

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

SPECIAL INVESTIGATION REPORT
OF

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

August 1, 2016 to March 31, 2018



FILED
02/28/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF FRANKLIN COMMUNITY SCHOOL
CORPORATION, JOHNSON COUNTY, INDIANA

This is a special investigation report for the Performing Arts Center (PAC) of Franklin Community High School, Franklin Community School Corporation (School Corporation), for the period August 1, 2016 to March 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 PAC. 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 4, 2019

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

Ian Marshall (Marshall), former Assistant Manager, served as the Front of House Manager of the PAC of Franklin Community High School, for the period of August 8, 2016 to March 30, 2018. Marshall resigned his position effective March 30, 2018.

As Assistant Manager, Marshall was responsible for preparing deposits for ticketed admissions and concession sales from the PAC, managing the box office and concessions stand, and assisting with the performances. Checks received from ticket sales were found by school officials that were not deposited. It was then noted that several days of cash collections from November 25, 2017, to January 20, 2018, were not deposited. It was also noted that Marshall had not used the sales cash register for several days of concessions sales. Concessions sales reports for these days were not deposited.

School officials contacted the Indiana State Board of Accounts (SBOA) in accordance with Indiana Code 5-11-1-27 regarding the PAC collections not being deposited. The SBOA examined the records and the accounting for PAC receipts. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts*.

COLLECTIONS NOT DEPOSITED

From November 2, 2017 through January 21, 2018, tickets were sold by the PAC for six events. Although cash and checks were received for the events as reported on the Vendini sales reports, no cash funds were deposited with the Extracurricular (ECA) Treasurer. Cash sales not deposited from the events totaled \$4,392.

From October 15, 2017 through March 24, 2018, concessions were held for several PAC events. Although the concessions were open for all of these events, no total reports were available for sales made and no funds were deposited with the ECA Treasurer. Based on concession sales from other events, cash sales not deposited from these days were estimated to total \$5,008.19.

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 unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (*Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7*)

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 Extracurricular Accounts, Chapter 7*)

We requested Marshall reimburse the Franklin Community School Corporation \$9,400.19 for collections not deposited. (See Summary of Charges, page 7)

Restitution in the amount of \$4,797 was paid to the Johnson County Clerk of the Circuit Court on August 1, 2018.

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the School Corporation.

Audit costs incurred because of poor records, nonexistent records or any other inadequate bookkeeping practices, or because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

We requested Marshall reimburse the State of Indiana \$8,500.12 for special investigation costs. (See Summary of Charges, page 7)

INTERNAL CONTROL DEFICIENCIES

Marshall was responsible for managing ticket and concessions sales at the PAC. This included receiving cash, checks, and credit card payments from sales and preparing the deposits to give to the ECA Treasurer.

Although there was an internal control policy and segregation of duties developed by the school corporation, these were not being followed. Oversight and review of the PAC admissions and concessions activities by someone other than Marshall were not adequate.

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 publication, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. This includes control activities. According to this publication:

"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. . . ."

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

BOND INFORMATION

The following is information regarding official bonds obtained by the School Corporation:

<u>Effective Date</u>	<u>Amount</u>
12-15-15	\$ 10,000

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation of the misappropriation of funds has also been conducted by the City of Franklin Police Department. Case Number 41D02-1804-F6-000177 was filed in Johnson County Superior Court 2. Marshall pleaded guilty to the theft and was ordered to pay restitution in the amount of \$4,797. Restitution in the amount of \$4,797 was paid to the Johnson County Clerk of the Circuit Court on August 1, 2018.

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2019, with Dr. David Clendening, Superintendent of Schools; Tina Gross, Chief Financial Officer; Bryan Wertz, President of the School Board of Trustees; Steve Ahaus, Principal; and Doug Corliss, Performing Arts Center Director.

PERFORMING ARTS CENTER OF
FRANKLIN COMMUNITY HIGH SCHOOL
FRANKLIN COMMUNITY SCHOOL CORPORATION
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ian Marshall, former Assistant Manager:			
Collections Not Deposited, Page 3	\$ 9,400.19	\$	\$
Restitution Paid to the Johnson County Clerk of the Circuit Court on August 1, 2018		4,797.00	4,603.19
Special Investigation Costs, Page 4	<u>8,500.12</u>	<u>-</u>	<u>8,500.12</u>
 Totals	 <u>\$ 17,900.31</u>	 <u>\$ 4,797.00</u>	 <u>\$ 13,103.31</u>

This report was forwarded to the Office of the Indiana Attorney General, City of Franklin Police Department and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
 MARION COUNTY)

I, Tammy L. Baker, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Performing Arts Center, Franklin Community High School, Franklin Community School Corporation, Johnson County, Indiana, for the period from August 1, 2016 to March 31, 2018, is true and correct to the best of my knowledge and belief.

 Tammy L. Baker
Field Examiner

Subscribed and sworn to before me this 13 day of FEBRUARY , 20 20 .

 Juanita M. Hendricksen
(Notary Public)

My Commission Expires: _____

County of Residence: _____

