

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

SPECIAL INVESTIGATION REPORT  
OF

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
MARION COUNTY, INDIANA

January 1, 2007 to June 30, 2019



**FILED**  
04/27/2021



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
1953 Police Pension Plan:	
Results and Comments:	
Background .....	3
Police Pension Overpayments .....	3-5
Special Investigation Costs .....	5
Internal Control Deficiencies .....	5-6
Exit Conference .....	7
Official Response.....	8
Summary of Charges.....	9
Affidavit .....	11



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CITY OF INDIANAPOLIS, MARION COUNTY, INDIANA

This is a special investigation report for the 1953 Police Pension Plan, City of Indianapolis (City), for the period January 1, 2007 to June 30, 2019, 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/](http://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 1953 Police Pension Plan. 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 10, 2021

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
RESULTS AND COMMENTS

**BACKGROUND**

The City's Pension Relief Secretary was made aware on June 21, 2019, by the Indiana Public Retirement System (INPRS), of an Indianapolis Metropolitan Police Department (IMPD) spouse pensioner who had continued receiving monthly pension payments after her death.

The Indiana State Board of Accounts was notified by the City of the pension overpayments in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the procedures for the pension payments. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns.

**POLICE PENSION OVERPAYMENTS**

Paul Huckeriede (P. Huckeriede), a retired IMPD officer and member of the 1953 Pension Plan, passed on June 13, 2000, at which time his widow, Marie Huckeriede (M. Huckeriede), began receiving the benefits as the surviving spouse. M. Huckeriede passed on January 11, 2007, at which time her benefits should have ceased. The death of M. Huckeriede was not reported to the City. Monthly pension checks continued to be directly deposited into a joint bank account owned by M. Huckeriede and Beverly McAdams (McAdams) until June 28, 2019.

The following table summarizes the pension benefits deposited to the joint bank account owned by M. Huckeriede and McAdams after M. Huckeriede's passing when pension benefits should have ceased.

<u>Year</u>	<u>Gross Earnings</u>
2007	\$ 16,391.76
2008	16,883.64
2009	17,699.88
2010	18,880.44
2011	19,000.44
2012	19,236.24
2013	19,502.64
2014	20,043.36
2015	20,848.68
2016	21,304.32
2017	21,943.32
2018	22,382.40
2019	<u>11,415.00</u>
Total	<u>\$ 245,532.12</u>

An analysis was performed of the disbursements and withdrawals from the bank account after M. Huckeriede's passing, when pension benefits should have ceased.

Per a review of the subpoenaed bank statements and the check copies for the period November 1, 2012 to June 4, 2019, checks were issued each month following the deposit of the pension payment. These checks contained the signature of "Beverly McAdams." These checks totaled \$140,925 and were issued to "HHSB."

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
RESULTS AND COMMENTS  
(Continued)

Bank records for the joint account were not available for the period January 1, 2007 to October 31, 2012. The ending balance of the bank account at June 18, 2019, was \$56.71.

Subpoenaed bank documents for the HHSB account indicated the payments were deposited into an account in the name of James H McAdams, Tippecanoe Sheet Metal, and Beverly McAdams.

The City annually issued Federal Forms 1099-R Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. in M. Huckeriede's name and monthly deposit advices to McAdams' address. In addition, when the direct deposits of the pension payments stopped being made, the City received no inquiry or communication regarding the payments from McAdams.

Indiana Code 36-8-7.5-13.6 states in part:

"(a) This section applies to an active or retired member who dies other than in the line of duty (as defined in section 14.1 of this chapter).

(b) The 1953 fund shall be used to pay an annuity, computed under subsection (g) and payable in monthly installments, to the surviving spouse of a member of the fund who dies from any cause after having served for one (1) year or more. The annuity continues during the life of the surviving spouse unless the spouse remarried before September 1, 1983. If the spouse remarried before September 1, 1983, benefits ceased on the date of remarriage. If a member of the fund died, but not in the line of duty, and the member's surviving spouse remarried before September 1, 1983, the benefits of the surviving spouse shall be reinstated on July 1, 1997, and continue during the life of the surviving spouse. . . .

(g) Except as otherwise provided in this subsection, the annuity payable under subsection (b) equals one (1) of the following:

- (1) For the surviving spouse of a member who dies before January 1, 1989, thirty percent (30%) of the salary of a first class patrolman.
- (2) For the surviving spouse of a member who dies after December 31, 1988, an amount per month during the spouse's life equal to the greater of:
  - (A) thirty percent (30%) of the monthly pay of a first class patrolman; or
  - (B) fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death. . . ."

Indiana Code 5-11-6-3 states:

"If any examination or investigation made by the state examiner personally or through a deputy examiner, field examiner, or private examiner under this chapter or under any other statute discloses:

- (1) malfeasance, misfeasance, or nonfeasance in office or of any officer or employee;
- (2) that any public money has been:
  - (A) unlawfully expended, either by having been expended for a purpose not authorized by law in an amount exceeding that authorized by law, or by having been paid to a person not lawfully entitled to receive it; or

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
RESULTS AND COMMENTS  
(Continued)

(B) obtained by fraud or in any unlawful manner; or

(3) that any money has been wrongfully withheld from the public treasury;

a duly verified copy of the report shall be submitted by the state examiner to the attorney general, who shall institute and prosecute civil proceedings as provided in section 1 of this chapter, and to the inspector general."

Indiana Code 5-11-7-1 states:

"When, under the provisions of this article, any report or reports are certified to the attorney general by the state examiner of the state board of accounts charging any public official, any former public official, and/or any other person named in such report with having illegally received, and/or having illegally retained, and/or failed to account for and pay over any money so received, and/or having illegally expended public moneys or any moneys placed in custody of such public official or former public official by authority of law, and the attorney general brings an action for the recovery of such moneys, such action shall be brought in the name of the state of Indiana upon the relation of the attorney general as plaintiff."

We requested Beverly McAdams to reimburse the City of Indianapolis for police pension overpayments in the amount of \$245,532.12. (See Summary of Charges, page 9)

### ***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred additional costs in the special investigation of the pension plan overpayments.

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under IC 5-11-5-1, the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

We requested McAdams to reimburse \$8,557.12 to the State of Indiana for special investigation costs. (See Summary of Charges, page 9)

### ***INTERNAL CONTROL DEFICIENCIES***

Internal controls were insufficient due to the lack of oversight and monitoring of the 1953 Police Pension Plan. The City did not have controls in place to verify existence and eligibility of the pensioners, such as reviewing and monitoring obituaries on a periodic basis or determining some other method of verification. The City was relying upon the families of the pensioners and surviving spouses to notify them of individuals who passed away.

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
RESULTS AND COMMENTS  
(Continued)

The 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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override.

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. Clear documentation should be maintained for continuity as well as ease of communication to outside parties.  
. . ."

1953 POLICE PENSION PLAN  
CITY OF INDIANAPOLIS  
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2021, with Barbara Lawrence, Marion County Treasurer; Brandon Herget, Chief Financial Officer/Policy Director; Ken Clark, Controller; and Brett Wineinger, Deputy Controller.



## OFFICIAL RESPONSE

Date: February 17, 2021

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

Re: Formal Response to Exit Interview – Huckeriede

The City of Indianapolis attended an Exit Interview on February 10, 2021 with Ms. Lynn Spencer of the State Board of Accounts (SBOA). The City would like to formally respond to the SBOA findings:

1. The City was informed of the actions of Ms. McAdam's inappropriate pension payments by the Indiana Public Retirement System (INPRS) on June 21, 2019, notification was provided to our Indianapolis Metropolitan Police Department (IMPD) Pension Specialist.
  - a. The City IMPD Pension Board President was notified on or shortly after June 21, 2019.
  - b. The Office of Finance and Management (OFM) was notified immediately and OFM fulfilled the City's responsibility for notifying SBOA under Indiana Code § 5-11-1-27.
2. OFM met with IMPD staff and determined to turn the case over to IMPD for investigation.
3. OFM, in conjunction with the IMPD Pension Board of Trustees' staff reviewed, selected and implemented a new program with LexisNexis. This program allows the City to monitor over 1,400 pensioners for proper verification of deceased status. As part of this process, staff receives automatic notification of deceased status when there is a match against our pensioners and surviving spouses/dependents.
  - a. This program and process have been in place since January of 2020.
4. During the SBOA review, it was inferred that the Indiana Attorney General would pursue recovery of the funds from Ms. McAdams, however in 2020 INPRS reduced the pension relief reimbursement to the City by the value of the overpaid funds, including interest. At that time, the State of Indiana was made whole and the City became the damaged party, the City filed cause number 49D07-2102-CT-004377 (*City of Indianapolis v. Beverly McAdams*) in Marion County Superior Court for damages.
5. This case had extenuating circumstances that lead to the failed notification, which impacted the delay in INPRS also recognizing that Ms. Huckeriede was deceased. The City acknowledges there was a deficiency in internal controls. While there were processes in place including; pension board staff periodically checking obituaries, these processes were not sufficient, in timely identifying the pensioner's surviving spouse or dependents death. Once the City became aware of the issue, we took immediate action to ensure the appropriate processes and controls were implemented to continuously monitor our pensioners status. These actions were taken prior to any notification of SBOA findings.

Regards,

\_\_\_\_\_  
Ken L. Clark, Controller – City of Indianapolis

1953 POLICE PENSION PLAN  
 CITY OF INDIANAPOLIS  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Beverly McAdams:			
Police Pension Overpayments, pages 3 through 5	\$ 245,532.12	\$ -	\$ 245,532.12
Special Investigation Costs, page 5	<u>8,557.12</u>	<u>-</u>	<u>8,557.12</u>
Totals	<u>\$ 254,089.24</u>	<u>\$ -</u>	<u>\$ 254,089.24</u>

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

(This page intentionally left blank.)

AFFIDAVIT

STATE OF INDIANA )  
Marion )

I, Lynne Spencer, Field Examiner, being duly sworn on my oath state that the foregoing report based on the official records of the City of Indianapolis, Marion County, Indiana, for the period from January 1, 2007 to June 30, 2019, is true and correct to the best of my knowledge and belief.

Lynne Spencer  
Field Examiner

Subscribed and sworn to before me this 19 day of March, 2021

Terri R. Diehl  
Notary Public

My Commission Expires: 2.24.2029

County of Residence: Deeene

