

Status of Cops for Kids Investigation- June 15, 2009

I. Background

This update has been prepared in response to a May 29, 2009, request from Commissioner Miles Atkins. The timing is not the result of any new information.

II. The Organizational History Analysis and Summary of Financial Records

This study was completed in December and subsequently turned over to the SBI. Per the SBI's request, we are holding the release of that study until the SBI authorizes its release.

III. SBI Investigation

The SBI agent has talked with Town Staff as recently as late May. While it appears the investigation may be coming to a close, the SBI agent has not shared results or time schedules with Town Staff.

IV. Crone Appeal

There is some misinformation that John Crone appealed his termination asking to be re-instated as Police Chief. That is incorrect. Because of state personnel law, I cannot publicly discuss the content of his appeal. Mr. Crone waived the time limit for a response to this action to allow the Town Manager sufficient time to make a decision. That decision has been delayed awaiting the release of information from the District Attorney..

V. Refunding of Federal Drug Asset Forfeiture Funds

This is another piece of misinformation. While the United States Department of Justice directed the Town to reimburse the Federal Drug Asset Forfeiture Funds used for Cops for Kids program. This does not require that a check be written and sent to Washington, DC. It merely requires an appropriation to replace Asset Forfeiture moneys used for Cops for Kids with General Fund money while the Asset Forfeiture money is applied to a clearly permitted use. Staff will ask that this be done with a late FY2009 budget adjustment.

VI. Current Status of Cops for Kids

Cops for Kids is not now nor has it ever been a Town of Mooresville program. In fact, there appears to be a significant difference of opinion as to the purpose and beneficiaries of Cops for Kids. At this time, the Cops for Kids checkbook is locked in a safe at Town Hall. No Town staff member has any right to write checks. Cops for Kids is a legally formed corporation in the State of North Carolina but is not tied to the Town of Mooresville.

VII. Recommendations

There are five issues which can be addressed independently.

1. SBI – Investigation

At some point, this investigation will be concluded and the information will be turned over to the District Attorney. The District Attorney will determine if additional action is appropriate. We do not expect this to have any impact on the Town.

2. Crone Appeal

This is a personnel matter between the Town Manager and Mr. Crone. We do not expect this to have any significant impact on the Town.

3. Organizational History Analysis and Summary of Financial Records

This report has been turned over to the SBI and will not be released until authorized by the SBI or the District Attorney. From my review of this report, there is no indication of wrong doing by anyone currently employed by the Town of Mooresville and no further action is necessary. Unless I obtain information from the SBI's investigation to the contrary, I do not believe that other disciplinary action is necessary. The report does not propose any remedies, but it is clear that some changes are appropriate and these are listed in item number five.

4. Dissolution of Cops for Kids

It is recommended that the Town Board of Commissioners authorize the Town Manager to ask the North Carolina Secretary of State to dissolve the Cops for Kids corporation and transfer its proceeds as allowed by state law.

Again, Cops for Kids is not within the control of the Town of Mooresville and this action could further cloud the issue for those who do not or choose to not understand this relationship. The Town's involvement here is merely to ask for dissolution.

5. Remedial Actions

A. Public Purpose – Fiscal and Management Control

There was some use of public funds for the Cops for Kids activities. This was in the form of money from the Asset Forfeiture Funds. If specifically approved by the Town Board, trips and charitable activities performed with these funds could have been considered a public purpose. Asset Forfeiture Funds have been appropriated by the Town Board and supervision of the fund was delegated to the Police Chief. While there

may have been excesses in the trip program, the concept of connecting police and youth remains an important public objective. In the future, Asset Forfeiture Funds shall be expended only with the approval of both the Police Chief and the Town Manager as a check and balance.

B. Fiscal Controls

While Cops for Kids was a separate organization and expenditures were outside the town's fiscal controls, there was too much inter-relationship between the organizations. This can happen easily when strong-willed leaders and compassionate employees support a popular cause. Town employees participated in fund raising and various trips on both Town time and their own time. The use of Town credit cards, even though reimbursed for Cops for Kids purposes, was inappropriate and should not have been tolerated by Town management. It is not surprising residents have trouble separating Cops for Kids from the Town. The very important line separating the two activities was frequently blurred. Donation checks to Cops for Kids were often made out to the Town of Mooresville or DARE. and Town management should have clarified the relationship.

C. Lessons to be learned

Without the proper oversight the potential for a similar situation still exists. It is important to clarify relationships to be sure that public funds are closely controlled.

1. Since the summer of 2008, there have been no Town-held financial accounts other than those managed and controlled by the Finance Department. This applies to proceeds from vending machines, flower funds, etc. Since it is easy for these minor accounts to get established, it is important Town administration stress this policy.
2. There are a number of worthwhile activities which are supported by people or local firms who want to contribute to local activities. Some of these are linked to Town run activities or tied back to town committees. For example, the town does encourage donations to support the activities at the Winnie Hooper Center. The MSI Leadership Foundation receives proceeds from the Pumpkin Run and uses those proceeds to support recreation program participation. Proceeds from the Home Tour go to support the Mooresville Museum. These positive events should not be discarded in an effort to purge difficult financial

arrangements. To assure future accountability, the Town Manager should be directed by the Town Board to annually state the relationship between any organization and the Town where any type of sharing of charitable funds might exist. All such arrangements shall be pre-approved by the Town Manager who will be responsible for reasonable oversight of any fund raising activity where the town is a participant or a beneficiary.

3. When Town employees participate in charitable organizations such as United Way, Muscular Dystrophy, American Cancer Society, Salvation Army, etc., checks shall be made out only to the benefit organization and all gift proceeds shall be turned over to the benefit organization at the end of the fund raising drive, but in no case more than four months from the beginning of the campaign. These programs shall involve only personal funds and will not utilize any town funds.