

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

SPECIAL INVESTIGATION REPORT
OF
LOST RIVER CAREER COOPERATIVE
ORANGE COUNTY, INDIANA
July 1, 2011 to June 30, 2013



FILED
08/20/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sonya McKeighen	07-01-11 to 04-20-12
	(Vacant)	04-21-12 to 05-06-12
	Naomi S. Heinz	05-07-12 to 06-30-15
Director	David D. Embree	07-01-11 to 01-18-12
	Dr. Roberta Jackson	01-19-12 to 05-20-12
	Kevin Knies	05-21-12 to 06-30-15
President of the School Board	Larry Pritchett	07-01-11 to 01-08-13
	Scott Blankenbaker	01-09-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LOST RIVER CAREER COOPERATIVE

We have conducted a special investigation of the records of Lost River Career Cooperative for the period from July 1, 2011 to June 30, 2013. Our investigation was limited to records related to payroll and employee/retiree benefits. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana and local policies and/or contracts. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents. This report was forwarded to the Office of the Indiana Attorney General.

Any Official Response included herein this report has not been examined or verified for its accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 3, 2014

LOST RIVER CAREER COOPERATIVE
SPECIAL INVESTIGATION RESULTS AND COMMENTS

UNAUTHORIZED PAYMENTS TO HEALTH SAVINGS ACCOUNTS

The School Corporation erroneously contributed a total of \$4,447.70 to the following teachers' Health Savings Accounts (HSA) during the 2011-2012 and 2012-2013 school years. Based on language in the master contract, these teachers were not entitled to the contributions.

Teacher	School Year		Totals
	2011-2012	2012-2013	
Frank Decker	\$ 1,293.02	\$ 1,001.16	\$ 2,294.18
Frankie Warren	1,152.36	1,001.16	2,153.52
Totals	<u>\$ 2,445.38</u>	<u>\$ 2,002.32</u>	<u>\$ 4,447.70</u>

The above teachers did not elect to carry health insurance plans provided by the School Corporation. The Master Contract did not authorize payments to be made to an employee's HSA if the employee did not elect health insurance coverage offered by the School Corporation. In addition, Internal Revenue Service Publication 969 states in part: "To be an eligible individual and qualify for an HSA . . . You must be covered under a high deductible health plan . . ."

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 9)

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)

Frank Decker, former Teacher, was requested to refund \$2,294.18 to the School Corporation. (See Summary of Charges, page 9)

Frankie Warren, former Teacher, was requested to refund \$2,153.52 to the School Corporation. (See Summary of Charges, page 9)

EXCESS PAYMENTS TO HEALTH SAVINGS ACCOUNT

The School Corporation made excess payments in the amount of \$56.17 to the Health Savings Account (HSA) for Sonya McKeighen, former Treasurer, during the 2011-2012 school year as shown in the following schedule:

LOST RIVER CAREER COOPERATIVE
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

	<u>Amounts</u>
Total Insurance Authorized to be paid by School Corporation	\$ 4,660.00
Total Insurance Paid	<u>3,699.70</u>
Residual Amount Authorized to be paid to HSA	960.30
Amount paid to HSA	<u>1,016.47</u>
Excess Payment	<u><u>\$ (56.17)</u></u>

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 9)

Sonya McKeighen, former Treasurer, was requested to refund \$56.17 to the School Corporation (See Summary of Charges, page 9).

EXCESS PAYMENTS TO RETIREE

The School Corporation made excess payments to Terry Kinser, Retiree, during the 2011-2012 and 2012-2013 school years. After discovery of the error, the School Corporation, by agreement with Terry Kinser, began withholding amounts from the benefits paid to recover these excess payments. The original calculation of excess payments completed by the School Corporation was incorrect. As a result of the miscalculation, \$2,560.29 of excess payments is still due to the School Corporation as shown in the following schedule:

	<u>Retiree Payment</u>	<u>Insurance</u>	<u>Health Savings Account</u>	<u>Totals</u>
School Year 2011-2012:				
Authorized per Contract	\$ 6,084.00	\$ 3,341.04	\$ -	\$ 9,425.04
Paid by School Corporation	<u>(9,160.62)</u>	<u>(4,439.64)</u>	<u>(1,687.92)</u>	<u>(15,288.18)</u>
Excess Payment for 2011-2012	<u>(3,076.62)</u>	<u>(1,098.60)</u>	<u>(1,687.92)</u>	<u>(5,863.14)</u>
School Year 2012-2013:				
Authorized per Contract	6,084.00	3,341.04	-	9,425.04
Paid by School Corporation	<u>(6,084.00)</u>	<u>(4,590.84)</u>	<u>(1,680.00)</u>	<u>(12,354.84)</u>
Excess Payment for 2012-2013	<u>-</u>	<u>(1,249.80)</u>	<u>(1,680.00)</u>	<u>(2,929.80)</u>
Total Excess Payments	(3,076.62)	(2,348.40)	(3,367.92)	(8,792.94)
Withholdings from Retiree Pay:				
School Year 2011-2012	-	853.36	1,687.92	2,541.28
School Year 2012-2013	<u>516.33</u>	<u>1,495.04</u>	<u>1,680.00</u>	<u>3,691.37</u>
Amount Due	<u><u>\$ (2,560.29)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,560.29)</u></u>

LOST RIVER CAREER COOPERATIVE
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

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 9)

Terry Kinser, Retiree, was requested to refund \$2,560.29 to the School Corporation. Subsequent to our request, Terry Kinser executed an installment promissory note with the School Corporation on March 2, 2015, for repayment. (See Summary of Charges, page 9)

PENALTIES AND INTEREST

The School Corporation paid penalties and interest totaling \$580.89 for failing to file Employer's Quarterly Federal Tax Return (IRS Form 941); late remittance of payroll withholding taxes; and the late remittance of unemployment taxes.

Sonya McKeighen, former Treasurer, was responsible for filing remittance reports and for making timely remittances of taxes related to penalties and interest that were assessed and paid.

Similar comments were reported in prior Reports B42131 and B37469 covering the period July 1, 2007 through June 30, 2011.

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)

Sonya McKeighen, former Treasurer, was request to refund \$580.89 to the School Corporation. (See Summary of Charges, page 9)

NO OFFICIAL BOND

No official bond for Sonya McKeighen, former Treasurer, was presented for review for the period July 1, 2011 through April 20, 2012.

Indiana Code 20-26-4-5 states in part:

"For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body."

LOST RIVER CAREER COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2014, with Scott Blankenbaker, President of the School Board; Kevin Knies, Director; and Naomi S. Heinz, Treasurer.

The portion of this report applicable to Terry Kinser, Retiree, was discussed with Terry Kinser, on January 20, 2015.

The portions of this report applicable to Sonya McKeighen, former Treasurer, were discussed with Sonya McKeighen on February 4, 2015.

The portion of this report applicable to Frankie Warren, former Teacher, was discussed with Frankie Warren on January 20, 2015.

The portion of this report applicable to Frank Decker, former Teacher, was discussed with Frank Decker on March 3, 2015.

Ron Robertson – State Board of Accounts,

I am responding to your letter referring to unauthorized payments to a HSA account from Lost River Career Cooperative. Since I retired from General Motors in May of 2006 and pursued a teaching degree, I have worked for Corydon Central High School, Lost River Career Cooperative, Paoli Community Schools, and now for North Lawrence Community Schools, each move bringing me closer to home. During each one of those new endeavors I have filled out an enormous amount of paper work, in various areas concerning , health insurance, life insurance, savings accounts, tax withholding, field trips, and training expenses. I followed and met all expectations everyplace I have had the privilege to teach.

Lost River themselves sought me out and offered the HSA account to me as a benefit around two years after I had been hired. I did not ask for it, it was presented to me in this manner: since I did not elect a health insurance plan with them, they could now offer me a small HSA account to help out some. I was directed to speak with their insurance people in Orleans, which I did and I fully explained I was a retired GM motors employee and currently had Blue Cross Blue Shield traditional plan (I gave them my policy number and plan type). I also expressed the fact that my current insurance coverage was why I elected not to choose any insurance through Lost River Career Cooperative. The administration at Lost River then directed me to open a HSA checking account with Old National bank and issued small monthly checks that had to be directly deposited into that account. They gave me the direction that the money deposited in the account could then be used (and was used for) for medical expenses not covered by my current General Motors insurance such as medicine, office calls etc.

I was actually issued these HSA payments under two completely different administrations of Lost River Career Cooperative and neither administration ever gave me any indication there may be an issue or problem. I did not question or remotely think anything was out of line, the same as I did not question my pay scale, training expenses, amount of days I was scheduled to work. The only contract I saw was a yearly pay scale contract. I followed and complied with all directions given to me from both administrations from Lost River Career Cooperative. The same as I have followed the Corydon Central High School, Paoli Community Schools, and North Lawrence Community Schools administrative directions. So to say the least, I am surprised. I fully acknowledge that am not an authority on insurance plans, but I have been in the work force, Industrial and Educational for 37 years and only selected insurance options that were presented to me, I did not expect or think about any institution that I was employed by offering me something that was not right. My response is I feel that Lost River is as much or more responsible than I am in this scenario.

Sincerely,

Frank Decker

LOST RIVER CAREER COOPERATIVE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Frank Decker, former Teacher:			
Unauthorized Payments to Health Savings Accounts, Page 4	\$ 2,294.18	\$ -	\$ 2,294.18
Frankie Warren, former Teacher:			
Unauthorized Payments to Health Savings Accounts, Page 4	2,153.52	-	2,153.52
Terry Kinser, Retiree:			
Excess Payments to Retiree, Pages 5 and 6	2,560.29		
Installment Promissory Note with Lost River Career			
Cooperative, March 2, 2015		2,560.29	-
Totals - Terry Kinser	2,560.29	2,560.29	-
Sonya McKeighen, former Treasurer:			
Excess Payments to Health Savings Account, Pages 4 and 5	56.17	-	56.17
Penalties and Interest, Page 6	580.89	-	580.89
Totals - Sonya McKeighen	637.06	-	637.06
Totals	<u>\$ 7,645.05</u>	<u>\$ 2,560.29</u>	<u>\$ 5,084.76</u>

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

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AFFIDAVIT

STATE OF INDIANA)
)
Scott COUNTY)

We, Darlene M. Stumler and M. Scott Shireman, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Lost River Career Cooperative, Orange County, Indiana, for the period from July 1, 2011 to June 30, 2013, is true and correct to the best of our knowledge and belief.

M. Scott Shireman

Darlene M. Stumler
Field Examiners

Subscribed and sworn to before me this 11 day of August, 2015.

Missy Campbell
(Clerk of the Circuit Court)

