

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

SPECIAL INVESTIGATION REPORT

OF

LEWIS CASS SCHOOLS

CASS COUNTY, INDIANA

February 22, 2019 to January 21, 2020



FILED
06/30/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LEWIS CASS SCHOOLS, CASS COUNTY, INDIANA

This is a special investigation report for Lewis Cass Schools (School Corporation), for the period February 22, 2019 to January 21, 2020, 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 School Lunch transactions and associated deposits. 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 23, 2020

LEWIS CASS SCHOOLS
RESULTS AND COMMENTS

BACKGROUND

Melissa Sturdivant (Sturdivant) was hired on August 16, 2010, as an Elementary School Cafeteria Manager. On August 10, 2018, she became the Food Service Office Assistant. As the Office Assistant, Sturdivant was responsible for collecting and posting collections to the student/adult lunch accounts, preparing the deposit tickets, and depositing the Elementary School lunch collections. Sturdivant was also responsible for preparing the deposit tickets, and depositing the High School and Junior High School lunch collections. In addition, Sturdivant's duties included posting entries to the "Maintenance Accounts" which were established for the receipt of donations and the subsequent transfer of the donated funds into student lunch accounts.

In January 2020, the Corporation Treasurer became aware of several posted transactions to student/adult school lunch accounts that were unusual in nature and could not be substantiated.

On January 21, 2020, Sturdivant admitted to taking cash to the Corporation Treasurer, and on January 30, 2020, Sturdivant admitted to taking cash to a law enforcement officer. Sturdivant was placed on paid leave on January 21, 2020. Sturdivant resigned on February 8, 2020.

The School Corporation notified the Indiana State Board of Accounts on January 27, 2020, in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and the results of our investigation are described in the following comments.

RECEIPTS NOT DEPOSITED

From September 3, 2019 to January 21, 2020, there were 59 instances of credits being posted to student/adult school lunch accounts for which cash was not deposited or a donation was not transferred. Total receipts not deposited were in the amount \$4,627.01.

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)

We requested that Sturdivant reimburse the School Corporation for receipts not deposited in the amount of \$4,627.01. (See Summary of Charges, page 7)

UNAUTHORIZED DISBURSEMENTS FROM MAINTENANCE ACCOUNTS

From February 22, 2019 to January 21, 2020, there were 8 instances of money being disbursed from the Maintenance Accounts into the student/adult school lunch accounts. In each of these instances cash collections were substituted by posting a disbursement from the Maintenance Account and a corresponding receipt into the student/adult school lunch accounts. Total unauthorized disbursements from the Maintenance Accounts were \$647.90.

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)

We requested that Sturdivant reimburse the School Corporation for unauthorized disbursements from the maintenance accounts in the amount of \$647.90. (See Summary of Charges, page 7)

LEWIS CASS SCHOOLS
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs, in the amount of \$3,861.05, due to the special investigation of the Lewis Cass Schools.

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 Indiana Public School Corporations, Chapter 1)

We requested that Sturdivant reimburse the State of Indiana for special investigation costs in the amount of \$3,861.05. (See Summary of Charges, page 7)

OFFICIAL BOND

Sturdivant was covered by public official bonds and employee dishonesty insurance policies as follows:

<u>Type</u>	<u>Term</u>	<u>Bond Amount</u>
Official Bond	08-10-18 to 08-10-19	\$ 5,000
	07-01-19 to 06-30-20	5,000
Employee Dishonesty Coverage	08-15-18 to 08-15-19	300,000
	08-15-19 to 08-15-20	300,000

INTERNAL CONTROL DEFICIENCIES

The School Corporation has the ability to generate school lunch reports that show credit (receipt) and debit (disbursement) activity each day by individual; however, these reports were not generated or reviewed by the Food Service Director. Also, the Maintenance Accounts were not reviewed regularly for unusual or unauthorized activity. The School Corporation had no policy or procedures in place to ensure Maintenance Accounts were properly used.

The 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:

LEWIS CASS SCHOOLS
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"

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation of the Lewis Cass Food Service Department collections and deposit activities has also been conducted by the Cass County Sheriff's Department.

LEWIS CASS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 15, 2020, with Dr. Tim Garland, Superintendent of Schools; Kristi Hull, Corporation Treasurer; Lisa Adams, Food Service Director; and Matt Lewellen, President of the School Board.

LEWIS CASS SCHOOLS
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Melissa Sturdivant, former Food Service Office Assistant:			
Receipts Not Deposited, page 3	\$ 4,627.01	\$ -	\$ 4,627.01
Unauthorized Disbursements from Maintenance Accounts, page 3	647.90	-	647.90
Special Investigation Costs, page 4	<u>3,861.05</u>	<u>-</u>	<u>3,861.05</u>
 Totals	 <u>\$ 9,135.96</u>	 <u>\$ -</u>	 <u>\$ 9,135.96</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)
Huntington COUNTY)

I, Mary Jane Bartrom, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Lewis Cass Schools, Cass County, Indiana, for the period from February 22, 2019 to January 21, 2020, is true and correct to the best of my knowledge and belief.

Mary Jane Bartrom
Field Examiner

Subscribed and sworn to before me this 3 day of June, 2020

Cheryl Ann Hardin
Notary Public

My Commission Expires: September 28, 2026

County of Residence: Huntington

