

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

SPECIAL INVESTIGATION REPORT
OF

DEMING ELEMENTARY
VIGO COUNTY SCHOOL CORPORATION
VIGO COUNTY, INDIANA

January 1, 2015 to February 29, 2020



FILED
11/06/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF VIGO COUNTY SCHOOL CORPORATION, VIGO COUNTY, INDIANA

This is a special investigation report for Vigo County School Corporation (School Corporation), for the period January 1, 2015 to February 29, 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 the Extra-Curricular Account at Deming Elementary. 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

August 27, 2020

DEMING ELEMENTARY
VIGO COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

Erica McCloud (McCloud), became the Extra-Curricular Account (ECA) Treasurer of Deming Elementary (Elementary School) on January 29, 2015. When McCloud failed to turn in the Elementary School's 2019 report, the School Corporation officials scheduled a meeting with her to discuss the report. McCloud did not show up to the meeting and resigned on February 5, 2020. School Corporation officials reviewed the Elementary School's receipts and deposits and reported a theft to the Terre Haute Police Department on February 12, 2020.

The Indiana State Board of Accounts was notified by the Terre Haute Police Department of the theft. The Indiana State Board of Accounts examined the records and accounting for the depositing of receipts by McCloud. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts*.

RECEIPTS

A test of ECA receipts was performed to compare receipts recorded in the ledger to amounts deposited in the bank. The test revealed receipts written for school book fairs, field trips, and student activities were not deposited.

A further review of the detail of items deposited showed checks for commissions, donations, and other unidentified sources that were included in the deposit, but not recorded in the ECA ledger.

The following table compares receipts to bank deposits:

Years	Ledger Receipts	Receipts Not Recorded	Total Receipts	Bank Deposits	Receipts Not Deposited
2015	\$ 8,906.67	\$ -	\$ 8,906.67	\$ 8,906.67	\$ -
2016	9,698.26	-	9,698.26	6,814.09	2,884.17
2017	9,755.92	518.36	10,274.28	6,688.68	3,585.60
2018	7,624.15	2,289.97	9,914.12	5,196.35	4,717.77
2019	12,450.09	995.97	13,446.06	4,298.71	9,147.35
2020	-	1,805.73	1,805.73	1,805.73	-
Totals	<u>\$ 48,435.09</u>	<u>\$ 5,610.03</u>	<u>\$ 54,045.12</u>	<u>\$ 33,710.23</u>	<u>\$ 20,334.89</u>

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office or any official or employee may be the personal obligation of the responsible official or employee. (*Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7*)

Indiana Code 20-41-1-9(a) states in part: "The Treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. . . ."

Indiana Code 5-13-6-1(c) states in part: ". . . Public funds deposited . . . shall be deposited in the same form in which they were received."

DEMING ELEMENTARY
VIGO COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We requested that McCloud reimburse the Elementary School \$20,334.89 for receipts not deposited. (See Summary of Charges, page 7)

SERVICE CHARGES

Bank service charges totaling \$290 were deducted from the Elementary School's bank account for the investigation period because the account balance dropped below a certain amount.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against a governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested that McCloud reimburse the Elementary School \$290 for service charges. (See Summary of Charges, page 7)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the receipts not deposited at 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 McCloud reimburse the State of Indiana \$8,165.25 for special investigation costs. (See Summary of Charges, page 7)

INTERNAL CONTROLS

Internal controls over the reporting of Extra-Curricular Accounts were in place by the School Corporation. Timely reviewing yearly reports enabled the detection of irregularities in the Elementary School. However, there were internal control deficiencies over the Extra-Curricular Accounts at the Elementary School level as follows:

- McCloud presented the December 2019 monthly report to the Principal to review and sign on January 30, 2020. However, after the Principal reviewed and signed the report, McCloud made adjustments to the system and generated a new report that she uploaded to Gateway on January 31, 2020.

DEMING ELEMENTARY
VIGO COUNTY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

- McCloud failed to pay bills in a timely manner.
- Textbook fees collected and posted by McCloud, but were never deposited.
- Receipts were written out of sequence and not in chronological order.
- Receipts were not posted to the ledger.
- Prescribed forms SA-3 Receipt and SA-8 Summary Collection Form were not always in use.
- Records for November 2017 through December 2018 were not retained for review.

Overall, the lack of internal controls at Deming Elementary over the ECA Treasurer position allowed for the items above to go undetected.

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. These 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 Elementary School has also been conducted by the Terre Haute Police Department.

INSURANCE COVERAGE

The Vigo County School Corporation had insurance coverage for the Deming Elementary Treasurer position of \$2,500 and employee theft coverage of \$50,000 as shown in the table:

Period	Amount	Amount
07-01-14 to 07-01-17	\$ 2,500	\$ 50,000
07-01-17 to 07-01-20	2,500	50,000

DEMING ELEMENTARY
VIGO COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2020, with Dr. Robert Haworth, Superintendent of Schools; Donna Wilson, Chief Financial Officer; Joseph Irwin III, President of the School Board of Trustees; and Cindy DeHart, Deputy Treasurer.

DEMING ELEMENTARY
 VIGO COUNTY SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Erica McCloud, former Extra-Curricular Account Treasurer:			
Receipts, pages 3 and 4	\$ 20,334.89	\$ -	\$ 20,334.89
Service Charges, page 4	<u>290.00</u>	<u>-</u>	<u>290.00</u>
 Totals	 <u>20,624.89</u>	 <u>-</u>	 <u>20,624.89</u>
 Special Investigation Costs, page 4	 <u>8,165.25</u>	 <u>-</u>	 <u>8,165.25</u>
 Totals - Erica McCloud, former Extra-Curricular Account Treasurer	 <u>\$ 28,790.14</u>	 <u>\$ -</u>	 <u>\$ 28,790.14</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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