

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

SPECIAL INVESTIGATION REPORT
OF

POLICE DEPARTMENT
CITY OF ANDERSON
MADISON COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
02/09/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Sam J. Pellegrino	01-01-12 to 08-16-13
	(Vacant)	08-17-13 to 08-18-13
	Jason C. Fenwick	08-19-13 to 12-31-15
	David W. Eicks (interim)	01-01-16 to 04-17-16
	Douglas A. Whitham	04-18-16 to 12-31-16
Mayor	Kevin S. Smith	01-01-12 to 12-31-15
	Thomas Broderick Jr.	01-01-16 to 12-31-19
President of the Board of Public Works	Pete Heuer	01-01-12 to 12-31-15
	David W. Eicks	01-01-16 to 12-31-16
President of the Common Council	Rodney Chamberlain	01-01-12 to 12-31-12
	David W. Eicks	01-01-13 to 12-31-13
	Pamela Jones	01-01-14 to 12-31-14
	Donna Davis	01-01-15 to 12-31-15
	Antony Bibbs	01-01-16 to 12-31-16
Chief of Police	Larry Crenshaw	01-01-12 to 12-31-15
	Tony Watters	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF ANDERSON, MADISON COUNTY, INDIANA

We have conducted a special investigation of the records of the Police Department, City of Anderson, for the period from January 1, 2012 to December 31, 2015. Our investigation was limited to the following records for confidential funds: Bank Statements, Ledgers, Expenditure Reports, Investigative Receipts and supporting documentation, and Chain of Custody Reports for purchased evidence. 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 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 to the Special Investigation Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 16, 2016

POLICE DEPARTMENT
CITY OF ANDERSON
SPECIAL INVESTIGATION RESULTS AND COMMENTS

MISSING CONFIDENTIAL FUNDS

On September 25, 2015, two officers with the Anderson Police Department Drug Task Force (DTF) discovered that DTF confidential funds issued to each of them were missing and reported the missing funds to the Sergeant assigned to DTF. The Sergeant subsequently learned that a third officer was also missing confidential funds that had been issued to him. An official written notification of the missing funds was made to the Indiana State Board of Accounts on September 29, 2015. In addition, a police report was filed. The missing funds were investigated by the Indiana State Police.

Confidential funds were issued to officers for the purposes required in the investigation of drug cases. According to Anderson Police Department General Order 95-12, Vice, Drugs, and Organized Crimes, each assigned DTF staff member will maintain control of, and responsibility for, confidential funds issued to them. Officers are responsible for accounting for the expenditure of DTF funds through the use of an Anderson Police Department - Investigative Receipt and through approved software and reports. The following schedule details the missing confidential funds.

Missing Funds by Officer	
Custodial Officer	Amount of Loss
Officer 1	\$ 2,975.00
Officer 2	2,371.88
Officer 3	1,895.00
Total Missing Confidential Funds	\$ 7,241.88

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. (Uniform Accounting and Compliance Guidelines Manual Cities and Towns, Chapter 7)

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 managements' 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. (Uniform Accounting and Compliance Guidelines Manual Cities and Towns, Chapter 7)

INTERNAL CONTROLS

Internal controls over the safeguarding of confidential funds and over the accounting for confidential funds were insufficient to ensure funds were secure from loss and were properly accounted for. The department had certain policies regarding internal controls; however, officers did not follow the documented policies.

POLICE DEPARTMENT
CITY OF ANDERSON
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

The Anderson Police department had a written policy that an officer must submit investigation receipts and a report accounting for previous draws of confidential funds before an officer could be issued a subsequent draw of confidential funds. However, at the time funds became missing, one officer had three outstanding, unaccounted for draws of \$3,000 each totaling \$9,000. The first outstanding unaccounted for draw of \$3,000 was issued to the officer on August 27, 2013. A second outstanding unaccounted for draw of \$3,000 was issued to the officer on February 5, 2015. The third draw in the amount of \$3,000 was issued to the officer on June 10, 2015.

The Anderson Police Department had no policy requiring draws be limited to what was currently necessary to conduct DTF activities and requiring the periodic reconciliation of outstanding confidential funds. Draws of confidential funds remained outstanding and unreconciled for an average of 673 days for one officer.

The department did not always reconcile DTF reports and receipts. During a review of Draw Envelopes, we noted two envelopes contained cash that had not been deposited.

During our testing, we noted it was common practice for officers to utilize and attest to the usage of confidential funds issued to officers other than themselves.

The department did not require the DTF to store confidential funds in a secured location. Officers often stored confidential funds in the office of the Drug Task Force in unlocked desked drawers with the office door propped open. In addition, custodial staff, IT staff, and corrections clients were often in the room with the unsecured funds.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Uniform Accounting and Compliance Guidelines Manual Cities and Towns, Chapter 7)

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. (Uniform Accounting and Compliance Guidelines Manual Cities and Towns, Chapter 7)

EMPLOYEE DISHONESTY INSURANCE

The City of Anderson is self-insured at \$50,000 for employee dishonesty and crime involving money and securities.

POLICE DEPARTMENT
CITY OF ANDERSON
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2016, with Thomas Broderick Jr, Mayor; C. Gregory Graham, Council member, David Eicks, Chairman of the Board of Public Works; Douglas A. Whitham, Controller; and Michelle Davis, Deputy Controller.

The contents of this report were discussed on November 21, 2016, with Rebecca Crumes, Council member.



Mayor Thomas J. Broderick Jr.

*City of Anderson
Mayor's Office*

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November 17, 2016

Lisa David
State Board of Accounts
302 W. Washington Street, Room E 418
Indianapolis, IN 46204-2765
ldavid@sboa.in.gov

RE: OFFICIAL RESPONSE to Special Investigation Report of Police Department, City
Anderson, Madison County, Indiana; January 1, 2012 to December 31, 2015.

Dear State Board of Accounts:

In response to the State Board of Accounts' (the Board) Special Investigation Report of the Anderson Police Department (the department), January 1, 2012 to December 31, 2015, please be advised the City would submit the following OFFICIAL RESPONSE:

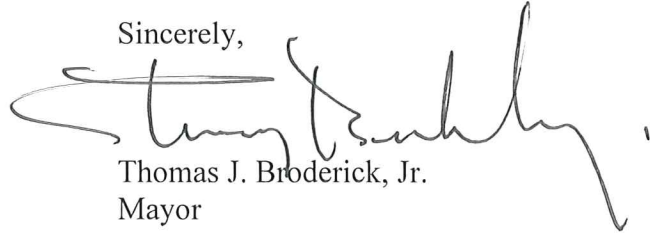
Upon assuming office January 1, 2016 the new administration appointed new administrative personal in the department and as previously discussed during the exit interview process, these new administrative officers have met and conferred since that time with appropriate State Board officials to cooperate in fashioning and making various modifications to, and the creation of new policies and procedures to address the prior deficiencies noted within the report. In particular, the Department's desire was to address the finding of the Board that internal controls over the safeguarding of confidential funds and over the accounting for confidential funds were either insufficient or not previously followed in order to ensure funds are secure from loss and are properly accounted for in the future. Such modifications and new policies by the Department have now been implemented, much of which has been fashioned in accordance with policies and procedures utilized by the Indiana State Police.

The City wishes to state its appreciation to the Board's professional and courteous assistance in assisting the City in investigating this matter and in support of the new

administration's instituting these new procedures. The City feels confident the procedures will strengthen the safeguarding and accountability of confidential funds.

Thank you for this opportunity to respond to the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Broderick, Jr.", written in a cursive style.

Thomas J. Broderick, Jr.
Mayor

cc. kwesley@sboafe.in.gov
tbaker@sboa.in.gov
Doug Whitham, Anderson City Controller
Tony Watters, Chief, Anderson Police Department