

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

SPECIAL INVESTIGATION REPORT
OF

CHORAL DEPARTMENT
BEN DAVIS HIGH SCHOOL
METROPOLITAN SCHOOL DISTRICT
OF WAYNE TOWNSHIP
MARION COUNTY, INDIANA

January 1, 2013 to April 30, 2016



FILED
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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This is a special investigation report for the Choral Department of Ben Davis High School, Metropolitan School District of Wayne Township (School Corporation), for the period January 1, 2013 to April 30, 2016, 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 credit card transactions made by the Ben Davis High School Choral Department (Choral Department). 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

June 21, 2018

CHORAL DEPARTMENT
BEN DAVIS HIGH SCHOOL
METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
RESULTS AND COMMENTS

BACKGROUND

The School Corporation officials became aware that there were personal and unauthorized expenses paid by Hersel Cremeans (Cremeans), former Choral Director.

As Choral Director, Cremeans was responsible for overseeing the Extracurricular Account (ECA) fund for the Choral Department. Cremeans was also the custodian of a corporate credit card in the name of the School Corporation.

The Indiana State Board of Accounts was notified by School Corporation officials in accordance with IC 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the accounting of the credit card charges made by the employee. The following describes noncompliance with statutes or the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts.

PERSONAL EXPENSES

Personal purchases totaling \$318.04 were made by Cremeans using the School Corporation credit card. Purchases included food, a ring, and show tickets not related to the functions and purposes of the Choral Department.

An additional amount of \$850 was misappropriated by Cremeans by transferring ECA funds to students' individual accounts for payment of personal services performed by the students for the benefit of Cremeans.

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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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)

Cremeans was requested to reimburse the Choral Department \$1,168.04 for personal expenses. Reimbursement was received from Cremeans on June 5, 2019, check No. 3134. (See Summary of Charges, page 7)

TRAVEL EXPENSES

In March 2013, while on a trip to Orlando, Cremeans used the School Corporation credit card for unauthorized meal expenses in the amount of \$16.96.

In June 2015, Cremeans attended a three day conference in Las Vegas. The School Corporation authorized car rental and per diem for the three days of the conference. However, the car rental charge to the School Corporation was for a seven day rental period. In addition, Cremeans claimed per diem for seven days, instead of the three days allowed. Excess car rental expense and per diem paid by the School Corporation on behalf of Cremeans were \$144.15 and \$171, respectively. The excess travel expenses were not in accordance with amounts approved by the School Corporation.

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RESULTS AND COMMENTS
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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)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Cremeans was requested to reimburse the Choral Department \$332.11 for travel expenses charged to the School Corporation credit card. Reimbursement was received from Cremeans on June 5, 2019, check No. 3134. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the Choral Department.

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 requested Cremeans to reimburse the State of Indiana \$2,593.50 for special investigation costs. Reimbursement was received from Cremeans on May 14, 2019, check No. 161. (See Summary of Charges, page 7)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in the internal control system concerning the handling of credit card purchases and travel expenses.

Cremeans failed to comply with the travel expenses policies rules established by the School Corporation, which prohibited payment of spouse or other family member expenses. These purchases went undetected due to purchases made by credit card were not reviewed in a timely manner to determine if the charged purchases were in accordance with travel expense policies established by the School Corporation.

Due to the lack of sufficient monitoring of activities, payment of personal expenses and violations of the travel expense rules were able to occur and not be identified timely.

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:

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RESULTS AND COMMENTS
(Continued)

"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. . . ."

CRIME INSURANCE COVERAGE

The following is information regarding Crime Insurance obtained by the School Corporation:

<u>Period</u>	<u>Amount</u>
06-01-12 to 06-01-13	Direct Loss
06-01-13 to 06-01-14	Direct Loss
06-01-14 to 06-01-15	Direct Loss
06-01-15 to 06-01-16	Direct Loss

CHORAL DEPARTMENT
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EXIT CONFERENCE

The contents of this report were discussed on August 6, 2018, with Dr. Jeffrey K. Butts, Superintendent of Schools; Amy Eaton, Director of Finance; Phyllis Lewis, President of the School Board; Robert P. House II, Interim Chief Financial Officer; and Dennis J. Tackett, former Chief Financial Officer.

CHORAL DEPARTMENT
 BEN DAVIS HIGH SCHOOL
 METROPOLITAN SCHOOL DISTRICT OF WAYNE TOWNSHIP
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Hersel Cremeans, former Choral Director:			
Personal Expenses, page 3	\$ 1,168.04	\$ 1,168.04	-
Travel Expenses, pages 3 and 4	<u>332.11</u>	<u>332.11</u>	<u>-</u>
Subtotals	1,500.15	1,500.15	-
Special Investigation Costs, page 7	<u>2,593.50</u>	<u>2,593.50</u>	<u>-</u>
Totals	<u>\$ 4,093.65</u>	<u>4,093.65</u>	<u>-</u>

This report was forwarded to the Office of the Indiana Attorney General.