

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

SPECIAL INVESTIGATION REPORT
OF

GREENWOOD MIDDLE SCHOOL
GREENWOOD COMMUNITY SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

July 1, 2014 to April 2, 2018



FILED

10/11/2018

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GREENWOOD COMMUNITY SCHOOL
CORPORATION, JOHNSON COUNTY, INDIANA

This is a special investigation report for the Greenwood Community School Corporation (School Corporation), for the period July 1, 2014 to April 2, 2018, 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 financial activity of the Greenwood Middle School Extra-Curricular Account (ECA). 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

September 10, 2018

GREENWOOD MIDDLE SCHOOL
GREENWOOD COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

School Corporation officials became aware that School receipts were not deposited by Kellie Cline (Cline), former ECA Treasurer, after agreed-upon procedures were performed of the ECA's financial transactions by an outside accounting firm.

The Indiana State Board of Accounts was notified by School Corporation officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the financial activity of the ECA.

Cline became ECA Treasurer on December 2, 2013, and was terminated on April 2, 2018. Her duties included collecting payments, issuing receipts, preparing deposit slips, depositing payments, and recording the receipts in the School's accounting records.

The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts.

RECEIPTS NOT DEPOSITED - ATHLETICS

During the period of July 1, 2015 to April 2, 2018, athletic department collections were received by Cline, which were not deposited in the ECA's bank account. The following schedule details these receipts by school year:

School Years	Gate Cash Box Collections	Athletic Events Receipted/ Deposited	Difference	Concession Form Collections	Concession Receipted/ Deposited	Difference	Total Athletic and Concession Difference
2015-2016	\$ 29,382.48	\$ 27,393.48	\$ (1,989.00)	\$ 23,485.86	\$ 21,049.01	\$ (2,436.85)	\$ (4,425.85)
2016-2017	32,342.40	22,106.25	(10,236.15)	23,637.35	15,561.55	(8,075.80)	(18,311.95)
2017-2018	25,542.95	18,998.05	(6,544.90)	23,179.31	16,002.44	(7,176.87)	(13,721.77)
Totals	<u>\$ 87,267.83</u>	<u>\$ 68,497.78</u>	<u>\$(18,770.05)</u>	<u>\$ 70,302.52</u>	<u>\$ 52,613.00</u>	<u>\$ (17,689.52)</u>	<u>\$ (36,459.57)</u>

Indiana Code 20-41-1-9(a) states:

"The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times."

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)

Cline was requested to reimburse the School \$36,459.57 for the athletic receipts not deposited. (See Summary of Charges, page 8)

GREENWOOD MIDDLE SCHOOL
GREENWOOD COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

RECEIPTS NOT DEPOSITED - TEXTBOOK RENTAL

During the period of July 1, 2014 to April 2, 2018, textbook rental collections were received by Cline, which were not deposited in the ECA's bank account. The following schedule details these receipts by school year:

School schools	Textbook Collections Received in Office	Deposits Made	Difference
2014-2015	\$ 56,341.11	\$ 55,012.76	\$ (1,328.35)
2015-2016	59,476.31	57,920.53	(1,555.78)
2016-2017	71,705.38	66,792.58	(4,912.80)
2017-2018	<u>48,697.90</u>	<u>44,902.96</u>	<u>(3,794.94)</u>
Totals	<u>\$ 236,220.70</u>	<u>\$ 224,628.83</u>	<u>\$ (11,591.87)</u>

Indiana Code 20-41-1-9(a) states:

"The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times."

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)

Cline was requested to reimburse the School \$11,591.87 for the textbook rental receipts not deposited. (See Summary of Charges, page 8)

RECEIPTS NOT DEPOSITED - OTHER

During the period of July 1, 2014 to April 2, 2018, Cline received ECA collections and wrote receipts for the amounts collected. However, not all of the amounts received were deposited into the ECA's bank account. The following schedule summarizes the differences between the collections received and the amounts deposited by school year.

School Years	Receipts Written	Deposits Made	Variance
2016-2017	\$ 221,566.93	\$ 221,626.58	\$ 59.65
2017-2018	<u>117,036.15</u>	<u>116,056.43</u>	<u>(979.72)</u>
Totals	<u>\$ 338,603.08</u>	<u>\$ 337,683.01</u>	<u>\$ (920.07)</u>

GREENWOOD MIDDLE SCHOOL
 GREENWOOD COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

In addition, during a review of Summary Collection forms (SA-8), we found instances where there were collections documented, but no corresponding receipt or subsequent deposit. There were also instances where receipts were written, but the amounts collected per the SA-8 were more than the amounts receipted and deposited. The following schedule summarizes the differences between the SA-8 documentation and the receipted amounts deposited.

School Years	Amounts Collected Per SA-8 Forms	Amounts Receipted and Deposited	Difference
2015-2016	\$ 7,341.30	\$ 6,111.30	\$ (1,230.00)
2016-2017	5,711.00	4,430.00	(1,281.00)
2017-2018	<u>12,634.01</u>	<u>5,580.96</u>	<u>(7,053.05)</u>
Totals	<u>\$ 25,686.31</u>	<u>\$ 16,122.26</u>	<u>\$ (9,564.05)</u>

Indiana Code 20-41-1-9(a) states:

"The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times."

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)

Cline was requested to reimburse the School \$10,484.12 for the other receipts not deposited. (See Summary of Charges, page 8)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional investigation costs in the special investigation of the ECA account.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping 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 Extra-Curricular Accounts, Chapter 7)

We requested that Cline reimburse the State of Indiana \$22,425.76 for special investigation costs. (See Summary of Charges, page 8)

GREENWOOD MIDDLE SCHOOL
GREENWOOD COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL DEFICIENCIES

Internal control weaknesses existed that contributed to Cline's failure to deposit all payments received. Cline, as the ECA Treasurer, was responsible for collecting payments, issuing receipts, preparing deposit slips, depositing payments, and recording the receipts in the School's accounting records. There was not effective oversight conducted in relation to the ECA collections and records.

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"

INVESTIGATION BY LAW ENFORCEMENT

An investigation into the receipts not deposited has also been conducted by the Greenwood Police Department and the Federal Bureau of Investigation.

OFFICIAL BOND COVERAGE

The following is information regarding official bonds obtained by the School Corporation:

<u>Period</u>	<u>Amount</u>
07-01-14 to 07-01-15	\$ 15,000
07-01-15 to 07-01-16	15,000
07-01-16 to 07-01-17	15,000
07-01-17 to 07-01-18	15,000

GREENWOOD MIDDLE SCHOOL
GREENWOOD COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2018, with Dr. Kent DeKoninck, Superintendent of Schools; Todd Pritchett, Assistant Superintendent of Schools; Chris Sutton, Principal; Stephanie Porter, School Corporation Treasurer; and Veronica Croke, Deputy School Corporation Treasurer.

GREENWOOD MIDDLE SCHOOL
 GREENWOOD COMMUNITY SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kellie Cline, former ECA Treasurer:			
Receipts Not Deposited - Athletics, page 3	\$ 36,459.57	\$ -	\$ 36,459.57
Receipts Not Deposited - Textbook Rental, page 4	11,591.87	-	11,591.87
Receipts Not Deposited - Other, pages 4 and 5	<u>10,484.12</u>	<u>-</u>	<u>10,484.12</u>
 Subtotal	 <u>58,535.56</u>	 <u>-</u>	 <u>58,535.56</u>
 Special Investigation Costs, page 5	 <u>22,425.76</u>	 <u>-</u>	 <u>22,425.76</u>
 Totals	 <u>\$ 80,961.32</u>	 <u>\$ -</u>	 <u>\$ 80,961.32</u>

This report was forwarded to the Office of the Indiana Attorney General, United States Attorney, Federal Bureau of Investigation, and the local prosecuting attorney.

AFFIDAVIT

STATE OF INDIANA)
Marion COUNTY)

We, David Bixler, Samuel Wilson, and William F. Vinson, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Greenwood Community School Corporation, Johnson County, Indiana, for the period from July 1, 2014 to April 2, 2018, is true and correct to the best of our knowledge and belief.

David Bixler

Sam Wilson

Wm. F. Vinson
Field Examiners

Subscribed and sworn to before me this 3 day of October, 2018

Karen M Williams
Notary Public

My Commission Expires: August 8, 2025

County of Residence: Marion

