

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

SPECIAL INVESTIGATION REPORT
OF

SOUTHPORT HIGH SCHOOL
PERRY TOWNSHIP SCHOOLS
MARION COUNTY, INDIANA

May 5, 2015 to August 18, 2017



FILED
05/29/2018

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PERRY TOWNSHIP SCHOOLS, MARION COUNTY, INDIANA

This is a special investigation report for Perry Township Schools (School Corporation), for the period May 5, 2015 to August 18, 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 credit card activity of two employees at Southport High 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, non-compliance 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

March 13, 2018

SOUTHPORT HIGH SCHOOL
PERRY TOWNSHIP SCHOOLS
RESULTS AND COMMENTS

BACKGROUND

School Corporation officials became aware that there were unauthorized uses of the Southport High School (School) credit card by two employees.

The Indiana State Board of Accounts was notified by the School Corporation officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of the credit card charges made by the employees. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts.

UNAUTHORIZED USE OF THE SCHOOL'S CREDIT CARD

Southport High School has a credit card account in which several individuals have been issued credit cards. Scott Whitlock (S Whitlock), Varsity Baseball Coach and High School Assistant Stagecrafters, and Barbara Whitlock (B Whitlock), High School Dramatics, High School Stagecrafters, and High School Musical Director Sponsor, held credit cards on behalf of the High School.

During the 2014-2015, 2015-2016, 2016-2017, and 2017-2018 school years, S Whitlock and B Whitlock went on trips that were either not approved by the School, or were approved with the understanding that the School would bear no costs beyond any registration required for the trips. Both employees used the School's credit card to pay for food and beverages, lodging, airfare, public transportation, car rental, clothing, tours, theater tickets, and merchandise. These purchases were paid from the Baseball, Drama, and Musical Extracurricular accounts maintained at the School. Below is a schedule of the unauthorized charges:

	<u>Musical</u>	<u>Drama</u>	<u>Baseball</u>	<u>Total</u>	<u>S Whitlock</u>	<u>B Whitlock</u>	<u>Total</u>
2015 St Petersburg Trip							
Barbara Whitlock	-	\$ 1,561.77	-	\$ 1,561.77	-	\$ 1,561.77	\$ 1,561.77
2017 New York City Trip							
Barbara Whitlock	1,132.41	1,542.06	-	2,674.47	-	2,674.47	2,674.47
Scott Whitlock	600.77	-	-	600.77	600.77	-	-
2016 Nashville Trip							
Scott Whitlock	-	-	581.66	581.66	581.66	-	-
2016 Drama Las Vegas Trip							
Barbara Whitlock	-	139.62	-	139.62	-	139.62	139.62
Scott Whitlock	-	959.59	-	959.59	959.59	-	-
2016 Las Vegas Baseball Trip							
Scott Whitlock	-	-	517.18	517.18	517.18	-	-
2016 Chicago Baseball Trip							
Scott Whitlock	-	-	320.54	320.54	320.54	-	-
2017 Las Vegas Trip							
Scott Whitlock	-	-	731.94	731.94	731.94	-	-
2017 Kentucky Trip							
Scott Whitlock	-	-	422.90	422.90	422.90	-	-
Totals	<u>\$ 1,733.18</u>	<u>\$ 4,203.04</u>	<u>\$ 2,574.22</u>	<u>\$ 8,510.44</u>	<u>\$ 4,134.58</u>	<u>\$ 4,375.86</u>	<u>\$ 8,510.44</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 11)

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RESULTS AND COMMENTS
(Continued)

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 S Whitlock to reimburse Southport High School \$4,134.58 for unauthorized use of the School's credit card. (See Summary of Charges, page 7)

We requested B Whitlock to reimburse Southport High School \$4,375.86 for unauthorized use of the School's credit card. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the unauthorized use of the School's credit card.

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

We requested that S Whitlock to reimburse the State of Indiana \$1,728.61 for special investigation costs. (See Summary of Charges, page 7)

We requested that B Whitlock to reimburse the State of Indiana \$1,728.62 for special investigation costs. (See Summary of Charges, page 7)

INTERNAL CONTROL DEFICIENCIES

There were deficiencies noted in the internal controls regarding travel and documentation of sponsor related expenditures. Adequate documentation of approval for travel was not always maintained. Individuals who were on travel did not always turn in the proper documentation of their lodging or food expenditures. Procedures documented in the policy handbook for the handling of credit card expenditures were not always followed.

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. . . .

SOUTHPORT HIGH SCHOOL
PERRY TOWNSHIP SCHOOLS
RESULTS AND COMMENTS
(Continued)

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. . . ."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the unauthorized use of the School's credit card by Scott Whitlock has also been conducted by the Indianapolis Metropolitan Police Department. Case number 49G18-1710-F6-038126 was filed in the Marion Superior Court, Criminal Division 18, Marion County, Indiana, on October 4, 2017.

An investigation into the unauthorized use of the School's credit card by Barbara Whitlock has also been conducted by the Indianapolis Metropolitan Police Department. Case number 49G18-1710-F6-038128 was filed in the Marion Superior Court, Criminal Division 18, Marion County, Indiana, on October 4, 2017.

CRIME INSURANCE COVERAGE

The following is information regarding crime insurance obtained by the School Corporation:

Period	Amount
05-01-15 to 04-30-16	\$ 500,000
05-01-16 to 04-30-17	500,000
05-01-17 to 04-30-18	500,000

SOUTHPORT HIGH SCHOOL
PERRY TOWNSHIP SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2018, with Michael Bagley, Chief Financial Officer; Patrick W. Mapes, Superintendent of Schools; Ed Denning, President of the School Board; Brian Knight, Principal of Southport High School; and Toby Bell, Extracurricular Treasurer of Southport High School.

SOUTHPORT HIGH SCHOOL
PERRY TOWNSHIP SCHOOLS
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Scott Whitlock, Baseball Coach, Assistant Drama Sponsor:			
Unauthorized Use of the School's Credit Card, pages 3 and 4	\$ 4,134.58	\$ -	\$ 4,134.58
Special Investigation Costs, page 4	<u>1,728.61</u>	<u>-</u>	<u>1,728.61</u>
 Totals - Scott Whitlock	 <u>5,863.19</u>	 <u>-</u>	 <u>5,863.19</u>
 Barbara Whitlock, Drama and Musical Sponsor:			
Unauthorized Use of the School's Credit Card, pages 3 and 4	4,375.86		
Special Investigation Costs, page 4	1,728.62		
Payment from Barbara Whitlock, Receipt #1404, 7/27/17	<u>-</u>	<u>243.00</u>	<u>5,861.48</u>
 Totals - Barbara Whitlock	 <u>6,104.48</u>	 <u>243.00</u>	 <u>5,861.48</u>
 Totals	 <u>\$ 11,967.67</u>	 <u>\$ 243.00</u>	 <u>\$ 11,724.67</u>

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

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AFFIDAVIT

STATE OF INDIANA)
)
DELAWARE COUNTY)

I, William F. Vinson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Perry Township Schools, Marion County, Indiana, for the period from May 5, 2015 to August 18, 2017, is true and correct to the best of my knowledge and belief.

Wm. F. Vinson
Field Examiner

Subscribed and sworn to before me this 14th day of May, 2018.

Michael A. Kij
Notary Public

My Commission Expires: 12-31-18

County of Residence: Delaware