

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

SPECIAL INVESTIGATION REPORT  
OF

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
LAPORTE COUNTY, INDIANA

October 26, 2015 to May 3, 2016



**FILED**  
05/31/2018



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

This is a special investigation report for the Barker Middle School extracurricular account, Michigan City Area Schools (School Corporation), for the period of October 26, 2015 to May 3, 2016, and is in addition to any other report for the School Corporation as required under Indiana Code 5-11-1. All reports pertaining to the School Corporation may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to identify collections not deposited at Barker Middle School and compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. 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

April 12, 2018

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
RESULTS AND COMMENTS

**BACKGROUND**

On May 3, 2016, School Corporation officials discovered cash revenue from Barker Middle School (Middle School) extracurricular activities was not deposited by Amanda Day (Day), former Extracurricular Treasurer. The Indiana State Board of Accounts was notified by School Corporation officials in accordance with Indiana Code 5-11-1. Day was the Extracurricular Treasurer for the extracurricular account at the Middle School for the period of October 26, 2015 to May 2, 2016.

Day was responsible for the accounting and depositing of all revenue generated from athletic event ticket sales, concessions, field trips, fundraisers, yearbook sales, textbook rental, and physical education uniforms.

An internal review of the extracurricular account was conducted by the School Corporation. It was determined that \$7,182.84 in collections were not deposited by Day. The School Corporation filed a report with local law enforcement and an investigation ensued. In addition, a claim of financial loss was filed with the School Corporation's insurance carrier. The insurance carrier remitted \$4,409.84 to the School Corporation as settlement for its claim.

On December 20, 2016, the LaPorte County Prosecutor filed theft charges against Day. On February 7, 2018, a plea agreement was entered into between the LaPorte County Prosecutor and Day. As part of the plea agreement, Day was ordered to pay restitution to the Middle School for the balance not settled by the insurance, in the amount of \$2,773. As of February 13, 2018, the Middle School has not received any of the ordered restitution.

The Indiana State Board of Accounts examined the records and the accounting for collections to determine if any additional revenues were not deposited.

**COLLECTIONS NOT DEPOSITED**

Receipts issued by various Middle School sponsors were compared to the amounts deposited and reported by the Extracurricular Treasurer for the period of October 26, 2015 through May 3, 2016. Our calculations revealed \$3,585.84 of collections that were not deposited as described below:

Source	Collections Not Deposited
Textbook Rental	\$ 780.91
Yearbook Sales	682.00
Lost Book/Broken Equipment	77.99
Physical Education Uniforms	1,581.00
Craft Fair Booth Rental	140.00
Student Council - Penny Wars	323.94
Total Collections Not Deposited	\$ 3,585.84

The total amount that the School Corporation calculated as a loss during its internal review was \$3,836.34. The difference of \$250.50 is due to deposits not discovered in the internal review.

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform 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 Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested that Day reimburse the Middle School extracurricular account for receipts not deposited in the amount of \$3,585.84. (See Summary of Charges, page 8)

**ESTIMATED LOSS OF REVENUE - ATHLETIC EVENTS AND CONCESSION SALES**

*Athletic Ticket Sales Reports*

Ticket sale reports for individual athletic events were not prepared for athletic events during the time period that Day was the Extracurricular Treasurer. We were unable to confirm the amount of ticket sales for athletic events. The amount of lost revenue submitted to the insurance carrier for athletic ticket sales was based on an estimate calculated by the Athletic Director. Total estimated revenues were \$2,123.

We reviewed official school receipts issued by Day and found deposits for athletic tickets sale totaling \$641. The internal review conducted by the School Corporation did not consider these deposits when estimating the lost revenue.

*Concession Sales*

Detailed records of concession sales were not maintained. The amount of lost revenue, submitted to the insurance carrier, was based on an estimate calculated by the Athletic Director. Total estimated revenues from concession sales were \$1,223.50.

The lack of supporting documentation related to ticket sales and concession sales made it impossible to verify the actual revenues collected for athletic gates and concessions.

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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)

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 Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

We requested that Day reimburse the Middle School extracurricular account for ticket sale and concession revenue losses in the amount of \$1,482 and \$1,223.50, respectively. (See Summary of Charges, page 8)

**INTERNAL CONTROLS**

We noted the following weaknesses with internal controls at the Middle School:

1. There was no segregation of duties for the Extracurricular Treasurer. Day was responsible for accounting for all monies generated by extracurricular activities, preparing the deposit ticket, making deposits to the bank, issuing receipts, and reconciling the bank account.
2. Inventory records were not maintained for the concession operation.
3. Generic receipts were issued to parents and students for book rental payments, Physical Education uniforms, and fines for lost books. The prescribed receipt form was completed for all collections after the monies were deposited to the bank.
4. The computer software did not allow the Extracurricular Treasurer to enter multiple sources of revenue (i.e., cash or checks) when posting receipts to the computer records.
5. Ticket Sales reports were not prepared for athletic events to reconcile tickets sold with cash collected.

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. . . ."

**EMPLOYEE DISHONESTY INSURANCE**

The School Corporation, of which the Middle School is a portion, has an insurance policy which protects them from employee theft. The School Corporation's policy covered the periods January 1, 2015 to January 1, 2016, and January 1, 2016 to January 1, 2017, in the amount of \$100,000 for each period.

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred costs, in the amount of \$4,114.74 due to the special investigation of the Middle School.

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 Day reimburse the State of Indiana for special investigation costs in the amount of \$4,114.74. (See Summary of Charges, page 8)

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2018, with Dr. Barbara Eason-Watkins, Superintendent of Schools; Lance E. Werner, Treasurer; Donald J. Dulaney, President of the School Board; Marty Corley, School Board member; Theresa Edwards, School Board member; Thomas R. Dombkowski, School Board member; and Brenda Runnels, Financial Assistant.

BARKER MIDDLE SCHOOL  
MICHIGAN CITY AREA SCHOOLS  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Amanda Day, Barker Middle School Extracurricular Treasurer:			
Collections Not Deposited, pages 3 and 4	\$ 3,585.84	\$ -	\$ 3,585.84
Estimated Loss of Revenue - Athletic Events, pages 4 and 5	1,482.00	-	1,482.00
Estimated Loss of Revenue - Concession Sales, pages 4 and 5	1,223.50	-	1,223.50
Special Investigation Costs, page 6	<u>4,114.74</u>	<u>-</u>	<u>4,114.74</u>
 Totals	 <u>\$ 10,406.08</u>	 <u>\$ -</u>	 <u>\$ 10,406.08</u>

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

AFFIDAVIT

STATE OF INDIANA )  
Laporte COUNTY )

We, Kristin Campbell and Mary Jo Small, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Michigan City Area Schools, Laporte County, Indiana, for the period from October 26, 2015 to May 3, 2016, is true and correct to the best of our knowledge and belief.

Kristin Campbell  
Mary Jo Small  
Field Examiners

Subscribed and sworn to before me this 7 day of May, 2018.

Brenda L. Petrone  
Notary Public

My Commission Expires: 8.18.2018

County of Residence: Laporte

