

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

SPECIAL INVESTIGATION REPORT

OF

SPENCER-OWEN COMMUNITY SCHOOLS

OWEN COUNTY, INDIANA

August 1, 2012 to March 31, 2017



**FILED**  
05/17/2019



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

This is a special investigation report for Spencer-Owen Community Schools (School Corporation), for the period August 1, 2012 to March 31, 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 Food Service and Textbook Rental. 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

February 21, 2019

SPENCER-OWEN COMMUNITY SCHOOLS  
RESULTS AND COMMENTS

***BACKGROUND***

School Corporation officials became aware that improper postings were made to the lunch accounts of the former Food Service Assistant Sarah Bohr's (Bohr) children. Bohr was hired as Food Service Assistant on July 12, 2012. Her duties included assisting with the operation and administration of the School Food Service program.

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 accounting of the school lunch and textbook rental funds. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

***IMPROPER STUDENT LUNCH TRANSACTIONS***

During the period September 13, 2012 to March 8, 2017, Bohr posted transactions to her children's lunch accounts in the form of online payments and cash payments. No money was actually received by the School Corporation for these transactions. Bohr also made balance adjustments and posted negative or reversal transactions to reduce the amount owed on her children's lunch accounts. These postings totaled \$527.35.

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 Indiana Public School Corporations, Chapter 1)

Bohr was requested to reimburse the School Corporation \$527.35 for improper student lunch transactions. (See Summary of Charges, page 7)

***IMPROPER FREE AND REDUCED LUNCH APPLICATIONS SUBMITTED***

The 2012 Application for Free and Reduced Price School Meals submitted by Bohr for her dependent children was digitally signed on August 8, 2012, and approved for free application status. The submitted annual computed income was \$23,820 for the household. The school's records show her annual salary at the time of submission to be \$22,318.40. This salary, combined with other household income, would result in the total combined income to be \$30,694.40, which would qualify for reduced status.

The 2015 and 2016 Application for Free and Reduced Price School Meals submitted for Bohr's dependent child were approved for reduced benefits based on the reported net pay of the household (both parents were employees of the School Corporation). If gross income had been properly reported, as required, the application would not have met the standards for any benefits. Records further show that student wages were not submitted for either year.

Total underpayment for meals due to submitting improper free and reduced lunch applications totaled \$831.65. In addition, as a result of improperly submitting information on the 2015 and 2016 Application, the child received free textbook rental instead of the approved rate without assistance. Textbook rental owed for improperly submitting information totaled \$400.57.

SPENCER-OWEN COMMUNITY SCHOOLS  
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)

Bohr was requested to reimburse the School Corporation \$1,232.22 for benefits received as a result of improper free and reduced lunch applications submitted. (See Summary of Charges, page 7)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs in the investigation of the misappropriated funds.

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 Indiana Public School Corporations, Chapter 1)

Bohr was requested to reimburse the State of Indiana \$2,117.50 for special investigation costs. (See Summary of Charges, page 7)

**INTERNAL CONTROLS**

Internal control weaknesses existed that contributed to Bohr's ability to improperly post to her children's lunch accounts and improperly submitting Free and Reduced Price School Meals applications due to lack of review by another staff member.

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 misappropriation of funds by Bohr is also being conducted by the Indiana State Police.

SPENCER-OWEN COMMUNITY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

***THEFT INSURANCE POLICY***

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

<u>Period</u>	<u>Total</u>
07-01-12 to 07-01-13	\$ 50,000
07-01-13 to 07-01-14	50,000
07-01-14 to 07-01-15	50,000
07-01-15 to 07-01-16	50,000
07-01-16 to 07-01-17	50,000

SPENCER-OWEN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2019, with Chad S. Briggs, Superintendent of Schools; LaDonna Fisher, Deputy Treasurer; Darla Thomas, Treasurer; and Amber S. Willen, Vice President of the School Board.

The contents of this report were discussed on February 28, 2019, with Sarah Bohr, former Food Service Assistant.

SPENCER-OWEN COMMUNITY SCHOOLS  
SUMMARY OF CHARGES  
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sarah Bohr, former Food Service Assistant			
Improper Student Lunch Transactions, page 3	\$ 527.35	\$ -	\$ 527.35
Improper Free and Reduced Lunch Applications Submitted, pages 3 and 4	<u>1,232.22</u>	<u>-</u>	<u>1,232.22</u>
Totals	<u>1,759.57</u>	<u>-</u>	<u>1,759.57</u>
Special Investigation Costs, page 4	<u>2,117.50</u>	<u>-</u>	<u>2,117.50</u>
Totals	<u><u>\$ 3,877.07</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,877.07</u></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            )  
  )  
POSEY COUNTY)

I, Lynne Spencer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Spencer-Owen Community Schools, Owen County, Indiana, for the period from August 1, 2012 to March 31, 2017, is true and correct to the best of my knowledge and belief.

Lynne Spencer  
Field Examiner

Subscribed and sworn to before me this 17 day of April, 2019.

Crystal Collins  
Notary Public

My Commission Expires: 7/5/2023

County of Residence: POSEY