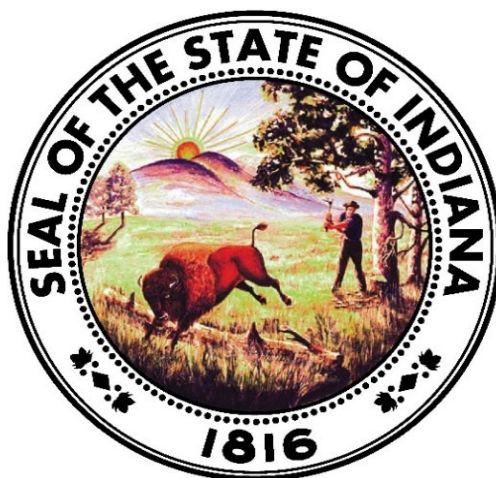


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT
OF

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
LAKE COUNTY, INDIANA

January 1, 2018 to December 31, 2020



FILED
09/22/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Gavit Middle High School Extracurricular Account:	
Results and Comments:	
Background	3-4
Unauthorized Credit Card Purchases	4-6
Penalties, Interest, and Sales Tax	6-7
Special Investigation Costs	7
Insurance Coverage	7
Internal Control Deficiencies	8
Exit Conference	9
Official Response.....	10
Summary of Charges.....	11
Affidavit.....	13



STATE OF INDIANA
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TO: THE OFFICIALS OF SCHOOL CITY OF HAMMOND, LAKE COUNTY, INDIANA

This is a special investigation report for School City of Hammond (School Corporation), Gavit Middle High School Extracurricular Account, for the period January 1, 2018 to December 31, 2020, 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 disbursements associated with the Gavit Middle High School Extracurricular Account with a focus on credit card purchases. 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.

The 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

June 20, 2023

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
RESULTS AND COMMENTS

BACKGROUND

Janet Mischka (Mischka) worked for the School City of Hammond (School Corporation) starting August 21, 2006. During the investigation period, Mischka worked as the Gavit Middle High School (Gavit HS) Extracurricular (ECA) Treasurer. On January 30, 2017, Samantha Poteete (Poteete) was hired by the School Corporation as a Special Education Paraprofessional. Poteete was Mischka's daughter. Per the Athletic Director, Poteete would work with Mischka operating the concessions stands.

In October 2020, Dawn Greene (Greene), Assistant Superintendent of Operations, was informed by Michelle Ondas (Ondas), Gavit HS Principal, that the Gavit HS had a credit card account. Greene informed Alesia Pritchett (Pritchett), Executive Director of Business Services, about the credit card account.

The School Corporation conducted an internal investigation led by Pritchett. During the investigation, it was discovered that there were credit cards in the name of the Gavit HS and the Gavit HS staff under an account with Synchrony Bank. Pritchett provided the Indiana State Board of Accounts a credit card policy titled "Gavit MS/HS Charge Card Policy," that Pritchett stated Mischka had created. The Policy stated that "Only personnel specifically authorized by the Bookkeeper are provided with corporate charge cards." It was unclear who had opened the account with the Synchrony Bank in the name of the Gavit HS as a review of activation card letters showed members had been active since 2004 prior to the hiring of Mischka.

According to School Corporation officials, Mischka noticed several times that there were inappropriate items charged to the School Corporation's cards, but she did not report it to School Corporation officials. The School Corporation obtained police reports from the Hammond, Indiana, and the Lansing, Illinois, police departments as follows:

On November 2, 2018, Mischka reported to the Hammond Police Department that the Gavit HS credit card was stolen and used at Walmart and Sam's Club stores in Lansing, Homewood, and Calumet City, Illinois, for purchases totaling \$1,981.83. She also stated that she had reported the fraudulent charges to the Synchrony Bank.

On November 14, 2018, twelve (12) days later, Mischka filed a report with the Lansing, Illinois, Police Department stating that **her** credit card was stolen from the Gavit HS and used at the Lansing Walmart for a transaction on October 14, 2018, in the amount of \$671.71. It was noted in the Lansing Police Report, that this transaction on October 14, 2018, of \$671.71 was also included on the November 2, 2018 report to the Hammond Police Department totaling \$1,981.83.

On November 5, 2020, an officer from the Hammond Police Department was dispatched to the Gavit HS, where Ondas reported that someone was using one of the credit cards. Ondas reported that neither she, nor Mischka had been using their credit cards much due to the School Corporation not being in session. Ondas indicated the cards had been used multiple times between September 2020 to November 2, 2020, when the cards were cancelled. Ondas estimated \$2,000 in unauthorized charges.

Pritchett obtained all statements relating to all credit cards from the Synchrony Bank and verified that all accounts were closed as of December 3, 2020. Pritchett also reviewed the credit card account transactions and determined unrelated extracurricular items such as cosmetics, pet supplies, apparel, and liquor were charged to the credit cards and had been paid using the ECA funds for a total of \$2,211.57.

On November 17, 2020, Poteete resigned, and on December 3, 2020, Mischka resigned.

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
RESULTS AND COMMENTS
(Continued)

An investigation was conducted by the Hammond Police Department after Pritchett reported her findings to them. A Hammond police detective captured still images of a female on October 29, 2020, using the Gavit HS credit card at the Hammond Walmart store. The female was later determined to be Poteete. The charges made to the Gavit HS credit card on October 29, 2020, were not paid for by the ECA.

On January 25, 2021, after the completion of an internal investigation, Pritchett notified the Indiana State Board of Accounts (SBOA) of the results, and on May 18, 2021, criminal charges were filed against Poteete for: Fraud, a Level 6 Felony; Theft, and including a request for restitution in the amount of \$2,211.57 by Pritchett.

Poteete was sentenced on January 10, 2023. Per the Court Order, Poteete was ordered to pay restitution in the amount of \$1,981.83 to Sam's Club (Synchrony Bank) and draft a letter of apology to the School Corporation, and Alesia Pritchett, the Executive Director of Business Services. After the SBOA contacted Pritchett regarding the restitution order with payment ordered to the Synchrony Bank, Pritchett contacted the prosecutor for a change to the restitution order. The motion to have the restitution paid to the School Corporation and not to the Synchrony Bank was granted on February 28, 2023. On June 9, 2023, a check in the amount of \$1,981.83 was issued to the School Corporation.

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 performed an investigation. The results of our investigation are described in the following comments.

UNAUTHORIZED CREDIT CARD PURCHASES

During the investigation period, there were three Sam's Club Credit Card Accounts with the Synchrony Bank. The credit card ending with account number 7971 was used from the beginning of the investigation period until November 2, 2018, when the card was reported by Mischka as stolen. The Synchrony Bank closed account 7971 and opened an account ending with account number 5586. Account 5586 was used from approximately November 2, 2018 through October 29, 2020, when a card was reported as stolen by Ondas. The Synchrony Bank then opened the third account ending in 3059. Account 3059 had limited activity, which consisted of a balance transfer, and charges and payments from account 5586, interest on the unpaid balance and charges, and an in-person store payment. All of this activity occurred during October 2020. The only remaining activity of this account consisted of three phone payments to close the account, two on December 22, 2020, and the third on January 22, 2021. None of the payments made closing account 3059 were made with the ECA funds.

As Treasurer of the ECA, Mischka was responsible for keeping an accurate account of all money disbursed from ECA funds, approving, and paying for all items based upon presentation of original itemized vendor invoices, including all disbursements charged to the Sam's Club Accounts credit cards (credit cards).

The credit card statements obtained by the School Corporation were reviewed as well as any other documentation including the ECA ledgers, bank statements, cancelled checks, and when available original vendor invoices provided to support charges made to the credit cards. The invoice copies provided with the credit card statements for the Sam's Club and the Walmart store purchases were also relied upon to provide documentation of numerous purchases charged to the credit cards.

Purchases were made from the Sam's Clubs and/or the Walmart stores at various locations including Merrillville, Hammond, South Bend, and Calumet City. Payments made with the Sam's Club Account credit cards were made via an ECA check, phone transfers of funds (phone), computer transfer of funds (electronic) and in-person store payments. A review of the bank statements determined the phone, electronic, and in-person store payments were not made from the ECA funds, but we were unable to determine who made these payments.

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
 SCHOOL CITY OF HAMMOND
 RESULTS AND COMMENTS
 (Continued)

Per our investigation, we determined unauthorized purchases were made with credit cards issued to the Gavit HS and Mischka. The unauthorized purchases included the following types of items:

- Pet/Animal: pet food and pet related items;
- Clothing other than uniforms;
- Alcohol; and
- Other unauthorized items:
 - makeup,
 - toiletries,
 - toys,
 - and singular food items not related to concessions, fundraising, or banquets.

After March 19, 2020, when schools were closed due to COVID restrictions, food purchases and cleaning and laundry supplies were also deemed as unauthorized purchases. The schools were closed and there were not any ECA activities. (Pritchett's internal investigation included food and laundry supplies purchased prior to March 19, 2020.) (We determined that the Gavit HS had a washer and dryer for athletics; thus, laundry supplies were deemed appropriate until schools were closed.)

The following schedule details the amount of the unauthorized charges and credits for items not paid with ECA funds:

	2018-2019	2019-2020	2020-2021	Credit	Totals
Unauthorized Credit Card Purchases:					
Pet/Animal	\$ 73.04	\$ 296.66	\$ 33.30	\$ -	\$ 403.00
Clothing	12.98	45.75	-	-	58.73
Alcohol	20.81	37.92	-	-	58.73
Other Unauthorized Items	593.80	1,410.14	271.65	(516.54)	1,759.05
Totals	<u>\$ 700.63</u>	<u>\$ 1,790.47</u>	<u>\$ 304.95</u>	<u>\$ (516.54)</u>	<u>\$ 2,279.51</u>

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 unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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 Extracurricular Accounts, Chapter 7)

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

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
 SCHOOL CITY OF HAMMOND
 RESULTS AND COMMENTS
 (Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must 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.
6. Credit cards must 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 body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must 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 may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

We requested Mischka and Poteete reimburse the School Corporation \$2,279.51 for the unauthorized credit card purchases. (See Summary of Charges, page 11)

PENALTIES, INTEREST, AND SALES TAX

Penalties and interest totaling \$101.21, and sales tax totaling \$73.10 were paid on the Synchrony Bank Sam's Club Accounts.

Per the account statements, the penalties and interest were the result of not paying the entire balance due of the credit card charges. The sales taxes were the result of credit card purchases made for the non-ECA related purchases, but paid with the ECA funds. Credit was given for sales tax paid on School Corporation related purchases not paid with the ECA funds.

Below is a schedule of the penalties, interest, and sales tax charges by school year:

	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>Credits</u>	<u>Totals</u>
Penalties, Interest, and Sales Tax:					
Penalties and Interest	\$ 28.67	\$ 72.54	\$ -	\$ -	\$ 101.21
Sales tax	<u>10.26</u>	<u>70.34</u>	<u>5.96</u>	<u>(13.46)</u>	<u>73.10</u>
Totals	<u>\$ 38.93</u>	<u>\$ 142.88</u>	<u>\$ 5.96</u>	<u>\$ (13.46)</u>	<u>\$ 174.31</u>

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
 SCHOOL CITY OF HAMMOND
 RESULTS AND COMMENTS
 (Continued)

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 Extracurricular Accounts, Chapter 7)

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 Extracurricular Accounts, Chapter 7)

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

We requested Mischka to repay \$174.31 for penalties, interest, and sales tax charges. (See Summary of Charges page 11)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$12,938, due to the special investigation of the Gavit HS.

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

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

(1) costs incurred by the state board of accounts; and . . ."

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee.

We requested Mischka and Poteete reimburse the State of Indiana for the special investigation costs in the amount of \$12,938. (See Summary of Charges, page 11)

INSURANCE COVERAGE

The following is the employee dishonesty insurance coverage obtained by the School Corporation.

Term	Coverage
10-1-18 to 10-1-19	\$ 250,000
10-1-19 to 10-1-20	250,000
10-1-20 to 10-1-21	250,000

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

Deficiencies were noted in the internal control system concerning the handling of ECA funds, most significantly as related to credit card transactions.

The ECA Treasurer determined who was provided a credit card, reviewed the credit card statements, accumulated and verified supporting documentation was retained to support credit card charges, determined if items charged were ECA related, and issued and signed the checks to pay the credit card charges. Although claims for payment were to be reviewed and approved by either the School Corporation principal or a ECA sponsor only 33 out of 150 claims tested indicated approval by the School Corporation principal. None were approved by an ECA sponsor. Furthermore, the ECA Treasurer was able to report misuse of the credit cards to law enforcement agencies and the credit card company, as well as close and open new accounts without any other oversight, review, or documented authorization by another School Corporation official such as the School Corporation principal or School Corporation administrator.

Records were not maintained to support purchases, sales, and inventories of concession goods. When we asked officials what items were sold at the concession stands, they could not provide any type of list.

The School Corporation had an internal form (SBD 143 Rev. 04/2015) for School Board approval of extracurricular purchases exceeding \$500. We observed the form being used regularly and presented to the School Board for approval for the various elementary, middle, and high school extracurricular fund purchases. We looked at 30 payments made to the Synchrony Bank for the Gavit HS. Of those payments, 18 exceeded the \$500 threshold totaling \$25,968.20, none were presented to the School Board for approval as required. Furthermore, the School Corporation did not have internal controls in place to ensure compliance with their guidelines.

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 manual: *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. These standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties . . .

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. . . ."

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Alesia Pritchett, Executive Director of Business Services; Scott E. Miller, Superintendent of Schools; Monica Conrad, School Board Attorney; Lisa McMillon-Miller, President of the School Board; Lucinda Murphy, School Board member; and Carlotta Blake-King, School Board member.

Monica J. Conrad

MConrad@lewiskappes.com

September 8, 2023

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

Re: School City of Hammond – Gavit Middle School Extracurricular Account

Dear Mr. Joyce:

We appreciate the time the team given by Ms. Keenan and her team to conduct the recent special audit of School City of Hammond. In review of the concerns raised by State Board of Accounts and to strengthen School City of Hammond’s internal control procedures, please note the following changes that are being implemented. First, the Business Services office will be conducting random audits a crossed the School District of extracurricular accounts. Second, School City of Hammond has added a training module of the State Board of Accounts Internal Controls Procedures to the district’s GCN Training. The GCN training module is required of all employees. In addition, the Office of Business Services is also providing a more detailed specific training for all bookkeepers and principals that will also address areas of weakness identified by this audit.

Again, we appreciate the services of Ms. Kennan and her team.

Respectfully,



Monica Conrad

cc: Lisa Miller, Board President
Scott Miller, Superintendent
Eric Kurtz, Chief Financial Officer
Alesia Pritchett, Executive Director of Business Services

GAVIT MIDDLE HIGH SCHOOL EXTRACURRICULAR ACCOUNT
SCHOOL CITY OF HAMMOND
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Janet Mischka, former ECA Treasurer, and Samantha Poteete, Special Education Paraprofessional:			
Unauthorized Credit Card Purchase, pages 4 through 6	\$ 2,279.51	\$ 1,981.83	\$ 297.68
Special Investigation Costs, page 7	12,938.00	-	12,938.00
Janet Mischka, former ECA Treasurer:			
Penalties, Interest, and Sales Tax, pages 6 and 7	174.31	-	174.31
Totals	\$ 15,391.82	\$ 1,981.83	\$ 13,409.99

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)
Noble COUNTY)

I, Susan Keenan, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the School City of Hammond, the Gavit Middle High School Extracurricular Account, Lake County, Indiana, for the period from January 1, 2018 to December 31, 2020, is true and correct to the best of my knowledge and belief.

Susan Keenan
Field Examiner

Subscribed and sworn to before me this 13 day of September, 2023

Nicole K Noe
Notary Public

My Commission Expires: 8-30-25
County of Residence: Noble

