

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

SPECIAL INVESTIGATION REPORT
OF

COOKS CORNERS ELEMENTARY SCHOOL
VALPARAISO COMMUNITY SCHOOLS
PORTER COUNTY, INDIANA

July 1, 2016 to March 18, 2019



FILED
11/26/2019

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TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

This is a special investigation report for the Valparaiso Community Schools (School Corporation), for the period July 1, 2016 to March 18, 2019, 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 Cooks Corners Elementary School (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, non-compliance 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, 2019

COOKS CORNERS ELEMENTARY SCHOOL
VALPARAISO COMMUNITY SCHOOLS
RESULTS AND COMMENTS

BACKGROUND

Nicole Plemons (Plemons) was hired as the Secretary/Treasurer of the Elementary School on November 30, 2015. Plemons was responsible for collecting, counting, and receipting all monies, including preparing and depositing the money into the bank account. Plemons was responsible for overseeing cash disbursements, including maintaining copies of all claims and invoices and preparing checks.

At the beginning of the 2018-2019 school year, staff were given a packet of information from Plemons, including a narrative titled "Procedures for Handling Money." The Procedures for Handling Money indicated it was "updated" on August 9, 2018. The Procedures for Handling Money stated in part:

- "1. If you have any event that will involve money:
 - a. BEFORE YOU DO ANYTHING - Check with Mrs. Plemons . . .
2. When collecting money:
 - a. DO NOT EVER keep money in your room overnight;
 - b. Use the Summary Collection form to report your deposit.
 - c. Turn your deposits in every day.
3. When you turn money into Mrs. Plemons:
 - a. Use your money collection envelope to store you money and your Summary Collection form.
 - b. Find out when Mrs. Plemons is available to re-count your money in your presence. If she is unavailable at the time, you will have to keep your money in your possession and wait until she has time. . . ."

Per the Procedures for Handling Money document, regarding collections for field trips, it states, in part:

- "1. Vendors/Venues: All Vendors/Venues need to be approved prior to field trip being scheduled or information being sent home with students. . . .
6. Collection of Money: Each individual teacher must collect money for their own classroom students instead of by grade level, and a log must be kept of all money collected within each respective classroom . . . All money collected must be turned in on a daily basis to Mrs. Plemons, if money is received that day, along with a Summary Collection form . . ."

The School Corporation officials conducted an internal audit of the extracurricular accounts and discovered instances of cash receipts not being deposited for the 2017-2018 and 2018-2019 school years. School Corporation officials determined approximately \$4,221 was not deposited for school agenda notebooks, t-shirts, field trips, and textbook rental.

Plemons resigned from the School Corporation on May 6, 2019.

COOKS CORNERS ELEMENTARY SCHOOL
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The School Corporation notified the Indiana State Board of Accounts of the misappropriated funds on March 25, 2019. The Indiana State Board of Accounts examined the records and the accounting for collections to determine if any additional monies were not deposited by Plemons. The following describes the results of the investigation conducted by the Indiana State Board of Accounts.

RECEIPTS NOT DEPOSITED

A comparison of the Summary Collection Forms (SA-8) to the school receipts and bank deposits was performed for the 2017-2018 and 2018-2019 school years. Cash collections not deposited were as follows:

<u>School Year</u>	<u>Cash Collections Not Deposited</u>
2017-2018	\$ 690
2018-2019	<u>1,296</u>
Total	<u>\$ 1,986</u>

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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)

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)

We requested Plemons to reimburse the Elementary School \$1,986 for receipts not deposited. (See Summary of Charges, page 11)

TEXTBOOK RENTAL NOT DEPOSITED

Students were assessed textbook rental fees based on their grade level. These fees were paid to the Secretary/Treasurer. The Secretary/Treasurer was responsible for collecting book rental and fees for all students, recording the payments in the School Corporation's computer software to credit the individual student account, recording the collections to the Elementary School ledger (school ledger), and depositing the collections in the bank.

A comparison was performed of collections recorded in the School Corporation's computer software to the total collections posted to the school ledger, and deposited to the bank. Cash collections totaling \$150 were not posted to the school ledger or deposited for the 2017-2018 school year.

COOKS CORNERS ELEMENTARY SCHOOL
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(Continued)

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)

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 Plemons to reimburse the Elementary School \$150 for textbook rental not deposited. (See Summary of Charges, page 11)

OTHER COLLECTIONS NOT DEPOSITED

Per Valparaiso Community School Corporation's Elementary School Secretary/Treasurer Job Description:

" . . . 8. Oversee cash receipts (I.e., collect, count and receipt all monies); including preparing and depositing into bank account. . . .

12. Collect book rental/fees for all students. Maintain list of outstanding book rental/fees and follow up as necessary. . . ."

Student Agenda Notebooks

Student agenda notebooks (agendas) were required for all students in grades 3 through 5. These agendas were listed on the supply lists for the 2017-2018 and 2018-2019 school years and were required to be purchased at the Elementary School's Back to School Bash for \$3 each, which was the cost. Per the Elementary School Principal, money could be collected by an aide, PTO volunteer, or Plemons. At the end of the night, the collections were remitted to Plemons to lock up and deposit.

The 2017-2018 agenda collections totaling \$6 were receipted and deposited on September 5, 2017, which was 26 days after the Back to School Bash was held on August 10, 2017.

The 2018-2019 agenda collections of \$554 were receipted and deposited on November 6, 2018, after School Corporation officials questioned the lack of collections. The Back to School Bash was held on August 6, 2018; thus, the collections were not receipted or deposited until 92 days after the event.

Plemons, as the Secretary/Treasurer, was responsible for the agenda collections. At no time did Plemons question or report missing collections for agendas.

Using enrollment figures reported to the Indiana Department of Education for the 2017-2018 and 2018-2019 school years, and the \$3 per agenda charge to the students, we determined collections of \$462 and \$630, respectively. Thus, estimated collections not deposited for 2017-2018 and 2018-2019 were \$456 and \$76, respectively.

Indiana Code 20-41-1-3(a) states, in part:

"A person who has charge of the collection, custody, and disbursement of funds collected and expended to pay expenses incurred in conducting any athletic, social, or other school function, the cost of which is not paid from public funds, shall:

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RESULTS AND COMMENTS
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(1) keep an accurate account of all money received and expended, showing the:

- (A) sources of all receipts;
- (B) purposes for which the money was expended; and
- (C) balance on hand; and . . ."

Indiana Code 20-41-1-7(b) states:

"The principal or teacher in charge of the school shall designate a collecting authority to be in charge of the collection of any funds described in this section. Upon collection of any funds, the collecting authority shall deliver the funds, together with an accounting of the funds, to the custody of the school treasurer. The principal may designate different collecting authorities for each separate account of funds described in this section."

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)

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)

We requested Plemons to reimburse the Elementary School \$532 for student agenda notebooks collections not deposited. (See Summary of Charges, page 11)

Field Trips

Summary of Collection Forms (SA-8), were retained for 5 out of 11 field trips for the 2017-2018 school year and 8 out of 10 field trips for the 2018-2019 school year. Field Trip Collection Logs were not presented for audit for the 2017-2018 school year. One Field Trip Collection Log was presented for audit for the 2018-2019 school year. Applications for approval of the field trips, and letters to parents requesting field trip fees and permission were not retained for the 2017-2018 school year.

As directed per the Procedures for Handling Money document regarding field trips, each teacher collected money for their classroom, and documented the collections daily on Summary of Collection Forms (SA-8). Per discussions with staff, the collections and SA-8's were remitted to Plemons daily. Plemons counted the collections, and if the count agreed she would either initial or sign the SA-8, and return the teacher copy to the teacher to serve as their receipt. The collections were not receipted to the ledger or deposited in the bank until a later date.

Collections for both school years were calculated for field trips and compared to amounts receipted and deposited by Plemons.

For the 2017-2018 school year, using invoices for field trips to document the number of attending and the cost, collections not receipted or deposited were \$1,619. For the 2017-2018 school year, if the same trip was taken in 2018-2019, and fee per the letters to parents requesting field trip fees and permission was less than the cost per the invoice, the fee per the 2018-2019 letters to parents was used in the calculation.

COOKS CORNERS ELEMENTARY SCHOOL
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 RESULTS AND COMMENTS
 (Continued)

For the 2018-2019 school year, applications for approval of field trips were used to document the number of participants and the amount subsidized by the Parent Teacher Organization (PTO). Letters to parents requesting field trip fees and permission for students to attend, were used to determine the cost per participant. Invoices for payments of field trip expenses were also used to support the trip being taken and the payment of the trip in part from collections and the PTO. After analysis and calculations, \$610 in collections were calculated as not receipted or deposited.

Generally, fees were also charged to students for use of School Corporation buses; however, these fees were not used in the calculation of collections not receipted or deposited for field trips.

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)

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 Plemons to reimburse the Elementary School \$2,229 for field trip collections not deposited. (See Summary of Charges, page 11)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs in the amount of \$6,143.50 due to the special investigation of the Elementary School.

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 that Plemons reimburse the State of Indiana for special investigation costs in the amount of \$6,143.50. (See Summary of Charges, page 11)

OFFICIAL BOND

Plemons was covered by public official position schedule bonds as follows:

<u>Term</u>	<u>Bond Amount</u>
07-01-17 to 07-01-18	\$ 30,000
07-01-18 to 07-01-19	30,000

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(Continued)

EMPLOYEE DISHONESTY INSURANCE

The School Corporation, of which the Elementary School is a portion, has an insurance policy that protects them from employee theft.

Term	Coverage
09-01-17 to 09-01-18	\$ 10,000
09-01-18 to 09-01-19	30,000

INTERNAL CONTROLS

There were no controls, such as oversight and segregation of duties, for the recordkeeping at the Elementary School. The Secretary/Treasurer was solely responsible for all financial processes.

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. . . ."

RECORD RETENTION

Summary of Collection Forms (SA-8) were retained for 5 out of 11 field trips for the 2017-2018 school year and 8 out of 10 field trips for the 2018-2019 school year.

Field Trip Approvals and Parent Consent Forms were not retained for audit for the 2017-2018 and 2018-2019 school years. One field trip collection log was retained for audit for the 2018-2019 school year.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-curricular Accounts, Chapter 7)

COOKS CORNERS ELEMENTARY SCHOOL
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RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE AND ACCOUNTABLE ITEMS

The School Corporation required the purchase and sale of student agenda notebooks (agendas) at the beginning of each school year. Receipts were not issued for the collections received, and an Accountable Items Review Form (SA-9) was not used to help account for the number of agendas sold.

Teachers prepared Summary of Collection Forms (SA-8) and submitted to Plemons on a daily basis, as money was received. The SA-8s that were provided for investigation for the same collection type had various dates. The SA-8s were signed by the teacher, and either signed or initialed by Plemons. Teachers indicated that Plemons did not issue receipts to them for the collections remitted. The SA-8s served as their receipt. The receipts issued for these collections were not issued on the same dates as on the SA-8s, or in the same amounts. A single receipt may have been issued for multiple SA-8s. Also, the receipts were not issued in the name of the individual remitting the collections to Plemons.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PICTURE COMMISSION

Each year, the Elementary School received a picture commission. The picture commissions were deposited into the Student Activity Fund for the 2016-2017 and 2018-2019 school years. Plemons deposited the picture commission totaling \$1,572.40 into the Elementary School's "Interest" fund for the 2017-2018 school year.

As of March 31, 2019, the Interest fund account balance was \$11.96. If Plemons had not receipted the picture commission money in the Interest fund, the fund would have been overdrawn.

Indiana Code 20-41-1-9 states in part:

"(a) The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times.

(b) The money in the school extracurricular account may be invested under the conditions specified in [IC 5-13-10](#) and [IC 5-13-10.5](#) for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund. . . ."

COOKS CORNERS ELEMENTARY SCHOOL
VALPARAISO COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2019, with Dr. Julie Lauck, Superintendent of Schools; Dr. Jim McCall, Assistant Superintendent of Schools; Rob Behrend, President of the School Board; and Sharon Qualkenbush, Chief Financial Officer.

COOKS CORNERS ELEMENTARY SCHOOL
 VALPARAISO COMMUNITY SCHOOLS
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nicole Plemons, former Secretary/Treasurer:			
Receipts Not Deposited, page 4	\$ 1,986.00	\$ -	\$ 1,986.00
Textbook Rental Not Deposited, pages 4 and 5	150.00	-	150.00
Other Collections Not Deposited, pages 5 through 7	2,761.00	-	2,761.00
Special Investigation Costs, page 7	<u>6,143.50</u>	<u>-</u>	<u>6,143.50</u>
Totals	<u>\$ 11,040.50</u>	<u>\$ -</u>	<u>\$ 11,040.50</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)
)
Porter COUNTY)

I, Kristin Campbell, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Valparaiso Community Schools, Porter County, Indiana, for the period from July 1, 2016 to March 18, 2019, is true and correct to the best of my knowledge and belief.

Kristin Campbell
Field Examiner

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

Judy A. Hittle
Notary Public

My Commission Expires: 06-26-2021
County of Residence: JASPER

