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

SPECIAL INVESTIGATION REPORT
OF

INDIAN CREEK ELEMENTARY SCHOOL
METROPOLITAN SCHOOL DISTRICT
OF LAWRENCE TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2017 to January 31, 2018

FILED
11/20/2018

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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

This is a special investigation report for the Metropolitan School District of Lawrence Township (School Corporation), for the period July 1, 2017 to January 31, 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 Indian Creek Elementary School's book fair and basketball fee collections. 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 24, 2018

BACKGROUND

Each school within the School Corporation employs an Extracurricular Accounts (ECA) Treasurer who maintains control over the accounting of the ECA collections. The ECA Treasurer is responsible for receipting the collections, preparing the deposit ticket, and making the deposit to the bank. The ECA Treasurer is also responsible for recording the receipts in the ledgers and reconciling the bank account balance to the ledger balance.

School Corporation officials became aware that basketball fees and book fair collections were not accounted for properly after being remitted to Shameka Ellis (Ellis), former ECA Treasurer at Indian Creek Elementary School (Elementary School).

The Indiana State Board of Accounts was notified of the aforementioned 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 accounting for the book fair collections and basketball fees at the Elementary School. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts.

BOOK FAIR COLLECTIONS NOT DEPOSITED

On November 17, 2017, book fair collections totaling $1,031.93 were documented on the Summary Collection Form (SA-8) and turned in to Ellis. However, only $531.93 was receipted and deposited, leaving $500 not properly accounted for. An additional $620.84 in book fair collections was neither receipted nor deposited. Due to the lack of internal controls, we could not determine who would have been in possession of the $620.84, and therefore responsible for it, at the time it went missing.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-9(a) states in part: "The Treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. . . ."

We requested Ellis to reimburse the Elementary School $500 for book fair collections not deposited. (See Summary of Charges, page 7)

BASKETBALL FEES NOT DEPOSITED

On January 10 and 11, 2018, basketball fees totaling $750 were received by Ellis after being counted jointly by the sponsor and Ellis. A separate spreadsheet was maintained by Ellis to help track amounts collected and was retrieved from her computer for examination during this investigation. This spreadsheet denotes the $750 being collected. No receipts were written. When the Principal examined the contents of the safe on January 16, 2018, the $750 was not in the safe and could not be located. The money was never deposited.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-9(a) states in part: "The Treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. . . ."

We requested Ellis to reimburse the Elementary School $750 for basketball fees not deposited. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of collections not deposited or recorded at Indian Creek Elementary School.

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 Ellis to reimburse the State of Indiana $1,212.75 for special investigation costs. (See Summary of Charges, page 7)

INTERNAL CONTROL DEFICIENCIES

We noted deficiencies in the internal control system concerning the handling of remittances of collections to the ECA Treasurer. These deficiencies included, but were not limited to, lack of segregation of duties relating to collecting, recording, depositing, and the reconciling of book fair collections and basketball fees. Ellis was responsible for all aspects of accounting for ECA funds. There was not adequate oversight to ensure that daily collections were receipted and deposited.

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

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 AGENCY

An investigation into the collections not deposited, nor recorded, has also been conducted by the City of Lawrence Police Department.

OFFICIAL BOND COVERAGE

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

Period	Amount
06-30-17 to 06-30-18	$ 15,000

INDIAN CREEK ELEMENTARY SCHOOL
METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2018, with Dr. Shawn Smith, Superintendent of Schools; Reginald McGregor, President of the School Board; and Michael D. Shreves, Chief Financial Officer.

The contents of this report were discussed on October 9, 2018, with Shameka Ellis, former Extracurricular Treasurer.

INDIAN CREEK ELEMENTARY SCHOOL
METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance Due
Shameka Ellis, former Extracurricular Treasurer:			
Book Fair Collections Not Deposited, page 3	$ 500.00	$ -	$ 500.00
Basketball Fees Not Deposited, pages 3 and 4	750.00	-	750.00
Subtotal	1,250.00	-	1,250.00
Special Investigation Costs, page 4	1,212.75	-	1,212.75
Totals	$ 2,462.75	$ -	$ 2,462.75

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 Indian Creek Elementary School, Metropolitan School District of Lawrence Township, Marion County, Indiana, for the period from July 1, 2017 to January 31, 2018, is true and correct to the best of my knowledge and belief.

Wm. F. Vinson
Field Examiner

Subscribed and sworn to before me this 13th day of November, 2018

Michael A Kay
Clerk of the Circuit Court