

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

SPECIAL INVESTIGATION REPORT  
OF

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
MADISON COUNTY, INDIANA

January 1, 2014 to December 31, 2019



**FILED**  
06/16/2022



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ANDERSON COMMUNITY SCHOOL CORPORATION, MADISON COUNTY, INDIANA

This is a special investigation report for the Food Service Department of the Anderson Community School Corporation (School Corporation), for the period January 1, 2014 to December 31, 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/](http://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 the disbursement records associated with the Food Service Department (Department). 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

January 25, 2022

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS

**BACKGROUND**

Carla Burke (Burke) was hired by the Anderson Community School Corporation (School Corporation) on September 14, 1998. Burke was named the Food Service Department's (Department) Bookkeeper at the School Corporation on October 2, 2006. Burke was responsible for maintaining the financial records for the Department's School Lunch Fund Extracurricular Account (ECA). The Bookkeeper's responsibilities included: posting receipts and disbursements; maintaining the cash balance records; reconciling the bank account; ensuring proper completion of purchase authorizations (PAs); and maintaining all of the PAs and vendor invoices. Burke prepared checks and made electronic payments to vendors. The checks required dual signatures, one of which was Burke's, beginning on August 29, 2014. Burke also prepared, filed, and paid the Department's federal and state payroll withholding taxes, which included the remittance of both the employees' and employer's portions. Burke retired on October 10, 2019.

During the Indiana State Board of Accounts' (SBOA) audit of the School Corporation for the period of July 1, 2018 to June 30, 2020, checks indicated as payable to vendors were found to have been issued to and cashed by Burke. As a result, the SBOA began an investigation of the disbursement records of the Department's School Lunch Fund ECA. The results of our investigation are described in the following comments.

**UNAUTHORIZED TRANSACTIONS**

From January 1, 2014, through June 30, 2019, there were 312 checks made payable from the Department's School Lunch Fund ECA bank account to Burke totaling \$976,773.29. All of the 312 checks were made payable to, endorsed, and cashed by Burke. The Department's records, including the check registers and PAs for the 312 checks, indicated the payments were made to vendors, not Burke. Vendor invoices were not provided to support the payments made to Burke.

The following schedule breaks down the unauthorized transactions paid by school year.

<u>School Year</u>	<u>Paid</u>
2013-2014	\$ 81,146.47
2014-2015	187,689.18
2015-2016	177,093.36
2016-2017	171,297.20
2017-2018	183,340.33
2018-2019	<u>176,206.75</u>
Total	<u>\$ 976,773.29</u>

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

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

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

We requested Burke reimburse the School Corporation \$976,773.29 for the unauthorized transactions. (See Summary of Charges, page 11)

**PENALTIES AND INTEREST**

Burke paid penalties and interest totaling \$20,109.64 due to not remitting payroll withholding tax payments timely to both the federal and state government, which included the remittance of both the employees' and employer's portions.

The following schedule breaks down the penalties and interest paid by school year.

<u>School Year</u>	<u>Paid</u>
2013-2014	\$ 781.76
2014-2015	2,971.23
2015-2016	6,973.69
2016-2017	3,849.63
2017-2018	4,006.49
2018-2019	<u>1,526.84</u>
Total	<u>\$ 20,109.64</u>

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

We requested Burke reimburse the School Corporation \$20,109.64 for the penalties and interest paid on withholding tax. (See Summary of Charges, page 11)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred costs in the amount of \$121,442.33 due to the special investigation of the School Corporation.

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

"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 . . .

in connection with the civil proceedings."

FOOD SERVICE DEPARTMENT  
 ANDERSON COMMUNITY SCHOOL CORPORATION  
 RESULTS AND COMMENTS  
 (Continued)

Audit costs incurred because of poor records, nonexistent records, or any other inadequate book-keeping 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)

We requested Burke reimburse the State of Indiana for the special investigation costs in the amount of \$121,442.33. (See Summary of Charges, page 11)

**BOND AND INSURANCE COVERAGE**

*Bond Coverage*

The School Corporation obtained the following public employee bonds providing coverage for Extracurricular Treasurers as follows:

Term	Amount of Coverage
Public Employees Position Schedule Bond:	
07-01-11 to 07-24-15	\$ 25,000
07-01-15 to 06-30-16	25,000
07-01-16 to 06-30-17	25,000
07-01-17 to 06-30-18	25,000
07-01-18 to 06-30-19	25,000
07-01-19 to 06-30-20	25,000

*Insurance Coverage*

The School Corporation obtained the following commercial crime insurance policies, which covers public employee dishonesty as follows:

Term	Amount of Coverage
Crime Coverage, Public Employee Dishonesty:	
10-15-13 to 10-15-14	\$ 500,000
10-15-14 to 10-15-15	500,000
10-15-15 to 10-15-16	500,000
10-15-16 to 10-15-17	500,000
10-15-17 to 10-15-18	500,000
10-15-18 to 10-15-19	500,000

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

**BANK RECONCILIATIONS AND FINANCIAL RECORDS**

Additional noncompliance was noted with regards to bank reconciliations and financial records.

Burke was responsible for maintaining the financial records of the Department's School Lunch Fund ECA and performing monthly bank reconciliations. Officials could only locate two bank reconciliations (July and August 2018) for the Department's School Lunch Fund ECA.

A comparison of the activity from the bank statements to check registers noted the following deficiencies in maintaining the financial records:

- One hundred ten (110) electronic payments recorded in the Department's check registers could not be traced to the bank statements, meaning they did not clear the bank account. Examples include payments for: payroll withholding taxes, bank service charges, vendors, and retirement accounts.
- Forty-eight (48) electronic payments that cleared the bank per the bank statements could not be traced to the Department's check registers. Four of the electronic payments were for payroll federal withholding tax payments to the Internal Revenue Services (IRS), which traced to supporting documentation from the IRS. Two payments were to legitimate vendors. The remaining forty-two (42) payments were for returns of deposited amounts and returns of redeposits that we were able to trace to supporting documentation and they had an approved PA.
- Forty-two (42) electronic payments cleared the bank prior to the date recorded in the Department's check register.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

**EXTRACURRICULAR MILEAGE CLAIMS**

Burke submitted 11 extracurricular mileage claims for reimbursement; however, the prescribed mileage claim form was not completed. Notebook paper was used to document the dates of travel, the number of miles driven, and the reason for the travel (i.e., Bank, Credit Union, Post Office, or schools/other locations within the School Corporation). The PAs were signed by the Director of Nutrition and Food Services for eight (8) out of the 11 extracurricular mileage claims, which would indicate that they were reviewed and approved as legitimate travel. The prescribed mileage claim form requires the employee to include start and end destinations with miles driven each way.

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

Individuals requesting reimbursement for driving personal vehicles for extracurricular purposes should properly complete a Mileage Claim, General Form 101, prior to receiving reimbursement. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 1)

**INTERNAL CONTROLS**

The following deficiencies in the internal controls were noted:

- There was a lack of segregation of duties over the Department's School Lunch Fund ECA. Burke was responsible for accounting for all the ECA monies including: maintaining the financial records for the Department's School Lunch Fund ECA, recording receipts and disbursements, preparing PAs and ensuring they were supported by approved claims and vendor invoices, writing and issuing vendor checks, issuing electronic payments to vendors, and reconciling the bank account. Furthermore, beginning around August 29, 2014, Burke became the second signature of the dual signed checks issued from the Department's School Lunch Fund ECA.
- There was not a review of the bank reconciliations and comparison to the financial records for completeness and accuracy.
- Bank statements and cancelled checks were not reviewed, so School Corporation officials were not aware that cancelled checks or check images were not being provided by the bank.
- There was a lack of accountability over PAs:
  - The accounting software printed the PAs and sequentially numbered them. Officials could not locate all of the PAs, which based upon the sequential numbering system, should have printed and been made available for audit.
  - Not all PA numbers were posted to the check registers to provide for accountability.
- There was no audit evidence that the checks were reviewed and compared to the disbursement supporting documentation, including PAs, claims, and vendor invoices, by the Nutrition and Food Services Director. When Burke created and printed the checks from the system, the system electronically applied the dual signatures on the checks when the payment information was printed onto the pre-numbered checks.
- Commercial based and locally supported computer software was used to record the financial transactions, prepare the checks, and maintain the check register. The software lacked the following internal controls:
  - Username and password protection that would allow for identification of entry and changes to posted transactions by user.
  - An audit trail for documenting changes, voids, and approvals for changes made to posted transactions. Posted transactions could be changed at any time, including after audit, when the books should have been closed.

The failure to establish these internal controls enabled misstatements or irregularities to go undetected.

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

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. The 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. . . ."

FOOD SERVICE DEPARTMENT  
ANDERSON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2022, with Dr. Joe Cronk, Superintendent of Schools; Dr. Patrick Hill, President of the School Board; Holly Renz, School Board member; Jean Chaille, School Board member; Kevin Brown, Chief Financial Officer; Janet Windlan, Accounting Supervisor/Deputy Treasurer; and Kelsi Hall, Director of Nutrition and Food Services.



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1600 Hillcrest Avenue • Anderson, Indiana 46011 • 765.641.2000 • Fax 765.641.2081

OFFICIAL RESPONSE

Date: April 18, 2022

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

Re: Special Investigation Report of Food Service Department

The Anderson Community School Corporation (ACSC) would like to thank the Indiana State Board of Accounts (SBOA) for their thorough report and investigation. At the moment the theft was first uncovered, we immediately reported this to the proper authorities and took corrective action. This includes putting additional internal control measures in place and purchasing new financial software that will help prevent a situation like this from happening in the future.

ACSC will continue to fully cooperate with the SBOA, the Federal Bureau of Investigation (FBI), and other authorities throughout this ongoing process.

Anderson Community School Corporation  
1600 Hillcrest Avenue  
Anderson, IN 46011

FOOD SERVICE DEPARTMENT  
 ANDERSON COMMUNITY SCHOOL CORPORATION  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Carla Burke, former Food Service Department Bookkeeper:			
Unauthorized Transactions, pages 3 and 4	\$ 976,773.29	\$ -	\$ 976,773.29
Penalties and Interest, page 4	20,109.64	-	20,109.64
Special Investigation Costs, pages 4 and 5	<u>121,442.33</u>	<u>-</u>	<u>121,442.33</u>
 Totals	 <u>\$ 1,118,325.26</u>	 <u>\$ -</u>	 <u>\$ 1,118,325.26</u>

This report was forwarded to the Office of the Indiana Attorney General, the local prosecuting attorney, the U.S. Attorney, Federal Bureau of Investigations, and the Internal Revenue Service.

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AFFIDAVIT

STATE OF INDIANA                    )  
Marion COUNTY)

I, Matthew Stone, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Food Service Department of the Anderson Community School Corporation, Madison County, Indiana, for the period from January 1, 2014 to December 31, 2019, is true and correct to the best of my knowledge and belief.

Matthew Allen Stone  
Field Examiner

Subscribed and sworn to before me this 14 day of June, 2022.

Juanita M. Hendricksen  
Notary Public

My Commission Expires:

County of Residence:

