

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

SPECIAL COMPLIANCE REPORT
OF

POLICE DEPARTMENT
CITY OF VINCENNES
KNOX COUNTY, INDIANA

January 1, 2016 to October 23, 2019



FILED
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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF VINCENNES, KNOX COUNTY, INDIANA

This is a special compliance report for the City of Vincennes (City), for the period January 1, 2016 to October 23, 2019, and is in addition to any other reports 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 the Police Department. 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

November 9, 2020

POLICE DEPARTMENT
CITY OF VINCENNES
RESULTS AND COMMENTS

EVIDENCE VAULT PROCEDURES NOT FOLLOWED

The Vincennes Police Department (VPD) Chief, Dustin Luking (Luking), contacted the Indiana State Police (ISP) on July 18, 2019, requesting an investigation into missing money from the VPD evidence vault. When a court order to return money from the evidence vault to an individual was issued, VPD personnel were unable to find the money in the evidence vault. The ISP was notified that Luking was placed on Administrative Paid Leave on August 1, 2019. On August 22, 2019, the ISP was notified that an internal audit of the evidence vault determined that the missing money totaled \$31,957.09. The audit was unable to determine if the money was taken all at once or over a period of time. ISP contacted the FBI and was informed that they had requested the Indiana State Board of Accounts (SBOA) to assist in the investigation. On October 23, 2019, Luking retired from the VPD.

The ISP found that four VPD staff members were key holders to the evidence vault. The ISP interviewed the key holders and verified that there are evidence handling procedures for the VPD.

The evidence handling procedures were found in the Vincennes Police Department Operational Guidelines 2015, "Evidence Control, Policy 3.55," effective August 4, 2015. The procedures for handling evidence are as follows:

- "Evidence custodian shall be responsible for receiving, storing, maintaining, releasing and accounting for all evidence in compliance with established agency policy
- Property Record and Receipts (PR&R) shall be completed by impounding officer
- Master file of all evidence PR&R completed
- Money shall be stored in the evidence vault promptly
- Only members of VPD authorized by the chief law enforcement executive may enter the evidence vault
- A log shall be kept by evidence custodian that identifies each authorized member entering the evidence vault
- On a monthly basis shall inspect the evidence storage facilities to ensure adherence to appropriate policies and procedures
- Unannounced inspections conducted semiannually as directed by the chief
- Annual inventory of evidence held"

During law enforcement interviews, it was reported that a spare evidence vault key was found in an unsecured lock box causing difficulty in determining when and how the funds went missing. In addition, it was found that there were no working cameras in or around the evidence vault. Evidence placed in the vault was tracked by PR&Rs, although signatures were missing on signing money out. There was no electronic or logging system used to identify who entered the evidence vault. The evidence vault was kept locked.

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)

POLICE DEPARTMENT
CITY OF VINCENNES
RESULTS AND COMMENTS
(Continued)

IMPROPER POSTING OF SCHOOL RESOURCE OFFICER REIMBURSEMENTS

The VPD assigned a School Resource Officer (SRO) to the Vincennes Community School Corporation (VCSC) starting in 2013. A Memorandum of Understanding (MOU) was never signed or approved by the VPD and City of Vincennes Board of Public Works during Luking's employment with the VPD, nor returned to the VCSC. When Luking was placed on administrative leave, Terry Johnson (Johnson) and Jon McKinnon were placed in charge of operations of the VPD by the Mayor on August 2, 2019. The City of Vincennes Board of Public Works approved the MOU between the VCSC and the VPD on September 9, 2019. Johnson returned the approved MOU to the VCSC with an executed date of October 22, 2018.

The grant budget for SRO personnel for school year 2013-2014 was \$32,000. The VCSC issued check number 24899 to the City on December 3, 2014, in the amount of \$32,000 for the SRO stipend. The City receipted the \$32,000 (receipt number 16071) from the VCSC on March 9, 2015, into Fund 248, Police Department Donation Fund, as directed by Luking instead of into the General Fund to reimburse the General Fund for the salary for the SRO.

The grant budget for SRO personnel for school year 2014-2015 was \$15,000 for contracting with local law enforcement for a part-time SRO. The VCSC issued check number 27750 to the City on December 22, 2015, in the amount of \$15,000 for the SRO stipend. The City receipted the \$15,000 (receipt number 18273) from the VCSC on December 28, 2015, into Fund 248, Police Department Donation Fund, as directed by Luking instead of into the General Fund to reimburse the General Fund for the salary for the part-time SRO. The description on the receipt was blank.

The grant budget for SRO personnel for school year 2015-2016 was \$50,000 to be used solely to fund a SRO. The VCSC issued check number 29039 to the City on July 26, 2016, in the amount of \$50,000 for the SRO stipend. The City receipted the \$50,000 (receipt number 20076) from the VCSC on July 28, 2016, into Fund 264, School Resource Officer Stipend Fund, and then reversed it back out. The City then posted the receipt into Fund 101, General Fund, and then reversed it back out. The City then posted the receipt into Fund 248, Police Department Donation Fund, and then reversed it back out. A final posting of the receipt was into Fund 248, Police Department Donation Fund, as directed by Luking instead of into the General Fund to reimburse the General Fund for the salary for the SRO. The description on the receipt was blank.

The City relied on Luking to direct the collections received for SRO funding into the proper fund. Due to Luking directing SRO payments from the VCSC into Fund 248, Police Department Donation Fund, he was able to spend the funds on other purchases unrelated to the compensation of the SRO. Items purchased from Fund 248 were: A 2015 Dodge truck purchased in 2015 for the VPD for \$26,039.25; a partial payment in 2016 for a Polaris Ranger for \$10,000 for SRO use; a partial payment in 2017 for police gear \$30,000; as well as numerous promotional items \$11,593.27, and custom signs and decals for \$5,120.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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)

POLICE DEPARTMENT
CITY OF VINCENNES
RESULTS AND COMMENTS
(Continued)

PERSONAL PURCHASES

The City paid for a Macbook Pro Laptop on December 10, 2018. The claim had a description of "Car 16 Panasonic to Rookie Fleet replacement" noted on it. Interviews by law enforcement found that the VPD does not have a Car 16. Based on an interview by law enforcement it was determined that the MacBook Pro Laptop was used by Luking's family member for personal use. The Macbook Pro Laptop was placed into evidence by the ISP.

The City provides a uniform allowance for the VPD, which is included in the salary ordinance. Interviews conducted by law enforcement found that Luking placed an order for uniforms in July 2016 totaling \$469.84 from the VPD uniform supplier in his name. The supplier contacted Luking when the bill was not paid and Luking then paid for the order using the City credit card. In an interview conducted by law enforcement, Luking stated that each officer was given a uniform allowance to purchase their own uniforms.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PURCHASES WITHOUT SUPPORTING DOCUMENTATION

The City issued a credit card to Luking for City purchases. The SBOA examined Luking's credit card purchases and found that purchases did not always contain supporting documentation, such as a detailed invoice or receipt. Purchases made without supporting documentation included meals and a Walmart purchase.

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)

INTERNAL CONTROLS

There was a lack of oversight of Luking and the VPD pertaining to the department's controls over financial activity, policies, and procedures. Due to this lack of oversight in controls, evidence vault procedures were not followed, personal purchases were paid for by the City, and the lack of supporting documentation on claims was able to occur and not be identified timely.

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. These standards include adequate control activities. According to this manual:

POLICE DEPARTMENT
CITY OF VINCENNES
RESULTS AND COMMENTS
(Continued)

"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
CITY OF VINCENNES
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2020, with Brian Grove, Common Council member; Danny H. Ravellett, Common Council member; John W. Stangle, Common Council member; Marc McNeece, Common Council member; Tim Salters, Common Council member; Ryan J. Lough, Common Council member; Joe Yochum, Mayor; Catherine M.M. Lane, Clerk-Treasurer; Robert J. Dunham, Chief of Police; Terry B. Johnson, Assistant Chief of Police; Tami Jo Burke, Deputy Clerk; and Mark R. Hill, Board of Works member.

Vincennes City Clerk-Treasurer

203 Vigo Street
Vincennes, IN 47591



Catherine M.M. Lane
Clerk-Treasurer
812-882-6426 Office
812-886-3406 Fax
clane@vincennes.in.gov

Official Response for the City of Vincennes

FINDING for Police Department

Contact Person Responsible for Corrective Action: Catherine MM Lane/ Police Chief Robert Dunham

Contact Phone Number: 812-882-6426

Views of Responsible Official: We agree with the finding.

Description of Corrective Action Plan:

Evidence Vault Procedures

The newly appointed Police Chief implemented many updates to the previous procedures that existed at the Police Department concerning vault practices. Chief Dunham instituted 24-hour video monitoring and recording of all three (3) vault doors. New locks were installed on all the vault doors; with a limited number of copies made. Access to the vault is now documented and logged into a computer system by name, date and time of entry. All items have been inventoried and cataloged into the computer system for better tracking and accounting purposes.

Anticipated Completion date for updated Vault procedures: Immediately (December 2019)

Improper Posting of Reimbursements, Personal Purchases and Internal Controls:

The Clerk Treasurer's office is currently working on a better system of internal controls.

Reimbursement items are identified and receipted into accounts and funds associated with the department; the Clerk Treasurers office has ultimate discretion on this matter, not a Department head.

All claims are reviewed by a clerk and then the City Clerk Treasurer. Claims are examined for receipts and substance of the claim. Assets are tracked and inventoried. Clerk Treasurer will make calls when there is a question about a claim or receipt. Claims without receipts or documentation are denied payment.

The new Clerk Treasurer is working closely with all Departments to ensure proper Internal Controls within their office.

Anticipated Completion date for Reimbursements, Purchases and Internal Controls: Immediately

OFFICIAL RESPONSE

Date: 11-11-2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re:

The information presented to us about former Chief Luking's spending habits, money handling procedures and accountability while he was the head of our Police Department is unacceptable. This report only emphasizes the importance of openness and transparency. When questions are asked, there need to be answers. When policies questioned, they need to be updated. When heads of departments refuse to hold themselves accountable, we need to. Changes have already been made and will continue to be made to encourage and promote openness, transparency and accountability not just here but in all areas of our government. This is a main priority of the City Council. While this report is disheartening, the actions of one individual don't define our police department. We are blessed to have a department filled with individuals willing to sacrifice everything for their community and we can't thank them enough. We know that moving forward, they will answer our calls, explain their decisions, and clarify why these decisions were made not just to us but the public. The days of no communication and confusion are behind us as we all work together to improve the city of Vincennes. I thank the State Board of Accounts for the work in providing us this information so we can improve our departments, which in turn, improves our community.

Timothy Salters and Brian Grove
President and Vice President of the Vincennes City Council