

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

SPECIAL INVESTIGATION REPORT
OF

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FRANKLIN COUNTY, INDIANA

July 1, 2015 to June 30, 2018



FILED
02/07/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FRANKLIN COUNTY COMMUNITY SCHOOL
CORPORATION, FRANKLIN COUNTY, INDIANA

This is a special investigation report for Franklin County Community School Corporation (School Corporation), for the period July 1, 2015 to June 30, 2018, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with Laurel Elementary School's receipt and deposit activity and mileage claims. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

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

November 13, 2019

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

The School Corporation officials became aware, through a review performed by an outside accounting firm, of discrepancies of Beverly Shera (Shera), former Extracurricular Account Treasurer at Laurel Elementary School (Elementary School). On June 30, 2018, Shera resigned after 22 years of service at the Elementary School.

The Indiana State Board of Accounts was notified by the School Corporation officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and accounting for the depositing of receipts by Shera. The Franklin County Prosecutors office was also notified by the school officials. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts*.

RECEIPTS NOT DEPOSITED

Receipts written for athletic, cheerleading, and other student related activities in the amount of \$1,680.36, \$4,045.44, and \$1,084.29, in school years 2015-2016, 2016-2017, and 2017-2018, respectively, totaling \$6,810.09 were not deposited by Shera. Shera deposited \$404.15, and \$131.34 in February 2018 and April 2018, respectively, into the Extracurricular Account (ECA) depository account that had not been receipted into the ECA ledger, resulting in total receipts not deposited of \$6,274.60.

In addition, an official of the Elementary School, while gathering records for another engagement, inadvertently found twenty checks received in 2012 and 2013 totaling \$1,001 that were not deposited. Due to the check dates, which ranged from May 14, 2012 to April 29, 2013, these items were expired and the School Corporation was unable to collect the money due.

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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-9(a) states in part: "The Treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. . . ."

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

We requested that Shera reimburse the Elementary School \$6,274.60 for receipts not deposited. (See Summary of Charges, page 7)

OVERPAID MILEAGE

Shera claimed mileage for banking on days when deposits were not made at the bank. During the period reviewed, 245 days of mileage were claimed, totaling \$3,430 for trips to the bank on days where no business purpose could be verified.

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 Extra-Curricular Accounts, Chapter 7)

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 1)

We requested that Shera reimburse the School Corporation \$3,430 for overpaid mileage. (See Summary of Charges, page 7)

DEPOSITORY SHORTAGE

A review of the June 30, 2015 bank reconciliation identified a cash shortage of \$2,824.57. Bank reconciliations for the period reviewed identified posting errors of \$6,366.50 and receipts not deposited of \$6,274.60. Detailed posting errors have been presented to the Elementary School for correction. However, the cash shortage of \$2,824.57 remained at June 30, 2018.

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 Extra-Curricular Accounts, Chapter 7)

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 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 Extra-Curricular Accounts, Chapter 7)

We requested that Shera reimburse the Elementary School \$2,824.57 for the depository shortage. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the receipts not deposited at the Elementary School.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested that Shera reimburse the State of Indiana \$4,069.75 for special investigation costs. (See Summary of Charges, page 7)

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in the internal control system concerning the handling of receipts and deposits and the performance of bank reconciliations. These deficiencies included, but were not limited to, lack of segregation of duties relating to collecting, recording, depositing, and the reconciling of the extracurricular accounts. Shera was responsible for all aspects of accounting for the extracurricular funds. There was not adequate oversight to ensure that daily collections were received and deposited.

There were controls in place to review and verify mileage claims submitted by Shera. However, the controls were deficient to detect mileage improperly claimed.

Due to the lack of insufficient monitoring of activities and receipts not deposited, a depository shortage was able to occur and not be identified timely.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the publication, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes 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 . . .

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. . . ."

OFFICIAL BOND

The following is official bond information obtained by the School Corporation:

Period	Amount
03-25-15 to 03-25-16	\$ 10,000
03-25-16 to 07-01-16	10,000
07-01-16 to 07-01-17	10,000
07-01-17 to 06-01-18	10,000

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into Shera has also been conducted by the Indiana State Police.

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2019, with Dr. Debbie Howell, Superintendent of Schools; Tammy Chavis, Assistant Superintendent of Schools; Sharon Pohlman, Treasurer; Lisa J. Baudendistel, Laurel Elementary School Principal; Crystal Vestal, Laurel Elementary School ECA Treasurer; and Francis Brumback, President of the School Board.

The contents of this report were discussed on November 14, 2019, with Michael C. Cunningham, Attorney for Beverly Shera.

LAUREL ELEMENTARY SCHOOL
FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Beverly Shera, former Extracurricular Account Treasurer:			
Receipts Not Deposited, page 3	\$ 6,274.60	\$ -	\$ 6,274.60
Overpaid Mileage, pages 3 and 4	3,430.00	-	3,430.00
Depository Shortage, page 4	<u>2,824.57</u>	<u>-</u>	<u>2,824.57</u>
 Totals	 <u>12,529.17</u>	 <u>-</u>	 <u>12,529.17</u>
 Special Investigation Costs, page 4	 <u>4,069.75</u>	 <u>-</u>	 <u>4,069.75</u>
 Totals	 <u>\$ 16,598.92</u>	 <u>\$ -</u>	 <u>\$ 16,598.92</u>

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

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AFFIDAVIT

STATE OF INDIANA)
)
Floyd COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Franklin County Community School Corporation, Franklin County, Indiana, for the period from July 1, 2015 to June 30, 2018, is true and correct to the best of my knowledge and belief.

Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 30 day of January, 2020

[Signature]
Notary Public

My Commission Expires: August 18, 2023
County of Residence: Floyd

