

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

SPECIAL INVESTIGATION REPORT
OF

SAWMILL WOODS PRESCHOOL
CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

July 1, 2016 to November 30, 2019



FILED
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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CLARK-PLEASANT COMMUNITY
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

This is a special investigation report for the Clark-Pleasant Community School Corporation (School Corporation), for the period July 1, 2016 to November 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 Sawmill Woods Preschool. 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

November 19, 2021

SAWMILL WOODS PRESCHOOL
CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

The School Corporation officials became aware, through a review performed by an outside accounting firm, of discrepancies in the records maintained by Melissa Ross (Ross), former Extracurricular Account Treasurer at the Sawmill Woods Preschool (SWP).

The Indiana State Board of Accounts was notified by the School Corporation officials in accordance with Indiana Code 5-11-1-27. The Indiana State Board of Accounts examined the records and accounting for the depositing of receipts by Ross. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts*.

PRESCHOOL PAYMENTS NOT DEPOSITED

SWP offers different preschool programs with varying fees that are to be paid monthly. Payments can be made via cash, check, and credit card. Ross was responsible for collecting payments, depositing payments, and posting payments to the student accounts maintained on spreadsheets. The following are discrepancies noted with the handling of SWP payments:

Credit Card Payments

Payments made by credit card are ran through a third-party and deposited into the School Corporation bank account. Some receipts issued by Ross were marked with a payment type of credit card; however, after obtaining reports from the credit card vendor, 38 receipts totaling \$10,880 were not processed by the credit card vendor.

Cash and Check Payments

Payments made by cash and check were collected and deposited by Ross into the School Corporation bank account. Two deposits with receipts totaling \$225 could not be traced to a bank deposit.

Receipts with Notations

Four receipts issued by Ross totaling \$1,140 had notations that the payee did not have the correct payment amount and change could not be made. The student accounts were marked as paid, but subsequent payment was not received or deposited.

Two receipts issued by Ross totaling \$820 were marked as credit card, but with a notation that the credit card vendor was down and not processing payments. However, other credit card payments were processed the same day. The student records were marked as paid, but subsequent payment was not received or deposited.

Accounts Receivable Entries

A review of the student accounts with discrepancies indicated there were nine instances totaling \$2,650 where a student's account was marked as paid, but no corresponding payment could be found and traced to a deposit or credit card report.

SAWMILL WOODS PRESCHOOL
 CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

The following is table of all discrepancies noted with the handling of SWP payments:

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>Total</u>
Credit Card Payments	\$ 1,800	\$ 4,890	\$ 4,190	\$ -	\$ 10,880
Cash and Check Payments	-	-	-	225	225
Receipts with Notations	250	390	500	820	1,960
Accounts Receivable Entries	<u>150</u>	<u>1,100</u>	<u>1,400</u>	<u>-</u>	<u>2,650</u>
Totals	<u>\$ 2,200</u>	<u>\$ 6,380</u>	<u>\$ 6,090</u>	<u>\$ 1,045</u>	<u>\$ 15,715</u>

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 Extracurricular 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."

We requested that Ross reimburse SWP \$15,715 for preschool payments not deposited. (See Summary of Charges, page 8)

Ross reimbursed SWP \$2,000 and \$13,715 for preschool payments not deposited. School Corporation receipt numbers 61625 and 61630 processed the payments on November 19, 2021, and November 23, 2021, respectively. (See Summary of Charges, page 8)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of the receipts at SWP.

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under [IC 5-11-5-1](#), the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

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

SAWMILL WOODS PRESCHOOL
CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

We requested that Ross reimburse the State of Indiana \$15,828.33 for special investigation costs. (See Summary of Charges, page 8)

Ross reimbursed the State of Indiana \$15,828.33 for special investigation costs on December 8, 2021. (See Summary of Charges, page 8)

INTERNAL CONTROLS

We noted the following deficiencies in the internal control system concerning the handling of receipts at SWP:

- A control ledger for the tuition and payments was not maintained for individual students enrolled at SWP.
- There were no controls in place to verify student enrollment and ensure tuition payments were made on a timely basis.
- There was a lack of segregation of duties in the handling of receipts at SWP. The same person accepted payments, wrote receipts, deposited the receipts, and maintained the class spreadsheets for SWP.

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 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

It is our understanding that an investigation into SWP has also been conducted by the Indiana State Police.

SAWMILL WOODS PRESCHOOL
 CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
 RESULTS AND COMMENTS
 (Continued)

OFFICIAL BOND AND PUBLIC DISHONESTY POLICY

The following is official bond and public dishonesty policy information obtained by the School Corporation:

OFFICIAL BOND		PUBLIC DISHONESTY POLICY	
Period	Coverage	Period	Coverage
07-01-16 to 06-30-17	\$ 5,000	09-01-15 to 09-01-16	\$ 100,000
07-01-17 to 06-30-18	5,000	09-01-16 to 09-01-17	100,000
07-01-18 to 06-30-19	5,000	09-01-17 to 09-01-18	100,000
07-01-19 to 06-30-20	5,000	09-01-18 to 09-01-19	100,000
		09-01-19 to 09-01-20	100,000

SAWMILL WOODS PRESCHOOL
CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2021, with Dr. Patrick Spray, Superintendent of Schools; Craig Koch, President of the School Board; Dr. Jay Staley, Assistant Superintendent of Schools; N. Austin Fruits, School Corporation Treasurer; and Robin Bullock, Business Office Specialist.

The contents of this report were discussed with Melissa Ross on October 29, 2021.

SAWMILL WOODS PRESCHOOL
 CLARK-PLEASANT COMMUNITY SCHOOL CORPORATION
 SUMMARY OF CHARGES
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Melissa Ross, former Extracurricular Account Treasurer:			
Preschool Payments Not Deposited, pages 3 and 4	\$ 15,715.00	\$ 15,715.00	\$ -
Special Investigation Costs, pages 4 and 5	<u>15,828.33</u>	<u>15,828.33</u>	<u>-</u>
Totals for Melissa Ross	<u>\$ 31,543.33</u>	<u>\$ 31,543.33</u>	<u>\$ -</u>

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