

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

SPECIAL INVESTIGATION REPORT

OF

NORTH LAWRENCE COMMUNITY SCHOOLS

LAWRENCE COUNTY, INDIANA

July 1, 2019 to December 31, 2021



FILED

10/07/2024

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This is a special investigation report for the North Lawrence Community Schools (School Corporation), for the period July 1, 2019 to December 31, 2021, 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 and payroll. 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

September 25, 2024

NORTH LAWRENCE COMMUNITY SCHOOLS RESULTS AND COMMENTS

BACKGROUND

Jenise Roane (Roane), former School Corporation Treasurer, was terminated from her position on December 22, 2021, for concerns relating to fiscal impropriety including the use of the School Corporation credit card for personal purchases, mismanagement of the administrative snack fund, and for late submission of reports to the Indiana State Board of Accounts (SBOA), the Indiana Department of Local Government and Finance, and the Indiana Department of Education.

The School Corporation notified the SBOA of the concerns in accordance with Indiana Code 5-11-1-27. The SBOA examined the records and reviewed the administrative snack fund activity and Roane's credit card disbursements for the investigation period. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations*.

CREDIT CARD PURCHASES

The School Corporation has established a policy for use of its credit cards. The policy states:

Each request for use of a school credit card shall contain the following:

1. Date needed
2. Date to be returned
3. Purpose
4. Authorization

The School Corporation's accounts payable process discovered that some purchases on Roane's School Corporation credit card in 2020 and 2021 were not for School Corporation purposes. As some of the purchases were identified, the School Corporation's management discussed the purchases with Roane, and, in turn, Roane reimbursed the School Corporation for those purchases.

After Roane left employment, the School Corporation identified credit card purchases that were not for School Corporation purposes that had not been repaid by Roane. In a discussion with Roane, she indicated that both the School Corporation credit card and her personal credit card were loaded to her phone's digital wallet as a method of payment. Roane mistakenly paid for her personal purchases with the School Corporation's credit card instead of her own. After a review of Roane's School Corporation credit card purchases, Roane agreed that 18 purchases, totaling \$1,321.27, were identified as her personal purchases that had not been repaid to the School Corporation.

Funds misappropriated, diverted, or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (*Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations*, Chapter 1)

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)

NORTH LAWRENCE COMMUNITY SCHOOLS
RESULTS AND COMMENTS
(Continued)

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.
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 Indiana Public School Corporations, Chapter 1)

Each 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 1)

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 Indiana Public School Corporations, Chapter 1)

Government funds are exempt from the payment of sales taxes on qualifying purchases. Units should reference Internal Revenue Service and/or Indiana Department of Revenue (DOR) guidance to determine what are or are not qualifying purchases. The DOR information bulletin #4 addresses this: <http://www.in.gov/dor/reference/files/sib04.pdf>.

Units should contact the DOR to obtain the exemption certificate. After obtaining the exemption certificate, it must be presented at the time a purchase is made. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division of the DOR.

NORTH LAWRENCE COMMUNITY SCHOOLS
RESULTS AND COMMENTS
(Continued)

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 request that Roane reimburse the School Corporation \$1,321.27 for credit card purchases. (See Summary of Charges, page 10)

ADMINISTRATIVE SNACK FUND RECEIPTS NOT DEPOSITED

In 2021, School Corporation funds were used to purchase snack items that were available for purchase by employees in the administrative office. In a discussion with Roane, she stated cash or checks for the sale of snacks were deposited into a bank account named "Coke Fund." Employees could also purchase snack items using a digital wallet. Roane stated the digital wallet was set up to deposit into the "Coke Fund" bank account. However, Roane stated she never made a transfer from the digital wallet to the bank account. In review of the 2021 "Coke Fund" bank statements, no deposits were made into the bank account.

An estimated revenue from the sale of snack items was calculated by taking the items purchased to sell by the price list provided by the School Corporation. In total, \$1,020.25 should have been collected and deposited for snacks purchased.

In a discussion with Roane, she indicated the administration had a bank account named "Coke Fund." We did not identify any deposits in the School Corporation bank account for money collected. A total of \$44.83 in bills and coins was found when Roane was terminated. However, the identity of the money was not documented.

Funds misappropriated, diverted, or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payees. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

We request that Roane reimburse the School Corporation \$1,020.25 for the administrative snack fund receipts not deposited. (See Summary of Charges, page 10)

PENALTIES, INTEREST, AND OTHER CHARGES

Roane failed to properly and timely remit federal and state taxes to the Internal Revenue Service (IRS) and the Indiana Department of Revenue (DOR). Because of this, penalties, interest, and other charges were assessed and paid to the IRS and the DOR in the amounts of \$66,026.50 and \$23,175.38, respectively.

NORTH LAWRENCE COMMUNITY SCHOOLS
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 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 unit. Any penalties, interest, or other charges 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 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 1)

We request that Roane reimburse the School Corporation \$89,201.88 for penalties, interest, and other charges. (See Summary of Charges, page 10)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the School Corporation.

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

"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
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

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 Indiana Public School Corporations, Chapter 1)

We request that Roane reimburse the State of Indiana \$45,211.87 for special investigation costs. (See Summary of Charges, page 10)

UNAUTHORIZED PAYMENT OF COMPENSATION

Former Deputy School Corporation Treasurer, Amanda Hoffman (Hoffman), was paid an extra \$15,000 on her payroll check dated September 12, 2019. Per an email from Roane, the amount was a stipend for Hoffman performing extra duties. However, this compensation was not approved by the School Board as required.

NORTH LAWRENCE COMMUNITY SCHOOLS
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 law. Compensation must be paid 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 1)

Each 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 1)

INTERNAL CONTROLS

The following internal controls deficiencies were noted:

- The internal controls over accounts payable did identify purchases made that were not in accordance with the School Corporation's credit card policy. However, due to the timing, the School Corporation still paid for the purchases and then had to seek reimbursement.
- Lack of internal controls over the receipts and disbursements of the administrative snack fund. There was no recordkeeping of the products purchased to sell, items sold, or amount receipted, and deposited. Items were purchased by the School Corporation but under the membership of Roane.
- Lack of internal controls over amounts paid in payroll. There was no internal control to verify that amounts paid agreed to amounts approved by the School Board. This allowed for additional compensation that was not properly authorized to be paid.

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. . . ."

NORTH LAWRENCE COMMUNITY SCHOOLS
RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

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

Official	Official Bond	
	Period	Coverage
Roane	07-01-19 to 06-30-20	\$ 300,000
Roane	07-01-20 to 06-30-21	No bond presented
Roane	07-01-21 to 06-30-22	300,000
Hoffman	07-01-19 to 06-30-20	300,000
Hoffman	07-01-20 to 06-30-21	No bond presented
Hoffman	07-01-21 to 06-30-22	300,000

Insurance Policy	
Period	Coverage
01-01-19 to 01-01-20	\$ 50,000
01-01-20 to 01-01-21	50,000
01-01-21 to 01-01-22	50,000
01-01-22 to 01-01-23	1,000,000

NORTH LAWRENCE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2024, with Kevin Yancey, Superintendent of Schools; Steve Underwood, Assistant Superintendent of Schools, Dr. Wendy Mill, President of the School Board of Trustees; and Fatima Carson, School Corporation Treasurer.

The contents of this report were discussed on September 25, 2024, with Jenise Roane, former School Corporation Treasurer.

NORTH LAWRENCE COMMUNITY SCHOOLS
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jenise Roane, former School Corporation Treasurer:			
Credit Card Purchases, pages 3 through 5	\$ 1,321.27	\$ -	\$ 1,321.27
Administrative Snack Fund Receipts Not Deposited, page 5	1,020.25	-	1,020.25
Penalties, Interest, and Other Charges, pages 5 and 6	89,201.88	-	89,201.88
Special Investigation Costs, page 6	<u>45,211.87</u>	<u>-</u>	<u>45,211.87</u>
 Totals	 <u>\$ 136,755.27</u>	 <u>\$ -</u>	 <u>\$ 136,755.27</u>

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

AFFIDAVIT

STATE OF INDIANA)
Vigo)
COUNTY)

I, Gina Gambaiani, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the North Lawrence Community Schools, Lawrence County, Indiana, for the period from July 1, 2019 to December 31, 2021, is true and correct to the best of my knowledge and belief.

Gina Gambaiani
Field Examiner

Subscribed and sworn to before me this 3 day of October, 2024

Jeanette Bouchie
Notary Public

My Commission Expires: 1-17-2030

County of Residence: Vigo

