

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

SPECIAL INVESTIGATION REPORT

OF

GARY COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2014 to September 30, 2017



**FILED**

10/11/2018



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**STATE OF INDIANA**  
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TO: THE OFFICIALS OF GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This is a special investigation report for Gary Community School Corporation (School Corporation), for the period July 1, 2014 to September 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/](http://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 disbursements related to specified contracts, procurement card transactions, required reporting for nongovernmental entities, specified procurements of goods and services, and receipts and disbursements of the financial operations extracurricular account. 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.

Michael H. Bozyski, CPA  
Deputy State Examiner

November 15, 2017

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS

**BACKGROUND INFORMATION**

The School Corporation administrative office maintained an "extra-curricular account" that was referred to as the Financial Operations ECA (ECA). Receipts deposited to the ECA consisted primarily of donations, ticket sales from athletic events, ticket sales from theatre productions, and fees collected for field trips. Records related to the financial activity of the ECA were maintained separate from the School Corporation's financial records. Cheryl Pruitt (Pruitt), Superintendent of Schools, was one of the primary sponsors of the ECA and had the authority to approve disbursements.

The results of our review of the disbursements from the ECA account are described below.

**DUPLICATE PAYMENT - PRUITT**

Pruitt attended a conference in California from May 3, 2016 to May 6, 2016. Hotel charges, including the basic room charge, meals, spa services, and laundry, for this trip were charged on a school corporation credit card. On May 26, 2016, these charges were paid in full from the ECA.

On June 21, 2016, Pruitt submitted a travel expense claim for reimbursement of the same hotel charges (excluding the amount for spa services). This claim, paid directly to Pruitt from the School Corporation's General Fund, resulted in a duplicate payment.

Spa treatments charged to the School Corporation credit card and paid by the ECA on May 26, 2016, are considered personal in nature. The School Corporation's travel policy excludes reimbursement or payment of personal expenses. Accordingly, payment for these services are the responsibility of Pruitt.

Expenses related to laundry and dry cleaning services are specifically excluded in the School Corporation's travel policy. Accordingly, payment for these services are the responsibility of Pruitt.

The schedule below documents the duplicate payment as well as the unallowable expenses paid by the School Corporation and/or ECA on Pruitt's behalf.

Description	Room and Tax	Meals	Laundry/Dry Cleaning	Spa/Massages	Total
Duplicate Payments	\$ 1,143.75	\$ 161.27	\$ 34.00	\$ -	\$ 1,339.02
Unallowable items paid on the credit card statement	-	-	34.00	248.00	282.00
Totals	<u>\$ 1,143.75</u>	<u>\$ 161.27</u>	<u>\$ 68.00</u>	<u>\$ 248.00</u>	<u>\$ 1,621.02</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 unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested Pruitt reimburse the School Corporation \$1,621.02 for duplicate payments and unallowable or personal items. (See Summary of Charges, page 10)

***BUSINESS USE OF AUTOMOBILE - PRUITT***

Pruitt's original contract covering the period July 1, 2012 to June 30, 2015, entered into on June 1, 2012 and any, and all addendums to the Contract for the Superintendent of Schools, covering the periods July 1, 2015 through June 30, 2017, and January 1, 2017 through December 31, 2019 state: "In light of the unique nature of the professional duties of the Superintendent of Schools, the Corporation shall pay the Superintendent \$1,000 per month as compensation for her business use of an automobile. The automobile shall be owned, maintained and insured for business use by the Superintendent of Schools at her expense." Provisions for any additional reimbursement of mileage incurred by the Superintendent of Schools for the use of her personal vehicle were not specifically addressed in subsequent agreements.

In addition to receiving the monthly car allowance, Pruitt submitted for reimbursement of mileage expense. The mileage expense was paid from the ECA as follows:

<u>Years</u>	<u>Mileage</u>
2014	\$ 53.57
2016	297.16
2017	<u>484.72</u>
Total	<u>\$ 835.45</u>

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (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 official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested Pruitt reimburse the ECA \$835.45 for mileage reimbursements paid while also having received an automobile allowance per her contract. (See Summary of Charges, page 10)

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

***PERSONAL EXPENSES - PRUITT***

Pruitt and her daughter accompanied students to Beijing, China. The scheduled departure for all students, faculty, and chaperones was October 17, 2014. On October 7, 2014, Pruitt exchanged the tickets so that she and her daughter could depart on October 19, 2014. An explanation for the ticket exchange was not provided. The amount of the exchange fees was \$850. The ticket exchange fees were paid from the financial operations ECA Account.

On Oct 19, 2014, Pruitt used the School Corporation credit card to upgrade seating for herself and her daughter for the flight to Beijing, China. The upgrade cost \$358. The amount charged was paid from the financial operations ECA Account.

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 unit. Any personal expenses paid by the unit 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 Pruitt reimburse the ECA account \$1,208 for the departure change fee ticket upgrade fees. (See Summary of Charges, page 10)

***DUPLICATE PAYMENTS - GREER***

In 2015, Charmella Greer (Greer), former Public Information Officer, submitted 3 invoices totaling \$508.51 to the ECA for reimbursement. The invoices were all for teacher appreciation plaques. In each case, the ECA paid the requested reimbursement directly to Greer. A review of the School Corporation records found that the same invoices used by Greer for her ECA reimbursement had also been presented to the School Corporation as support for payments made directly to the vendor. In one instance, the invoice presented to the ECA for reimbursement had a notation on it indicating it had been paid in cash, while the same invoice presented to the School Corporation for payment to the vendor did not have the notation on it.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested Greer reimburse the School Corporation \$508.51 for the duplicate payments described above. (See Summary of Charges, page 10)

***MEAL REIMBURSEMENTS AND PER DIEM - CLEMONS***

In 2016, Antuwan Clemons (Clemons), School Board member, charged meals to the credit card account designated for use for School Board members. The payment for these charges was made from the School Corporations' General Fund. However, Clemons also submitted a claim for per diem, which was paid by the School Corporation.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

We requested Clemons reimburse the School Corporation \$136.87 for meals charged to the Corporation credit card while receiving per diem. (See Summary of Charges, page 10)

***ADDITIONAL INVESTIGATION COSTS***

The State of Indiana incurred additional audit costs of \$3,531.04 in the investigation of the disbursements, which were not in compliance with state statutes and local policies.

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 School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***CRIME INSURANCE***

The Gary Community School Corporation has a Crime Insurance Policy which covers the 12 month period from August 1, 2014 through August 1, 2017. The policy is with the Fidelity and Deposit Company of Maryland and provides \$500,000 of coverage for employee theft with a \$5,000 deductible.

***INTERNAL CONTROLS - FINANCIAL OPERATIONS ECA***

Disbursements from the Financial Operations Extracurricular Account (ECA) were made based on invoices and accounts payable vouchers approved by the various sponsors. The checks were required to have only one signature, that of the ECA Treasurer. The ECA Treasurer records the transactions to the ledgers, and reconciles the bank account. There is no oversight by management and/or the School Corporation for this account.

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.

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)

***UNDOCUMENTED CHARGES TO CREDIT CARDS***

Payments to the credit card accounts were based solely upon the monthly card statements and/or internet inquiries. The internet inquiries would identify the type of expenditure, vendor, date the charge was processed, and the amount charged. For the period examined, original invoices and/or receipts totaling \$5,412.88 were not attached to the credit card statements; therefore, we could not determine whether the charges were school related.

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(a) As used in this section, 'governmental entity' refers to any of the following:

- (1) A municipality (as defined in [IC 36-1-2-11](#)).
- (2) A school corporation (as defined in [IC 36-1-2-17](#)), including a school extracurricular account. . . .

(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . . "

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Indiana Public School Corporations, Chapter 1)

### **TRANSPORTATION SERVICES**

The School Corporation had a three year contract with a transportation provider covering the school years 2013-2014, 2014-2015, and 2015-2016. The School Corporation opted to extend the contract for one additional year to for the 2016-2017 school year. The contract included specified rates per bus and per route.

Attempts to determine if payments made by the School Corporation were in compliance with the contract were hindered due to the following:

1. Invoices did not always include details of bus routes and rates to support the amount invoiced.
2. The 3 percent increase was not consistently applied to the rates invoiced to the School Corporation.
3. The addendum for the contract covering the 2016-2017 did not include detailed rates and bus routes.

GARY COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

4. Invoices included rates per bus and routes that could not be verified to the rates specified in the contract.
5. The School Corporation made duplicate payments of invoices. Duplicate payments were applied to the outstanding balance owed to the provider because the School Corporation failed to make timely payments.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 Indiana Public School Corporations, Chapter 1)

GARY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2018, with Dr. Peggy Hinckley, Superintendent of Schools.

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

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Cheryl Pruitt, Superintendent of Schools:			
Duplicate Payments - Pruitt, pages 3 and 4	\$ 1,621.02	\$ -	\$ 1,621.02
Business use of Automobile - Pruitt, page 4	835.45	-	835.45
Personal Expenses - Pruitt, page 5	1,208.00	-	1,208.00
Additonal Investigation Cost, page 6	<u>3,531.04</u>	<u>-</u>	<u>3,531.04</u>
 Total due from Cheryl Pruitt, Superintendent of Schools	 <u>7,195.51</u>	 <u>-</u>	 <u>7,195.51</u>
 Carmella Greer, former Public Information Officer:			
Duplicate Payments - Greer, page 5	<u>547.00</u>	<u>-</u>	<u>547.00</u>
 Total Due from Carmella Greer, former Public Information Officer	 <u>547.00</u>	 <u>-</u>	 <u>547.00</u>
 Antuwan Clemons, School Board member:			
Meal Reimbursements and Per Diem - Clemons, pages 5 and 6	<u>136.87</u>	<u>-</u>	<u>136.87</u>
 Total due from Antuwan Clemons, School Board member	 <u>136.87</u>	 <u>-</u>	 <u>136.87</u>
 Totals	 <u>\$ 7,879.38</u>	 <u>\$ -</u>	 <u>\$ 7,879.38</u>

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

