

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

SPECIAL INVESTIGATION REPORT
OF

POLICE DEPARTMENT
TOWN OF CLOVERDALE
PUTNAM COUNTY, INDIANA

June 10, 2013 to November 5, 2017



FILED
05/31/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CLOVERDALE, PUTNAM COUNTY, INDIANA

This is a special investigation report for the Town of Cloverdale (Town), for the period June 10, 2013 to November 5, 2017, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town 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 records associated with police department payroll records and time cards. 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 12, 2019

POLICE DEPARTMENT
TOWN OF CLOVERDALE
RESULTS AND COMMENTS

BACKGROUND

Town officials found payroll discrepancies within the Police Department. As a result, Town officials notified the Indiana State Board of Accounts in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the payroll records of the Police Department. The following describes noncompliance with statutes, ordinances, or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

OVERPAYMENT OF COMPENSATORY TIME EARNED

On December 29, 2016, the Town Council passed Ordinance 2016-23 directing the Clerk-Treasurer to buy back \$20,993.08 of compensatory time earned by Charles Hallam (Hallam), former Sergeant, and David L. Brown (Brown), former Officer. The remaining balance of \$7,613.06 was to be worked off during 2017, making the total payments \$28,606.14. The total hours bought back were 838 for Hallam and 369 for Brown, which were one and a half times more than the actual hours worked to reflect earning compensatory time at the overtime rate.

The Clerk-Treasurer performed all the calculations of compensatory time payments to Hallam and Brown contained in Ordinance 2016-23 and Hallam reviewed the calculations before the ordinance was adopted. However, the Clerk-Treasurer made calculation errors, causing a total overpayment of \$6,611.44. The following schedule documents the payments made and breakdown of the overpayment between Hallam and Brown.

	Hallam	Brown	Totals
Total Compensatory Hours Earned at 1 1/2 Overtime Rate	838	369	
Multiply by 2017 Hourly Rate	19.58	15.14	
Total Payments Due for Compensatory Hours Earned	\$ 16,408.04	\$ 5,586.66	\$ 21,994.70
Payments Made on 12-29-16	(13,645.50)	(7,347.58)	(20,993.08)
Payments Worked Off During 2017	(3,806.53)	(3,806.53)	(7,613.06)
Total Payments Made by Town for Compensatory Hours Earned	(17,452.03)	(11,154.11)	(28,606.14)
Total (Overpayments) Underpayments for Compensatory Hours Earned	\$ (1,043.99)	\$ (5,567.45)	\$ (6,611.44)

Town of Cloverdale Personnel Policies Handbook, Sec. 3.10 Overtime, states in part:

"Overtime compensation is paid in the form of monetary reimbursement or compensatory time, in accordance with federal and state wage and hour restrictions. Overtime pay is based on actual hours worked. Time off on sick leave, vacation leave, personal leave, compensatory time, or any other leave of absence will be considered as hours worked for purposes of calculating overtime hours.

Employees eligible for overtime shall be paid at a rate of one and one-half (1 1/2) times the hourly wage for all approved hours worked in excess of forty (40) in a normal workweek.

POLICE DEPARTMENT
TOWN OF CLOVERDALE
RESULTS AND COMMENTS
(Continued)

Police officers are not eligible for overtime pay, but can be reimbursed with compensatory time. This does not apply if the police officer is working a special project reimbursed by the State of Indiana such as Operation Pull Over or something of equivalent nature."

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)

We requested that Hallam reimburse the Town of Cloverdale \$1,043.99 for overpayment of compensatory time earned. (See Summary of Charges, page 9)

We requested that Brown reimburse the Town of Cloverdale \$5,567.45 for overpayment of compensatory time earned. (See Summary of Charges, page 9)

RECORD OF HOURS WORKED

Hallam, Brown, and Mike Clark (Clark), former Town Marshal, did not always provide a time card to the Payroll Clerk. Hallam did not provide time cards for 11 pay periods; Brown 27 pay periods; and Clark 15 pay periods during the dates documented in the schedule below.

<u>Employee</u>	<u>Number of Pay Periods Time Cards Not Submitted</u>	<u>Date Ranges Not Submitted</u>
Hallam	1	05-12-14 to 05-25-14
	1	08-18-14 to 08-31-14
	8	09-15-14 to 01-04-15
	1	01-02-17 to 01-15-17
Brown	25	01-05-15 to 12-20-15
	1	10-10-16 to 10-23-16
	1	01-02-17 to 01-15-17
Clark	1	11-11-13 to 11-24-13
	1	01-06-14 to 01-19-14
	1	02-03-14 to 02-16-14
	10	08-18-14 to 01-04-15
	2	11-23-15 to 12-20-15

Indiana Code 5-11-9-4 states:

"(a) The state board of accounts is hereby authorized to prescribe the forms of accounts and vouchers provided for by sections 1 and 2 of this chapter.

(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees:

POLICE DEPARTMENT
TOWN OF CLOVERDALE
RESULTS AND COMMENTS
(Continued)

- (1) covered by section 1 or 2 of this chapter; and
- (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Town of Cloverdale Personnel Policies Handbook, Sec. 3.6 Timekeeping, states in part:

"Federal and state laws require the Town to keep an accurate record of time worked in order to calculate employee's pay and benefits. 'Time worked' is all time actually spent on the job performing assigned duties.

Every employee is responsible for accurately recording time worked. Employees should accurately record the time they begin and end their work, the time they begin and end each meal period, and the time they begin and end any split shift or departure from work for personal reasons. Overtime work must always be approved before it is performed."

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)

IMPROPER TIME REPORTING

Brown did not remit time cards to the Payroll Clerk for 25 pay periods during 2015. The Clerk-Treasurer and Payroll Clerk requested Brown turn in 2015 time cards during 2016 on numerous occasions. Brown turned in 2015 time cards at the end of 2016. The time cards remitted noted the year 2015 and were signed by Brown; however, the dates and hours reported on the time cards were an exact replica of the 2016 time cards.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

POLICE DEPARTMENT
TOWN OF CLOVERDALE
RESULTS AND COMMENTS
(Continued)

Town of Cloverdale Personnel Policies Handbook, Sec. 3.6 Timekeeping, states in part:

"Every employee is responsible for accurately recording time worked. Employees should accurately record the time they begin and end their work, the time they begin and end each meal period, and the time they begin and end any split shift or departure from work for personal reasons. Overtime work must always be approved before it is performed.

Tampering, altering, and/or falsifying time records and recording time on another employee's time record shall result in disciplinary action up to and including discharge."

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)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the special investigation of the Police Department.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or a shortage, may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INSURANCE COVERAGE

The Town obtained the following insurance coverage for employee errors and omissions and theft. The insurance covered all employees hired by the Town Council, which included Hallam and Brown.

Coverage Period	Coverage Type	Amount
08-06-13 to 08-06-14	Employee Errors and Omissions	\$ 2,000,000
08-06-14 to 08-06-15	Employee Errors and Omissions	2,000,000
08-06-15 to 08-06-16	Employee Errors and Omissions	2,000,000
08-06-16 to 08-06-17	Employee Theft	10,000

INTERNAL CONTROLS

The Town Marshal was responsible for approving all Police Department employees' time cards and for all overtime hours worked. The Town Marshal was also responsible for verifying the accuracy of leave and compensatory time balances maintained by individual Police Department employees on their own time cards.

The Payroll Clerk was responsible for insuring all time cards were remitted by Police Department heads and making payroll payments to employees based on their submitted time records. The Payroll Clerk was also responsible for processing payroll payments in accordance with applicable laws and regulations and with the proper supporting documentation.

POLICE DEPARTMENT
TOWN OF CLOVERDALE
RESULTS AND COMMENTS
(Continued)

The Clerk-Treasurer was given the responsibility by the Town Council to calculate payment of compensatory hours earned by Hallam and Brown. Calculated payments were used in Ordinance 2016-23 to pay Hallam and Brown.

The lack of a review of the calculated compensatory hour payments by the Town Council or Payroll Clerk resulted in an overpayment of compensatory hours earned that was not timely identified.

Due to a lack of review by the Payroll Clerk of time cards submitted by the Police Department, employees were able to calculate leave time balances in a manner that allowed them to be paid for more leave time than what was earned without being detected or corrected in a timely manner.

Due to a lack of segregation of duties between the Town Marshal and Payroll Clerk, Police Department employees were able to submit improper time records, or no time records at all, without being identified and corrected in a timely manner.

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. . . ."

POLICE DEPARTMENT
TOWN OF CLOVERDALE
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2019, with Cheryl Galloway, Clerk-Treasurer; Steve L. Hibler, Town Marshal; and Larry Fidler, President of the Town Council.

The contents of this report were discuss on February 26, 2019, with David L. Brown, former Officer.

POLICE DEPARTMENT
TOWN OF CLOVERDALE
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Charles Hallam, former Sergeant:			
Overpayment of Compensatory Time Earned, pages 3 and 4	<u>\$ 1,043.99</u>	<u>\$ -</u>	<u>\$ 1,043.99</u>
David L. Brown, former Officer:			
Overpayment of Compensatory Time Earned, pages 3 and 4	<u>\$ 5,567.45</u>	<u>\$ -</u>	<u>\$ 5,567.45</u>

This report was forwarded to the Office of the Indiana Attorney General.

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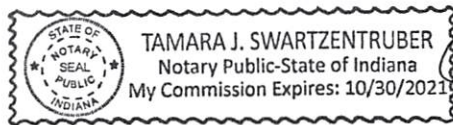
AFFIDAVIT

STATE OF INDIANA)
Daviess COUNTY)

We, Jonathan H. Bennington and Gina Gambaiani, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Cloverdale, Putnam County, Indiana, for the period from June 10, 2013 to November 5, 2017, is true and correct to the best of our knowledge and belief.

Jonathan H. Bennington
Gina Gambaiani
Field Examiners

Subscribed and sworn to before me this 9th day of May, 2019.



Tamara J. Swartzentruber
Notary Public

My Commission Expires: 10-30-2021

County of Residence: Daviess