

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

SPECIAL INVESTIGATION REPORT
OF

POLICE DEPARTMENT
CITY OF GREENCASTLE
PUTNAM COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
08/13/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Police Department:	
Results and Comments:	
Background	3
Compensation Paid While Working for Ivy Tech	3-4
Non-Prescribed Usage of Employee Service Records	4
Special Investigation Costs	5
Internal Controls	5
Insurance Coverage	5
Exit Conference	6
Official Response	7-8
Summary of Charges	9
Affidavit	11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF GREENCASTLE, PUTNAM COUNTY, INDIANA

This is a special investigation report for the City of Greencastle (City), for the period January 1, 2014 to December 31, 2014, 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 records associated with Police Department payroll time cards, employees' service records, and Ivy Tech timesheets. 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

April 18, 2019

POLICE DEPARTMENT
CITY OF GREENCASTLE
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts (SBOA) office received a letter from a concerned citizen that employees of the City of Greencastle Police Department (Department) received compensation from the City for performance of police duties and from Ivy Tech - Greencastle Campus (Ivy Tech) for performance of part-time security guard duties during the same work hours. The complaint also stated that the Department was altering payroll records to cover up the usage of accrued leave time while working at Ivy Tech.

The SBOA examined the records and reviewed the accounting of the payroll records. The following describes noncompliance with statutes, ordinances, or the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*.

COMPENSATION PAID WHILE WORKING FOR IVY TECH

City police officers also performed part-time security guard services for Ivy Tech from January 1, 2014 to December 31, 2014. Time records were maintained by the officers for the City and Ivy Tech, but there were occasions where officers reported time worked and received compensation from the City at the same time they reported time worked and received compensation at Ivy Tech. The officers received payments from two governmental sources for the same hours worked.

The following schedule documents, by the number of hours worked for both sources multiplied by the hourly rate paid by the City, each officer that received compensation from the City while working at Ivy Tech from January 1, 2014 to December 31, 2014.

Officer	Number of Hours Paid by City While Working at Ivy Tech	Multiply by Hourly Rate	Compensation Paid by City
Terry Eastham (Eastham)	60.00	18.09	\$ 1,085.40
Albert Epple (Epple)	12.50	17.36	217.00
Randolph Seipel (Seipel)	26.50	19.07	<u>505.36</u>
		Total	<u>\$ 1,807.76</u>

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:

(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."

POLICE DEPARTMENT
CITY OF GREENCASTLE
RESULTS AND COMMENTS
(Continued)

An employee who works for more than one (1) governmental unit should not be paid by more than one (1) governmental unit for the same period of time worked. Such employee should use his/her accumulated leave time from one (1) governmental unit while serving the other governmental unit when there is an overlap in a work schedule. For example, a city police officer, who is also a member of a school board, attends a school board meeting during his/her normal police work shift. The police officer would be expected to use his/her leave time accumulated at the city while attending such meeting.

Another alternative is to add a statement on each affected Employee's Service Record, General Form 99A (1985) and/or Employee's Earning's Record, General Form 99B (1993) indicating the specific hours to be worked daily by that employee or official. (Example: 8 a.m. to 4 p.m.)

In cities and towns where time cards are used, each elected officer or head of each department should be approving the time cards of each of the employees that they are responsible for. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2012)

We requested that Eastham, Epple, and Seipel reimburse the City \$1,085.40, \$217, and \$505.36, respectively, for compensation paid while working for Ivy Tech. (See Summary of Charges, page 9)

Seipel reimbursed the City \$505.36 (Check No. 1575, City Receipt No. 601093) on April 18, 2019.

Eastham reimbursed the City \$600 (Check No. 2628, City Receipt No. 607216 and Check No. 2634, City Receipt No. 609885) on June 25 and July 26, 2019.

Epple reimbursed the City \$106.03 (Check No. 1523, City Receipt No. 604559) on May 30, 2019.

NON-PRESCRIBED USAGE OF EMPLOYEE SERVICE RECORDS

Employee Service Records for all Department employees during 2014 were not maintained in the prescribed manner. There were numerous occasions where original entries were "whited-out" and replaced with a correction without maintaining the original entry.

All service records were reviewed for Department employees during 2014 and all entries to the records agreed with original time cards submitted to the Clerk-Treasurer and with time reported on the employee's pay history. The original time cards submitted did not contain any "whited-out" entries.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform and Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform and Compliance Guidelines Manual for Cities and Towns, Chapter 1)

POLICE DEPARTMENT
CITY OF GREENCASTLE
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

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

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping 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)

INTERNAL CONTROLS

The City's Police Chief, Thomas Sutherlin, had the responsibility of scheduling work hours for all the Department's employees and verifying that each employee worked the hours stated on their time cards by signing them as the Department Head. The Department did not have a time clock and time cards were handwritten or maintained on a computer spreadsheet.

Due to the fact that Department employees did not punch a time clock, internal controls were not in place to prevent Department employees from receiving compensation from the City while at the same time working at Ivy Tech. The City did not set proper internal controls over time reporting of its employees to prevent unauthorized compensation from being paid to Department employees.

The 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 exception 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. . . ."

INSURANCE COVERAGE

The following is regarding insurance coverage for employee dishonesty obtained by the City for all Department employees.

<u>Period</u>	<u>Amount</u>
09-01-13 to 09-01-14	\$ 100,000
09-01-14 to 09-01-15	100,000

POLICE DEPARTMENT
CITY OF GREENCASTLE
EXIT CONFERENCE

The contents of this report were discussed on April 18, 2019, with William A. Dory Jr., Mayor; Lynda, R. Dunbar, Clerk-Treasurer; Adam Cohen, President of the Common Council; Laurie Hardwick, City Attorney; Thomas A. Sutherlin, Chief of Police; Brian Hopkins, Assistant Chief of Police; Michael Collins, police officer; Terry Eastham, former police officer; Albert Epple, former police officer; and Randolph Seipel, former police officer.

City of Greencastle

City Hall
One North Locust Street, P.O. Box 607
Greencastle, Indiana 46135
765-653-3100



William A. Dory, Jr.

Mayor

April 26, 2019

Ms. Gina Gambaiani
Exams and Investigations Coordinator
State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204

Via E-Mail To: Gina Gambaiani at ggambaiani@sboafe.in.gov
ldavid@sboa.in.gov

RE: City of Greencastle – Police Department

Dear Ms. Gambaiani:

Thank you for reviewing the audit and associated findings in regard to our police department. As we mentioned, the City, through the Clerk-Treasurer's Office, has taken actions to address the issue including a significantly improved timekeeping system.

Based on the comments made by our officers, there appears to be some issues as to how they were instructed to account for their time while providing security on Ivy Tech's campus. Thus, some of the discrepancies could be the result of our officers following of Ivy Tech's instructions.

For example, it was mentioned that Ivy Tech did not wish to pay overtime for work over eight hours. Persons who worked over eight hours were instructed to record those hours worked on another day. It was also mentioned that Ivy Tech does not track the specific hours worked, just the number of hours worked per day.

We would ask that you look further into the Ivy Tech situation to gain a better understanding of the impact on our officers and possibly make recommendations to avoid this confusion in the future.

Again, thank you.

Sincerely,

A handwritten signature in black ink that reads "William A. Dory, Jr." in a cursive style.

William A. Dory, Jr.
Mayor

This is my second response to the exit conference held at Greencastle City Hall on April 8, 2019 and my response to the updated email sent by Gina on May 8, 2019. This response will be lengthy and repetitive. I apologize in advance. I have listed below the dates and hours in question for Ivy Tech and the City of Greencastle;

Date:	Hours in question:	Scheduled Ivy Tech Hours:	Greencastle Benefit hours used:
02/15/2014	5	5	5
03/11/2014	4	4	4
03/24/2014	5	5	5
05/15/2014	4	4	0 (4 hrs short)
05/19/2014	5	5	5
06/02/2014	5	5	5
06/03/2014	4	4	4
06/12/2014	5	5	5
07/19/2014	4.5	4.5	4 (.5 hrs short)
08/02/2014	2.5	2.5	2 (.5 hrs short)
08/16/2014	5	5	4 (1 hr short)
08/21/2014	4	4	0 (4 hrs short)
09/08/2014	3	3	3
09/18/2014	5	5	5
10/16/2014	4	4	4
11/04/2014	4	4	4
12/01/2014	4	4	0 (4 hrs short)
12/06/2014	5	5	5

Benefit time was used for all the scheduled Ivy Tech hours except for 05/15/2014, 08/21/2014 and 12/01/2014. Not enough benefit time was used to cover 07/19/2014, 08/02/2014 and 08/16/2014. I accept responsibility for the 14 hours not covered by benefit time. My employee service record shows the benefit hours used. The benefit hours were taken off the end of my shift, instead of in the middle, due to space restrictions on the time sheet.

Respectfully,

Terry Eastham

POLICE DEPARTMENT
 CITY OF GREENCASTLE
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Compensation Paid While Working for Ivy Tech, page 4			
Terry Eastham	\$ 1,085.40	\$ 600.00	\$ 485.40
Albert Epple	217.00	106.03	110.97
Randolph Seipel	<u>505.36</u>	<u>505.36</u>	<u>-</u>
Totals	<u>\$ 1,807.76</u>	<u>\$ 1,211.39</u>	<u>\$ 596.37</u>

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

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AFFIDAVIT

STATE OF INDIANA)
Vigo COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the City of Greencastle, Putnam County, Indiana, for the period from January 1, 2014 to December 31, 2014, is true and correct to the best of my knowledge and belief.

Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 30 day of July, 2019

Michelle Edwards
Notary Public

My Commission Expires: 9-13-2020

County of Residence: VIGO