

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

AUDIT REPORT
OF

FORMER SCHOOL CORPORATION
TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS

LAWRENCE COUNTY, INDIANA
December 11, 2006 to June 30, 2011



FILED
05/03/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
School Corporation Treasurer	Kathy J. Kirk	07-01-09 to 01-17-11
	Sandra Beaman	01-18-11 to 02-07-11
	M. Malinda Powell	02-08-11 to 06-30-12
Superintendent of Schools	John W. Lantis	07-01-09 to 12-31-10
	Dr. Steve E. Phillips	01-01-11 to 06-30-12
President of the School Board	Christopher S. Shaw	07-01-09 to 6-30-10
	Jamie J. Kirk	07-01-10 to 6-30-11
	Christopher S. Shaw	07-01-11 to 6-30-12



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

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

We have audited the records of the former School Corporation Treasurer of Mitchell Community Schools for the period December 11, 2006 to June 30, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Audit Report of Mitchell Community Schools for the two years ended June 30, 2011.

STATE BOARD OF ACCOUNTS

March 14, 2012

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

MALFEASANCE, MISFEASANCE, OR NONFEASANCE – PERSONAL EXPENSES

Payments to Cardmember Services

School Corporation officials stated that they were aware that the School Corporation had a VISA credit card in the name of the former Superintendent. They were not aware that there was another card for the School Corporation that was named Business Card.

During the period January 1, 2009 to December 31, 2010, the account named Business Card had purchases, late fees, and interest billed to the account totaling \$8,652.79. In addition to fees and interest, purchases included payments to/for travel, restaurants, fuel, direct marketing-catalog merchants, book stores, clocks, jewelry, State Farm Insurance, cable service, PayPal, AT&T calls, men's and women's clothing, household appliances, college and universities camp adventure, and BMW.

During an interview with the Indiana State Police, Kathy J. Kirk, former Treasurer of Mitchell Community Schools, indicated that she billed some personal expenses to the Business Card account and made some payments to the account by purchasing money orders.

During the period January 1, 2009 to January 28, 2011, the account in the name of the former Superintendent had purchases, late fees, and interest charges totaling \$4,244.84. The purchases included payments to/for travel, restaurants, CVS, Herald Times, Lowes, UPS, Greeting Cards, Jay C, D & B Business, Walmart, Target, and BMW.

Allowable School Corporation expenditures that were billed to these accounts during this time were \$4,008.05. The Vendor History Reports indicated that the total paid to Cardmember Services during the same period was \$13,747.18. The total payments for items that were not School Corporation expenses and were not credited to a School Corporation credit card account were \$9,739.13.

The schedule on page 21 lists the unallowable payments that were identified and describes the cause of the payment.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$9,739.13 to Mitchell Community Schools for the unallowable payments to Cardmember Services.

Payments to AT&T

School Corporation officials stated they did not use AT&T as a vendor, but six checks were written to AT&T from July 31, 2008 to December 13, 2010. No supporting documentation was provided for check 12330. Check 13280 was supported by an invoice to ENA Services LLC.

Four of the checks had an accounts payable voucher with an invoice attached. A template for an AT&T invoice was found on the hard drive from the computer that had been used by Kathy J. Kirk, former School Corporation Treasurer.

Four of the checks had an account number on them that matched the account number for Kory Kirk, Kathy J. Kirk's son.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The following checks were disbursed to AT&T:

Check Date	Voucher Number	Check Number	Amount	Additional Information
07-31-08	651	9626	\$ 1,849.90	Check had account 747249852 written on it. Invoice resembled template found on Kathy Kirk's computer.
08-31-08	958	9731	1,849.90	Check had account 747249852 written on it. Invoice resembled template found on Kathy Kirk's computer.
07-14-09	692	11062	951.83	Check had account 747249852 written on it. Invoice resembled template found on Kathy Kirk's computer.
03-15-10	199	12053	1,023.17	Invoice resembled template found on Kathy Kirk's computer.
05-31-10	479	12330	1,071.56	No supporting documentation
12-13-10	1289	13280	<u>712.60</u>	Check had account 747249852 written on it. The attached invoice was a duplicate of an invoice to ENA Services LLC that was paid on check 13298 dated December 13, 2010.
Total unallowable disbursements to AT&T			<u>\$ 7,458.96</u>	

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$7,458.96 to Mitchell Community Schools for unallowable disbursements to AT&T.

Payments to Hoosier Supply and Building Company

From the period April 16, 2008 to March 16, 2010, ten disbursements were made to HSB or HSBC that were supported by invoices from Hoosier Supply and Building Company. HSBC is a finance/credit card company. Hoosier Supply and Building Company is located in South Bend. They were contacted and asked to confirm the payments. Hoosier Supply Building Company could not find any activity with Mitchell Community Schools and stated they did not do business in Southern Indiana. They also stated that they do not use a lock box in Carol Stream, Illinois and are not associated with HSBC.

A template for Hoosier Supply and Building Company was found on the hard drive from the computer that had been used by Kathy J. Kirk, former School Corporation Treasurer.

The following checks were disbursed to HSB or HSBC:

Check Date	Voucher Number	Check Number	Invoice	Check Payee	Amount
04-16-08	378	9131	Hoosier Supply and Building Company	HSBC	\$ 347.16
04-16-08	379	9132	Hoosier Supply and Building Company	HSBC	317.21
08-11-08	900	9680	Hoosier Supply and Building Company	HSBC	372.66
08-11-08	901	9681	Hoosier Supply and Building Company	HSBC	376.41
11-10-08	1319	10092	Hoosier Supply and Building Company	HSB	562.58
11-10-08	1320	10093	Hoosier Supply and Building Company	HSB	796.93
03-09-09	271	10652	Hoosier Supply and Building Company	HSB	321.16
03-09-09	272	10653	Hoosier Supply and Building Company	HSB	401.73
03-15-10	224	12080	Hoosier Supply and Building Company	HSB	454.86
03-15-10	225	12081	Hoosier Supply and Building Company	HSB	<u>447.44</u>
Total unallowable disbursements to Hoosier Supply and Building Co./HSBC					<u>\$ 4,398.14</u>

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$4,398.14 to Mitchell Community Schools for unallowable disbursements to Hoosier Supply and Building Company.

Payments to Ball State University

Four checks were written to Ball State University that were not for School Corporation expenses. One check was supported by an invoice from the Indiana Writing Project, which was a Ball State University Project. However, this invoice was paid by a check written to the Indiana Writing Project. The supporting documentation for the other three checks were invoices from vendors that were not associated with Ball State University. The checks were as follows:

Check Date	Voucher Number	Check Number	Amount	Additional Information
11-09-09	1182	11570	\$ 3,925.00	The attached invoice was to HFI.
03-15-10	203	12058	3,479.56	The attached invoice was to Hoosier Disposal.
06-15-10	512	12370	548.00	The attached invoice was to Bloomington Hospital. The attached invoice was a duplicate copy of an invoice paid to Indiana Writing Project and
12-11-06	1529	6973	<u>1,521.73</u>	disbursed on check 7007.
Total unallowable payments to Ball State University			<u>\$ 9,474.29</u>	

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$9,474.29 to Mitchell Community Schools for unallowable disbursements to Ball State University.

Payments to AT&T and HSBC Supported by Bender Lumber Invoices

The following invoices were paid to Bender Lumber and then were used as supporting documentation for disbursements to AT&T and HSBC:

Voucher Number	Warrant Number	Warrant Date	Account Payable Voucher	Invoice	Check Payee	Check Endorsement	Charge Amount	Amount Not Charged
811	11207	08-10-09	Bender Lumber	Bender Lumber	Bender Lumber	AT & T	\$ 539.78	\$ -
104	11963	02-09-10	Bender Lumber	Bender Lumber	Bender Lumber	Can not read	-	539.78
242	9465	03-11-08	Bender Lumber	Bender Lumber	AT & T	AT & T	1,245.24	-
Extra-Curricular 9080	15363	03-03-08	Bender Lumber	Bender Lumber	Bender Lumber	Bender Lumber	-	1,245.24
313	12165	04-12-10	HSBL	Bender Lumber	HSBL	none	1,067.74	-
Extra-Curricular 11222	18822	03-10-10	Bender Lumber	Bender Lumber	Bender Lumber	Bender Lumber	-	1,067.74
110	13607	02-14-11	HSBC	Bender Lumber	HSBC	HSBC	22.01	-
509	13987	06-20-11	Bender Lumber	Bender Lumber	Bender Lumber	Bender Lumber	-	<u>22.01</u>
Total unallowable payments to AT&T and HSBC supported by Bender Lumber Invoices							<u>\$ 2,874.77</u>	<u>\$ 2,874.77</u>

The payments to AT&T and HSBC were not associated with any School Corporation expenses.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$2,874.77 to Mitchell Community Schools for unallowable disbursements to AT&T and HSBC that were supported by Bender Lumber invoices.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Unauthorized Withdrawals from School Corporation's Bank Account

On two occasions, withdrawals were made from the School Corporation's checking account that were not by check and were not specifically authorized by statute, federal, or state rule. One withdrawal was made to LTD Commodities on September 27, 2010, for \$294.20. The other withdrawal was made to AT&T on August 2, 2010, for \$5,568.80. No supporting documentation was found for these withdrawals. The September 2010 bank statement had the following hand written notation: "contacted bank to remove" however, no correction was ever found.

In an interview with the Indiana State Police, Kathy J. Kirk, former School Corporation Treasurer, stated that the \$5,568.80 withdrawal from the School Corporation's checking account was used to pay a personal expense associated with an international account that she had improperly set up and incurred a large bill.

The withdrawals listed above appear to be for personal use and not an expense of the School Corporation.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$5,863.00 to Mitchell Community Schools for withdrawals from the School Corporation's checking account that were not supported by the proper documentation.

Payment to Internal Revenue Service

The Vendor History Report indicated that the total payments to the Internal Revenue Service (IRS) during the audit period were more than the amount reported on the 941's for the same period. The difference was determined to be in the first quarter of 2010. A review of the payments for that time period disclosed a payment to the U. S. Treasury on March 15, 2010. Check 12084 was for \$14,518.33. The Accounts Payable Voucher listed the payee as the IRS, but the supporting documentation was for state and local taxes withheld.

In an interview with the Indiana State Police, Kathy J. Kirk, former School Corporation Treasurer, stated that School Corporation funds were used to pay her personal tax expenses.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$14,518.33 to Mitchell Community Schools for personal expenses paid to the IRS.

Payments for Cable Expenses

During the audit period, payments to the cable company were posted to the records as payments to Charter Communications, Hoosier Hills Cable, and Avenue Broadband. The School Corporation was on a monthly billing cycle. Although the bill was paid on a timely basis, numerous times the next month's bill included a past due amount. In some cases, the optical image of the check has an account number written on it that is not the School Corporation's account number. The table below shows a comparison of the total amount that should have been paid the cable company and the amount that was actually paid for the period January 1, 2008 to December 31, 2010.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Voucher Number	Warrant Number	Invoice Date	Service Date	Current Bill	Past Due	Late Fee	Total Paid
4	8753	01-13-08	01-13-08 to 02-12-08	\$ 61.16	\$ 14.85	\$ -	\$ 76.01
208	8976	02-06-08	02-13-08 to 03-12-08	61.16	-	-	61.16
313	9073	03-31-08	03-13-08 to 04-12-08	61.16	61.16	4.95	127.27
342	9095	04-16-08	04-13-08 to 05-12-08	61.74	66.11	4.95	132.80
585	9337	05-31-08	05-13-08 to 06-12-08	61.74	5.53	-	67.27
690	9439	06-30-08	06-13-08 to 07-12-08	61.74	67.27	4.95	133.96
733	9490	07-15-08	07-13-08 to 08-12-08	61.74	133.96	-	195.70
856	9631	07-31-08	07-13-08 to 08-12-08	61.74	133.96	-	195.70
964	9737	08-31-08	08-13-08 to 09-12-08	61.74	61.74	4.95	128.43
			09-13-08 to 10-12-08	-	-	-	-
			10-13-08 to 11-12-08	-	-	-	-
			11-13-08 to 12-12-08	-	-	-	-
1613	10362	12-31-08	12-13-08 to 01-12-09	61.74	(10.48)	-	51.26
113	10504	01-31-09	01-13-09 to 02-12-09	61.74	51.26	4.95	117.95
228	10606	02-28-09	02-13-09 to 03-12-09	61.74	66.69	4.95	133.38
252	10632	03-09-09	02-13-09 to 03-12-09	61.74	66.69	4.95	133.38
330	10704	03-31-09	03-13-09 to 04-12-09	61.74	15.43	-	77.17
			04-13-09 to 05-12-09	-	-	-	-
			05-13-09 to 06-12-09	-	-	-	-
660	11030	06-30-09	06-13-09 to 07-12-09	61.74	(9.90)	-	51.84
705	11076	07-14-09	07-13-09 to 08-12-09	61.74	51.84	4.95	118.53
881	11268	08-31-09	08-13-09 to 09-12-09	61.74	66.69	4.95	133.38
1003	11395	09-30-09	09-13-09 to 10-12-09	61.74	-	-	61.74
1148	11534	10-31-09	10-13-09 to 11-12-09	61.74	61.74	5.95	129.43
1187	11576	11-09-09	10-13-09 to 11-12-09	61.74	61.74	5.95	129.43
1297	11684	11-30-09	11-13-09 to 12-12-09	61.74	67.69	5.95	135.38
1319	11712	12-14-09	11-13-09 to 12-12-09	61.74	63.65	-	125.39
81	11934	01-31-10	12-13-09 to 01-12-10	61.74	5.95	-	67.69
			01-13-10 to 02-12-10	-	-	-	-
169	12024	02-28-10	02-13-10 to 03-12-10	63.40	(5.95)	-	57.45
200	12054	03-15-10	03-13-10 to 04-12-10	63.40	(10.24)	-	53.16
375	12224	04-30-10	04-13-10 to 05-12-10	63.40	-	-	63.40
481	12332	05-31-10	05-13-10 to 06-12-10	63.40	-	-	63.40
665	12510	06-30-10	06-13-10 to 07-12-10	63.40	63.40	5.95	132.75
894	12800	08-31-10	08-13-10 to 09-12-10	63.40	-	-	63.40
926	12838	09-20-10	08-13-10 to 09-12-10	63.40	63.40	5.95	132.75
927	12839	09-20-10	09-13-10 to 10-12-10	63.40	-	-	63.40
1151	13055	10-31-10	10-13-10 to 11-12-10	59.36	132.75	5.95	198.06
			11-13-10 to 12-12-10	59.36	-	-	-
1418	13402	12-31-10	12-13-10 to 01-12-11	59.36	(4.04)	-	55.32
Actual amount paid							3,467.34
Calculated amount owed:							
Monthly fee for 3 months at \$61.16							(183.48)
Monthly fee for 21 months at \$61.74							(1,296.54)
Monthly fee for 9 months at \$63.40							(570.60)
Monthly fee for 3 months at \$59.36							(178.08)
Total payments not credited to School Corporation accounts							<u>\$ 1,238.64</u>

In an interview with the Indiana State Police, Kathy J. Kirk, former School Corporation Treasurer, stated that School Corporation funds may have been used to pay some personal cable bills. No refunds or credits were found for the additional payments; therefore, the disbursements appear to be for personal use and not an expense of the School Corporation.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$1,238.64 to Mitchell Community Schools for cable service payments that were not credited to the School Corporation account.

Payments to Duke Energy

The School Corporation has several accounts for electrical service with Duke Energy. The payments to Duke Energy were confirmed for the period August 17, 2009 to December 31, 2010. The payments confirmed by Duke Energy were compared to the disbursements by Mitchell Community Schools. The following table provides a list of payments made to Duke Energy that were not credited to a School Corporation account:

Voucher Number	Check Number	Check Date	Payment Amount
812	11185	07-31-09	\$ 823.72
882	11269	08-31-09	1,036.82
1004	11396	09-30-09	280.83
1149	11535	10-31-09	373.76
1298	11685	11-30-09	995.28
1455	11841	12-31-09	630.43
82	11935	01-31-10	352.50
286	12144	03-31-10	598.82
376	12225	04-30-10	481.92
482	12333	05-31-10	566.29
666	12511	06-30-10	708.78
795 and 796	12639 and 12640	07-31-10	538.84
895	12801	08-31-10	457.50
1152	13056	10-31-10	367.76
1262	13246	11-30-10	638.57
1420	13404	12-31-10	505.13
Total payments not credited to School Corporation accounts			<u>\$ 9,356.95</u>

In an interview with the Indiana State Police, Kathy J. Kirk, former School Corporation Treasurer, stated that School Corporation funds may have been used to pay some personal electric bills. No refunds or credits were found for the additional payments; therefore, the disbursements appear to be for personal use and not an expense of the School Corporation.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$9,356.95 to Mitchell Community Schools for payments to Duke Energy that were not credited to a School Corporation account.

Payments to Verizon

During the year 2009, Verizon provided telephone service to the School Corporation. The School Corporation was on a monthly billing cycle for each of its 14 accounts. Although the bills were paid on a timely basis, numerous times the next month's bills included a past due amount. In some instances two copies of the same bill was included in the documentation supporting the payment. The following table provides a list of payments made to Verizon that were not credited to a School Corporation account:

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Voucher Number	Check Number	Check Date	Over/Under Payment Amount
461	10841	04-30-09	\$ 477.85
564	10936	05-31-09	1,061.22
638	11012	06-08-09	129.62
679	11049	06-30-09	(447.84)
825	11198	07-31-09	1,152.69
897	11284	08-31-09	(339.59)
1018	11410	09-30-09	172.86
1164	11550	10-31-09	1,698.46
1428	11823	12-14-09	4,764.93
1468	11854	12-31-09	<u>(138.67)</u>
Total payments not credited to School Corporation accounts			<u>\$ 8,531.53</u>

No refunds or credits were found for any of the additional payments; therefore, the disbursements appear to be for personal use and not an expense of the School Corporation.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$8,531.53 to Mitchell Community Schools for payments to Verizon that were not credited to a School Corporation account.

Duplicate Payments

The schedule on page 22 lists the invoices that were paid twice.

Check 12249 has an account number written on the check and Bloomington Hospital confirmed that the payment for \$444 was not a School Corporation expenditure.

No refunds or credits were found for any of the duplicate payments, therefore, the disbursements appear to be for personal use and not an expense of the School Corporation.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$2,197.90 to Mitchell Community Schools for the duplicate payments.

Non-School Corporation Travel Expenses

The following travel disbursements were made by the School Corporation during the period reviewed for items not related to the School Corporation:

1. Kathy J. Kirk, former School Corporation Treasurer, charged a hotel stay to the School Corporation credit card for \$110.88 on November 4, 2009, for a technology meeting. She was also reimbursed for the same room on check 11608, dated November 9, 2009.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

2. Kathy J. Kirk, former School Corporation Treasurer, was reimbursed \$107.07 for a hotel room on May 7, 2010, for a hotel stay in Anderson. In addition, she was reimbursed \$160.60 for travel to Anderson and meals totaling \$64.39. The trip was marked as a Komputrol budgeting software meeting. Komputrol was contacted by phone and they stated that no meetings were held on Friday, May 7 or Saturday, May 8, 2010.
3. Kathy J. Kirk, former School Corporation Treasurer, was reimbursed \$254 for a trip to Anderson on November 14 and 15, 2010. The notation on the travel claim indicated that it was for a Komputrol workshop. Komputrol was contacted by phone and they stated that no meetings were held on November 14 or 15, 2010.
4. The School Corporation keeps a checkout log for the School Corporation vehicles. The log indicated that Kathy J. Kirk and M. Malinda Powell, current School Corporation Treasurer, took the School Corporation owned car on November 5, 2010. However, Kathy J. Kirk, former School Corporation Treasurer, was reimbursed \$38 mileage for a trip to Bloomington on November 5, 2010.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$734.94 to Mitchell Community Schools for the following: lodging on November 5, 2009, \$110.88; lodging, mileage and meals on May 7 and 8, 2010, \$332.06; mileage on November 14 and 15, 2010, \$254; mileage on November 5, 2010, \$38.

Payments to Jay C

The School Corporation had two Jay C credit cards. One was kept in the administration building and one in the high school. The high school kept a log indicating when the card was signed out and returned.

Two disbursements made to the Jay C store did not have itemized invoices attached. They were only supported by a statement. On four other occasions the cash register tapes attached to the accounts payable vouchers were marked to indicate Amy Redman, School Corporation employee, had purchased Family and Consumer Science (FACS) supplies. The dates of these purchases do not agree with the dates that Amy Redman, School Corporation employee, signed the credit card log.

Check Date	Voucher	Warrant	Invoice Date	Amount	Additional Information
01-17-11	43	13473	10-13-10	\$ 49.38	Paid from statement with no detail
01-17-11	43	13473	10-25-10	40.05	Paid from statement with no detail
12-13-10	1328	13320	11-22-10	189.66	This is marked FACS supplies, but the log does not have the card logged out and the purchase was at 7:05 pm.
03-15-10	229	12085	03-03-10	74.37	This is marked FACS, but the purchase was at 6:20 pm and the credit card log had the card returned on the 3rd.
04-12-10	334	12186	04-08-10	70.51	This is marked FACS supplies, but the log does not have the card logged out.
03-15-10	230	12086	03-10-10	40.36	This is marked FACS supplies, but the log does not have the card logged out and the purchase was at 5:18 pm.
Total unallowable expenditures to Jay C				\$ 464.33	

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
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AUDIT RESULTS AND COMMENTS
(Continued)

On February 23, 2012, Amy Redman, School Corporation employee reviewed several Jay C store cash register tapes. She identified the four tapes listed above as purchases she did not make.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$464.33 to Mitchell Community Schools for the unallowable expenditures to Jay C.

Personal Items Purchased

The schedule on page 23 lists the items that were purchased from Quill and Lowes, but they could not be located at the School Corporation.

The Lowe's purchase was charged to the Lowe's Credit Card, but the cash register tape attached to the accounts payable voucher as supporting documentation did not include a signature. Lowe's provided us a faxed copy of the electronic receipt, which contained a signature that appears to be Kathy J. Kirk.

During an interview with the Indiana State Police, Kathy J. Kirk, former School Corporation Treasurer, stated that the safe purchased from Quill was at her home. A vacuum purchased from Quill was delivered to Kym Kirk, Kathy J. Kirk's daughter. School Corporation personnel indicated that an Oreck vacuum and bags purchased from Quill was not located at the School Corporation, therefore, they were determined to be personal expenses.

The IT Director stated that the School Corporation did not use Quill as a vendor to purchase technology equipment; therefore, the computer and router purchases were determined to be personal expenses.

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$1,545.32 to Mitchell Community Schools for the expenditures for personal items purchased.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Indiana Public School Corporations, Chapter 9)

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 governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things,

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The total amount Kathy J. Kirk, former School Corporation Treasurer, was requested to repay the Mitchell Community School Corporation for funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance is listed below:

	Charge Amounts
Payments to Cardmember Services	\$ 9,739.13
Payments to AT&T	7,458.96
Payments to HSBC supported by Hoosier Supply and Building Company invoices	4,398.14
Payments to Ball State University	9,474.29
Payments to AT&T and HSBC supported by Bender Lumber invoices	2,874.77
Unauthorized withdrawals from School Corporation bank account	5,863.00
Payment to Internal Revenue Service	14,518.33
Payments for Cable expenses	1,238.64
Payments to Duke Energy	9,356.95
Payments to Verizon	8,531.53
Duplicate payments	2,197.90
Non-School Corporation travel expenses	734.94
Payments to Jay C	464.33
Personal items purchased	1,545.32
 Total malfeasance, misfeasance, or nonfeasance - personal expenses	 \$ 78,396.23

(See Summary of Charges, page 30)

BANK ACCOUNT RECONCILIATIONS – OLD PAYROLL CHECKS

Outstanding check lists prepared for the depository reconciliations of the fund balances to the bank account balances were not correct. Payroll checks 67079 and 67473 were issued in 2007 for \$1,578.24 each and were written to Lisa Jill Morse. The checks were voided from the outstanding check list in May 2010. Replacement checks 12322 and 12323 were issued to the Indiana University Credit Union (IUCU) on June 10, 2010. Stop payments were not issued on the voided checks and on July 31, 2010, check 67079 cleared the bank.

In order to reconcile, the amount listed on the outstanding check list for check 8698 to Duke Energy was reduced from \$26,492.87 to \$24,914.63.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Replacement checks 12322 and 12323 made out to the IUCU match deposits made to the personal bank account of Kathy J. Kirk, former School Corporation Treasurer.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$3,156.48 to Mitchell Community Schools for the altered payroll checks deposited into her bank account. (See Summary of Charges, page 30)

RECEIPTS NOT DEPOSITED

Check 22726 for \$823.55 from Southwest Dubois County School Corporation was written to Mitchell Community Schools on August 19, 2010. The check was stamped on the back "Mitchell Community Schools." The bank check cleared the Southwest Dubois County School Corporation bank account on September 27, 2010. The back of the check included stamps for the following "HS BANK NA ICS CONS ST PAUL MN CR CARD." This check was not found in any deposit for Mitchell Community Schools.

On August 16, 2010, receipt 4888 was written to Mark Burnette for a \$100 cash bus rental payment. On August 17, 2010, receipt 4893 was written to Annuity Associates for a \$200 check. The check was identified as an overpayment. These receipts were included in a bank deposit on August 17, 2010. According to documentation provided by Integra Bank, the August 17, 2010 bank deposit did not include any cash but did have a \$300 check from Annuity Associates. The \$100 cash was never deposited.

On September 1, 2010, receipt 4898 was written to Mark Burnette for \$200 cash and receipt 4899 was written to the Elementary Library for \$6 cash. Receipt 4901 was written to Stone City Collections for \$867.54. The deposit information indicated that the check from Stone City Collections was actually for \$1,073.54. The \$206.00 cash was never deposited.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$1,129.55 to Mitchell Community Schools for the receipts that were not deposited. (See Summary of Charges, page 30)

PENALTIES, INTEREST, AND LATE FEES

Penalties and interest totaling \$3,737.49 were paid to the Indiana Department of Revenue on April 8, 2010, for the period June 1, 2009 to June 30, 2009. In addition, one payment to Pitney Bowes was paid late and payments to Vectren Energy were routinely paid late. The following payments were made for penalties, interest, and late fees:

Voucher Number	Warrant Number	Check Date	Vendor	Amount
1398	11793	12-14-09	Pitney Bowes	\$ 23.94
791	11162	07-14-09	Vectren Energy	8.58
269	12125	03-15-10	Vectren Energy	97.10
496	12347	05-31-10	Vectren Energy	66.12
1028	12942	09-20-10	Vectren Energy	7.49
1128	13035	10-11-10	Vectren Energy	19.74
1282	13266	11-30-10	Vectren Energy	1.48
1425	13409	12-31-10	Vectren Energy	19.14
73	13503	01-17-11	Vectren Energy	24.25
Total late payments				267.84
Automatic withdrawal on April 8, 2010, to the Indiana Department of Revenue				<u>3,739.49</u>
Total penalties, interest, and late fees paid				<u>\$ 4,007.33</u>

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Kathy J. Kirk, former School Corporation Treasurer, was requested to repay \$4,007.33 to Mitchell Community Schools for the disbursements for penalties, interest, and late fees. (See Summary of Charges, page 30)

DEPOSITS

Integra bank provided detailed information for the deposits on 20 days. On 8 of those days deposits were not made intact and the receipts were written for amounts which could not be verified to bank deposits. The dates on the checks making up the deposits indicated that deposits were made later than the next business day. The deposit on September 13, 2010, included checks dated June 17, August 5, and August 31, 2010.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

RECEIPT ISSUANCE

Receipts were not always issued properly. Fifty-one receipts were identified that were backdated, which indicated they were not written at the time of the transaction. In some cases the receipts were for EFT deposits made during the month and the receipts were not written until the bank statement was available.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSACTION RECORDING

The Indiana Department of Revenue charged Mitchell Community Schools \$3,739.49 in penalties and interest for late payment of the June 30, 2009 payroll withholdings. The payment was made by automatic withdrawal from the School Corporation's bank account on April 8, 2010. The disbursement was not posted to the School Corporation's ledger. In addition, the School Corporation received a refund from Pearson Education for \$32,198.82. \$3,739.49 of this refund was not posted to the School Corporation's ledger as a receipt.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PAYROLL DEDUCTIONS AND DISBURSEMENTS

The former School Corporation Treasurer's federal withholdings did not agree with the amount required based on the W-4 on file.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
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AUDIT RESULTS AND COMMENTS
(Continued)

Employee insurance payments are made from the General Fund during the year. The employee's share of insurance is deducted from their paychecks once each year and is posted to the Payroll Withholding Fund. This amount should be transferred to the General Fund. However, it was left in the Payroll Withholding Fund. The amount that should be transferred is \$19,497.38.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ORDINANCES AND RESOLUTIONS

The School Corporation has a resolution concerning debt payments. However, they did not pay the debt according to the redemption schedule in the resolution.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not prepared for all disbursements.
2. Claims were not adequately itemized.
3. All claims did not have board approval.
4. Claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CREDIT CARDS

Credit card disbursements were made without the proper controls. The School Corporation credit cards were used to purchase personal items.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

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MITCHELL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

(8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The Treasurer and Deputy Treasurer's bonds for the year 2010 were not filed in the Office of the County Recorder.

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AUDIT COSTS

Additional costs were incurred by the State of Indiana during the current audit due to the investigation of the misappropriated funds by Kathy J. Kirk, former School Corporation Treasurer. The State of Indiana is requesting reimbursement of the additional costs incurred in the amount of \$24,200. (See Summary of Charges, page 30)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BOND INFORMATION

Kathy J. Kirk, former School Corporation Treasurer, was covered by bonds from the Fidelity and Deposit Company of Maryland. The bond number of each bond was 30249811 and each bond was for \$200,000. The terms were as follows:

January 17, 2006 to January 17, 2007; January 17, 2007 to January 17, 2008; January 17, 2008 until successor duly qualified; January 17, 2009 until successor duly qualified; and January 17, 2010, until successor duly qualified.

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FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF PAYMENTS TO CARDMEMBER SERVICES

Date	Voucher Number	Warrant Number	Accounts Payable Voucher	Invoice	Check Payee	Check Endorsement	Charge Amount	Amount Not Charged	Description/Problem
06-15-10	563	12421	Card Services Jostens	Jostens	Card Services Jostens	None / stamped J P Morgan	\$ -	\$ 1,606.82	These were original invoices and Jostens confirmed this payment.
05-10-10	426	12276	Card Services Jostens	Jostens	Card Services Jostens	None	946.55		The original invoice was attached to the payment on check 12421. This was not received by Jostens.
05-10-10	427	12500	Card Services Jostens	Jostens	Card Services Jostens	None	660.27		The original invoice was attached to the payment on check 12421. This was not received by Jostens.
06-15-10	618	12476	TIS Bookstore	TIS Bookstore	TIS Bookstore	TIS Incorporated US BANK NA ICS		2,970.80	The original invoice was attached to check 12429. The original invoice was attached to the payment on check 12476 and it matches a payment to the Business Credit Card Account.
06-15-10	571	12429	Cardmember Services	TIS Bookstore	Cardmember Services	CONS ST PAUL MN CR CARD US BANK NA ICS	2,970.80		
01-17-11	None	13480	Missing Accounts Payable Voucher	Missing Invoice	Cardmember Services	CONS ST PAUL MN CR CARD	2,970.00		This invoice was missing.
07-14-09	742	11113	Lowes	Lowes	Lowes	None		388.24	This was an original invoice without tax. The original invoice was attached to the payment on check 11113 and it matches a payment on the Business Credit Card Account.
06-30-09	669	11039	Cardmember Services	Lowes	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	392.94		Matches invoice paid on check 13339 that included tax. This was not signed by a school employee and appears to be for personal items.
01-17-11	48	13478	Missing Accounts Payable Voucher	Missing Invoice	Lowes	None		533.32	
12-13-10	1347	13339	Cardmember Services	Lowes	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	498.43		This was an original invoice. The amount was without tax and it matched a payment on check 13478 .
06-15-10	569	12427	Lowes	Lowes	Lowes	END GTD GEMB		179.00	This was an original invoice. The original invoice was attached to the payment on check 12427.
07-12-10	737	12584	Cardmember Services	Lowes	Cardmember Services	None	179.00		
08-09-10	839	12756	Cardmember Services	Lowes	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	179.00		This was an original invoice, but no payment was posted to the School Corporation's credit card account and the item was returned.
08-09-10	840	12757	Cardmember Services	The Gallery Collection/Prudent Publications	Cardmember Services	None		458.61	This appears to be an original invoice, but an identical invoices were paid on check 12867.
09-20-10	953	12867	Cardmember Services	The Gallery Collection/Prudent Publications	The Gallery Collection/Prudent Publications	The Gallery Collection/Prudent Publications	458.61		This appears to be an original invoice, but an identical invoice was paid on check 12757.
09-20-10	971	12885	Cardmember Services	K-Mart	Cardmember Services	K-Mart	280.43		The original invoice was paid on check 12895.
09-20-10	981	12895	Cardmember Services	K-Mart	Cardmember Services	None		280.43	This was paid from an original invoice. Original purchase was from a debit card that does not belong to the school so the school should not be paying Cardmember Services.
12-13-10	1348	13340	Cardmember Services	Advance Auto Parts	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	79.99		
05-10-10	436	12286	Cardmember Services	Bedford Times Mail	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	41.85		Invoice attached was for the Bedford Times Mail, but was not posted to the School Corporation's account.
02-14-11	151	13648	Cardmember Services	Integra Bank	Cardmember Services	US BANK NA ICS CONS ST PAUL MN CR CARD	81.26		Fees were charged of \$21 and there is no detail for \$60.26.
Total Unallowable Payments to Cardmember Services							<u>\$ 9,739.13</u>		

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF DUPLICATE PAYMENTS

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Vendor	Check Date	Original Payment			Check Date	Duplicate Payment			Amount	Additional Information
		Voucher Number	Check Number	Amount		Voucher Number	Check Number	Amount		
Bloomington Hospital	04-13-09	418	10790	\$ 523.50	08-09-10	852	12769	\$ 523.50	For service provided in March 2009	
Bloomington Hospital	05-11-09	516	10891	945.00	08-09-10	852	12769	945.00	For service provided in April 2009	
Bloomington Hospital	05-10-10	397	12247	445.00	05-10-10	399	12249	444.00	For service provided in March 2010	
CardsDirect	12-14-09	1331	11726	191.00	01-19-10	10	11871	191.00	Invoice date December 8, 2009	
Quill Corporation	05-10-10	442	12292	<u>94.40</u>	08-09-10	850	12767	<u>94.40</u>	For Crayons purchased April 8, 2010	
Total original payments				<u>\$ 2,198.90</u>	Total duplicate payments			<u>\$ 2,197.90</u>		

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
 MITCHELL COMMUNITY SCHOOLS
 SCHEDULE OF PERSONAL ITEMS PURCHASED

<u>Date</u>	<u>Voucher Number</u>	<u>Warrant Number</u>	<u>Invoice Date</u>	<u>Vendor</u>	<u>Items Purchased</u>	<u>Charge Amount</u>	<u>Additional Information</u>
08-09-10	850	12767	05-06-10	Quill	Eureka cordless vacuum	\$ 55.79	This was delivered to Kym Kirk in Muncie.
12-13-10	1369	13361	11-29-10	Quill	HP PC	439.99	The IT department does not order
06-15-10	587	12445	05-25-10	Quill	Oreck vacuum and bags	329.37	computer equipment from Quill.
07-12-10	750	12597	06-23-10	Quill	personal safe	78.87	
03-15-10	247	12103	02-04-10	Quill	2 routers	107.98	The IT department does not order
01-17-11	48	13478	12-04-10	Lowe's	tools and gloves	<u>533.32</u>	computer equipment from Quill. No signature for Lowe's credit card purchase
Total personal items purchased						<u>\$ 1,545.32</u>	

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
MITCHELL COMMUNITY SCHOOLS
LAWRENCE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2012, with Christopher S. Shaw, President of the School Board; Dr. Steve E. Phillips, Superintendent of Schools; and M. Malinda Powell, School Corporation Treasurer.

The contents of this report were discussed on March 14, 2012, with Kathy J. Kirk, former School Corporation Treasurer. The Official Response has been made a part of this report and may be found on pages 25 through 29.

To: Indiana State Board of Accounts
From: Kathy J. Kirk, Former Treasurer of Mitchell Community Schools
Date: March 19, 2012
RE: Official Response to 2008-2010 SBA Audit

This is an Official Response to the recent audit of Mitchell Community Schools. I am at this time stating that I do not agree with several statements or figures contained in this audit. Below is a listing of my concerns.

I am once again stating that all expenditures made by Mitchell Community Schools were presented to the Superintendent of Schools for his examination and signature before each Board of Trustees meeting. After his approval, they were then presented to the Board of Trustees for their examination and signed approval. None of the expenses in this report were disapproved.

Payments to Cardmember Services

This report states that the school officials were not aware that there were two Visa credit cards in the school's name. I was Treasurer/Deputy Treasurer for over 35 years. From the point that the school obtained a Visa card, there have always been two cards. This was done to cover the times when a school employee might be out of town at a conference or meeting, and another employee (mainly maintenance personnel) would still have access to a method of charging.

AT&T:

Two of these payments were made to AT&T for maintenance charges to one of the schools telephone maintenance plans before MCS switched to Verizon. These were not purchases/payments by me.

Jostens:

These payments were for MHS graduation supplies. These were not purchases by me.

TIS Bookstore:

These payments were for books purchased by Mitchell High Schools. These were not purchases by me.

Lowes:

All purchases from Lowes were made by the maintenance department or the woodworking class and approved by the superintendent. Because the purchases were made by the maintenance department, often times I did not receive a copy of the invoice. These were not purchases by me.

The Gallery:

The Gallery was used to purchase Christmas Cards and birthday cards for the staff at the request of the Board of Trustees. These were not purchases by me.

K-Mart and CVS

The K-Mart purchases were all made by the school's nurse for health supplies. If there was an original invoice submitted, I attached it. Often, the only thing I was given was a copy of the purchase order. To my knowledge, Nurse Debbie was the only person to make credit purchases from K-Mart. The only expenses from CVS that I remember were for film requested by the Superintendent for pictures of the building projects and the Transportation Director for school bus accidents. These were not purchases for me.

Herald Times

This purchase was for an online account requested by the Superintendent

UPS

These were charges made by the IT Department for returns.

Greeting Cards

These were bulk birthday cards requested by the Board of Trustees to be sent out to employees.

D&B

This was a credit monitoring service ordered and approved by the Superintendent for the school. I was instructed to make these payments.

BMV

This would have been monies spent to title and license buses.

Walmart & Target

Not having the claims to examine, the only expenditures to these businesses that I can remember were TV sets for the Elementary offices. These were not charges by/for me.

Advance Auto Parts:

These were purchases made by the Transportation Department and the maintenance department. These were not purchases by me.

Bedford Times Mail:

This charge was for the Administration Centers copy of the paper and on-line account at the instruction of the Superintendent. These were not purchases by me.

Integra Bank:

This fee was for the school's yearly payment for their safety deposit box. These were not purchases by me.

Therefore, I do not agree with the unallowable payments to Cardmember Services.

Payments to Ball State University

The check written for the Indiana Writing Project was for an in-service program provided by Ball State University. These were not purchases by me.

Unauthorized Withdrawals from Schools Corporation Bank Account

As written on the bank statement, I was working with the bank to have these unauthorized debits removed from our statement. I left the school's employment before these were corrected or removed.

Payments to Duke Energy

Due to the fact that MCS had multiple accounts with Duke Energy, along with energy bills during construction periods that were turned on and discontinued; I often received these bills the following month or during breaks the following fall. None of these payments were made for me.

Payments to Verizon

As stated above about the telephone services, I often did not receive these bills in a timely manner. Because there was often a disconnect notice with these bills, at times the previous months bills were paid in duplicate. They would be deducted from future bills. At no time were any of these payments made to my personal account.

Non-School Corporation Travel Expenses

- 1) If I was paid a duplicate travel expense, it was in error and reimbursed.
- 2) The May 7, 2010 travel expense was approved by the Superintendent. It was a budgeting software meeting. I met with a Komputrol employee to discuss how we could get the

- Komputrol software to work with our tax figures to get our budget forms to print correctly. This was a school corporation expense.
- 3) I do not know who spoke for Komputrol concerning the November 14/15 meeting, but it was the annual software conference held every November since we started using Komputrol software. This was a school corporation expense.
 - 4) As soon as I scheduled a meeting, I also scheduled the use of the school car. At times, it was also requested for use by an Administrator and Malinda or I would use our own car. This was a true corporation expense.

Payments to Jay C

At no time did I use the Jay C Corporation card, for school or personal expenses. This card was open for use by the Deputy Treasurer, the Extra-Curricular Treasurer, the FACS teacher, and the Benefits Clerk. The Benefits Clerk used this card to obtain food and drinks to be used to serve at the Administrative Meetings, New Employee gatherings, Bus Driver Meetings and other miscellaneous meetings. The Extra-curricular treasurer is a caterer and often used the card to buy ingredients to cater teacher's meetings and other dinners with the superintendent's approval. The FACS teacher used the card to provide ingredients for her classes. These were not expenses by me.

Personal Items Purchased

The Lowe's purchased were by maintenance.

The safe purchased by Quill was packed up with my personnel items and delivered to me by the staff after I left the school's employment. The safe will be returned.

There was a vacuum that was charged to the school in error. I will reimburse the school for this purchase.

The Oreck vacuum was purchased for the office cleaning person's use at the superintendent's office. I have no knowledge where it is now located. That purchase was at the maintenance man's request and the superintendent's approval because the vacuum at that time was useless. That was not a personal purchase by me.

The IT director did do most of the school's purchases through a technology company. At times, the superintendent would permit our office to make purchase through other sources. Any computers or routers purchased were not personal purchases. They were probably purchased for the maintenance department, the transportation director, or the nurse.

Receipts not Deposited

I do not have these receipts available to examine, and probably would not remember the circumstances surrounding them. I do not feel these receipts were credited to my accounts at any time.

Penalties, Interest and other Charges

I often did not receive utility bills from the schools in a timely manner. I do not feel that interest and penalties should be my responsibility. Also, I feel that penalties to taxing units should not be my personal responsibility. If I did not do my job in a timely manner and unreasonable fees were assessed, I should have been reprimanded or released.

Deposits

I did my best to make deposits in a timely manner. At times, there was no transportation available and I made them at the earliest date possible. I do not feel that transportation to the banks was my personal responsibility and at times the school's car was not available. However, I did often use my personal vehicle to make deposits and pick up tax checks from the courthouse at no expense to the school.

Payroll Deductions and Disbursement

W-4 forms and payroll records were the responsibility of the Deputy Treasurer.

When the Benefits Clerk notifies me that insurance expenses are complete, I transfer the remaining funds back to the General Fund. This is something that I usually do in January when everything is balanced. I was no longer at the school when this should have been done.

As I stated at the beginning of this Official Response, I do not agree with many of the statements and charges determined to be against me. I am human, and have made mistakes; but I feel that the majority of these charges are not attributable to me and I should not be held responsible for them.

Thank you for allowing me to respond to these charges.

FORMER SCHOOL CORPORATION TREASURER SPECIAL INVESTIGATION
 MITCHELL COMMUNITY SCHOOLS
 LAWRENCE COUNTY
 SUMMARY OF CHARGES

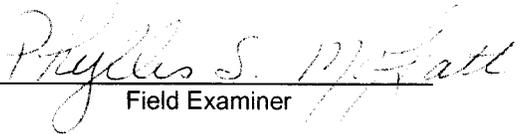
	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kathy J. Kirk, former School Corporation Treasurer:			
Malfeasance, Misfeasance, or Nonfeasance -			
Personal Expenses, pages 4 through 13	\$ 78,396.23	\$ -	\$ 78,396.23
Bank Account Reconciliations - Old Payroll Checks, pages 13 and 14	3,156.48	-	3,156.48
Receipts Not Deposited, pages 14 and 15	1,129.55	-	1,129.55
Penalties, Interest, and Late Fees, pages 15 and 16	4,007.33	-	4,007.33
Audit Costs, page 19	<u>24,200.00</u>	<u>-</u>	<u>24,200.00</u>
 Totals	 <u>\$ 110,889.59</u>	 <u>\$ -</u>	 <u>\$ 110,889.59</u>

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

AFFIDAVIT

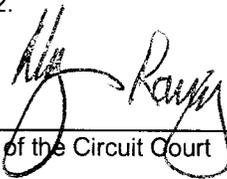
STATE OF INDIANA)
)
LAWRENCE COUNTY)

I, Phyllis S. Moffatt, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the School Treasurer, Mitchell Community Schools, Lawrence County, Indiana, for the period from December 11, 2006 to June 30, 2011, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 23 day of April, 2012.



Clerk of the Circuit Court