

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

SPECIAL INVESTIGATION REPORT
OF

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
WARRICK COUNTY, INDIANA

November 1, 2008 to September 30, 2012



FILED
07/02/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
School Officials	2
Transmittal Letter	3
Results and Comments:	
Cash Collections From Receipts Not Deposited	4
Inappropriate Reimbursements and Payments	4-5
Checks Written for Cash and Failure to Deposit Returned Cash Change Funds	5-6
Bank Account Reconciliations – Cash Necessary to Balance	6
Review Costs – Missing and Misappropriated Funds	7
Condition of Records	7-8
Overdrawn Balance	8
Educational Fees and Textbook Rental	8
Extra-Curricular Disbursements	8-9
Travel Claims	9
Credit Cards	9-10
Stale Dated Outstanding Checks	10-11
Internal Controls	11
Official Bond	11
Exit Conference	12
Summary of Charges	13
Affidavit	15

SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sarah Evans	07-01-08 to 06-30-13
Superintendent of Schools	Brad Schneider	07-01-08 to 06-30-13
President of the School Board	Dorothy Kroeger Gary Hachmeister	07-01-08 to 06-30-10 07-01-10 to 06-30-13
Principal of Castle High School	Phillip DeLong Andy Byers	07-01-08 to 06-30-11 07-01-11 to 06-01-13
Extra-Curricular Treasurer of Castle High School	Rebecca McKee (Vacant) Samantha Miller (Interim)	07-01-08 to 08-27-12 08-28-12 to 10-15-12 10-16-12 to 06-30-13



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

TO: THE OFFICIALS OF THE WARRICK COUNTY SCHOOL
CORPORATION, WARRICK COUNTY, INDIANA

We reviewed records of the Castle High School Extra-Curricular Account for the period November 1, 2008 to September 30, 2012. We have reviewed the records associated with Extra-Curricular Account receipts, disbursements, and balances for compliance with applicable State laws and the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations as established by the State Board of Accounts. We have noted our findings for the reporting period in the Results and Comments section of the report.

STATE BOARD OF ACCOUNTS

April 25, 2013

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS

CASH COLLECTIONS FROM RECEIPTS NOT DEPOSITED

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, was responsible for all duties relating to receipting, disbursing, recording, and accounting for financial activities. During the review period, she failed to deposit \$28,516.26 in cash collections from receipts that were included in six deposits.

Additionally, she failed to deposit \$53,877.77 in cash collections that were replaced with checks received for other purposes in twenty-four other deposits.

Fiscal Year	Cash Collections From Receipts Not Deposited
2011	\$ 7,264.17
2012	63,490.46
2013	11,639.40
Total	\$ <u>82,394.03</u>

The treasurer shall deposit without unreasonable delay, all receipts in one bank account to be known as the "**(name of school)** School Extra-Curricular Account." Accordingly, when funds are lawfully deposited, all disbursements must necessarily be made by check.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular 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 Extra-Curricular Accounts, Chapter 7)

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, has been requested to reimburse the Extra-Curricular Account \$82,394.03 for cash receipts not deposited. (See Summary of Charges, page 13)

INAPPROPRIATE REIMBURSEMENTS AND PAYMENTS

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, wrote checks for inappropriate reimbursements and payments to herself or her husband totaling \$14,550.22.

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We identified twenty-four inappropriate reimbursements and payments made to either Rebecca McKee or her husband. Of these, ten claims for payment had no supporting documentation attached. Fourteen claims had documentation attached; however, the documentation included receipts from several years prior to the reimbursement, receipts or invoices for expenses that had already been paid by either the School Corporation or the Extra-Curricular Account, documentation that did not agree to the claim, claims that did not agree to the cancelled check or the posting in the ledger, and documentation that had dates or identifying information blacked out. Additionally, several payments to Rebecca McKee's husband were well above the approved rate of \$8 per hour for part-time office help, and did not have adequate documentation to support those payments.

<u>Fiscal Year</u>	<u>Inappropriate Reimbursements and Payments</u>
2011	\$ 2,793.14
2012	8,771.08
2013	<u>2,986.00</u>
Total	<u>\$ 14,550.22</u>

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Extra-Curricular Accounts, Chapter 7)

Expenditures by the treasurer of the extra-curricular account are limited to those approved by the principal of the school and they should be in accordance with the general administration policies of the school corporation since the law provides that all expenditures shall be subject to review by the local school board. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, 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 Extra-Curricular Accounts, Chapter 7)

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, has been requested to reimburse the Extra-Curricular Account \$14,550.22 for inappropriate reimbursements and payments. (See Summary of Charges, page 13)

CHECKS WRITTEN FOR CASH AND FAILURE TO DEPOSIT RETURNED CASH CHANGE FUNDS

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, wrote checks for cash and failed to deposit returned cash change funds totaling \$44,925.

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Fiscal Year	Checks Written For Cash and Failure to Deposit Returned Cash Change Funds
2009	\$ 2,600
2010	3,400
2011	9,100
2012	20,125
2013	9,700
Total	\$ 44,925

Expenditures by the treasurer of the extra-curricular account are limited to those approved by the principal of the school and they should be in accordance with the general administration policies of the school corporation since the law provides that all expenditures shall be subject to review by the local school board. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, 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 Extra-Curricular Accounts, Chapter 7)

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, has been requested to reimburse the Extra-Curricular Account \$44,925 for checks written for cash and cash change funds not deposited. (See Summary of Charges, page 13)

BANK ACCOUNT RECONCILIATIONS – CASH NECESSARY TO BALANCE

Depository reconciliations of the fund balances to the bank account balances were conducted monthly; however, the reconciliations were not accurate and did not balance. At May 31, 2012, there was a deposit in transit of \$7,835 that could not be verified to bank deposits in the subsequent period. As of August 31, 2012, the end of Rebecca McKee's term, the bank account reconciliation identified a cash short in the amount of \$15,600.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund.

IC 5-13-6-1(e) states "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories." (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, has been requested to reimburse the Extra-Curricular Account for \$15,600 for the cash necessary to balance at the end of her term. (See Summary of Charges, page 13)

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

REVIEW COSTS - MISSING AND MISAPPROPRIATED FUNDS

The State of Indiana incurred additional review costs in the investigation of the missing and misappropriated funds totaling \$52,543.08. The State of Indiana has requested reimbursement from Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, of review costs incurred in the amount of \$52,543.08. (See Summary of Charges, page 13)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS

Financial records presented for review were incomplete and not reflective of the activity of the Extra-Curricular Account. The records presented did not provide sufficient information to review or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Some of the deficiencies included:

1. Check number series were repeated, resulting in more than one check having the same check number during the review period.
2. Checks were not always posted to the same fund that was designated on the claim or on the check itself.
3. Receipts were not always posted to the same fund designated on the receipt, or were not posted timely.
4. Numerous and large incorrect transfers were made between funds.
5. Some transactions were recorded as "negative" receipts or disbursements.
6. Changes were made to the posted records resulting in instances of dates, amounts, and payees on disbursements not agreeing between the ledger, check register, claims, and cancelled checks.
7. Changes were made to the posted records resulting in instances of the dates on receipts differing from the dates of postings to the ledger.
8. Bound Forms TBR-2 were partially prepared at the beginning of the school year by filling in each enrolled student's name on a receipt, alphabetically by last name. The books were labeled on the front cover with the alphabetical name range contained in that book. When textbook rental was paid, the date and amount paid were written on that student's receipt. This resulted in having a single day's textbook rental posted randomly over twelve to sixteen bound books and made it extremely difficult to trace the receipts to the depository.

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN BALANCE

The Extra-Curricular Account ledger indicated the General - Special Activities Fund had an overdrawn balance of \$23,913.50 at September 30, 2012.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EDUCATIONAL FEES AND TEXTBOOK RENTAL

The School Corporation charged textbook rental and educational fees, which were collected through the Extra-Curricular Account. Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, did not remit the collections of textbook rental and educational fees to the School Corporation's central office on a timely basis. Remittances, in some instances, were held for periods in excess of twenty-one weeks and, in some cases, accumulated to over \$123,595.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

EXTRA-CURRICULAR DISBURSEMENTS

The following items were noted from the information presented for review:

1. We reviewed a portion of the Extra-Curricular Account disbursements and found several instances of claims that lacked proper documentation. Further review revealed that the lack of proper documentation was a pervasive issue. Numerous claims to various payees had no documentation attached. Numerous other claims had documentation that was from several years prior or was for expenses that had already been paid by the School Corporation, and in many cases the dollar amount of documentation did not agree to the amount of the disbursement. Some claims had documentation attached that had information such as dates or other identifying information blacked out.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Extra-Curricular Accounts, Chapter 7)

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

2. Faculty and staff, working as gate workers, officials, office help, etc., were paid directly from the Extra-Curricular Account funds, without going through the School Corporation payroll process.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

TRAVEL CLAIMS

Travel claims were paid without supporting documentation, such as receipts or the prescribed Mileage Claim (General Form 101).

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Extra-Curricular Accounts, Chapter 7)

Individuals requesting reimbursement for driving personal vehicles for extra-curricular purposes should properly complete a Mileage Claim, General Form 101, prior to receiving reimbursements. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

CREDIT CARDS

The Extra-Curricular Account used credit cards to purchase items without an approved credit card policy.

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

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

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should 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, etc.
6. Credit cards should 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.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should 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 should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

STALE DATED OUTSTANDING CHECKS

The bank reconciliation as of May 31, 2012, included four checks outstanding in excess of two years. These checks should have been voided December 31, 2011.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, performed all duties relating to the receipting, disbursing, recording, and accounting for financial activities with no controls in place for the verification of these activities. Sponsors for the individual clubs and activities accounted for in the Extra-Curricular Account rarely knew what their balances were and often had to ask how much money they had. Additionally, there were no controls over the issuance and return of cash change funds.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OFFICIAL BOND

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, was covered by Bond Number 087602 66039894 with the Auto-Owners Insurance Company in the amount of \$12,500 for the periods of July 1, 2008 to June 30, 2009, July 1, 2009 to June 30, 2010, July 1, 2010 to June 30, 2011, July 1, 2011 to June 30, 2012, and July 1, 2012 to June 30, 2013.

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2013, with Sarah Evans, Treasurer; Brad Schneider, Superintendent of Schools; Todd Armstrong, Assistant Superintendent of Schools; Andy Byers, Principal of Castle High School; and Phillip DeLong, former Principal of Castle High School. The officials concurred with our review findings.

Rebecca McKee, former Extra-Curricular Treasurer of Castle High School, was notified of the exit conference by telephone and certified mail, but did not attend.

CASTLE HIGH SCHOOL EXTRA-CURRICULAR ACCOUNT
WARRICK COUNTY SCHOOL CORPORATION
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rebecca McKee, former Extra-Curricular Treasurer of Castle High School:			
Cash Collections From Receipts			
Not Deposited, page 4	\$ 82,394.03	\$ -	\$ 82,394.03
Inappropriate Reimbursements and Payments, pages 4 and 5	14,550.22	-	14,550.22
Checks Written For Cash and Failure to Deposit Returned Cash Change Funds, pages 5 and 6	44,925.00	-	44,925.00
Bank Account Reconciliations - Cash Necessary to Balance, page 6	15,600.00	-	15,600.00
Review Costs - Missing and Misappropriated Funds, page 7	<u>52,543.08</u>	<u>-</u>	<u>52,543.08</u>
Totals	<u>\$ 210,012.33</u>	<u>\$ -</u>	<u>\$ 210,012.33</u>

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

(This page intentionally left blank.)

AFFIDAVIT

STATE OF INDIANA)
)
WARRICK COUNTY)

We, Barbara Montgomery, Linda Garrett, and Jamie Neaveill, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Castle High School Extra-Curricular Account, Warrick County School Corporation, Warrick County, Indiana, for the period from November 1, 2008 to September 30, 2012, is true and correct to the best of our knowledge and belief.

Barbara Montgomery
Linda Garrett
Jamie Neaveill
Field Examiners

Subscribed and sworn to before me this 19 day of June, 2013.

Cathy Jilser
Notary Public

My Commission Expires: 8-16-15
County of Residence: Warrick

