

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

SPECIAL INVESTIGATION REPORT
OF

BORDEN ELEMENTARY SCHOOL
WEST CLARK COMMUNITY SCHOOLS
CLARK COUNTY, INDIANA

January 1, 2014 to September 30, 2019



FILED
11/23/2020

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF WEST CLARK COMMUNITY SCHOOLS, CLARK COUNTY, INDIANA

This is a special investigation report for West Clark Community Schools (School Corporation), for the period January 1, 2014 to September 30, 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 the Extra-Curricular Account at Borden 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, 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

September 21, 2020

BORDEN ELEMENTARY SCHOOL
WEST CLARK COMMUNITY SCHOOLS
RESULTS AND COMMENTS

BACKGROUND

Sandra Kirkland (Kirkland) served as the Extra-Curricular Treasurer of Borden Elementary School (Elementary School) from May 12, 2005 to September 20, 2019. Kirkland's responsibilities included accounting for all collections for the Elementary School, maintaining the funds ledger, issuing receipts, and making deposits. School Corporation officials became concerned about the receipts and deposits of the Elementary School Extra-Curricular Account (ECA) collections in September 2019.

The Indiana State Board of Accounts was notified by the School Corporation in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and reviewed the receipts and deposits for the investigation period. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts*.

RECEIPTS NOT DEPOSITED

A review of ECA receipts was performed for the investigation period to compare receipts recorded in the ledger to amounts deposited in the bank. The review revealed that receipts written for field trips, yearbook sales, textbook rental, PTO donations, fundraisers, athletic uniform purchases, school picture commissions, and student activities were not deposited.

A further review of the detail of items deposited showed checks for commissions, donations, field trips, textbook rental, yearbook sales, and other sources that were included in the deposits, but not recorded in the ECA ledger.

The following table compares receipts to bank deposits:

| Period | Ledger Receipts | Receipts Not Recorded | Total Receipts | Bank Deposits | Receipts Not Deposited |
|-------------------|----------------------|-----------------------------|----------------------|----------------------|------------------------------|
| 1/1/14 to 6/30/14 | \$ 49,454.35 | \$ 4,552.36 | \$ 54,006.71 | \$ 49,450.35 | \$ 4,556.36 |
| 7/1/14 to 6/30/15 | 86,337.78 | 9,298.47 | 95,636.25 | 86,125.36 | 9,510.89 |
| 7/1/15 to 6/30/16 | 82,444.11 | 5,236.46 | 87,680.57 | 82,397.54 | 5,283.03 |
| 7/1/16 to 6/30/17 | 80,956.17 | 3,531.51 | 84,487.68 | 80,864.11 | 3,623.57 |
| 7/1/17 to 6/30/18 | 79,586.64 | 8,142.65 | 87,729.29 | 79,349.89 | 8,379.40 |
| 7/1/18 to 6/30/19 | 69,035.18 | 5,383.25 | 74,418.43 | 66,844.01 | 7,574.42 |
| 7/1/19 to 9/30/19 | 31,850.08 | - | 31,850.08 | 31,850.08 | - |
| Totals | <u>\$ 479,664.31</u> | <u>\$ 36,144.70</u> | <u>\$ 515,809.01</u> | <u>\$ 476,881.34</u> | <u>\$ 38,927.67</u> |

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

BORDEN ELEMENTARY SCHOOL
WEST CLARK COMMUNITY SCHOOLS
RESULTS AND COMMENTS
(Continued)

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

We requested that Kirkland reimburse the Elementary School \$38,927.67 for receipts not deposited. (See Summary of Charges, page 9)

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 Kirkland reimburse the State of Indiana \$29,383.50 for special investigation costs. (See Summary of Charges, page 9)

INTERNAL CONTROL DEFICIENCIES

We noted deficiencies in the internal control system concerning the handling of collections, receipts, and deposits. These deficiencies included, but were not limited to, the inconsistent use of the Summary Collection Form (SA-8); receipts not being written for all collections; and the lack of oversight of the deposits and receipts not being written at the time the collections were given to Kirkland. These deficiencies in the internal control system at the Elementary School over the ECA Treasurer position allowed for the items mentioned 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. . . ."

BORDEN ELEMENTARY SCHOOL
 WEST CLARK COMMUNITY SCHOOLS
 RESULTS AND COMMENTS
 (Continued)

INVESTIGATION BY LAW ENFORCEMENT AGENCY

An investigation into the Elementary School has also been conducted by the Indiana State Police.

INSURANCE COVERAGE

The West Clark Community Schools obtained insurance coverage for the Borden Elementary School Treasurer position of \$20,000 and Employee theft coverage of \$500,000, as shown in the table below:

| Bond Period | Bond Amount | Employee Theft Period | Employee Theft Amount |
|--------------------|----------------|-----------------------------|-----------------------------|
| 7/1/13 to 7/1/14 | \$ 20,000 | 7/1/09 until Cancelled | \$ 500,000 |
| 7/1/14 to 7/1/15 | 20,000 | 6/1/15 to 6/1/18 | 500,000 |
| 7/1/15 to 7/1/16 | 20,000 | 6/1/18 to 6/1/21 | 500,000 |
| 7/1/16 to 7/1/17 | 20,000 | | |
| 5/10/17 to 6/30/18 | 20,000 | | |
| 7/1/18 to 6/30/19 | 20,000 | | |
| 7/1/19 to 6/30/20 | 20,000 | | |

BORDEN ELEMENTARY SCHOOL
WEST CLARK COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2020, with Sam Gardner, interim Superintendent of Schools; Clemen Perez-Lloyd, former Superintendent of Schools; Brooke Folden, Extra-Curricular Treasurer; Samantha Hurst, Principal; Thomas R. Brillhart, Treasurer; Myra Wright Powell, President of the School Board; and Doug Coffman, former President of the School Board.

The contents of this report were discussed on October 7, 2020, with Sandra Kirkland, former Extra-Curricular Treasurer.



Sam Gardner, Jr., Interim Superintendent & Chief Financial Officer
David Rarick, Director of Safety, Operations, & Communications

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Interim Board Members

Richard Belcher
Brian Guernsey
Kevin Puckett
Terry Roudenbush
Myra Wright Powell

**OFFICIAL RESPONSE
OF BORDEN-HENRYVILLE SCHOOL CORPORATION**

September 29, 2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Via: USPS First Class Mail postage prepaid
And Email at officialresponse@sboa.in.gov

Re: Examination of Records-January 1, 2014 to September 30, 2019
Borden Elementary, Junior and Senior High School
West Clark Community Schools

Dear State Board of Accounts:

Please accept this correspondence as the Official Response of the Borden-Henryville School Corporation ("BHSC") as it relates to the investigation of alleged embezzlement activities by a West Clark Community School ("WCCS") employee while working in a school treasurer's position in the Borden Elementary School. The events which have been investigated are believed to have occurred prior to October 2019 at a time when Borden Elementary School was a part of the WCCS.

As of July 1, 2020, WCCS no longer exists as a functioning school corporation and has been divided into 2 separate and newly formed school corporations, namely Borden-Henryville School Corporation and Silver Creek School Corporation ("SCSC"). On July 1, 2020, Borden Elementary School officially and proudly became a part of the BHSC. In that BHSC is a new school corporation, and in that WCCS only exists corporately to wind down business, BHSC believes it is appropriate to set forth its official position herein.

Therefore, BHSC states as follows:

BHSC believes the findings of facts related to alleged embezzlement activity and amounts diverted as the same were communicated by a representative of the Board of Accounts in a meeting with various members of the BHSC and SCCS staff and Boards held on September 21, 2020 are true and correct.

The alleged embezzlement activities were discovered in the late Fall of 2019 by certain members of the staff at Borden Elementary School who continue currently as employees with BHSC.

Upon discovery, the alleged embezzlement was properly and timely reported by Borden Elementary School and West Clark Community Schools leadership.

BHSC has cooperated fully with the State Board of Accounts in its investigation. Such cooperation began under the West Clark School Corporation and continued (and continues) under the BHSC leadership.

The treasurer who has been identified as the person responsible for the alleged embezzlement activities and the building administrator/principal under whose watch these alleged activities occurred prior to October 2019 are not now and never have been employees of BHSC.

The current building administrator and treasurer at Borden Elementary School who were responsible for discovery of the alleged embezzlement activities, have implemented more stringent accounting procedures and protocols to help prevent this kind of activity from occurring in the future.

The BHSC Board believes there were accountable checks and balance measures in place at Borden Elementary School as recently as 2011 which would have prevented or thwarted these alleged activities. However, in a change in administration in 2011, the checks and balance measures were removed and/or not used and/or not enforced.

It is believed Borden Elementary School as a part of BHSC (and BHSC) will bear the losses and expenses caused by these alleged embezzlement activities. To the extent such happens, BHSC remains committed to working with the State Board of Accounts and other appropriate investigatory agencies.

BHSC remains committed to pursuing and implementing best practices to ensure events and activities as alleged in this matter do not occur in the future.

Should I or any of my staff be able to assist the State Board of Accounts further in this matter, please do not hesitate to contact me.

Respectfully submitted:



Samuel Gardner
Interim Superintendent of
Borden Henryville School Corporation

CC: BHSC Board of Directors

BORDEN ELEMENTARY SCHOOL
 WEST CLARK COMMUNITY SCHOOLS
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|-------------------------------------------------------------|---------------------|----------------|---------------------|
| Sandra Kirkland, former Extra-Curricular Treasurer: | | | |
| Receipts Not Deposited, pages 3 and 4 | \$ 38,927.67 | \$ - | \$ 38,927.67 |
| Special Investigation Costs, page 4 | <u>29,383.50</u> | <u>-</u> | <u>29,383.50</u> |
| Totals - Sandra Kirkland, former Extra-Curricular Treasurer | <u>\$ 68,311.17</u> | <u>\$ -</u> | <u>\$ 68,311.17</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)
)
DELAWARE COUNTY)

I, William F. Vinson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of West Clark Community Schools, Clark County, Indiana, for the period from January 1, 2014 to September 30, 2019, is true and correct to the best of my knowledge and belief.

Wm. F. Vinson
Field Examiner

Subscribed and sworn to before me this 17 day of November, 2020

Sean D. Clark
Notary Public

My Commission Expires: 7-23-2026

County of Residence: Delaware

