three copies, the original is given to the payee, the second copy is retained with the agency's report of collections, and the third copy remains intact in the receipt book.

All three copies of a voided receipt must remain intact in the receipt book. These may be stapled together. All copies must be defaced.

SBOA State and Quasi Agency Manual, Chapter 3. See also: IC 6-8.1-8-

1(b)(“The [DOR] shall issue a receipt for a tax payment that is made with currency”).

3.

Depository Rule

In addition to the above requirements, the OIG also recommends the following procedures be followed regarding the rule requiring the daily depositing of cash received.

A (1) public officer or state officer who (2) receives and has control of public funds paid into the treasury of the state or the treasuries of the respective political subdivisions and who (3) later than the business day following the receipt of the public funds fails to deposit the public funds in one or more depositories in the name of the state or political subdivision, commits a violation of the depository rule, a class B felony, and is liable upon the officer's official bond for any loss or damage that may accrue.

The Department of Natural Resources and Department of Revenue

are exempted from this rule only when the daily receipts do not exceed one hundred dollars (\$100).

SBOA State and Quasi Manual, Chapter 3. See also: IC 5-13-6-1 (rule); IC 5-13-14-3 (penalty); IC 5-13-4-20 (public officer defined); IC 5-13-4-21 (public funds defined); IC 5-13-8-1 and IC 5-13-9.5 (designation of depositories).

Many state employees may be unaware that a violation of this rule may subject them to criminal prosecution for a class B felony. IC 5-13-14-3.

4.

The OIG also makes the recommendation to DOR that all district offices submit a financial activity report to the Finance Division the morning following a day's business and that the Finance Division notify the Audit Section about days not being reported by the district offices.

This was addressed previously by the SBOA and would help ensure proper accounting for cash receipts.

5.

It is furthermore recommended that the DOR may find the above rules to be implemented more uniformly through written agency policies.

III.

In summary, state agencies must: (1) maintain a cash book in compliance with IC 5-13-5-1(a); (2) write receipts for all cash received; and (3) deposit all receipts by the next business day in compliance with IC 5-13-6-1. In addition, the

DOR district offices should (4) report their daily activity to the Finance Division in the DOR central office. These controls may best be implemented by (5) written agency policies.

The DOR having reported these issues and assisted the OIG in the resulting investigations, this case is closed.

Dated this 18th day of December, 2008.



David O. Thomas, Inspector General