

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT

OF

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION

HUNTINGTON COUNTY, INDIANA

August 6, 2018 to February 28, 2022



FILED
03/08/2024

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This is a special investigation report for the Huntington County Community School Corporation (School Corporation), for the period August 6, 2018 to February 28, 2022, 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 the purchase of gift cards including bank records, vendor invoices, bond and lease agreements as related to construction projects, and credit card statements. 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

February 7, 2024

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

Scott Bumgardner (Bumgardner) was hired as the Assistant Superintendent for Business and Classified Staff/Business Manager (Assistant Superintendent) for the Huntington County Community School Corporation (School Corporation) on August 6, 2018, at an annual salary of \$108,000 for a three-year period. Bumgardner was responsible for the advertisement and implementation of the School Corporation budget, supervised the business office personnel including the Treasurer, payroll, and accounts payable departments. Bumgardner maintained various financial documents, made recommendations to the School Board regarding approvals of accounts payable vouchers and other financial issues. Bumgardner assisted in the preparation of the bi-monthly board packets presented at each School Board meeting. Bumgardner was an authorized signatory on the School Corporation's bank accounts, which allowed him to make withdrawals directly from the School Corporation's bank accounts.

As part of Bumgardner's employment, he received a corporate vehicle as a fringe benefit. On October 26, 2021, Bumgardner was charged with a criminal misdemeanor involving the use of this school issued vehicle. As a result, Bumgardner was placed on administrative leave on November 3, 2021, until he resigned on February 28, 2022.

Subsequent to Bumgardner's employment at the School Corporation, Bumgardner was the Chief Financial Officer at Marion Community Schools from July 1, 2023 to October 13, 2023, when he resigned for misusing the Marion Community Schools' Procurement Card. The misuse, which involved the purchase of gift cards, was reported to the Indiana State Board of Accounts (SBoA) by the administration of the Marion Community Schools. The SBoA had concerns about Bumgardner's possible misuse of funds for the purchase of gift cards at the School Corporation. An assessment or review of purchases was conducted, which led to an investigation. The results of our investigation are described in the following comments.

NON-SCHOOL RELATED GIFT CARD PURCHASES

VISA Gift Cards

On April 9, 2020, Bumgardner purchased sixty-eight (68) Visa gift cards with values of \$300, \$200, and \$100 as a direct debit from the School Corporation's Teachers Credit Union (TCU) bank account in the amount of \$15,002, which included bank fees totaling \$102. After approval by Bumgardner, Edette Eckert (Eckert), former Treasurer, recorded this transaction in the School Corporation's financial ledger as a disbursement from the School Lunch fund.

Twenty-seven (27) days later, on May 6, 2020, Bumgardner ordered an additional thirty (30) Visa gift cards from the TCU account. Twenty-five (25) of the Visa gift cards had values of \$500 each, and the remaining five (5) Visa gift cards had values of \$100 each for a total of \$13,045 including a \$45 bank fee. After approval by Bumgardner, Eckert recorded this transaction as a disbursement from the Coca Cola fund.

Over the course of five hundred and sixty-one (561) days, from the date that Bumgardner made his first purchase on April 9, 2020, until his last purchase on October 22, 2021, Bumgardner purchased Visa gift cards from the School Corporation's TCU Operating Account totaling \$462,350, plus bank fees totaling \$927.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Bumgardner averaged five (5) days between each purchase; however, purchases were observed being made one (1), two (2), and three (3) days apart. The longest time frame between purchases was twenty-seven (27) days, which was the time between his first purchase on April 9, 2020, and his next purchase on May 6, 2020. A review of Bumgardner's school emails indicated that Bumgardner often used a cell phone to place the orders for the Visa gift cards with the bank. Emails further indicated requests being made of bank personnel with words such as: "I need to get 3 @ \$800 and 2 @ \$500 today if possible," and "Can I get 3 @ \$500 Visa cards please. I can pick up."

The Chart below illustrates value of the Visa gift cards, and the quantity that Bumgardner ordered through the School Corporation's TCU Operating Account:

Value of Each Gift Card	Quantity	Total
\$ 1,000	300	\$ 300,000
800	104	83,200
600	5	3,000
500	107	53,500
300	40	12,000
250	13	3,250
200	25	5,000
100	24	2,400
Totals	<u>618</u>	<u>\$ 462,350</u>

Based upon interviews with School Corporation officials and review of emails, the Visa gift cards were purported to have been given to staff and construction workers. Officials who were interviewed included Eckert, who was supervised by Bumgardner, and former Superintendent of Schools, Chad Daugherty (Daugherty). Both stated that Bumgardner told them that he was giving the Visa gift cards to construction workers to keep them working on the various School Corporation construction projects being completed during the pandemic.

Minutes of the School Board meetings were reviewed, as well as video tapes of the School Board meetings, from April 27, 2020 through August 10, 2020, to determine if there were any discussions on slowdowns of construction or purchases of Visa gift cards to provide to the construction workers to keep them working. During this period, Bumgardner discussed how the project was on schedule.

Statements made by Bumgardner during the videotaped School Board meetings regarding the Roanoke Elementary Construction included:

April 27, 2020: "Moved forward with just about every project that was on hold due to Covid 19 . . . Feel great about all of our timelines . . . At this time no reason to believe . . . that our timeline has changed in any way . . ."

May 11, 2020: "New pictures . . . may not have been very long ago we toured the facility . . . changing quite a bit on weekly basis. . . . Only May 15th when we are allowed to start transferring things to the second floor . . . we are within a week of doing those type of things on the second floor. . . . We haven't lost timeline . . . and gained some time back . . ."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

May 26, 2020: "A lot of good news . . . made great progress . . . all teachers on second floor moved in and accomplished that at the end of last week . . . due to a lot of help not only of our own people but also Fedder's Construction . . . still waiting on the first floor . . . very pleased. . . we're in it in August."

An email dated February 10, 2021, between the Feters Construction, Inc. and Bumgardner, as well as an application for payment submitted by Feters Construction, Inc. to the School Corporation, indicated that as of January 31, 2021, the Roanoke Elementary School was 100 percent complete. From February 9, 2021 through October 22, 2021, Bumgardner purchased two hundred and seven (207) Visa gift cards totaling \$191,150; after Feters Construction, Inc had completed and submitted their final bill to the School Corporation.

The former Food Service Director, food service staff, and two maintenance workers were also interviewed. They stated they had been given some Visa gift cards for working to provide meals to children during the pandemic.

Eckert provided completed gift card acknowledgement forms that included the name of the gift card recipient, the type of gift card (i.e., Visa Gift Card, Kroger Gift Card) and value of gift card received by the recipient. A blank form is illustrated below.



I, _____, an employee of the Huntington County Community School Corporation (HCCSC), acknowledge receipt of the gift card listed below.

Visa Gift Card Value \$ _____

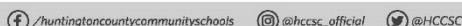
Signed this _____ day of _____, 2020.

Signature

Printed Name



Huntington County Community School Corporation



One team...One goal...Student success for all!

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We interviewed some of the food service and maintenance employees who had completed gift card acknowledgement forms that were provided by Eckert. Each confirmed that they had completed the blank lines on the forms, printed their names on the forms and signed the forms. Each confirmed it was their handwriting and signature. The total number of Visa gift cards provided, and the value of Visa gift cards distributed to staff based upon the completed gift card acknowledgement forms was thirty-five (35) and \$7,400, respectively, as follows:

Date	Number of Visa Gift Cards	Total Amount of Rewards
04-21-20	2	\$ 600
04-24-20	2	600
04-29-20	25	5,500
05-01-20	1	200
05-07-20	1	100
06-14-20	1	100
08-19-20	3	300
Totals	35	\$ 7,400

No gift card acknowledgement forms were located to document any construction workers were the recipients of any of the Visa gift cards.

Contractors and subcontractors were contacted and/or interviewed and all confirmed that NEITHER they NOR their employees had been the recipients of any gift cards.

As interviews were conducted of School Board members, administrators, and other staff, each was asked if they had received Visa gift cards or other gift cards from Bumgardner, only two administrators stated they had received gift cards. One individual was the former Superintendent of Schools, Daugherty, and the other was the Director of Curriculum, Jay Peters (Peters). Each indicated the value of the Visa gift card they each received was \$500. Peters stated that when Bumgardner gave him the Visa gift card, he was very uncomfortable with accepting it. Peters stated Bumgardner reassured him that it was acceptable and that he could use it for school related supplies, refreshments, or activities. Peters went on to say that Bumgardner watched him as he tucked it into the back of his desk drawer. Peters further stated that when he came in the next morning and looked for the Visa gift card, it was gone. Daugherty stated that he used his Visa gift card for refreshments and supplies for staff.

Eckert also stated that she had been given a \$100 Visa gift card from Bumgardner. Eckert's completed gift card acknowledgement form was included with those provided by Eckert.

The following summarizes the number of Visa gift cards purchased by Bumgardner, Visa gift card fees charged on the purchases, Visa gift cards awarded to employees of the School Corporation, and Visa gift cards used for school related purposes:

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Description	Amount
Purchased	\$ 462,350
Fees	927
Awarded (Including Eckert)	(7,400)
School Related Purpose (Issued to Daugherty)	<u>(500)</u>
 Total Visa Gift Cards Non-School Related Purposes	 <u>\$ 455,377</u>

Kroger Gift Cards

Per Bumgardner's contract signed on June 10, 2019, "The board shall provide the Business Manager with a credit card to be used solely for the purchase of gasoline, oil, and minor repair or replacement of parts for the vehicle."

On December 4, 2020, Bumgardner purchased two hundred (200) \$25 Kroger gift cards, totaling \$5,000, using his school issued credit card. Review of the credit card statement showed that a \$150 credit from Kroger was deducted from the credit card on the same date, making the net purchase price of the Kroger gift cards \$4,850. On November 15, 2021, former Food Service Director Akins made two (2) transactions wherein Akins purchased several \$25 Kroger gift cards. Each of the two (2) transactions totaled \$1,125 and involved a total purchase of ninety (90) Kroger gift cards with a total value of \$2,250.

According to Akins, the food staff had a staff party every year, but fewer and fewer staff members would attend, so turkeys and hams were given to the staff as Christmas gifts instead. In 2021, he purchased the Kroger gift cards instead of the turkeys and hams to give to the food service staff. The Elementary Kitchen Manager said that she only remembers getting a Kroger gift card once. The Food Service secretary remembered seeing some gift cards in the safe and stated she had received a Kroger gift card while being off of work for an extended period of time due to an illness, as well as having received a Kroger gift card at Christmas.

Bumgardner and Akins both purchased Kroger gift cards in values of \$25 per gift card and both purchased the gift cards during the holiday season. The investigation indicated that the number of food service staff for years 2020 and 2021 was eighty-one (81) each year. Adkins purchased ninety (90) Kroger gift cards in 2021, which exceeded the number of employees by only nine (9); however, in 2020, Bumgardner purchased two hundred (200) Kroger gift cards, exceeding the number required to reward each member of the food service staff by one hundred nineteen (119).

The SBOA considers one hundred nineteen (119) Kroger gift cards valued at \$25 each or \$2,825 (after applying the \$150 credit per the Kroger credit transaction on the credit card statement: \$2,975-\$150) to be the personal responsibility of Bumgardner since no documentation was retained to document who received the Kroger gift cards or how they were used to support school related purposes.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Summary - Visa gift cards and Kroger gift cards

The following schedule summarizes all of the Non-School Related Gift Card Purchases

Non-School Related Gift Card Purchases	Amount
Visa Gift Cards	\$ 455,377
Kroger Gift Cards	2,825
Totals	\$ 458,202

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)

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The State Board of Accounts will not take exception to the use of gift cards by an extracurricular account provided the following criteria are observed:

1. The School Board must authorize gift card purchases through a resolution, which has been approved in the minutes.
2. The purposes for which gift cards may be issued must be specifically stated in the resolution.
3. Purchase and issuance of gift cards shall be handled by an official or employee designated by the school principal.
4. The designated responsible official or employee shall maintain an accounting system or log which includes the name of the business from which the gift cards were purchased, their amounts, fund and account numbers to be charged, date the card was issued, person gift card was issued to, proof that the gift card was received by the person it was issued to, etc.
5. Gift cards shall 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 board and other officials with timely and accurate accounting information and monitoring of the accounting system.
6. Procedures for payments shall be no different than for any other claim. The school principal must approve the expenditure and supporting documents such as paid bills and receipts must be available. Additionally, any purchase or issuance of gift cards without proper documentation may be the responsibility of that officer or employee.

(Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 5)

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 Extra-Curricular Accounts, Chapter 5)

We requested Bumgardner reimburse the School Corporation for non-school related gift card purchases in the amount of \$458,202. (See Summary of Charges, page 21)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$29,095, due to the special 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 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. (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 \$29,095. (See Summary of Charges, page 21)

BOND COVERAGE

The School Corporation had the following bond coverage for Scott Bumgardner:

<u>Period</u>	<u>Amount</u>
08-07-18 to 06-30-19	\$ 50,000
06-30-19 to 06-30-20	50,000
06-30-20 to 06-30-21	50,000
06-30-21 to 06-30-22	50,000

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

COCA COLA FUND, BUILDING CORPORATION, AND GIFT CARDS

Coca Cola Fund and Bypassing the Accounts Payable Department

The Coca Cola fund was typically used for the purchase and sale of Coca-Cola products due to a contract with the Coca-Cola Company. Purchases from this Coca Cola fund also included small miscellaneous purchases of promotional items and bereavement memorials. Prior to Bumgardner's use of the Coca Cola fund for purchasing Visa gift cards, all disbursements were processed through the accounts payable department.

The Coca Cola fund was accounted for in the School Corporation's records, but is an extracurricular fund, in that the sources of receipts were collections from the sales of cola products, not collection of local, state, or federal tax distributions or transactions associated with construction projects.

According to Eckert, Bumgardner was the one who chose to use the Coca Cola fund to record the purchases of the Visa gift cards. Except for the first order of Visa gift cards, all purchases of Visa gift cards were recorded as disbursements in the Coca Cola fund by Eckert after approval by Bumgardner. These purchases of the Visa gift cards by-passed being processed through the accounts payable department.

Per an interview, Christina Voght (Voght), Accounts Payable Clerk, all purchases processed through the accounts payable department would require a completed requisition form, and the approval of a supervisor. All purchases would also require itemized invoices, which would be mailed or emailed to the accounts payable department to be attached to an accounts payable voucher, scanned into the financial accounting software and paid, after receipt of the goods or services. The purchases of the gift cards did not follow this process.

For all of the Visa gift cards, Eckert recorded the purchases in the system, and Bumgardner approved the purchases. There were not any requisition forms completed, and not any vendor invoices attached to the accounts payable vouchers or scanned into the financial accounting software. Furthermore, documents were not retained to validate receipt of the Visa gift cards by any contractors or employees of the contractors. For the investigation, Eckert provided the invoices for the Visa gift card purchases from her files.

Building Corporation Reimbursements

In order to prevent the Coca Cola fund from showing a negative balance, there had to be a source of money to replenish the cash balance in the fund. The source of the money was the Huntington Countywide School Building Corporation (Building Corporation).

The Building Corporation, a not-for-profit, issued bonds for the purpose of paying the costs of construction of a new elementary school, and the renovation of and improvements to the Huntington North High School campus, also referred to as the "Roanoke Project." On July 1, 2018, the School Corporation entered into a lease agreement with the Building Corporation to secure the bond. As Assistant Superintendent, Bumgardner had the authority to submit invoices to the Building Corporation for payment from the bond proceeds. The bond documentation stated that incidental expenses could be executed by any officer or lessor representative. Per the minutes of a meeting of the Board of Directors of the Huntington Countywide School Building Corporation on April 10, 2018, the Assistant Superintendent was appointed as the Lessor Representative as defined in the Indenture.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Bumgardner acted as the lessor representative as shown below on the Affidavit for Payment Huntington Countywide School Building Corporation Ad Valorem Property Tax First Mortgage Bonds, Series 2018 (Affidavit), when he requested Visa gift card reimbursements stating in part: "Deponent further states that the following are legal and binding obligations properly incurred by the Building Corporation. . . ." Bumgardner submitted 42 Affidavits totaling \$443,239 for reimbursement from the Building Corporation, each reimbursement being receipted to the Coca Cola fund with the exception of \$11,012, which was receipted into the Education fund on July 27, 2021. Each Affidavit was notarized and the invoices for the Visa gift cards accompanied the Affidavits.

AFFIDAVIT FOR PAYMENT¹
HUNTINGTON COUNTYWIDE SCHOOL BUILDING CORPORATION
AD VALOREM PROPERTY TAX FIRST MORTGAGE BONDS, SERIES 2018

STATE OF INDIANA)
) SS:
COUNTY OF HUNTINGTON)

I, Scott Bumgardner, being first duly sworn upon my oath, depose and state that I am the duly appointed and acting lessor representative of Huntington Countywide School Building Corporation (the "Building Corporation"), and that this affidavit for payment ("Affidavit") is submitted for the purpose of authorizing certain payments by U.S. Bank National Association (the "Trustee") from the Building Corporation's construction fund established pursuant to a Trust Indenture between the Building Corporation and the Trustee, dated as of October 1, 2018.

Deponent further states that the following are legal and binding obligations properly incurred by the Building Corporation. The following expenditures, amounts thereof and to whom due are referred to in statements of the creditors attached hereto:


<u>To Whom Due</u>	<u>Amount</u>	<u>Character of Expenditure</u>	<u>Account</u>
S & S	\$1,250,000.00	Construction Expense	249372002
Just CM	\$32,807.64	Construction Expense	249372002
SME	\$7,754.88	Construction Expense	249372002
HGGSC REimbursement	\$10,015.00	Construction Expense	249372002
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

¹ This Affidavit is used to authorize the Trustee to make payments from the Construction Fund pursuant to Section 3.01 of the Trust Indenture. Note that at the time of closing the Trustee will need to pay the School Corporation for the real estate transferred to the Building Corporation and reimburse the School Corporation for any fees to be reimbursed as indicated in the budget.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

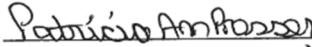
Deponent further states that attached to this Affidavit are the statements of the above creditors as received by the Building Corporation.

Further Deponent saith not.



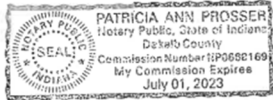
Scott Bumgardner, Lessor Representative

Subscribed and sworn to before me, a Notary Public in and for said county and state, this
6 day of May, 2021.



Notary Public

My Commission Expires: 07.01.23 County of Residence: DeKalb



Indiana Code 20-41-1-2 states: "Any self-supporting programs maintained by a school corporation, including school lunch, may be established as a separate fund, separate and apart from any other school corporation fund, if no local tax rate is established for the programs."

Indiana Code 20-41-1-3(a) states:

"A person who has charge of the collection, custody, and disbursement of funds collected and expended to pay expenses incurred in conducting any athletic, social, or other school function, the cost of which is not paid from public funds, shall:

- (1) keep an accurate account of all money received and expended, showing the:
 - (A) sources of all receipts;
 - (B) purposes for which the money was expended; and
 - (C) balance on hand; and
- (3) file a copy of the account with the township trustee, board of school trustees, or board of school commissioners within two (2) weeks after the close of each school year."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6(c) states, in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services. . . ."

All purchases should be through the accounting system as prescribed herein to avoid potential overdrawn funds, payment of sales taxes, etc. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Individuals should not be allowed to purchase supplies, equipment and other items outside of the prescribed accounting system. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS AND DUE DILIGENCE

Missed Cues, Red Flags, and Due Diligence

On June 17, 2021, the District Manager of the Teacher's Credit Union (TCU) emailed Daugherty requesting "the purpose behind the purchases of several Gift Cards from the Operations account for HCCSC over the past several months?" The email further stated: "Due to the frequency and the dollar amounts of the purchases we need to provide an explanation to our Deposit Operations department. TCU makes every attempt to ensure that we are good stewards for the members and partners that entrust us with their deposited funds and this type of transaction from time to time comes under scrutiny only due to the potential of fraudulent use. . . ."

Daugherty's response to the District Manager on June 17, 2021, stated the following:

"Thank you for reaching out on this topic. Unfortunately, we have had to make some modifications from our current practices to get through this pandemic.

1. We have used gift cards for our employees. They have been very valuable in our ability to stay open . . . We have valid documentation to all these transactions.
2. The wage hearing for our Roanoke project took place prior to the pandemic. We came up with an agreement with many of our contractors to help supplement with gas cards and such to make sure we maintained our time schedule. We received this money back within our retainage of the project.
3. We recently completed a State Board of Accounts audit in which our internal controls and documentation were on point.

We have completed this project and feel confident that this practice is behind us. . . ."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We interviewed Daugherty by phone on December 12, 2023, regarding his email response to the District Manager at the TCU. Daugherty stated that he called Bumgardner into his office, and what Bumgardner told Daugherty is what Daugherty typed into the email response. Daugherty further stated he did not see the agreement with the contractors for the Roanoke project as he **trusted** Bumgardner. In an interview with Daugherty on December 8, 2023, Daugherty stated that Bumgardner informed the School Board about the gift cards and that they were for the mechanics and the cafeteria staff. When asked during the December 12, 2023 phone interview about the School Board approval of the gift cards, Daugherty stated the approval may have been through an executive session or Bumgardner may have emailed the School Board.

Daugherty failed to validate if the gift cards were being properly accounted for and/or approved by the School Board. Daugherty conducted no substantiation of the frequency or volume of the gift cards purchased, but relied solely upon the word of Bumgardner, the person making those purchases.

Daugherty stated in the email to the District Manager: "We have completed this project and feel confident that this practice is behind us. . . ." yet failed to follow up to determine if any gift cards were purchased after his response. Bumgardner continued to purchase gift cards after June 17, 2021. Bumgardner purchased Visa gift cards through October 22, 2021. Bumgardner purchased ninety-one (91) Visa gift cards totaling \$96,907.50 from June 22, 2021 through October 22, 2021.

Failure to Complete a Fund Comparison

The School Board was provided financial reports at each bi-monthly School Board meeting; however, the financial reports presented to the School Board excluded the financial activities of several smaller funds, including the Coca-Cola fund.

A Comparison of the Coca Cola fund receipts and disbursements by year for the 2017-2018, 2018-2019, and 2019-2020 school years were comparable and consistent; however, comparison to the 2020-2021 and 2021-2022 school years showed substantial increases to the receipts and disbursements due to the purchases of the Visa gift cards and reimbursements from the Building Corporation. No one at the School Corporation was reviewing or monitoring the activity, except for Bumgardner and Eckert.

School Year	Total Receipts	Total Disbursements	Building Corporation Reimbursements	Gift Card and Associated Bank Fees Disbursements
2017-2018	\$ 25,200	\$ 78	\$ -	\$ -
2018-2019	30,550	47,468	-	-
2019-2020	26,883	46,711	26,592	37,020
2020-2021	375,939	335,989	314,742	322,360
2021-2022	108,367	107,699	90,894	88,896
Totals	\$ 566,939	\$ 537,945	\$ 432,228	\$ 448,275

Not all Visa gift card and associated bank fees were paid from the Coca Cola fund, and Not all Visa gift card and associated fees were submitted for Reimbursement from the Building Corporation

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Failure to Establish Gift Card Policy

The School Corporation failed to establish proper procedures or a policy to account for the issuance of gift cards to employees and/or vendors.

Gift Card Acknowledgement forms were provided dating back to August 28, 2012. The gift card acknowledgement forms dated back to August 28, 2012, were for a student recognition program based upon the context of the form. A Gift Card Acknowledgement Form dated April 15, 2020, was for an employee of the School Corporation, specifically designating the gift card as a Visa Gift Card.

Based upon the Gift Card Acknowledgement Forms presented for this investigation, this form was only used between April 21, 2020, and August 19, 2020. The School Corporation did not retain any signed forms for gift cards purchased by other employees for employee appreciation and for the holiday season gift cards issued.

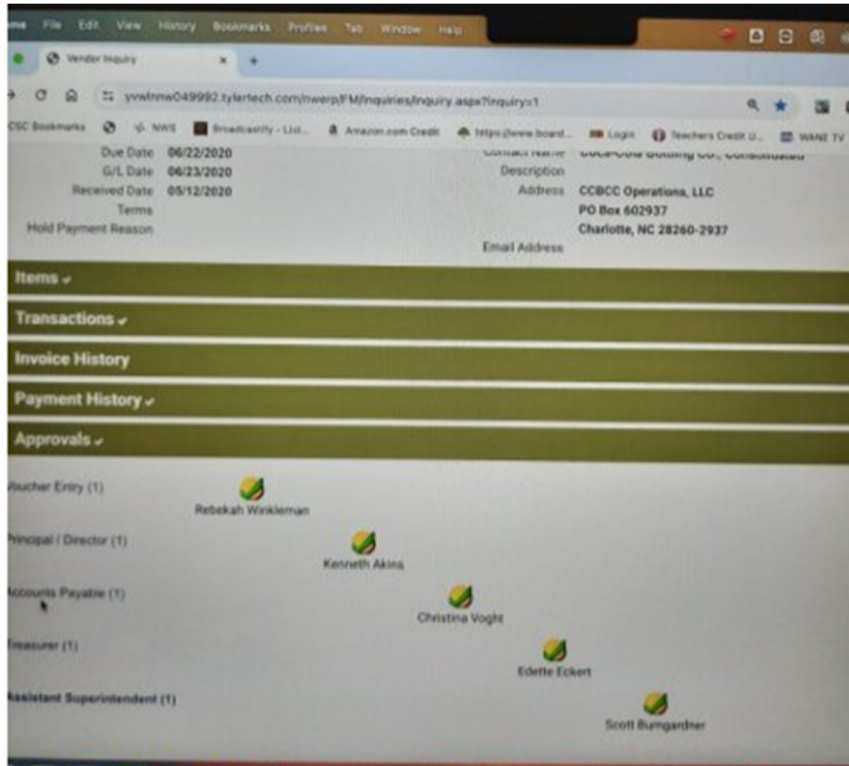
When the Gift Card Acknowledgment Forms were used, the School Corporation did not have controls in place to ensure proper accountability of the gift cards. A log as to the values and number of cards purchased, distributed, and on hand was not developed or maintained. No one at the School Corporation requested to see any of the signed gift card acknowledgment forms, and there was not a system in place to ensure that the gift cards that were distributed had a signed gift card acknowledgment form.

The School Corporation failed to follow the staff gift policy in giving gift cards at Christmas time. The policy specifically stated that "It is the policy of the Board that no professional staff member should expect **or** accept gifts for carrying out the terms of his/her teaching contract." The policy also stated that while gift-giving fits the spirit of the season, **"gifts other than money may be accepted."** Gift cards are cash equivalents and typically used in place of money for making purchases. Gift cards could be defined as pre-loaded debit cards and used as cash.

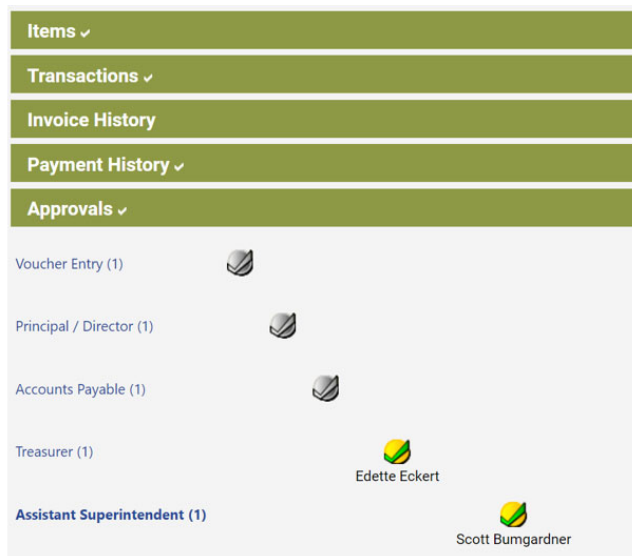
Bypass of the Accounting System (Transaction Entry, Oversight, and Approval)

The School Corporation's financial accounting system software allows for electronic tracking for the processing of accounts payable vouchers and approvals. Each accounts payable voucher allows for five (5) levels of approvals: voucher entry, principal/director, accounts payable, treasurer, and superintendent or assistant superintendent. As each of the levels is approved, the grayed circle and checkmark become a yellow circle with a green checkmark in it, and the name of the approver is displayed, as follows:

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)



According to Eckert, the Assistant Superintendent was typically the one to approve the purchases. Eckert also explained that only she and Bumgardner were responsible for handling any of the paperwork for the bond proceeds held by the Building Corporation. As such, she and Bumgardner were the only approvals for the gift cards purchased through the Coca Cola fund; thus, bypassing any review of the transactions by accounts payable or reviews at a school or departmental level as follows:



HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Our investigation confirmed that all gift cards purchased from the Coca Cola fund only included the approval of Eckert and Bumgardner. Voght stated she had noticed these transactions and that they did not include an attachment of the scanned invoice. According to Voght, claims following a proper system approval would have had an invoice history as well as approvals. Review of other claims from the Coca Cola fund showed that miscellaneous items ordered also only included approvals by Eckert and Bumgardner; however, prior to April 2020, purchases of miscellaneous items from the Coca Cola fund did show all approval levels being completed.

Board Approved Dockets

Per interviews with two School Board members, they stated that approvals of the accounts payable vouchers were performed based upon items listed on docket, which were subsequently signed by the School Board members to document School Board approval of the accounts payable vouchers for payment. The docket was provided to the School Board members electronically. The Visa gift card purchases were listed on the docket for approval; however, School Board members stated when they approved the purchases listed on the docket, they were mostly interested in large dollar values such as insurance. The School Board members stated they did not recall looking at any of the purchases from the Coca Cola fund or asking to see the actual accounts payable vouchers and/or invoices.

School Board Members interviewed stated they did not recall seeing any gift card purchases; however, the gift cards were listed on the docket as "**Misc. - Gift Cards**" and "**Coca Cola - Office of The Superintendent - Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized**". The quantity purchased and total dollar amounts were listed as well.

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Vendor: 99279 - TCU									
P.O. Number	Item Description	Quantity	U/P	Amount/Unit	Total Amount	Vendor Catalog Part Number	Contract Number		
2021-0000118	Gift Cards	Paid by EFT #62158		08/18/2021	08/11/2021	08/18/2021	08/19/2021		4,007.50
	Misc. - Fee	1	EA	7.5000	7.50				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						7.50		
	Misc. - Gift Cards	4	EA	1,000.0000	4,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized			Invoice Items			4,000.00		
				2					
2021-0000128	Gift Cards	Paid by EFT #62160		08/18/2021	08/11/2021	08/24/2021	08/24/2021		4,006.00
	Misc. - Fee	1	EA	6.0000	6.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						6.00		
	Misc. - Gift Cards	4	EA	1,000.0000	4,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized			Invoice Items			4,000.00		
				2					
2021-0000180	Gift Cards	Paid by EFT #62163		08/18/2021	08/11/2021	08/22/2021	08/22/2021		8,013.50
	Misc. - Fee	1	EA	13.5000	13.50				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						13.50		
	Misc. - Gift Cards	7	EA	1,000.0000	7,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						7,000.00		
	Misc. - Gift Cards	2	EA	500.0000	1,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized			Invoice Items			1,000.00		
				3					
2021-0000186	Gift Cards	Paid by EFT #62368		08/18/2021	08/11/2021	08/01/2021	08/01/2021		4,006.00
	Misc. - Fee	1	EA	6.0000	6.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						6.00		
	Misc. - Gift Cards	4	EA	1,000.0000	4,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized			Invoice Items			4,000.00		
				2					
2021-0000191	Gift Cards	Paid by EFT #62369		08/18/2021	08/11/2021	08/07/2021	08/07/2021		10,015.00
	MISC - Fee	1	EA	15.0000	15.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized						15.00		
	Misc. - Gift Cards	10	EA	1,000.0000	10,000.00				
	GC Account			Project			Amount		
	1730-23210-3625 611 (Coca Cola-Office of The Superintendent-Huntington County Comm Schools Supplies - Nontechnology Related Under Capitalized			Invoice Items			10,000.00		
				2					
Vendor: 99279 - TCU Totals						Invoices	5		430,040.00

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

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. . . ."

HUNTINGTON COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2024, with John Trout, Superintendent of Schools; Joseph Wiley, General Council; Mathew Roth, President of the School Board, Timothy Allen, School Board member; Kevin Yarger, School Board member; James Ryan Wall, School Board member, Keri Heim, School Board member; Alexandria Eckert, Treasurer; Stanley Hall, Interim Treasurer; and Cynthia Gray, Executive Secretary.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Scott Bumgardner, former Assistant Superintendent:			
Non-School Related Gift Card Purchases, pages 3 through 9	\$ 458,202	\$ -	\$ 458,202
Special Investigation Costs, page 9	29,095	-	29,095
Totals	<u>\$ 487,297</u>	<u>\$ -</u>	<u>\$ 487,297</u>

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



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John Trout, Superintendent | Jay Peters, Director of Elementary Education | Chuck Brimbury, Director of Secondary Education

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 West Washington Street – Room E 418
Indianapolis, IN 46204-2765
officialresponse@sboa.in.gov

SBOA Report Regarding the Huntington County Community School Corporation

March 7, 2024

The Huntington County Community School Corporation (“HCCSC”) acknowledges the serious findings detailed in the Indiana State Board of Accounts Report received by us on February 27, 2024. We are deeply dismayed by the actions of former HCCSC employee Scott Bumgardner. This breach of trust is unacceptable, and we are committed to taking all necessary measures to address the consequences of it.

Immediate Actions:

- State and Local Investigation: We have fully cooperated with State and local officials throughout the investigation of this matter and will continue to do so as the process continues.
- Recovery of Funds: We will be working to pursue all avenues for recovering the misappropriated funds.
- Review of Internal Controls and Changes: HCCSC has already conducted a thorough assessment of our internal financial controls to identify and rectify the weaknesses that allowed Mr. Bumgardner to misuse HCCSC funds as detailed in the report. HCCSC has already implemented additional safeguards and stricter oversight procedures to prevent any incidents in the future. These details are discussed below.

Changes in Internal Controls

- Mr. Bumgardner’s Employment with HCCSC: HCCSC placed Mr. Bumgardner on leave starting in late October 2021 for an unrelated matter, and his employment ended on February 28, 2022. The report found no misuse of gift cards after Mr. Bumgardner began his leave.



Huntington County Community School Corporation



/huntingtoncountycommunityschools



@HCCSC



@hccsc_official

One team. One goal. Student success for all!



- HCCSC hired John Trout on January 11, 2022 as the Interim Business Manager because Mr. Bumgardner was on leave. After Mr. Bumgardner’s employment ended, HCCSC named Mr. Trout Assistant Superintendent for Business and Classified Staff on March 1, 2022, and named him Superintendent on July 1, 2022, a position which Mr. Trout currently holds.
- Mr. Trout, with the support of the HCCSC School Board, has incorporated the following practices regarding HCCSC district finances:
 - Developed fiscally responsible budget management strategies to address potential reductions in revenues.
 - Monthly reconciliations
 - Designed methods of evaluating current spending trends.
 - Prepared monthly financial reports and presented them to the HCCSC School Board and district level administration on a monthly basis
 - Conducted a year-end financial presentation to the HCCSC school board and district level administration
 - Evaluated staffing positions in Business and Human Resources Departments
 - Selective hiring/removal/transfers of personal in several key areas of both departments
 - Revised organizational charts/job descriptions for additional monitoring
 - Instituted dual control monitoring of daily financial processes

Additional Facts and Assertions:

- State Board of Accounts Audit: The financial records and practices of HCCSC were, and continue to be, regularly audited by the Indiana State Board of Accounts. This issue was not discovered until the current investigation.
- Internal Controls: The SBOA report references that there were “no controls in place” for gift card transactions. While there were policies and procedures in place for monitoring any such transactions, they were not appropriately followed.
- Purchase of Gift Cards: HCCSC has not purchased any gift cards since Mr. Bumgardner left his employment with HCCSC, nor does HCCSC anticipate that this practice will ever be done in the future.



Huntington County Community School Corporation





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John Trout, Superintendent | Jay Peters, Director of Elementary Education | Chuck Brimbury, Director of Secondary Education

- **Internal Controls:** The Report shows that during the time period Mr. Bumgardner purchased the gift cards at issue, he manipulated HCCSC's procedures for oversight and control, taking advantage of the trust placed in him by the Superintendent, other HCCSC employees, and the Board of School Trustees. As the Business Manager, these individuals relied on Mr. Bumgardner to take the lead on the School Corporation's financial matters.

Commitment to Transparency:

We understand the community's concern and we intend to be fully transparent as this matter progresses, including any developments in the court system. As information becomes available to us and we are permitted to release it, we will provide that information related to:

- Progress of any civil and/or criminal investigations and court proceedings.
- Our efforts to retrieve the stolen funds.
- Implementation of any new internal controls and procedures.
- New accountability protocols.

Protecting Public Trust:

HCCSC is committed to responsible financial stewardship. We take the public's trust very seriously and deeply regret this incident. We resolve to work hard to restore confidence through our actions and renewed dedication to accountability.

Contact: John D. Trout
HCCSC Superintendent
jtrout@hccsc.k12.in.us



Huntington County Community School Corporation



/huntingtoncountycommunityschools



@HCCSC



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One team. One goal. Student success for all!

AFFIDAVIT

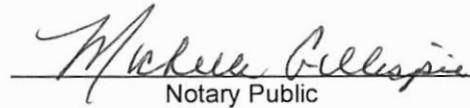
STATE OF INDIANA)
)
Noble COUNTY)

I, Susan Keenan, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Huntington County Community School Corporation, Huntington County, Indiana, for the period from August 6, 2018 to February 28, 2022, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 7th day of MARCH, 2024



Notary Public

My Commission Expires: _____
County of Residence: _____
