

B38238

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

SPECIAL INVESTIGATION REPORT
OF

PORTAGE POLICE DEPARTMENT
CITY OF PORTAGE
PORTER COUNTY, INDIANA

January 1, 2009 to July 8, 2010



FILED
01/04/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
City Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Receipts Not Deposited	4
Receipts Not Deposited – Arrive Alive Program.....	4-5
Additional Audit Costs – Receipts Not Deposited	5
Insurance Coverage	5
Exit Conference.....	6
Official Response	7-12
Summary	13
Affidavit	15

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Pappas	01-01-08 to 12-31-11
Mayor	Olga Velazquez	01-01-08 to 12-31-11
Chief of Police	Mark Becker	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Olga Velazquez	01-01-08 to 12-31-11
President of the Common Council	Elizabeth Modesto Richard Turnak	01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF PORTAGE

We have examined the receipts issued by the Portage Police Department and subsequently remitted to the City's Clerk-Treasurer's office for the period from January 1, 2009 to July 8, 2010, we certify that the records and accountability for cash receipts and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments.

STATE BOARD OF ACCOUNTS

October 5, 2010

PORTAGE POLICE DEPARTMENT
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

In April 2010, the Clerk-Treasurer of the City of Portage discovered envelopes containing police department duplicate receipts and cash collections were found in a box in the Clerk-Treasurer's office. These receipts and cash collections had not been posted to the Law Continuing Education Fund or deposited to the bank. The envelopes contained collections for various fees collected at the police department for accident reports, vehicle inspections, handgun permits, and other miscellaneous fees (i.e. background checks, finger prints, police reports, impound releases). The envelopes contained receipts issued at the police department that dated back to October 2, 2009. When the envelopes were discovered they were immediately counted, posted to the records and deposited to the bank. During this process the Clerk-Treasurer performed a detailed analysis of the receipts in an attempt to account for all prenumbered receipts.

We verified the analysis presented by the Clerk-Treasurer which covered the period September 17, 2009 to May 18, 2010. We expanded our verification to include January 1, 2009 to September 16, 2009 and May 19, 2010 to July 8, 2010 to the unit's Revenue Detail History Ledger. The examination of receipts to ledger revealed receipts not posted to the ledger or deposited to the bank. The following is a breakdown, by receipt type, of the receipts not posted to the records or deposited to the bank.

<u>Receipts Not Deposited</u>	<u>2009</u>	<u>2010</u>
Miscellaneous Fees	\$ 660.00	\$ 165.00
Firearms Training (Handgun Permits)	680.00	480.00
Vehicle Inspections	95.00	25.00
Accident Reports	<u>430.00</u>	<u>60.00</u>
Totals	<u>\$ 1,865.00</u>	<u>\$ 730.00</u>

(See Summary, page 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual, Chapter 51)

RECEIPTS NOT DEPOSITED - ARRIVE ALIVE PROGRAM

A fee of \$85.00 is collected at the Police Department for the teen driving class program "Arrive Alive". Receipts are not issued for this fee, the money is collected from the person taking the class and this cash or check is then put into an envelope with the person's name on it and it sent over to the Clerk-Treasurer's office in the daily envelope which contains the other fees the police department collects. A class list is maintained by the police department which has the person's name, date paid and whether payment was cash or check. A comparison of the class lists, that were provided by the police department, to the postings to the Gift (Police Training) Fund, resulted in fees not posted to the records or deposited to the bank.

PORTAGE POLICE DEPARTMENT
CITY OF PORTAGE
EXAMINATION RESULTS AND COMMENTS
(Continued)

<u>Receipts Not Deposited</u>	<u>2009</u>	<u>2010</u>
Arrive Alive Program	<u>\$ 935.00</u>	<u>\$ 170.00</u>

(See Summary, page 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual, Chapter 51)

ADDITIONAL AUDIT COSTS - RECEIPTS NOT DEPOSITED

Additional audit costs were incurred due to receipts which were not deposited.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INSURANCE COVERAGE

The insurance policy in the name of the City of Portage does not include any coverage for Employee Dishonesty/Theft.

PORTAGE POLICE DEPARTMENT
CITY OF PORTAGE
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2010, with Mark Becker, Police Chief. The official response has been made a part of this report and may be found on pages 7 through 12.

The contents of this report were discussed on September 30, 2010, with Donna Pappas, Clerk-Treasurer; Olga Valazquez, Mayor; and Richard Turnak, President of the Common Council. The official response has been made a part of this report and may be found on pages 7 through 12.

city of portage



Home of the Port of Indiana

OFFICE OF THE CLERK-TREASURER
DONNA M. PAPPAS
City Hall
6070 Central Avenue
Portage, Indiana 46368
(219) 762-7784
Fax: (219) 763-9607

October 5, 2010

Mr. Bruce A. Hartman
CPA, State Examiner
302 W Washington Street, Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman,

In response to the 2009 City of Portage (Excluding Utility Service Board) audit –

RECEIPTS NOT DEPOSITED

The investigation into the missing funds is being continued. Since the police department was in the process of remodeling their facility during the time period that the funds went missing, the clerk-treasurer will search the building and any containers that may be stored on the premises. The clerk-treasurer will request that the police department provide one of their personnel to assist with the on site search. If no missing funds are found during this portion of the investigation, the clerk-treasurer will request that the State of Indiana White Collar Crime Unit be contacted. The staff member that did not post the funds in a timely manner will be reprimanded, based on the recommendation of the City's human resource department.

A new process for receipting in the police department funds has been implemented; however, now that the 2009 audit has been completed, a different process will be used. Beginning the week of October 11, 2010, the police department will be depositing their funds to the bank and bringing the deposit slips to the clerk-treasurer's office to be receipted in, as all of the other departments currently do.

RECEIPTS NOT DEPOSITED – ARRIVE ALIVE PROGRAM

The police department now issues receipts for all funds that the department receives. This includes all previously tracked, but not receipted in funds.

ADDITIONAL AUDIT COSTS - RECEIPTS NOT DEPOSITED

The City is aware there were additional audit costs due to receipts, which were not deposited.

INSURANCE COVERAGE

As of September 22, 2010, the City has a Crime Policy with “Public Employee Dishonesty Coverage” and an added “Faithful Performance of Duty”. A copy of this policy was presented to the auditors at the exit conference.

Sincerely,



Donna M. Pappas
Clerk-Treasurer

October 14, 2010

State Board of Accounts
Porter County Government Center
155 Indiana Avenue
Valparaiso, Indiana 46383

Attention: Mr. Bruce Hartman CPA
State Examiner
Re: City of Portage/ Portage Police Department

Mr. Hartman:

I met with State Board of Accounts staff on September 30, 2010 for our exit interview regarding the examination results and comments. Portage Police Chief Mark Becker and I have included our comments specific to the issue of RECEIPTS NOT DEPOSITED. We appreciate the opportunity to provide comments on this issue.

In April of 2010, it was brought to my attention by the Human Resources consultant to the City of Portage and the Portage Police department that Police department fund balances were not reflecting the fees that the Police Department had collected and brought over to the Clerk-Treasurer's office. I was informed that the Clerk-Treasurer was notified of the problem and had begun an investigation. Envelopes containing police department duplicate receipts and cash collections were found in and around an employee's desk in the Clerk-Treasurer's office. Since the Clerk-Treasurer is an elected official with jurisdiction of the operation of her office, she was responsible for the direction of the investigation. I informed Chief Mark Becker to provide complete cooperation and communication throughout the investigation, which he did.

During the investigation, there has been some reference to the possibility that the lost collections were somehow misplaced at the Police department during renovations. Please find an attached timeline provided to me by Chief Mark Becker and his review of the missing envelopes containing funds from the Arrive Alive program. It is both his conclusion and mine that the remodeling efforts were not the cause of the unaccounted or missing funds.

The Police Department has begun depositing their own funds directly to the bank rather than receipting in and taking collections to the Clerk-Treasurer's office for deposit.

Thank you for your time. If I can be of further assistance, please contact me at 219-762-5425.

Sincerely,



Olga G. Velazquez

Mayor, City of Portage, Indiana 46368
6070 Central Avenue



PORTAGE POLICE DEPARTMENT

Chief: Mark J. Becker
Patrol Captain: Michael L. Vaughan

Assistant Chief: Larry R. Jolley
Detective Captain: Terry L. Swickard

2693 Irving Street, Portage, IN 46368

Phone: (219) 762-3122 Fax: (219) 763-6531

October 14, 2010

Olga G. Velazquez
Mayor
City of Portage
Portage, Indiana

Dear Mayor Velazquez;

Reference is made to our previous conversations concerning fees that are collected by the police department and apparently, to some degree, are now unaccounted for following an audit of the City Clerk's office.

Enclosed please find a document I have prepared dated October 4, 2010 and entitled "Renovation Time Line, Portage Police Department", as well as two documents entitled "Appropriation Detail History" and an untitled document reflecting dates on which funds appear to be missing, both obtained from the City Clerk's office.

In reviewing these documents, it is my understanding that funds collected by the Portage Police Department, that are now unaccounted for, involve dates beginning in or about July 2009 and continue into March 2010. It is further my understanding that general fee funds are unaccounted for various periods of time for the period of October 7, 2009 through March 12, 2010. Those records reflect no missing envelopes in December 2009 or January 2010. Funds from the department's "Arrive Alive" teen defensive driving program are unaccounted for from July through September 2009 and then in March 2010.

A review of the "Renovation Time Line" will reveal that remodeling work at the police department had ceased from June through August 2009, which encompasses 2 months when Arrive Alive funds were misplaced, that of July and August. Our remodel efforts in the administrative offices did renew in September, but did not include any work in the clerical area where the funds were maintained, as the dispatchers had not yet consolidated to Porter County.

According to the records in my possession, that leaves 3 dates on which envelopes containing fees from the police department are not accounted for by the Clerk's office (February 1st and 3rd as well as March 8th) There is also an unspecified date(s) in March in which Arrive Alive money is unaccounted for.

My review of this matter fails to find remodeling efforts to be the cause of the unaccounted funds and as the records reflect, remodeling efforts were not underway in the clerical area for nearly the entire period when the funds were determined to be missing.

Sincerely:


Mark J. Becker
Chief of Police



PORTAGE POLICE DEPARTMENT

Chief: Mark J. Becker
Patrol Captain: Michael L. Vaughan

Assistant Chief: Larry R. Jolley
Detective Captain: Terry L. Swickard

2693 Irving Street, Portage, IN 46368

Phone: (219) 762-3122 Fax: (219) 763-6531

October 4, 2010

Renovation Time Line Portage Police Department

2008 (April into December)

2009 (January into May and September into December)

2010 (January into May)

This time line is based upon various resources, to include personal recollections of those involved in the work as well as billings to vendors that coincide with work related to the various stages of the remodeling process. For instance the billing history provided by the City of Portages Clerk's Office reflects the payment of oxygen to Praxair in May, which was needed for the torches utilized to remove the jail cells.

2008

(Renovation of jail cell area for the Stop Team, outside concrete work to steps and landing, patrol area, crash team/sergeant's office and storage room)

April / May - work began in the jail area with the removal of jail cells, a review of billings to the city will reflect the purchase of oxygen for the torches and related materials

June – work continues in the jail area, which will become the office for the STOP Team. Work also has begun with the cement steps and landing outside the department's public access door area. The work in the STOP office is pretty much completed and now the demolition of walls and such to the patrol area is undertaken

June – December – work continues with the remodeling of the patrol area, the crash team/sergeant's office and a storage room.

2009

(Renovation continues with patrol area and then to the administrative offices, bathroom, the clerical area (previous dispatch area and then to the lobby)

Jan - May – the patrol area, crash team/sergeant's office and storage room are completed

June – August – vacations and personal issues delay further remodeling and the process is temporarily halted

September – work in the administrative offices in initiated, a review of the appropriation history will reflect that related invoices were paid in October, consistent with the renewal of the renovation

October – December – work continues with the administrative offices, to include renovation to an existing bathroom, which had previously been public and located in the lobby area. The payment for the billing for the toilet and carpet for the administrative offices is paid in January, again supporting the work to the administrative offices, which were for the most part completed in December 2010.

** It is noted that the consolidation of the dispatchers did not take place until 12/29/09.

**Renovation Time Line
Portage Police Department
(Page 2 of 2)**

2010

January – work in the clerical area, previously the dispatch area, is initiated. The appropriation detail history reflects payments in February 2010 for supplies and vendor services required for the January project

February – April – work continues in the clerical area to include the installation of bullet resistant glass, which was paid for in February 2010, again consistent with initiation of the renovation process moving to the clerical side in January.

May - Remodeling to the clerical area, the lobby and to the Detective Captains office is completed.

Respectfully submitted,

Mark J. Becker
Chief of Police

PORTAGE POLICE DEPARTMENT
CITY OF PORTAGE
SUMMARY

	Charges	Credits	Balance Due
Unknown Persons:			
Receipts Not Deposited, page 4	\$ 2,595	\$ -	\$ 2,595
Receipts Not Deposited - Arrive Alive Program, pages 4 and 5	1,105	-	1,105
Total Receipts Not Deposited	\$ 3,700	\$ -	\$ 3,700

(This page intentionally left blank.)

