

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

SPECIAL INVESTIGATION REPORT
OF

POLICE CHIEF
CITY OF MARTINSVILLE
MORGAN COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
02/28/2019

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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 MARTINSVILLE, MORGAN COUNTY, INDIANA

This is a special investigation report for the Police Chief, City of Martinsville (City), for the period January 1, 2016 to December 31, 2018, and is in addition to any other report for the City as required under Indiana Code 5-11-1. All reports pertaining to the City may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to the payroll records of the Police Chief. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 25, 2019

POLICE CHIEF
CITY OF MARTINSVILLE
RESULTS AND COMMENTS

BACKGROUND

Matthew Long (Long) was appointed to the position of Police Chief for the City of Martinsville (City) on September 14, 2016. City officials became aware that there were irregularities in the accounting for leave time, namely accrued comp/overtime and sick leave, by Long.

The Indiana State Board of Accounts was notified by City officials of the irregularities in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed timesheets and other documents related to the accounting for accrued comp/overtime and sick leave. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

EXCESS ACCRUED OVERTIME PAID

Long, in his position as Police Chief, was accumulating overtime, also called accrued time. Long was in charge of recording this time in a software application maintained at the Police Department. Long was recording accrued time for any hours worked over 160 hours in a 28 day period.

The City of Martinsville *Personnel Policies Handbook* dated April 8, 2014, Section 3.14.5 states in part: "The salaries for Police Officers are based on working 2,080 annual hours. All Police Officer schedules of duty time will be based on a twenty-eight (28)-day work period as prescribed by the FLSA 7(k) exemption. Any hours worked over the one hundred seventy-one (171) hours, twenty-eight (28)-day period, will be compensated at the rate of one and one-half (1 ½) times the hours worked."

Based on this policy, Long was recording accrued time when none was earned. The time Long logged into the software application was input at one and a half times the actual hours shown on the timesheets. Periodically, Long requested payout of the accrued time in the form of a signed letter to the Clerk-Treasurer, which stated the number of hours to be paid and the total amount. The total amount was calculated at an hourly rate that was also one and a half times the Police Chief's regular hourly rate. This resulted in an improper double multiplier for all accrued time, including the accrued time that had been recorded but not earned pursuant to department policy. Additionally, Special Weapons and Tactics (SWAT) hours of 176.73 hours that had been accrued at straight time (regular hourly rate) had been transferred to the accrued time category and subsequently paid out at time and a half. By comparing what Long was paid versus what he was eligible to receive in accrued time, Long was overpaid \$6,786.20.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (*Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (*Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*, Chapter 1)

We requested that Long reimburse the City \$6,786.20 for excess accrued overtime paid. (See Summary of Charges, page 7)

POLICE CHIEF
CITY OF MARTINSVILLE
RESULTS AND COMMENTS
(Continued)

SICK DAYS OVERPAID

The City had a policy for law enforcement officers requiring that officers must accumulate a sick bank of 110 days (880 hours). This accumulation was to be made from the unused regular sick days given the officers each year. The purpose of the sick bank was to provide a long-term sick leave plan for law enforcement officers because of the nature of their work. Long had used some of the sick bank hours in 2014 and 2015, reducing his balance to 738 hours, which was below the required 880 hours. The policy required that any unused regular sick days at year end be moved to the sick bank until the total reached 880. After that has been accomplished, City policy allowed for the unused regular sick days to be paid to the officers at year end. Individuals were paid based on the number of unused regular sick days they had remaining to a maximum of \$765; one to three days was paid at \$75 per day; four to six days was paid at \$85 per day; and seven to nine days was paid at \$95 per day.

During 2016, adjustments were made by Long to his sick bank. In May and November, 70 hours and 72 hours were added to the sick bank, respectively. There were no deductions in any other leave balances for Long to support a transfer of hours. These transactions brought Long's sick bank balance to 880 hours. At the end of 2016, Long submitted a pay voucher for nine days of annual unused sick leave. Likewise, in 2017, Long submitted a pay voucher for nine days of annual unused sick leave. These payouts resulted in Long receiving \$1,530 for which he was not eligible.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Long reimburse the City \$1,530 for sick days overpaid. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Police Chief's overtime and sick leave payments.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Long reimburse the State of Indiana \$6,197.92 for special investigation costs. (See Summary of Charges, page 7)

INTERNAL CONTROL DEFICIENCIES

We noted deficiencies in the internal control system concerning the handling of overtime and unused sick leave paid out. These deficiencies included, but were not limited to, the lack of oversight of the accruing and recording of leave balances by the Police Chief. Long was responsible for the posting of accrued and used leave time. There was no documentation indicating that anyone had oversight to ensure that the leave time was being posted properly. Also, documentation was not presented indicating that anyone verified the overtime accrued or unused sick leave time prior to it being paid out.

POLICE CHIEF
CITY OF MARTINSVILLE
RESULTS AND COMMENTS
(Continued)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner, whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the Police Chief of the City has also been conducted by the Indiana State Police.

CRIME INSURANCE COVERAGE

The following is information regarding crime insurance obtained by the City:

<u>Period</u>	<u>Amount</u>
12-01-15 to 12-01-16	\$ 10,000
12-01-16 to 12-01-17	25,000
12-01-17 to 12-01-18	25,000
12-01-18 to 12-01-19	25,000

POLICE CHIEF
CITY OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2019, with Eric Bowlen, President Pro Tempore of the Common Council; William R. Chip Keller, Common Council member; and Rebecca J. Tumey, Clerk-Treasurer.

POLICE CHIEF
CITY OF MARTINSVILLE
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance</u>
Matthew Long, Police Chief:			
Excess Accrued Overtime Paid, page 3	\$ 6,786.20	\$ -	\$ 6,786.20
Sick Days Overpaid, page 4	<u>1,530.00</u>	<u>-</u>	<u>1,530.00</u>
Subtotals	<u>8,316.20</u>	<u>-</u>	<u>8,316.20</u>
Special Investigation Costs, page 4	<u>6,197.92</u>	<u>-</u>	<u>6,197.92</u>
Totals	<u>\$ 14,514.12</u>	<u>\$ -</u>	<u>\$ 14,514.12</u>

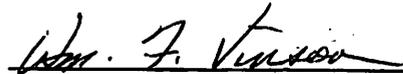
This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

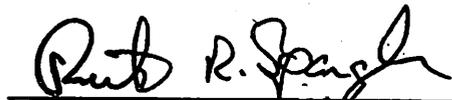
STATE OF INDIANA)
)
DELAWARE COUNTY)

I, William F. Vinson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Police Chief, City of Martinsville, Morgan County, Indiana, for the period from January 1, 2016 to December 31, 2018, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 27th day of February, 2019.



Clerk of the Circuit Courts