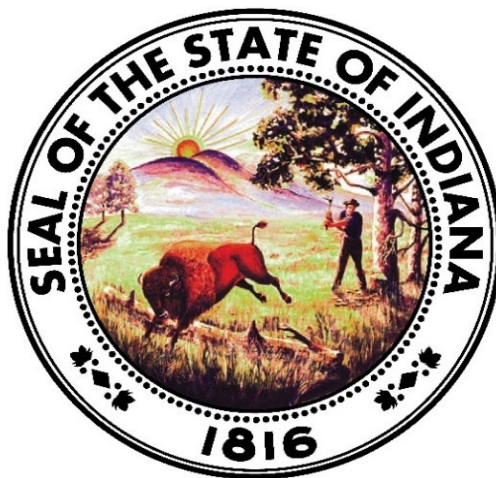


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATION REPORT  
OF

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
GRANT COUNTY, INDIANA

July 1, 2023 to October 13, 2023



**FILED**  
03/20/2024



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**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE MARION COMMUNITY SCHOOLS, GRANT COUNTY, INDIANA

This is a special investigation report for the Marion Community Schools (School Corporation), for the period July 1, 2023 to October 13, 2023, 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/](http://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 procurement card statements and supporting documentation. 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

January 9, 2024

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS

**BACKGROUND**

Scott Bumgardner (Bumgardner) was hired as the Chief Financial Officer (CFO) for the Marion Community Schools on July 1, 2023, at a bi-annual salary of \$214,000, or \$8,230.77 biweekly. Bumgardner was responsible for systematically managing and overseeing the financial transactions of the School Corporation. Bumgardner was responsible for supervising and evaluating all financial accounting, accounts payable, payroll, purchasing, technology, and extracurricular accounting.

Bumgardner resigned October 13, 2023, after the School Corporation had concerns over Bumgardner's procurement card purchases.

On October 16, 2023, Amy Phillips (Phillips), Assistant Chief Financial Officer/Treasurer for the School Corporation, notified the Indiana State Board of Accounts of concerns related to the procurement card purchases in accordance with Indiana Code 5-11-1-27(j). The Indiana State Board of Accounts performed an investigation of Bumgardner's procurement card purchases for the period of July 1, 2023 to October 13, 2023. The results of our investigation are described in the following comments.

**NON-SCHOOL RELATED GIFT CARD PURCHASES**

Bumgardner requested a procurement card (Pro-Card) on August 17, 2023. On August 30, 2023, Bumgardner received a School Pro-Card to purchase school related items. The document illustrated below was signed on August 30, 2023, the same date Bumgardner was issued the Pro-Card. The signed and dated document details the Pro-Card items which would constitute misuse of the card, and the consequences of the misuse of the Pro-Card.

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)



Appendix B  
Marion Community Schools  
Procurement Card Terms of Revocation Form

As an authorized user of the Procurement Card (Pro-Card), I understand that I am the only person authorized to make purchases with the Pro-Card issued to me and that such purchases must be in connection with my employment with, for the benefit of, and authorized by Marion Community Schools.

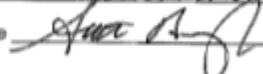
I understand that purchase of the following items constitutes misuse of the Pro-Card and may result in the revocation of my privileges to be a Pro-Card holder or other action.

Misuse of the Pro-Card includes the following:

- Personal purchases
- Copier supplies (toner and staples are included in the copier contract)
- Gift certificates
- Alcoholic beverages and tobacco
- Sales tax
- Individual memberships
- Clothing (except where authorized)
- Gifts and seasonal greeting cards
- Flowers (except for graduation decorations)
- Office decorations for personal offices
- Purchases from multi-level marketing companies (Tupperware, Amway, Discover Toys, etc.)
- Cash advances or ATM's
- Splitting transactions to exceed your card's established per transaction limits (see program restriction section below)
- Purchase made by someone other than the cardholder (unless authorized in writing by the Business Office).
- Other unacceptable uses as identified by MCS

If the Pro-Card is misused in any way by me, I hereby agree to personally pay Marion Community Schools all amounts incurred for such misuse.

Name of Cardholder SCOTT BUMGARDNER Date 8-30-23

Cardholder's Signature 

NOTE: In addition to the above consequences for misuse of the Pro-Card, or failure to pay Marion Community Schools any amounts incurred by the cardholder's misuse, the school retains the sole right and discretion to take further action, whether in the form of disciplinary action, up to and including termination of employment, and/or legal prosecution, in the event of misuse, fraud or other dishonesty involving the Pro-Card or District funds, subject to applicable law.

On September 6, 2023, Bumgardner made his first purchase of gift cards with his Pro-Card, just seven (7) days after receiving his Pro-Card and signing the Procurement Card Terms of Revocation Form.

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

In an interview with Phillips on October 17, 2023, and per a follow-up email, Phillips stated that when Bumgardner's first Pro-Card statement had been received, the Accounts Payable Clerk brought the statement to Phillips questioning several charges. The purchases being questioned were for gift cards. Phillips stating in the email "We do not typically approve gift card purchases and the fact that they were VISA cards was what was most concerning." Phillips stated that she then directly questioned Bumgardner about the charges. Bumgardner told Phillips he was purchasing gift cards to reward people who helped him with the budget. Bumgardner further stated that he would have the people who received the gift cards sign a document acknowledging they had received the gift card.

Also, per a follow-up email on January 30, 2024, Phillips stated she asked Bumgardner for the signed gift card acknowledgement sheets (sign out sheets); however, Bumgardner never provided them to Phillips. Phillips also stated that "I mentioned the sign out sheet a few times and he told me to stop worrying about it. He made a point to tell the entire business office that I was overreacting and that he did this all the time at his past schools." Phillips also stated that Bumgardner subsequently admitted to the Superintendent that he didn't give the gift cards to anyone.

The first Pro-Card account statement dated September 20, 2023, included purchases made between August 31, 2023 and September 19, 2023. During this period, Bumgardner purchased twenty-eight (28) gift cards totaling \$11,280.67, including activation fees of \$130.67. There was only one other purchase made during this period, which was for food at a local restaurant totaling \$42.19 on August 31, 2023.

Out of the twenty-eight (28) gift cards purchased between August 31, 2023 and September 19, 2023, there were five (5) gift cards given to School employees by Bumgardner. The following schedule details the gift cards given to school employees:

Business Office Employee	Restaurant Gift Card	\$	50
Business Office Employee	Restaurant Gift Card		50
Business Office Employee	Restaurant Gift Card		50
Business Office Employee	Restaurant Gift Card		100
Assistant Superintendent	VISA Gift Card		200
	Total Gift Cards	\$	450

The gift cards for the restaurants did not have a school-related purpose. The one (1) \$100 restaurant gift card was never used by the business office employee and is in Phillip's possession. The remaining three (3) \$50 restaurant gift cards have been used by the individuals they were given to.

Per a follow up email inquiry with Phillips on January 2, 2024, and an invoice provided by Phillips, the \$200 VISA gift card was used to purchase clothing for two individual consultants with the Center for Empowering Education. The VISA gift card has a balance of \$26.66 and is in the possession of School officials.

As stated in the Procurement Card Terms of Revocation Form, signed by Bumgardner on August 30, 2023, "If the Pro-Card is misused in any way by me, I hereby agree to personally pay Marion Community Schools all amounts incurred for such misuse." The restaurant and Visa gift cards given to staff, regardless of use, constitute a misuse of the Procurement Card as per Bumgardner's signed Procurement Card Terms of Revocation Form to which Bumgardner agreed to repayment.

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

After September 19, 2023, Phillips began monitoring Bumgardner's Pro-Card account online. Between September 22, 2023 through October 8, 2023, Bumgardner purchased an additional thirty (30) gift cards totaling \$15,168.31, including activation fees totaling \$168.31. There were only four non-gift card purchases totaling \$237.48, which were for food and parking.

From Bumgardner's first purchase of gift cards on September 6, 2023 through his last purchase on October 8, 2023, gift card purchases were made from one (1) to four (4) days apart, with multiple purchases being made on the same dates as well. For the period of July 1, 2023 to October 13, 2023, the investigation revealed that Bumgardner purchased fifty-eight (58) gift cards over a period of thirty-two (32) days totaling \$26,448.98 including card fees as follows:

<u>Date of Purchase</u>	<u>Number of Cards</u>	<u>Gift Card Value</u>	<u>Card Fees</u>	<u>Totals</u>
09-06-23	3	\$ 1,100.00	\$ 14.82	\$ 1,114.82
09-08-23	5	1,800.00	29.75	1,829.75
09-08-23	3	1,500.00	14.82	1,514.82
09-09-23	1	500.00	6.95	506.95
09-09-23	2	1,000.00	9.88	1,009.88
09-12-23	3	1,500.00	14.82	1,514.82
09-15-23	3	150.00	-	150.00
09-15-23	1	500.00	4.94	504.94
09-15-23	1	500.00	4.94	504.94
09-18-23	4	1,600.00	17.85	1,617.85
09-19-23	2	1,000.00	11.90	1,011.90
09-22-23	4	2,000.00	19.76	2,019.76
09-26-23	3	1,500.00	20.85	1,520.85
09-26-23	1	500.00	4.94	504.94
09-30-23	3	1,500.00	14.82	1,514.82
09-30-23	1	500.00	4.94	504.94
10-02-23	3	1,500.00	14.82	1,514.82
10-04-23	2	1,000.00	11.90	1,011.90
10-06-23	3	1,500.00	20.85	1,520.85
10-07-23	3	1,500.00	20.85	1,520.85
10-07-23	1	500.00	4.94	504.94
10-07-23	1	500.00	4.94	504.94
10-07-23	3	1,500.00	14.82	1,514.82
10-08-23	2	1,000.00	9.88	1,009.88
Totals	<u>58</u>	<u>\$ 26,150.00</u>	<u>\$ 298.98</u>	<u>\$ 26,448.98</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)

BUSINESS OFFICE  
MARION 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)

We requested Bumgardner reimburse the School Corporation for non-school related gift card purchases in the amount of \$26,448.98. (See Summary of Charges, page 11)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs in the amount of \$5,007.87 due to the special investigation of the School Corporation.

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
- (2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings."

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Any audit costs paid without the prior approval of the SBOA when the SBOA has the statutory requirement to perform the audit of the unit may be considered a duplication of service and an unnecessary expense. These payments 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 Bumgardner reimburse the State of Indiana for special investigation costs in the amount of \$5,007.87. (See Summary of Charges, page 11)

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

**INSURANCE COVERAGE**

The School Corporation obtained employee theft insurance coverage as follows:

<u>Term</u>	<u>Coverage</u>
01-15-23 to 01-15-24	\$ 100,000

**INTERNAL CONTROLS**

Controls were not in place to ensure strict compliance with school policies regarding the use of procurement cards.

The School Corporation had a Procurement Card Terms of Revocation Form and a Procurement Card Receipt Acknowledgment Form, both of which were signed by Bumgardner on August 30, 2023. The Procurement Terms of Revocation Form lists items that constitute misuse of the Pro-Card, which includes gift certificates and gifts. Upon the initial discovery of the purchase of gift cards with the Pro-Card, officials continued to allow Bumgardner use of the Pro-Card. When Bumgardner was initially questioned about the purchases and stated he had documentation as to who received the cards, officials did not insist upon seeing the documents to validate who the cards were given to and for what purpose. Officials did not take immediate action to enforce their own policies including revocation of the Pro-Card use, and repayment of the misused funds.

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. The 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. . . ."

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

***SUBSEQUENT EVENT***

Assessments were performed at three of the School Corporations Bumgardner previously worked at prior to his employment at the Marion Community Schools. One of those, Huntington County Community School Corporation, resulted in an investigation regarding the purchase of gift cards, Special Investigation Report 84670I.

BUSINESS OFFICE  
MARION COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2024, with Keith A. Burke, Superintendent of Schools; Robert Todd Nicholson, President of the School Board; Richard Kenneth Hart, School Board member; Randi Libby, Chief Financial Officer; and Amy Phillips, Assistant Chief Financial Officer/Treasurer.

BUSINESS OFFICE  
 MARION COMMUNITY SCHOOLS  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Scott Bumgardner, former Chief Financial Officer:			
Non-School Related Gift Card Purchases, pages 3 through 7	\$ 26,448.98	\$ -	\$ 26,448.98
Special Investigation Costs, page 7	<u>5,007.87</u>	<u>-</u>	<u>5,007.87</u>
Totals	<u>\$ 31,456.85</u>	<u>\$ -</u>	<u>\$ 31,456.85</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            )  
La Porte COUNTY) )

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Marion Community Schools, Grant County, Indiana, for the period from July 1, 2023 to October 13, 2023, is true and correct to the best of my knowledge and belief.

Kristin Campbell  
Field Examiner

Subscribed and sworn to before me this 18 day of March, 2024.

Jayne L. Grillo  
Notary Public

My Commission Expires: March 27, 2027

County of Residence: La Porte

