

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

SPECIAL INVESTIGATION REPORT
OF

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
OREGON DAVIS SCHOOL CORPORATION
STARKE COUNTY, INDIANA

June 1, 2016 to May 31, 2018



FILED
01/25/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Oregon Davis Elementary and High School: Results and Comments:	
Background.....	3
Receipts Posted, But Not Deposited – Elementary School	3
Receipts Posted, But Not Deposited – High School	3-4
Collections Not Received to the ECA Records - Student Incentives - Elementary Fundraisers Fund.....	4
Textbook Rental Fees (TBR) Collected, But Not Deposited - Elementary School	4-5
Textbook Rental Fees (TBR) Collected, But Not Deposited - High School	6-7
Accountable Items Not Received to the Record or Deposited - High School.....	7-8
Official Bond.....	8
Special Investigation Costs.....	8
Exit Conference.....	9
Official Response	10
Summary of Charges	11
Affidavit	13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OREGON DAVIS SCHOOL CORPORATION, STARKE COUNTY, INDIANA

This is a special investigation report for Oregon Davis School Corporation's (School Corporation) Elementary and High School Extracurricular Accounts, for the period June 1, 2016 to May 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 the Extracurricular Accounts of the High School and Elementary 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, 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

December 6, 2018

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
 OREGON DAVIS SCHOOL CORPORATION
 RESULTS AND COMMENTS

BACKGROUND

On February 20, 2018, the School Corporation officials terminated Extracurricular Account (ECA) Treasurer, Lindsey Barbknecht (Barbknecht), for failure to submit ECA reports to the School Corporation office by the established deadlines.

The School Corporation had two separate ECAs (one for the Elementary School and one for the High School). Barbknecht was responsible for the accounting and depositing all revenue generated by both accounts.

Subsequent to Barbknecht's termination in February 2018, the School Corporation conducted an internal review of the ECA records and determined that depository reconcilements for the Elementary School ECA and High School ECA had not been performed since August 2017 and October 2017, respectively. Additionally, records related to both ECAs reflected receipts that had not been posted in a timely manner. Additional analysis performed by the School Corporation revealed collections that had not been deposited in both ECAs.

The Indiana State Board of Accounts was notified by the School Corporation officials in accordance with Indiana Code 5-11-1-27. A special investigation of the records for the period June 1, 2016 to May 31, 2018, was conducted. The findings of this investigation are discussed in the following comments.

RECEIPTS POSTED, BUT NOT DEPOSITED - ELEMENTARY SCHOOL

For the 2016-2017 and 2017-2018 school years, we compared all receipts posted to the Elementary School ECA by Barbknecht to amounts deposited and found one discrepancy. Receipts posted from December 19, 2017 to December 22, 2017, totaled \$4,469.70. The corresponding deposit of these receipts occurred on December 26, 2017, and totaled \$4,450.10 resulting in a shortage of \$19.60.

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 Barbknecht to reimburse \$19.60 to the Elementary School ECA for receipts posted, but not deposited. (See Summary of Charges, page 10)

RECEIPTS POSTED, BUT NOT DEPOSITED - HIGH SCHOOL

For the 2016-2017 and 2017-2018 school years, we compared all receipts posted to the High School ECA by Barbknecht to amounts deposited and found discrepancies. The following schedule details these discrepancies:

	<u>8-18-17 to 8-25-17</u>	<u>11-7-17</u>	<u>12-22-17</u>	<u>2-5-18 to 2-6-18</u>	<u>Totals</u>
Total Receipts	\$ 2,008.33	\$ 7,277.86	\$ 16,562.81	\$ 9,343.00	\$ 25,905.81
Total Deposits	<u>2,028.33</u>	<u>7,272.86</u>	<u>16,162.81</u>	<u>8,344.00</u>	<u>24,506.81</u>
Difference - long (short)	<u>\$ 20.00</u>	<u>\$ (5.00)</u>	<u>\$ (400.00)</u>	<u>\$ (999.00)</u>	<u>\$ (1,384.00)</u>

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
OREGON DAVIS SCHOOL CORPORATION
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 Barbknecht to reimburse \$1,384 to the High School ECA for receipts posted, but not deposited. (See Summary of Charges, page 10)

COLLECTIONS NOT RECEIPTED TO THE ECA RECORDS - STUDENT INCENTIVES - ELEMENTARY FUNDRAISERS FUND

The Elementary School regularly collected money from the sales of concessions and fundraising events related to Student Council and Frozen Friday. Teachers brought money collected for these events to the Elementary School Secretary. The Elementary School Secretary prepared a sheet detailing the collections. Upon completion, the sheet was signed by both the Secretary and Teacher verifying the amount collected. Collections were then given to Barbknecht to be deposited and recorded in the appropriate ECA fund. A copy of each sheet of paper verifying collections was kept by the Elementary School Secretary for the 2017-2018 school year only.

Cash collections as documented on the Elementary School Secretary's records for the 2017-2018 school year were compared to the receipts posted to the ECA records for these events by Barbknecht. The total amount collected as documented by the Elementary School Secretary's records was \$6,171.72. The total receipts posted by Barbknecht was \$4,085.67, a difference of \$2,086.05.

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 Barbknecht to reimburse \$2,086.05 to the Elementary School ECA for Student Incentives - Elementary Fundraisers Fund collections not posted to the record or deposited in the bank. (See Summary of Charges, page 10)

TEXTBOOK RENTAL FEES (TBR) COLLECTED, BUT NOT DEPOSITED - ELEMENTARY SCHOOL

The Elementary School used a software system designed to document charge and payment transactions related to the rental of textbooks to students.

Elementary School textbook rental payments were received in a variety of ways as discussed below:

- On registration day, Barbknecht and Nikki Salazar, the Corporation Treasurer, accepted textbook rental fees from parents. As the payments were received, they were posted to the software system and a receipt was issued to the parent. At the end of the day, Barbknecht took the money, counted it, receipted it to the ECA Book Rental fund and deposited the money into the bank. Periodically, the cash in the ECA Book Rental fund was remitted to the School Corporation Treasurer and receipted to the School Corporation Textbook Rental fund.

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
 OREGON DAVIS SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

- Fees paid at the Elementary School after registration day were often given to the Elementary School Secretary. The Secretary posted the payment to the students account in textbook rental software program and issued a receipt to the parent. Receipts issued along with the payments received were remitted to Barbknecht. Barbknecht was responsible for posting receipts to the ECA record and depositing the money in the bank.
- Fees paid for Elementary School textbook rental could also be paid at the high school. In these cases Barbknecht received the payment and posted it to the textbook rental software system and issued a receipt to the parent. The collection was then receipted to the Elementary School ECA Book Rental fund and deposited to the bank.
- Fees paid during the summer were accepted at the School Corporation office. In these instances the payment was entered into the textbook rental software program and deposited and receipted directly to the School Corporation Textbook Rental fund.

The software system was able to generate a "Payment Listing" report that detailed all payments posted to the system. Cash payments received were never reconciled to payments posted to the software system. The software system also generated an "Official Student Statement" detailing the charges and payments made by each student.

Total collections recorded in the software system were compared to amounts deposited for the 2016-2017 and 2017-2018 school years. A Payment Listing Report was not available for the 2016-2017 school year. Total collections for the 2016-2017 school year were calculated from the "Official Student Statements." Collections for the 2017-2018 school year were based on collections documented on the Payment Listing report. Collections for both school years were compared to the amount deposited, after considering fees deposited directly to the School Corporation Textbook Rental fund. This comparison revealed the following discrepancies:

	<u>2016-2017 Year</u>	<u>2017-2018 Year</u>	<u>Totals</u>
Textbook Rental Collected Per the "Payment Listing Report"	\$ -	\$ 14,937.50	\$ 14,937.50
Textbook Rental Collected Per Student Statements	18,540.44	-	18,540.44
Textbook Rental Deposited	<u>16,888.45</u>	<u>12,702.16</u>	<u>29,590.61</u>
Collections Not Deposited	<u>\$ 1,651.99</u>	<u>\$ 2,235.34</u>	<u>\$ 3,887.33</u>

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (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)

We requested Barbknecht to reimburse \$3,887.33 to the Elementary School ECA for textbook rental fees not deposited. (See Summary of Charges, page 10)

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
 OREGON DAVIS SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

TEXTBOOK RENTAL FEES (TBR) COLLECTED, BUT NOT DEPOSITED - HIGH SCHOOL

High School students are assessed textbook rental fees (fees) based on their class selection for their grade level. The High School used a software system designed to document charge and payment transactions related to the rental of textbooks to students.

Textbook rental payments were received in a variety of ways as discussed below:

- On registration day, Barbknecht and Nikki Salazar, the School Corporation Treasurer, accepted textbook rental fees from parents. As the payments were received, they were posted to the software system and a receipt was issued to the parent. At the end of the day, Barbknecht took the money, counted it, receipted it to the ECA Book Rental fund and deposited the money into the bank. Periodically, the cash in the ECA Book Rental fund was remitted to the School Corporation Treasurer and receipted to the School Corporation Textbook Rental fund.
- Fees paid at the high school after registration day were given to Barbknecht, who posted the payment to the students account in the textbook rental software program and issued a receipt to the parent. Receipts issued along with the payments received were posted to the high school ECA Book Rental fund and deposited to the bank by Barbknecht.
- Fees paid during the summer were accepted at the School Corporation office. In these instances the payment was entered into the textbook rental software program and deposited and receipted directly to the School Corporation Textbook Rental fund.

The software system was able to generate a "Payment Listing" report that detailed all payments posted to the system. Cash payments received were never reconciled to payments posted to the software system. The software system also generated an "Official Student Statement" detailing the charges and payments made by each student.

Total collections recorded in the software system were compared to amounts deposited for the 2016-2017 and 2017-2018 school years. A Payment Listing Report was not available for the 2016-2017 school year. Total collections for the 2016-2017 school year were based on information documented on the "Official Student Statements." Collections for the 2017-2018 school year were based on information documented on the Payment Listing report. Collections for both school years were compared to the amount deposited, after considering fees deposited directly to the School Corporation Textbook Rental fund. This comparison revealed the following discrepancies:

	<u>2016-2017 Year</u>	<u>2017-2018 Year</u>	<u>Totals</u>
Textbook Rental Collected Per the "Payment Listing Report"	\$ -	\$ 18,150.28	\$ 18,150.28
Textbook Rental Collected Per Student Statements	17,878.39	-	17,878.39
Textbook Rental Deposited	<u>16,499.08</u>	<u>16,470.78</u>	<u>32,969.86</u>
Collections Not Deposited	<u>\$ 1,379.31</u>	<u>\$ 1,679.50</u>	<u>\$ 3,058.81</u>

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
 OREGON DAVIS SCHOOL CORPORATION
 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 Guidelines Manual for Extra-Curricular Accounts, Chapter 7).

We requested Barbknecht to reimburse \$3,058.81 to the high school ECA for textbook rental fees not deposited. (See Summary of Charges, page 10)

ACCOUNTABLE ITEMS NOT RECEIPTED TO THE RECORD OR DEPOSITED - HIGH SCHOOL

An analysis of high school athletic ticket sales was performed for 2016-2017 and 2017-2018 school years. Athletic tickets sales reports prepared by the Athletic Director were compared to receipts posted to the ECA by Barbknecht. The following schedule details the school year, event date, athletic activity, total ticket sales, total receipted to the record, and differences.

School Year	Event Date	Activity	Total Ticket		Difference
			Per Ticket Sales Report	Receipt Amount	
2016-2017	8-30-16	Volleyball	\$ 418	\$ -	\$ (418)
2016-2017	10-22-16	Volleyball	498	491	(7)
2016-2017	11-10-16	Boys Basketball	275	-	(275)
2016-2017	11-28-16	Boys Basketball	324	224	(100)
2016-2017	12-7-16	Girls Basketball	118	105	(13)
2016-2017	2-9-17	Girls Basketball	264	244	(20)
Total - Ticket Sales - 2016-2017 school year			<u>\$ 1,897</u>	<u>\$ 1,064</u>	<u>(833)</u>
2017-2018	9-18-17	Volleyball	\$ 198	\$ -	\$ (198)
2017-2018	10-5-17	Soccer	294	-	(294)
2017-2018	11-9-17	Girls Basketball	279	274	(5)
2017-2018	1-22-18	Boys Basketball	294	204	(90)
2017-2018	2-2-18	Girls Basketball	2,684	2,442	(242)
Total - Ticket Sales - 2017-2018 school year			<u>\$ 3,749</u>	<u>\$ 2,920</u>	<u>(829)</u>
Total Ticket Sales not Posted or Deposited					<u>\$ (1,662)</u>

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 Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
OREGON DAVIS SCHOOL CORPORATION
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 Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested Barbknecht to reimburse \$1,662 to the High School ECA for ticket sales proceeds not deposited. (See Summary of Charges, page 10)

OFFICIAL BOND

Barbknecht was covered by public official bonds as noted below:

<u>Term</u>	<u>Bond Amount</u>
07-01-15 to 07-01-16	\$ 25,000
07-01-16 to 06-30-17	25,000
07-01-17 to 06-30-18	25,000

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs in the amount of \$10,056.71 due to the special investigation of the Oregon-Davis Elementary and High School, Oregon-Davis School Corporation.

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 request that Barbknecht reimburse the State of Indiana for special investigation costs in the amount of \$10,056.71. (See Summary of Charges, page 10)

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
OREGON DAVIS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2018, with Donald Harman, Superintendent of Schools; Nikki Salazar, Treasurer; and Kurt Hayes, Vice President of the School Board.

OREGON-DAVIS SCHOOL CORPORATION

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OFFICIAL RESPONSE

The Oregon-Davis School Corporation agrees with the Indiana State Board of Accounts findings as a result of a special investigation of the extra-curricular accounts for the Elementary School and Jr./Sr. High School. The Corporation has worked cooperatively and extensively with the State Board of Accounts investigators. Procedures pertaining to the Corporation's extra-curricular accounts have been revised and updated as well as training has occurred and will continue to occur with the Corporation's entire staff.

OREGON DAVIS ELEMENTARY AND HIGH SCHOOL
 OREGON DAVIS SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Lindsey Barbknecht, former ECA Treasurer:			
Elementary School - Receipts Posted, But Not Deposited, page 3	\$ 19.60	\$ -	\$ 19.60
High School - Receipts Posted, But Not Deposited, pages 3 and 4	1,384.00	-	1,384.00
Collections Not Receipted to the ECA Record Student Incentives-Elementary Fundraisers Fund, page 4	2,086.05	-	2,086.05
Textbook Rental Fees (TBR) Collected, But Not Deposited - Elementary School, pages 4 and 5	3,887.33	-	3,887.33
Textbook Rental Fees (TBR) Collected, But Not Deposited - High School, pages 6 and 7	3,058.81	-	3,058.81
Accountable Items Not Receipted to the Record or Deposited - High School, pages 7 and 8	1,662.00	-	1,662.00
Special Investigation Costs, page 8	<u>10,056.71</u>	<u>-</u>	<u>10,056.71</u>
Totals	<u>\$ 22,154.50</u>	<u>\$ -</u>	<u>\$ 22,154.50</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)
)
MARION COUNTY)

I, Sandra Gerlach, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Oregon Davis School Corporation, Starke County, Indiana, for the period from June 1, 2016 to May 31, 2018, is true and correct to the best of my knowledge and belief.

Sandra Gerlach
Field Examiner

Subscribed and sworn to before me this 10TH day of JANUARY, 2019

Juanita M. Hendricksen
Notary Public

My Commission Expires: 10-19-23

County of Residence: HENDRICKS

