

Fraud Examination Report

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Subject: Fraud Examination of the Jersey County Treasurer's Office

Executive Summary

This report presents the findings of a fraud examination conducted in response to allegations of misappropriation of funds by County Treasurer Katie Abbey. The examination aimed to quantify Jersey County's financial losses and assess the validity of the allegations.

The examination included a detailed review of cash deposits, reimbursement claims, canceled checks, bank statements, and internal policies provided by Jersey County personnel. Key findings include evidence of funds taken by unlawful and/or deceptive means totaling \$55,966.47, primarily through altered deposit slips. Additionally, suspicious transactions indicative of fund misappropriation totaling \$2,487.31 were identified.

Scope of Examination

The examination covered the following areas:

- Review of cash receipts, deposit slips, canceled checks, Transaction History Reports, and bank statements provided by Jersey County for the period October 2022 through November 2024.
 - Analysis of reimbursement requests by Katie Abbey.
 - Discussions with office personnel.
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Findings

1. Misappropriation of Cash Deposits

Observation:

A review of cash deposit records revealed significant discrepancies between the cash amounts recorded on the original deposit slips and the cash amounts deposited into Royal Banks Account # [REDACTED] titled Jersey County – County Collector (RB - JC Collector) on several occasions. The examination determined original deposits were changed to replace the recorded cash amounts with checks drawn from various Jersey County bank accounts payable to Jersey County Collector or Jersey County. The deposit dates listed below reflect the dates written on the original deposit slips.

Specific instances:

- **Item A1:** On 08/23/2024, a deposit of \$129,223.59 was made to the RB - JC Collector account. The original deposit slip recorded \$4,579.78 in cash and \$124,643.81 in checks. However, check #1007, drawn from Royal Banks, Account # [REDACTED] titled "Back Tax 049" (RB – Back Tax) in the amount of \$4,310.00 was substituted for cash. As a result, the altered deposit slip reflected only \$279.78 in cash and \$128,953.81 in checks. *It should be noted that the altered deposit slip contained an adding error of \$10.00.*
- **Item A2:** On 09/04/2024, a deposit of \$1,126,945.08 was made to the RB - JC Collector account. The original deposit slip recorded \$11,743.57 in cash and \$1,115,201.51 in checks. However, check #1070, drawn from Jersey State Bank, Account # [REDACTED] titled "Protest Fund," in the amount of \$6,230.00 was substituted for cash. As a result, the altered deposit slip reflected only \$5,513.57 in cash and \$1,121,431.51 in checks.
- **Item A3:** On 09/11/2024, a deposit of \$2,740.21 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit was comprised of cash. However, check #1008, drawn from RB – Back Tax account, in the amount of \$2,620.18 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$120.03 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A4:** On 09/13/2024, a deposit of \$4,846.60 was made to the RB - JC Collector account. The original deposit slip recorded \$4,206.66 in cash and \$639.94 in checks. However, check #1037, drawn from Jersey State Bank, Account # [REDACTED] titled "Sale in Error Fund" (JSB – SIE Fund) in the amount of \$3,989.43 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$217.23 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A5:** On 09/19/2024, a deposit of \$4,497.57 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit was comprised of cash. However, check #1009, drawn from RB – Back Tax account, in the amount of \$3,800.57 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$697.00 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A6:** On 09/27/2024, a deposit of \$54,715.55 was made to the RB - JC Collector account. The original deposit slip recorded \$3,876.86 in cash and \$50,838.69 in checks. However, check #1038, drawn from JSB – SIE Fund in the amount of \$3,872.86 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$4.00 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A7:** On 10/01/2024, a deposit of \$739.26 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit was comprised of cash. However, check #1010, drawn from RB – Back Tax account in the amount of \$710.25 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$29.01 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A8:** On 10/02/2024, a deposit of \$17,245.08 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit comprised of cash. However, check #1011, drawn from RB – Back Tax account in the amount of \$10,005.05 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$7,240.03 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A9:** On 10/08/2024, a deposit of \$5,055.31 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit comprised of cash. However, check #1040, drawn from JSB – SIE Fund account in the amount of \$3,250.00 was substituted for cash. As a result, the "Cash In" slip provided by the bank recorded \$1,805.31 in cash deposited. (An altered deposit slip was not found in the file.)
- **Item A10:** On 10/09/2024, a deposit of \$10,875.54 was made to the RB - JC Collector account. The original deposit slip recorded the entire deposit was comprised of cash.

However, check #1012, drawn from RB – Back Tax account in the amount of \$3,352.85 and check #1041, drawn from JSB – SIE Fund in the amount of \$3,601.15 were substituted for cash. As a result, the “Cash In” slip provided by the bank recorded \$3,921.54 in cash deposited. (An altered deposit slip was not found in the file.)

- **Item A11:** On 10/11/2024, a deposit of \$29,866.84 was made to the RB - JC Collector account. The original deposit slip recorded \$6,543.09 in cash and \$23,323.75 in checks. However, check #1042, drawn from JSB – SIE Fund account in the amount of \$3,608.05 and check #1043, drawn from JSB – SIE Fund in the amount of \$2,935.04 were substituted for cash. (An altered deposit slip was not found in the file and a “Cash In” slip was not generated by the bank as cash was not deposited.)

Analysis:

A detailed review of deposit records indicates that the substitution of cash with checks written from other county accounts was not an isolated occurrence but a recurring practice. The pattern observed across multiple deposits suggests a deliberate scheme to divert cash while maintaining the total deposit amount on record.

All checks used to replace cash deposits were signed by Katie Abbey, further confirming an intentional act rather than a clerical error. In each instance, the altered deposit slips or “Cash In” slips provided by the bank reflected significantly lower cash amounts than originally recorded, with the difference made up by checks drawn from unrelated county accounts.

This method allowed the Treasurer to conceal the misappropriation of cash while creating the illusion that full deposits were made. The use of checks from the various county accounts raises concerns about unauthorized fund transfers, fund misuse, and improper financial reporting.

Impact:

The financial impact of this scheme is significant, resulting in a direct loss of county funds through cash misappropriation. The total amount of cash removed and substituted with checks across the identified transactions is estimated at \$52,285.43.

2. Fraudulent Reimbursements

Observation:

A detailed review of reimbursement requests by Katie Abbey revealed multiple instances of claims consistent with fraud, including:

- Submission of duplicate reimbursement requests.
- Reimbursement for non-existent or unverifiable expenses.

Specific instances:

Reimbursements from the Treasurer’s Automation Fund (Royal Banks, Account # [REDACTED]):

- **Item B1:** Check #420 - \$121.12 (signed by [REDACTED])
 - Check Date: 12/21/2023
 - Reason Provided: Reimbursement for Office Lunch – Training – Updated Banking Procedures and New Insurance Fund
 - Provided Documentation: Receipt from Josephine’s Tea Room
 - Explanation of Fraud: Per office personnel, this was a holiday luncheon rather than training.

- **Item B2:** Check #422 - \$215.00 (signed by [REDACTED])
 - Check Date: 04/18/2024
 - Reason Provided: IACO – Guest Speaker Registration Jersey County State’s Attorney
 - Provided Documentation: IACO invoice #3349
 - Explanation of Fraud: Per IACO records, the invoice was not paid.
 - To be noted, the total check amount was \$290.24 which included mileage and meal reimbursement for an ICTA meeting on 04/12/2024.
- **Item B3:** Check #424 - \$338.58 (signed by Katie Abbey)
 - Check Date: 04/30/2024
 - Reason Provided: Training Conference Hotel Reimbursement
 - Provided Documentation: Hotel Confirmation #48192181
 - Explanation of Fraud: Duplicate reimbursement. The same hotel confirmation was presented to the County Clerk on 03/19/2024 for reimbursement (Check #57124 drawn from the General Fund, Royal Banks Account # [REDACTED] (RB – General Fund) in the amount of \$338.58).
- **Item B4:** Check #425 - \$350.00 (signed by Katie Abbey)
 - Check Date: 05/01/2024
 - Reason Provided: Reimburse Veribanc Subscription
 - Provided Documentation: Veribanc invoice #5200
 - Explanation of Fraud: Per email from Veribanc, Katie Abbey sent an email on 05/03/2024 stating she did not want to renew the services. The “paid” invoice (Invoice #5200) does not match the invoice provided by Veribanc (Invoice #42624005).
- **Item B5:** Check #427 - \$102.04 (signed by Katie Abbey)
 - Check Date: 05/09/2024
 - Reason Provided: Office Lunch – Upcoming Tax Schedule Planning & Delegating TCP and Discussed other office concerns
 - Provided Documentation: Receipt from The Cup
 - Explanation of Fraud: Per office personnel, the items were purchased for a retirement party rather than training.
- **Item B6:** Check #429 - \$175.00 (signed by Katie Abbey)
 - Check Date: 05/09/2024
 - Reason Provided: DCEO Courses – 6 total Illinois Revenue & local grants
 - Provided Documentation: Email from Illinois Department of Commerce regarding the training and payment
 - Explanation of Fraud: Per email from [REDACTED] Illinois Department of Commerce, there was no charge for the program.
- **Item B7:** Check #432 - \$210.00 (signed by Katie Abbey)
 - Check Date: 05/13/2024
 - Reason Provided: Tax Bill Inserts – Mail to Devnet
 - Provided Documentation: Email containing USPS invoice
 - Explanation of Fraud: Office personnel located invoice revealing actual cost for shipment was \$55.42.
 - The total check amount was \$265.42 which included the actual expense of \$55.42. It should be noted, the same invoice was also presented to the County Clerk on the same day. The reimbursement from RB – General Fund, check #57495, was payable to the Jersey County Treasurer and deposited into the Treasurer’s Automation Fund account held at Royal Banks.
- **Item B8:** Check #434 - \$250.00 (signed by Katie Abbey)
 - Check Date: 05/14/2024
 - Reason Provided: ISACo Membership – All Access Pass
 - Provided Documentation: ISACo Invoice #00012

- Explanation of Fraud: Member Services and Communications Manager of ISACo confirmed that the submitted invoice was not authentic. Additionally, a Microsoft Word generated invoice was found on the Treasurer's computer by office personnel.
- **Item B9:** Check #436 - \$189.86 (signed by Katie Abbey)
 - Check Date: 05/23/2024
 - Reason Provided: Laptop Charger Replacement – Katie Abbey
 - Provided Documentation: Printout of Amazon Order Details
 - Explanation of Fraud: Office personnel located documentation indicating the order had been cancelled.
- **Item B10:** Check #438 - \$100 (signed by Katie Abbey)
 - Check Date: 06/02/2024
 - Reason Provided: ICTA Conference Registration
 - Provided Documentation: ICTA registration confirmation, Save the Date flyer, and IACO Invoice #3629
 - Explanation of Fraud: Per IACO records, the \$75.00 registration fee was paid. The attached invoice appears to be altered to reflect \$175.00.
 - The total check amount was \$569.40 which included the hotel reimbursement.
- **Item B11:** Check #440 - \$108.54 (signed by Katie Abbey)
 - Check Date: 06/11/2024
 - Reason Provided: May – IACO Conference mileage (162 miles) and “Devnet Event – Rockford – 250 miles,” $412 \times .67 = 276.04$
 - Provided Documentation: None
 - Explanation of Fraud: Duplicate Reimbursement. Mileage to the IACO conference was reimbursed from RB – General Fund check #57423.
 - The total check amount was \$276.04 which included mileage reimbursement to Rockford, Illinois.
- **Item B12:** Check #446 - \$147.60 (signed by Katie Abbey)
 - Check Date: 08/13/2024
 - Reason Provided: Hotel Reimbursement – Zone II meeting – Updated IL State statutes on investment parameters, updated property tax code – Trustee presentation on Tyler Case
 - Provided Documentation: Hotel confirmation #72892278010693
 - Explanation of Fraud: Per policy, overnight stay will be reimbursed if mileage to event is over 50 miles from home or office. The hotel is located in Glen Carbon, Illinois, which is approximately 36 miles from the Treasurer's Office.
- **Item B13:** Check #447 - \$216.35 (signed by Katie Abbey)
 - Check Date: 08/15/2024
 - Reason Provided: Zone II meeting 08/08-09 – Dinner 08/08 \$57.98, Office keyboard - \$158.37, August Phone Reimbursement
 - Provided Documentation: Restaurant receipt, Printout of Amazon Order Details, Portion of August phone bill
 - Explanation of Fraud: Per policy, meals shall be reimbursed for travel on official business if the county official has stayed overnight or away from home for a period of at least 12 hours. Due to the meeting scheduled for 11am on 08/09/2024 and within 50 miles from office/home, the reimbursement is against policy.
 - Office personnel located documentation indicating the keyboard order had been cancelled.
 - The total check amount was \$278.35 which included August phone service reimbursement.
- **Item B14:** Check #448 - \$577.83 (signed by Katie Abbey)
 - Check Date: 08/16/2024

- Reason Provided: IACO Fall Conference Registration and Hotel Reimbursement
- Provided Documentation: Hotel confirmation #4468389214 and IACO invoice #3582
- Explanation of Fraud: Conference not attended.
- **Item B15:** Check #449 - \$350.00 (signed by Katie Abbey)
 - Check Date: 08/17/2024
 - Reason Provided: Check memo reads ICTA Annual Dues
 - Provided Documentation: None (*Reimbursement form not submitted*)
 - Explanation of Fraud: Office personnel was informed by email the dues had not been paid. It should also be noted that the amount due was \$250 rather than \$350.
- **Item B16:** Check #452 - \$60.00 (signed by Katie Abbey)
 - Check Date: 09/28/2024
 - Reason Provided: Mileage Report attached, Aug/Sept Phone Service Reimbursement
 - Provided Documentation: Portions of phone bills for August and September
 - Explanation of Fraud: Duplicate reimbursement for August phone service (check #447 – Treasurer’s Automation Fund).

Reimbursement from RB - General Fund:

- **Item B17:** Check #57496 - \$169.12
 - Check Date: 05/14/2024
 - Reason Provided: Office Supplies Reimbursement
 - Provided Documentation: Printout of Amazon Order Details
 - Explanation of Fraud: Office personnel located documentation indicating that the order was cancelled.

Analysis:

A review of reimbursement requests revealed that multiple claims lacked sufficient supporting documentation and, in some cases, were inconsistent with county policies. Apart from checks referenced in Items B1 and B2, all reimbursement checks from the Treasurer’s Automation Fund were signed by Katie Abbey.

Impact:

Total fraudulent reimbursements identified amount to \$3,681.04.

3. Suspicious Activity

Observation:

During the examination, several activities were identified as suspicious but lacked sufficient evidence to confirm fraud. These include:

- Use of hotel booking confirmations rather than paid invoices to support reimbursement requests.
- Reimbursement claims with vague or incomplete descriptions, such as "conference reimbursement" or "mileage for local meetings," without additional details.
- Requests for reimbursements without supporting documentation or with questionable receipts.
- Checks issued to the same individual who both authorized the reimbursement and signed the reimbursement check.

- Mileage reimbursement covering multiple months without a clear breakdown or justification.

Analysis:

While these activities raise concerns about potential misuse of funds, they lack definitive proof of fraudulent intent.

Conclusion

The findings detail financial losses in the amount of \$55,966.47 incurred by Jersey County from money taken by unlawful and/or deceptive means. Additionally, it should be noted that certain indirect costs—including the Treasurer’s salary while on extended leave, payments to the former Treasurer for assistance with the day-to-day functioning of the office, fees for this forensic examination, and other related expenses—may represent additional losses to Jersey County. Such losses are not included in this report but may be included in separate documentation from Jersey County.

Supporting Documentation

The following documents are attached to this report:

- A. Summary of discrepancies in deposit records and supporting documentation (Exhibits A1 – A12).
 - B. Summary of fraudulent reimbursements and supporting documentation (Exhibits B1 – B17).
 - C. Summary of suspicious reimbursement claims and supporting documentation (Exhibits C1 – C10).
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