

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

SPECIAL INVESTIGATION REPORT
OF

WHITE OAK ELEMENTARY SCHOOL
AVON COMMUNITY SCHOOL CORPORATION
HENDRICKS COUNTY, INDIANA

July 1, 2011 to June 30, 2017



FILED
02/08/2018

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF AVON COMMUNITY SCHOOL
CORPORATION, HENDRICKS COUNTY, INDIANA

This is a special investigation report for the Avon Community School Corporation (School Corporation), for the period July 1, 2011 to June 30, 2017, 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 White Oak Elementary School. 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

December 28, 2017

WHITE OAK ELEMENTARY SCHOOL
 AVON COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS

BACKGROUND

Jennifer Mazur (Mazur), former Extra-Curricular Treasurer of White Oak Elementary, was responsible for depositing all Extra-Curricular receipts into the White Oak Elementary School Extra-Curricular bank account and all corporation fees collected at White Oak Elementary School into the School Corporation bank account. Through an internal audit of the Extra-Curricular accounts, the School Corporation discovered a discrepancy at White Oak Elementary and reported the discrepancy to the Avon Police Department and the Indiana State Board of Accounts.

RECEIPTS NOT DEPOSITED INTACT

White Oak Elementary Extra-Curricular bank account detail was subpoenaed to obtain the deposits made from July 1, 2011 to March 31, 2017. Summary Collection Forms (SA-8) detail presented for examination did not always agree with the deposit detail. In many instances, checks for a different purpose than indicated on the SA-8, were deposited in place of cash or the checks listed on the SA-8. The checks deposited were clearly marked as payment for items such as school fees, seedling program payments, missing books, and developmental preschool payments which are to be deposited directly to the School Corporation bank account and not to the Extra-Curricular bank account.

School Years	School Corporation Shortage						Total School Corporation Shortage
	Textbook Fees	Seedling Payments	Missing Book Payments	Donation	Miscellaneous	Developmental Preschool	
2011-2012	\$ 200.00	\$ -	\$ 30.00	\$ -	\$ -	\$ 300.00	\$ 530.00
2012-2013	149.10	267.00	-	-	-	80.00	496.10
2013-2014	285.50	2,051.00	35.00	-	61.47	450.00	2,882.97
2014-2015	404.04	4,565.00	30.68	30.00	3.75	400.00	5,433.47
2015-2016	376.57	2,131.00	25.00	-	200.00	90.00	2,822.57
2016-2017	370.95	2,313.60	-	-	38.00	-	2,722.55
Totals	\$ 1,786.16	\$ 11,327.60	\$ 120.68	\$ 30.00	\$ 303.22	\$ 1,320.00	\$ 14,887.66

School Years	Extra-Curricular Shortage				Total Extra-Curricular Shortage
	Field Trip Fees	Book Fair Sales	Yearbook	Miscellaneous	
2011-2012	\$ (13.75)	\$ -	\$ 13.00	\$ -	\$ (0.75)
2012-2013	61.10	-	-	-	61.10
2013-2014	187.43	-	-	-	187.43
2014-2015	73.25	17.97	105.00	-	196.22
2015-2016	26.00	2,074.50	15.00	85.68	2,201.18
2016-2017	-	-	216.52	-	216.52
Totals	\$ 334.03	\$ 2,092.47	\$ 349.52	\$ 85.68	\$ 2,861.70

School Years	School Corporation Shortage	Extra-Curricular Shortage	Total Check Replacement
2011-2012	\$ 530.00	\$ (0.75)	\$ 529.25
2012-2013	496.10	61.10	557.20
2013-2014	2,882.97	187.43	3,070.40
2014-2015	5,433.47	196.22	5,629.69
2015-2016	2,822.57	2,201.18	5,023.75
2016-2017	2,722.55	216.52	2,939.07
Totals	\$ 14,887.66	\$ 2,861.70	\$ 17,749.36

WHITE OAK ELEMENTARY SCHOOL
 AVON COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

Indiana Code 20-41-1-9 states in part: "The treasurer shall deposit all receipts . . . without unreasonable delay."

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)

We requested that Mazur reimburse White Oak Elementary School for receipts not deposited intact in the amount of \$17,749.36. (See Summary of Charges, page 11)

BOOK FAIR RECEIPTS NOT DEPOSITED

The White Oak Elementary School Librarian provided the Avon Police Department with detail sales reports from Scholastic for the book fairs held at the school. All cash and check payments for purchases were to be deposited into the White Oak Elementary School Extra-Curricular bank account. Any payments made with credit cards went directly to Scholastic according to the sales receipts. We compared the Scholastic cash and check sales reports to the bank deposits and found the bank deposits were short \$6,499.13.

<u>School Year</u>	<u>Bookfair Shortage</u>
2011-2012	\$ 236.69
2012-2013	4,039.53
2013-2014	2,286.03
2014-2015	(33.02)
2015-2016	(2.56)
2016-2017	<u>(27.54)</u>
Total	<u>\$ 6,499.13</u>

Indiana Code 20-41-1-9 states in part: "The treasurer shall deposit all receipts . . . without unreasonable delay."

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)

We requested that Mazur reimburse White Oak Elementary School for bookfair receipts not deposited in the amount of \$6,499.13. (See Summary of Charges, page 11)

SEEDLINGS PROGRAM RECEIPTS NOT DEPOSITED

The School Corporation provided a program to Pre-K students called Seedlings. These students were charged tuition for the year which was collected by Mazur. All payments were to be deposited into the School Corporation bank account.

WHITE OAK ELEMENTARY SCHOOL
 AVON COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

Class lists were obtained to verify enrollment in the program for six years starting with the 2011-2012 school year. The lists were compared to the software program used by the White Oak Elementary School to track student enrollment and program payments. Seedling program revenue was calculated for each year based on the enrollment dates obtained from the software program. Adjustments were made to reflect accounts receivable and students not charged. We compared the adjusted calculated Seedling program revenue to the School Corporation Seedling program revenue and found program revenue to be short \$58,954.72. The schedule below shows the calculated shortage:

School Years	Revenue based on Enrollment	Revenue per School Corporation Ledger	Calculated Shortage Prior to Adjustments	Less: Student Accounts Receivable	Less: Students Not Charged	Calculated Shortage
2011-2012	\$ 164,883.00	\$ 134,929.01	\$ 29,953.99	\$ -	\$ -	\$ 29,953.99
2012-2013	265,839.00	234,778.31	31,060.69	37,467.82	17,955.00	(24,362.13)
2013-2014	301,867.50	212,037.14	89,830.36	44,786.46	21,960.00	23,083.90
2014-2015	339,352.50	285,043.00	54,309.50	40,620.30	11,200.00	2,489.20
2015-2016	324,065.00	266,020.04	58,044.96	42,603.24	-	15,441.72
2016-2017	277,629.23	245,586.26	32,042.97	19,694.93	-	12,348.04
Total Calculated Shortage						<u>\$ 58,954.72</u>

Indiana Code 20-41-1-9 states in part: "The treasurer shall deposit all receipts . . . without unreasonable delay."

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)

We requested that Mazur reimburse White Oak Elementary School for Seeding programs receipts not deposited in the amount of \$58,954.72. (See Summary of Charges, page 11)

DEVELOPMENTAL PRESCHOOL RECEIPTS

The School Corporation provided a developmental preschool program to students requiring additional instruction. These students were charged tuition for the year which was collected by Mazur. All payments were to be deposited into the School Corporation bank account.

Class lists were obtained to verify enrollment in the program for six years starting with the 2011-2012 school year. The lists were compared to the software program used by the White Oak Elementary School to track student enrollment and payments. Revenue was calculated for each year based on the enrollment dates obtained from the software program. We compared the adjusted calculated developmental preschool revenue to the School Corporation developmental preschool revenue and found revenue to be short \$5,800. The schedule below shows the calculated shortage:

School Years	Revenue based on Enrollment	Revenue per School Corporation Ledger	Less: Payments Not posted to School Corporation Ledger	Calculated Shortage
2012-2013	\$ 2,580	\$ 2,280	\$ 80	\$ 220
2013-2014	3,180	1,920	450	810
2014-2015	3,570	1,920	400	1,250
2015-2016	3,720	1,890	130	1,700
2016-2017	3,680	1,860	-	1,820
Total Calculated Shortage				<u>\$ 5,800</u>

WHITE OAK ELEMENTARY SCHOOL
 AVON COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

Indiana Code 20-41-1-9 states in part: "The treasurer shall deposit all receipts . . . without unreasonable delay."

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)

We requested that Mazur reimburse White Oak Elementary School for developmental preschool receipts not deposited in the amount of \$5,800. (See Summary of Charges, page 11)

OFFICIAL BOND

Mazur was covered by public official position schedule bonds as noted below:

Term	Bond Amount
07-01-16 to 06-30-17	\$ 10,000
07-01-15 to 07-01-16	7,500
07-01-14 to 07-01-15	7,500
07-01-13 to 07-01-14	7,500
07-01-12 to continuous	7,500
07-01-11 to 07-01-12	7,500

EMPLOYEE DISHONESTY INSURANCE

The School Corporation, of which White Oak Elementary School is a portion, has an insurance policy which protects them from employee theft.

Term	Coverage
07-01-11 to 07-01-12	\$ 50,000
07-01-12 to 07-01-13	50,000
07-01-13 to 07-01-14	50,000
07-01-14 to 07-01-15	50,000
07-01-15 to 07-01-16	50,000
07-01-16 to 07-01-17	50,000

INTERNAL CONTROLS OVER RECEIPTS

Internal controls over cash receipts were insufficient. The White Oak Elementary School has not separated incompatible activities for cash receipts. Mazur was responsible for depositing, recording, and reconciling the extra-curricular funds. Mazur also collected payments for the School Corporation and performed other office duties with little oversight. The School Corporation had not established internal controls and a system to monitor controls. Internal controls are necessary to prevent, or detect and correct, (material) misstatements in a timely manner. Additionally, once internal controls are established, they should be monitored and assessed to ensure the quality and effectiveness of the implemented controls.

WHITE OAK ELEMENTARY SCHOOL
AVON 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. 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. . . ."

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$52,836.42 due to the special investigation of the White Oak Elementary School, Avon Community School Corporation.

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-curricular Accounts, Chapter 7)

We requested that Mazur reimburse the State of Indiana for special investigation costs in the amount of \$52,836.42. (See Summary of Charges, page 11)

WHITE OAK ELEMENTARY SCHOOL
AVON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2017, with Dr. Margaret E. Hoernemann (by phone), Superintendent of Schools; Dr. Scott M. Wyndham, Director of Finance and Operations; Sheila R. Glass, School Corporation Treasurer; Veronica Jones, Deputy School Corporation Treasurer; and Kim Woodward, President of the School Board.

In a separate exit conference, the contents of this report were discussed on December 28, 2017, with Jennifer Mazur, former Extra-Curricular Treasurer of White Oak Elementary School.



AVON
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OFFICIAL RESPONSE

January 5, 2018

State Board of Accounts
302 W. Washington Street
Room E 418
Indianapolis, IN 46204-2765

To Whom It May Concern,

Please consider this to serve as the official response from Avon Community School Corporation (“ACSC”) to the Special Investigation Report of White Oak Elementary School, Avon Community School Corporation for the period July 1, 2011 to June 30, 2017.

ACSC has implemented several internal control practices and procedures prior to and as a result of the discrepancy we discovered at White Oak Elementary and voluntarily reported to the State Board of Accounts (SBOA) for review. Those internal control practices and procedures help to detect, prevent, and reduce identified risks, and include the following:

- The ACSC Board of School Trustees adopted Uniform Internal Control Standards on June 13, 2016.
- ACSC has provided training on Internal Control standards to all employees who may have access to public funds. Such training is a prevention activity, designed to deter the occurrence of an unfavorable event as defined in the *Uniform Internal Control Standards for Indiana Political Subdivisions*.
- Likewise, beginning in the 2017-2018 school year, ACSC implemented our *Training Plan for New Treasurers*. This outlines ACSC’s topics and priorities for training new school treasurers and covers topics including corporation accounting, extra-curricular accounts, and internal controls.
- With respect to detection activities described in the *Uniform Internal Control Standards for Indiana Political Subdivisions*, beginning in 2017, ACSC implemented internal audits of schools’ Extra-Curricular Accounts (ECA). Because the State Board of Accounts (SBOA) no longer conducts regular audits of school ECA accounts, ACSC determined this to be a necessary part of our internal control process. In February 2017, ACSC staff began an internal audit of White Oak Elementary and concluded there were financial discrepancies. ACSC

Board of School Trustees

Pamela J. DeWeese
Anne L. Engelhardt
John K. McDavid
David D. Webb
Kimberly L. Woodward

Administration


Superintendent
Margaret E. Hoernemann, Ph.D.
Associate Superintendent
John F. Atha, Ed.D.
Assistant Superintendent
Maryanne B. McMahon, Ph.D.
Director
Scott M. Wyndham, Ed.D.

reported those concerns to the SBOA and the Avon Police Department. ACSC continues to conduct internal audits of our schools' ECA accounts and have identified no other discrepancies as a result of our audits to date. These audits are designed to identify unfavorable events in a timely manner.

- Until the 2017-2018 school year, White Oak Elementary was the only school that housed ACSC's preschool program Seedlings. In the 2017-2018 school year, Seedlings is located at both White Oak and Maple Elementary Schools. Parents make regular payments for their child to attend this program and we implemented procedures with the 2017-2018 school year to provide further internal control mechanisms and ensure consistency between both schools in the handling of these funds.

ACSC administration and Board of School Trustees appreciates the SBOA's response to our internal audit findings and our request for a SBOA investigation. We plan to implement additional internal control practices and procedures based on the findings identified within the report.

Sincerely,



Scott M. Wyndham, Ed.D.
Director of Finance & Operations

cc: Dr. Margaret Hoernemann, Superintendent
Board of School Trustees

WHITE OAK ELEMENTARY SCHOOL
 AVON COMMUNITY SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Jennifer Mazur, former Extra-Curricular Treasurer:			
Receipts not Deposited Intact, pages 3 and 4	\$ 17,749.36	\$ -	\$ 17,749.36
Bookfair Receipts not Deposited, page 4	6,499.13	-	6,499.13
Seedlings Program Receipts not Deposited, page 4 and 5	58,954.72	-	58,954.72
Developmental Preschool Receipts, pages 5 and 6	5,800.00	-	5,800.00
Special Investigation Costs, page 7	52,836.42	-	52,836.42
Totals	\$ 141,839.63	\$ -	\$ 141,839.63

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)
Greene)
COUNTY)

I, Annette Ladson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Avon Community School Corporation, White Oak Elementary School, Hendricks County, Indiana, for the period from July 1, 2011 to June 30, 2017, is true and correct to the best of my knowledge and belief.

Annette Ladson
Field Examiner

Subscribed and sworn to before me this 29 day of January, 2018

J. Kevin Kramer
Notary Public

My Commission Expires: 1-22-2025

County of Residence: Greene

