

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

SPECIAL REVIEW REPORT
OF

INDIANA STATE POLICE
TOLL ROAD DISTRICT 21
STATE OF INDIANA

January 1, 2006 to August 20, 2010



FILED
11/29/2010

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AGENCY OFFICIALS

Office

Official

Term

Superintendent

Paul E. Whitesell, PhD

01-10-05 to 01-13-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE INDIANA STATE POLICE DISTRICT 21

In cooperation with the Indiana State Police Investigation Division, we reviewed financial documents of the Indiana State Police Toll Road District 21 for the period January 1, 2006 to August 20, 2010, regarding missing public funds at the Indiana State Police Post District 21. The results of our review are presented in this special report.

STATE BOARD OF ACCOUNTS

October 6, 2010

INDIANA STATE POLICE DISTRICT 21
REVIEW COMMENTS
January 1, 2006 to August 20, 2010

INDIANA STATE POLICE INVESTIGATION

On August 20, 2010, the Indiana State Police Criminal Investigation Division launched an investigation of missing public funds at the Indiana State Police Toll Road District 21. The Indiana State Police (ISP) investigators discovered that checks from county prosecutors and other donations intended for deposit at ISP Central Office in Indianapolis had not been transferred. A number of these checks were found cashed by and/or deposited into personal bank accounts of former Post Commander Lt. Dallard R. Tackett. Lt. Tackett's employment with ISP was terminated on August 20, 2010.

ISP investigators identified a shortage of more than \$91,000.00 in deferral program funds and other donation checks and asked us to examine the records to verify the total dollar amount of missing funds.

District 21 Bank Accounts

Toll Road District 21 has three ISP accounts at a local bank. The \$500 Petty Cash checking account is used for small, agency-approved, local purchases and is reimbursed by ISP Central Office upon submission of merchandise receipts. The Crash checking account is for deposits of revenue received from crash photo requests which is forwarded monthly to ISP Central Office. The "Post Fund" checking account is used to collect donations for employee-sponsored activities and other unbudgeted Post expenses which are not currently reported to Central Office. Lt. Tackett was one of three people with signature authority on each of these three accounts.

District 21 also receives check contributions of deferral program funds from some county prosecutors' offices and other donations for purchasing additional agency-approved officer training, equipment, etc. Deferral and other donation checks are to be forwarded to ISP Central Office for deposit by the following business day per IC 5-13-6-1. Deferral/donation checks are considered public funds and ISP is required to follow all state laws related to deposit and expenditure of these funds.

In February 2009, Lt. Tackett opened an unauthorized checking account in the name of the Indiana State Police with only his signature on the account. This unauthorized account allowed the diversion of deferral and donation revenue to go undetected.

Diversion of Public Funds

For the period of January 1, 2006 to August 20, 2010, evidence indicated some deferral and other donation checks received at the District 21 Post were not forwarded to ISP Central Office. Instead, these checks were deposited into Lt. Tackett's personal checking account, personal savings account, the unauthorized ISP checking account or cashed for currency. Based on the ISP investigation documentation and bank records, Lt. Tackett began depositing deferral/donation checks made payable to ISP District 21 (formerly District 11) c/o Dallard Tackett into his personal accounts dating back to April 2008. The ISP investigators learned that in December 2008 Lt. Tackett dictated letters and had ISP staff type and mail the letters to several counties and one donor requesting all future deferral/donation checks be made payable to ISP District 21 c/o Dallard Tackett.

INDIANA STATE POLICE DISTRICT 21
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January 1, 2006 to August 20, 2010
(Continued)

The ISP investigation revealed 33 deferral/donation checks endorsed by Lt. Tackett and deposited into Lt. Tackett's checking and savings accounts in the sum of \$55,206.92. As the state suffered a loss from these undeposited checks, we calculated total public funds diverted into Lt. Tackett's personal checking and savings accounts to be \$55,206.92.

The ISP investigation revealed six deferral/donation checks endorsed by Lt. Tackett and deposited into the unauthorized ISP checking account opened by Lt. Tackett totaling \$34,420.00. The state suffered a loss from these undeposited checks and we also calculated total public funds diverted into the unauthorized account to be \$34,420.00.

The ISP investigation revealed an additional 10 deferral/donation checks cashed by Lt. Tackett totaling \$1,769.70. Since these checks should have been deposited with the state, we calculated total diverted public funds to be \$1,769.70.

In addition to the deferral checks from five counties identified during the ISP investigation, we made inquiries at additional counties proximal to the Indiana East-West Toll Road for any other county deferral checks payable to and received by District 21 Post. We reviewed county ledgers and/or copies of checks made payable to Indiana State Police and traced a number of county checks to deposits at Central Office. We found no additional county deferral checks made payable to District 21 c/o Dallard Tackett.

We requested that Dallard R. Tackett, former Indiana State Police District 21 Commander, repay the State of Indiana a total of \$91,396.62. (See Summary, page 10)

IC 5-13-4-20 states, in part, that "'Public Funds' means all fees and funds of whatever kind or character coming into the possession of any public officer by virtue of that office. . . ."

IC 5-13-6-1(b) states in part: "All public funds collected by state officers...shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state, not later than the business day following the receipt of the funds . . ."

IC 5-13-14-3 states: "A public officer who knowingly fails to deposit public funds, or knowingly deposits or draws any check or negotiable order of withdrawal against the funds except in the manner described in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue."

According to 42 IAC 1-5-12 Use of state property, "A state officer, employee, or special state appointee shall not make use of state materials, funds, property, personnel, facilities, or equipment for any purpose other than for official state business unless the use is expressly permitted by a general written agency, departmental, or institutional policy or regulation."

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview, Summary of Agency Accounting Responsibilities)

Controls over the receipting, 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. An agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview, Summary of Agency Accounting Responsibilities)

INDIANA STATE POLICE DISTRICT 21
REVIEW COMMENTS
January 1, 2006 to August 20, 2010
(Continued)

BOND COVERAGE

The Indiana State Police is not required by statute to purchase bond coverage for its employees and has not elected to do so.

LACK OF INTERNAL CONTROLS

During our review of the diversion of public funds at ISP District 21, we evaluated the internal control environment and accountability for revenue of crash photos, Post donations, and deferral program donations. We found deficiencies in the internal controls over revenue in the following areas:

1. Segregation of Duties – One employee responsible for opening the mail, preparing and making the deposits, reconciling bank statements;
2. Cash Book – Cash [currency and checks] not recorded into a receipt book at time of collection;
3. Restrictive Endorsement – Back of the checks not restrictedly endorsed upon receipt;
4. Safeguards over Cash – Revenue kept in unlocked drawer until deposited; and
5. Timely Deposits – Revenue collections not consistently deposited by the next business day.

When the above accounting functions are not properly executed, the possibility that funds may be misplaced or stolen increases. A lack of adequate internal controls or management overriding established controls could allow fraud to occur and go undetected. Establishing written policies and procedures, review of existing procedures, and/or employee training/retraining could mitigate risk.

IC 5-13-6-1(b) states in part: "All public funds collected by state officers . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state, not later than the business day following the receipt of the funds . . ."

IC 5-13-14-3 states: "A public officer who knowingly fails to deposit public funds, or knowingly deposits or draws any check or negotiable order of withdrawal against the funds except in the manner described in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue."

IC 5-13-6-1 states that "Deposits do not relieve any state officer from the duty of maintaining a cashbook under IC 5-13-5-1."

IC 5-13-5-1(a) states:

"Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

INDIANA STATE POLICE DISTRICT 21
REVIEW COMMENTS
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(Continued)

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview, Summary of Agency Accounting Responsibilities)

Controls over the receipting, 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. An Agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview, Summary of Agency Accounting Responsibilities)

INDIANA STATE POLICE DISTRICT 21
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2010, with Lt. Col. Larry Larkin, Deputy Superintendent Financial Management. The official response has been made a part of this report and may be found on page 9.



100 North Senate Avenue, Indianapolis, IN 46204-2259

Office of Superintendent
Paul Whitesell, Ph.D.

October 27, 2010

To: Bruce A. Hartman, State Examiner
State Board of Accounts

From: Paul Whitesell, Ph.D.
Superintendent

Subject: **OFFICIAL RESPONSE**

The following is the Indiana State Police (ISP) official response to State Board of Accounts review of Indiana State Police District #21 investigation covering the period January 1, 2006 to August 20, 2010.

Lack of Internal Controls

ISP Response: Concur

Action Taken: The Fiscal Division has reviewed existing state procedures as outlined in Indiana Code sites IC 5-13-6-1(b), IC 5-13-14-3, IC 5-13-6-1, IC 5-13-5-1(a) and the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies with District 21. The District staff has implemented internal control measures to bring the district into compliance.

Sincerely,

Paul Whitesell, Ph.D.
Superintendent

PW/mjj

INDIANA STATE POLICE DISTRICT 21
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|---------------------|----------------|---------------------|
| Dallard R. Tackett, former ISP District 21 Commander: Diversion of Public Funds, pages 4 and 5 | <u>\$ 91,396.62</u> | <u>\$ -</u> | <u>\$ 91,396.62</u> |

AFFIDAVIT

STATE OF INDIANA

I, Patti Serbus, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Indiana State Police District 21, for the period from January 1, 2006 to August 20, 2010, is true and correct to the best of my knowledge and belief.

Patti Serbus
Field Examiner

Subscribed and sworn to before me this 9th day of November, 2010.

Linda Williamson
Notary Public

My Commission Expires: 03-02-2018

County of Residence: Putnam

