

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

SPECIAL INVESTIGATION REPORT
OF

INDIAN CREEK HIGH SCHOOL
NINEVEH-HENSLEY-JACKSON
UNITED SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

March 5, 2015 to April 27, 2018



FILED
05/10/2019

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF INDIAN CREEK HIGH SCHOOL, NINEVEH-HENSLEY-JACKSON
UNITED SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

This is a special investigation report for Indian Creek High School, Nineveh-Hensley-Jackson United School Corporation (School Corporation), for the period March 5, 2015 to April 27, 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 High School Choir 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

March 4, 2019

INDIAN CREEK HIGH SCHOOL
NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

Douglas A. McKinley (McKinley), was a former school teacher and Choir Director at Indian Creek High School. His responsibilities included receiving, receipting, and remitting funds relating to the choir program. School Corporation officials became aware that there were choir collections that were not being remitted to the Extracurricular Treasurer.

The Indiana State Board of Accounts was notified by the 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 of the choir collections. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts.

CHOIR COLLECTIONS NOT REMITTED

McKinley collected choir related money from parents and students for the following purposes: Beef and Boards trip, solo and ensembles, choir outfits, t-shirts, donations, and fundraisers. He used pre-numbered receipt books and issued receipts to parents and/or students for some, but not all of the money he collected. We examined the receipt books to determine how much of the receipted money was remitted to the Extracurricular Treasurer. We also examined the remittances to find other collections he did remit for which he did not write a receipt. The combination of receipts he wrote and other remittances without written receipts determined his total collections. We then compared the total collections with the amounts remitted to the Extracurricular Treasurer. In addition, we were able to use information from fundraising vendors to determine sales figures. These were also compared to what was remitted to the Extracurricular Treasurer. In those we were able to determine additional amounts that were neither receipted nor remitted. The schedule below details the amount of choir collections not remitted:

	<u>2016-2017</u> <u>School Year</u>	<u>2017-2018</u> <u>School Year</u>	<u>Total</u>
Choir Related Revenue Collected by McKinley	\$ 725	\$ 10,494	\$ 11,219
Collections Remitted to Extracurricular Treasurer	<u>(455)</u>	<u>(8,489)</u>	<u>(8,944)</u>
Amount Receipted by McKinley, not Remitted to Extracurricular Treasurer	270	2,005	2,275
Pastry Sales not Receipted nor Remitted to Extracurricular Treasurer	723	151	874
Candy Sales not Receipted nor Remitted to Extracurricular Treasurer	-	373	373
Collections not Remitted to Extracurricular Treasurer	<u>\$ 993</u>	<u>\$ 2,529</u>	<u>\$ 3,522</u>

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 McKinley to reimburse Indian Creek High School \$3,522 for choir collections not remitted. (See Summary of Charges, page 8)

INDIAN CREEK HIGH SCHOOL
 NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

CONCESSION COLLECTIONS NOT REMITTED

For the plays and musicals performed under the supervision of McKinley, concessions were served at the performances. The products sold were provided by parents as donations, not purchased with extracurricular money. During our investigation, we determined that there were eight plays/musicals that totaled twenty-one performances in which there were no concession collections remitted. In order to estimate the amount that should have been remitted, we used concession collections that were remitted on five other plays/musicals to determine the average collections per performance. From the information reviewed relating to concession collections, we concluded that collections for the outstanding performances would have been at least this average amount. We then calculated concession collections for the eight plays/musicals in which there were no remittances based on this average. The schedule below shows the calculations by play and by school year:

<u>Play/Musical Performed</u>	<u>School Year Performed</u>	<u>Number of Performances</u>	<u>Average Concessions Per Performance</u>	<u>Estimated Concessions Sold</u>
Oklahoma	2014-015	4	\$ 65.28	\$ 261.12
Godspell	2014-015	2	65.28	<u>130.56</u>
Total 2014-2015				<u>391.68</u>
Diary of Anne Frank	2015-2016	3	65.28	195.84
The Pajama Game	2015-2016	3	65.28	195.84
Once Upon a Mattress	2015-2016	2	65.28	<u>130.56</u>
Total 2015-2016				<u>522.24</u>
Desperate Ambrose	2016-2017	2	65.28	<u>130.56</u>
Total 2016-2017				<u>130.56</u>
Suessical	2017-2018	2	65.28	130.56
Footloose	2017-2018	3	65.28	<u>195.84</u>
Total 2017-2018				<u>326.40</u>
Total				<u><u>\$ 1,370.88</u></u>

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)

INDIAN CREEK HIGH SCHOOL
NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We requested McKinley to reimburse Indian Creek High School \$1,370.88 for concession collections not remitted. (See Summary of Charges, page 8)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the choir collections not remitted.

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 that McKinley reimburse the State of Indiana \$2,798.89 for special investigation costs. (See Summary of Charges, page 8)

INTERNAL CONTROL DEFICIENCIES

There were deficiencies noted in the internal controls regarding the collection and remittance of choir funds. There was no process in place to ensure that the money being collected for choir was being fully remitted to the Extracurricular Treasurer.

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 was conducted by the Trafalgar Police Department.

INDIAN CREEK HIGH SCHOOL
NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

CRIME INSURANCE COVERAGE

The following is information regarding crime insurance obtained by the School Corporation:

Period	Amount
09-04-14 to 09-04-15	\$ 100,000
09-04-15 to 09-04-16	100,000
09-04-16 to 09-04-17	100,000
09-04-17 to 09-04-18	100,000

INDIAN CREEK HIGH SCHOOL
NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2019, with Dr. Tim Edsell, Superintendent of Schools; Debra Carter, Treasurer; Judy Misiniec, School Board member; Samantha Perry, High School Extracurricular Treasurer; and Luke Skobel, High School Principal.

The contents of this report were discussed on March 12, 2019, with Douglas A. McKinley, former Choir Director.

INDIAN CREEK HIGH SCHOOL
 NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Douglas A. McKinley, former Choir Director			
Choir Collections Not Remitted, page 3	\$ 3,522.00	\$ -	\$ 3,522.00
Concession Collections Not Remitted, pages 4 and 5	<u>1,370.88</u>	<u>-</u>	<u>1,370.88</u>
 Totals	 4,892.88	 -	 4,892.88
 Special Investigation Costs, page 5	 <u>2,798.89</u>	 <u>-</u>	 <u>2,798.89</u>
 Totals	 <u>\$ 7,691.77</u>	 <u>\$ -</u>	 <u>\$ 7,691.77</u>

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

AFFIDAVIT

STATE OF INDIANA)
)
MARION COUNTY)

We, William F. Vinson and Eugene West, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Indian Creek High School, Nineveh-Hensley-Jackson United School Corporation, Johnson County, Indiana, for the period from March 5, 2015 to April 27, 2018, is true and correct to the best of our knowledge and belief.

Wm. F. Vinson

Eugene West
Field Examiners

Subscribed and sworn to before me this 9th day of April, 2019.

Juan Mayhew
Notary Public

My Commission Expires: 03/29/2023
County of Residence: Hancock