

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

SPECIAL INVESTIGATION REPORT  
OF

CLAY MIDDLE SCHOOL  
CARMEL CLAY SCHOOLS  
HAMILTON COUNTY, INDIANA

February 25, 2016 to March 15, 2021



**FILED**  
06/17/2022



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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CARMEL CLAY SCHOOLS, HAMILTON COUNTY, INDIANA

This is a special investigation report for Carmel Clay Schools (School Corporation), Hamilton County, Indiana, for the period February 25, 2016 to March 15, 2021, 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 records associated with cash collections and credit card purchases. 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, 2022

CLAY MIDDLE SCHOOL  
CARMEL CLAY SCHOOLS  
RESULTS AND COMMENTS

**BACKGROUND**

Aletta Nowlin (Nowlin) served as the Extracurricular Treasurer of Clay Middle School (Middle School) from February 25, 2016 to March 15, 2021. Nowlin's responsibilities included accounting for all collections for the Middle School, purchasing items with a big-box store credit card, maintaining the funds ledger, issuing receipts, and making deposits. School Corporation officials became concerned about the receipts and deposits of the Middle School, as well as the credit card purchases made by Nowlin.

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. Purchases made at the big-box store with its brand credit card were also reviewed. The following describes the noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines for Extracurricular Accounts*.

**ATHLETIC EVENTS AND CONCESSIONS NOT ACCOUNTED FOR**

When a sponsor (a teacher or other person in charge of a classroom or function collecting money) received money at the Middle School, the sponsor was to complete a Summary of Collection Form (Form SA-8) and remit the collections and the form to the Extracurricular Treasurer, who was responsible for issuing a receipt to the sponsor, recording the transaction in the ledger, and depositing the funds.

In our review of athletic events and concession activity, we compared Form SA-8s to the receipts written by Nowlin and the deposits made for each of the school years in our investigation period. For the 2017-2018, 2018-2019, and 2019-2020 school years, we found 93 instances where athletic events occurred, and the corresponding gate collections were not receipted, nor deposited. There were 47 corresponding concessions proceeds that also were not receipted, nor deposited.

During the COVID-19 pandemic, there were 21 athletic events that occurred. None of the gate collections, nor concessions, were receipted or deposited. For 15 of the 21 athletic events, a Form SA-8 was prepared. For the other 6 athletic events during that time (4 Boys' 7<sup>th</sup> and 8<sup>th</sup> grade basketball; 2 wrestling), we did not have a Form SA-8 for the gate collections. We used similar athletic events (e.g., Boys' basketball; wrestling) that also occurred during the pandemic, for which we did have Form SA-8s to arrive at an average estimated gate collection amount for those missing dates. Similarly, we did not have the Form SA-8 for any of the 21 concessions that would have been collected at athletic events that occurred, and we used an average based on concessions of events prior to the pandemic to determine the estimated concessions for those missing dates. Below is a schedule of unaccounted for athletic events and concessions by year:

<u>Athletic Events</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>Totals</u>
Gate	\$ 9,966.00	\$ 10,252.00	\$ 22,265.00	\$ 42,483.00
Concessions	<u>5,883.00</u>	<u>5,287.00</u>	<u>19,905.50</u>	<u>31,075.50</u>
Totals	<u>\$ 15,849.00</u>	<u>\$ 15,539.00</u>	<u>\$ 42,170.50</u>	<u>\$ 73,558.50</u>

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extracurricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

CLAY MIDDLE SCHOOL  
 CARMEL CLAY SCHOOLS  
 RESULTS AND COMMENTS  
 (Continued)

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extracurricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 2)

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. . . ."

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)

We requested that Nowlin repay \$73,558.50 for athletic events and concessions not accounted for. (See Summary of Charges, page 13)

**CASH COLLECTED PER FORM SA-8 NOT DEPOSITED**

For all non-Athletic Fund activity, we compared Form SA-8s to the receipts written by Nowlin and the deposits made for each of the school years in our investigation period. We looked for instances where the receipt and the deposit differed from the supporting documentation of the Form SA-8. As we compared the Form SA-8s to the deposits, we found that the cash listed as collected on the Form SA-8 was not deposited in 47 instances. We also noted seventeen instances of cash amounts being deposited that we could not attribute to a specific event or collection on a Form SA-8, which totaled \$13,892. While we noted these unidentified cash deposits occurred, we were could not affirmatively determine that they were a part of the cash not deposited as described above. Below is a schedule of deposits compared to the corresponding Form SA-8 collections:

School Year	Deposit Amount	SA-8 Collections	Cash Not Deposited
2017-2018	\$ 10,279.50	\$ 12,663.50	\$ 2,384.00
2018-2019	45,946.80	65,210.80	19,264.00
2019-2020	140,347.85	176,084.38	35,736.53
2020-2021	<u>8,119.00</u>	<u>9,274.00</u>	<u>1,155.00</u>
Totals	<u>\$ 204,693.15</u>	<u>\$ 263,232.68</u>	<u>\$ 58,539.53</u>

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extracurricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extracurricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 2)

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(Continued)

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. . . ."

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)

We requested that Nowlin repay \$58,539.53 for cash collected per Form SA-8 not deposited. (See Summary of Charges, page 13)

**FORM SA-8 COLLECTIONS NOT RECEIPTED NOR DEPOSITED**

During our review of the Form SA-8s, we identified 19 instances of collections other than athletics, such as field trips and fundraisers, where the collections on the Form SA-8 were not receipted, nor deposited. These Form SA-8s represented money collected, but not accounted for by Nowlin in the extracurricular records. Below is a schedule of the collections per the Form SA-8s that were not receipted, nor deposited:

<u>School Year</u>	<u>Amount</u>
2018-2019	\$ 1,754.03
2019-2020	<u>17,222.64</u>
Total	<u>\$ 18,976.67</u>

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extracurricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extracurricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 2)

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. . . ."

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)

We requested that Nowlin repay \$18,976.67 for Form SA-8 collections not receipted, nor deposited. (See Summary of Charges, page 13)

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**UNAUTHORIZED CREDIT CARD PURCHASES**

The Middle School had a credit card for a big-box store. Nowlin had access to the credit card. In our review of the credit card purchases, vendor invoices, and vendor payments, we noted that there were purchases made that appeared not to be school related in nature. We met with the Athletic Director and the Principal, who reviewed the purchases for clarification as to whether purchases were school related or unauthorized. They identified purchases that were not authorized by them. The unauthorized purchases included the following types of items: gift cards, including Visa/Mastercard prepaid cards; gasoline; groceries; clothing; household items; jewelry and makeup; as well as some items where no detail was provided. None of the aforementioned items were authorized by the Athletic Director or the Principal to be purchased. Below is a schedule of unauthorized purchases made by school year:

School Year	Gift Cards	Household/ Grocery Items	Gasoline	Unidentified	Total
2015-2016	\$ -	\$ 299.09	\$ -	\$ 310.84	\$ 609.93
2016-2017	729.68	2,432.65	60.63	-	3,222.96
2017-2018	1,994.82	1,361.02	195.57	319.39	3,870.80
2018-2019	3,397.92	2,869.46	-	-	6,267.38
2019-2020	7,203.38	7,440.80	-	65.98	14,710.16
2020-2021	9,095.01	16,139.41	-	11.65	25,246.07
Totals	<u>\$ 22,420.81</u>	<u>\$ 30,542.43</u>	<u>\$ 256.20</u>	<u>\$ 707.86</u>	<u>\$ 53,927.30</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

We requested that Nowlin repay \$53,927.30 for unauthorized credit card purchases. (See Summary of Charges, page 13)

**LATE FEES AND INTEREST CHARGES**

Late fees totaling \$719.82, and interest charges totaling \$2,704.25 were paid on the credit card mentioned above. These were the result of not making timely payments and not paying the entire balance of the vendor invoices. Below is a schedule of the late fees and interest charges by school year:

CLAY MIDDLE SCHOOL  
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(Continued)

School Year	Late Charges	Interest Charges	Total
2015-2016	\$ -	\$ 15.31	\$ 15.31
2016-2017	79.98	37.85	117.83
2017-2018	199.95	1,361.68	1,561.63
2018-2019	199.95	495.73	695.68
2019-2020	199.95	333.34	533.29
2020-2021	39.99	460.34	500.33
Totals	<u>\$ 719.82</u>	<u>\$ 2,704.25</u>	<u>\$ 3,424.07</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 governmental 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 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)

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)

We requested that Nowlin repay \$3,424.07 for late fees and interest charges. (See Summary of Charges, page 13)

**SPECIAL INVESTIGATION COSTS**

The State of Indiana incurred additional costs in the investigation of the collections and credit card purchases at the Middle School.

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."

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Audit costs incurred because of theft and 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 that Nowlin reimburse the State of Indiana \$15,520.33 for special investigation costs. (See Summary of Charges, page 13)

**INTERNAL CONTROLS**

The internal control system at the Middle School contained the following weaknesses:

1. There was no segregation of duties for the Extracurricular Treasurer. Nowlin was responsible for accounting for all monies generated by the extracurricular activities, preparing the deposit ticket, making the deposits in the bank, issuing receipts, and reconciling the bank account to the extracurricular records.
2. Money was often left with Nowlin, but a receipt was not generated at the time the money was turned over to Nowlin.
3. There was no oversight in the use of the credit card used by Nowlin. There was no documentation to show that anyone oversaw the purchases made by Nowlin with the credit card.
4. Not all documents were retained. Form SA-8s were not all maintained. The forms were also not in duplicate to allow the sponsor to retain a copy.

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. . . ."

CLAY MIDDLE SCHOOL  
CARMEL CLAY SCHOOLS  
RESULTS AND COMMENTS  
(Continued)

**CRIME INSURANCE COVERAGE**

The following is information regarding crime insurance obtained by the School Corporation:

<u>Employee Theft Period</u>	<u>Employee Theft Coverage</u>
06-24-13 to 06-24-16	\$ 20,000
06-24-16 to 06-24-19	20,000
06-24-19 to 06-24-20	20,000
06-24-20 to 06-24-21	20,000

CLAY MIDDLE SCHOOL  
CARMEL CLAY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2022, with Dr. Michael J. Beresford, Superintendent of Schools; Roger McMichael, Associate Superintendent of Schools; Kara Kollros, Director of Finance; Katie Browning, President of the School Board; and Todd Crosby, Carmel Clay Middle School Principal.



March 30, 2022

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

Re: Clay Middle School Extra-Curricular Accounts

To Whom It May Concern,

Please consider this to serve as the official response from Carmel Clay Schools (CCS) to the Special Investigation Report of Clay Middle School, Carmel Clay Schools for the period of February 25, 2016 to March 5, 2021.

Prior to the discrepancy discovered at Clay Middle School and reported to the State Board of Accounts (SBOA), CCS had implemented several internal control practices and procedures. Those internal control practices and procedures were created to help detect, prevent, and reduce identified risks and include the following:

- The CCS Board of School Trustees adopted a Uniform Internal Control Standards policy on August 22, 2016, Administrative Guidelines on May 30, 2017, and an Internal Controls Manual on December 17, 2018.
- CCS provides training on internal control standards to all employees who may have access to public funds.
- Beginning in 2016, CCS implemented a formal onboarding process for new Extra-Curricular Accounting (ECA) treasurers, which includes training on topics regarding ECA's, corporation accounting and internal controls.
- In 2020, all ECA Treasurers were provided an internal control manual specific to ECA accounting processes and training was conducted regarding information contained in the manual. (This manual is updated as changes occur.)

Through this audit process it was determined compliance of internal controls and lack of oversight were the major deficiencies. As a response, formal training has been conducted with all necessary staff to ensure understanding of the internal controls. With the SBOA no longer

performing full bi-annual audits on all ECA's, CCS plans to schedule periodic audits for additional oversight and to help confirm compliance with the established internal controls.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger McMichael". The signature is fluid and cursive, with a large, stylized initial "R" and "M".

Roger McMichael  
Associate Superintendent

c: Michael Beresford, Superintendent  
Kara Kollros, Director of Finance

CLAY MIDDLE SCHOOL  
 CARMEL CLAY SCHOOLS  
 SUMMARY OF CHARGES  
 (Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Aletta Nowlin, former Extracurricular Treasurer:			
Athletic Events and Concessions Not Accounted For, pages 3 and 4	\$ 73,558.50	\$ -	\$ 73,558.50
Cash Collected Per Form SA-8 Not Deposited, pages 4 and 5	58,539.53	-	58,539.53
Form SA-8 Collections Not Received Nor Deposited, page 5	18,976.67	-	18,976.67
Unauthorized Credit Card Purchases, page 6	53,927.30	-	53,927.30
Late Fees and Interest Charges, pages 6 and 7	3,424.07	-	3,424.07
	<u>208,426.07</u>	<u>-</u>	<u>208,426.07</u>
Total Investigation Charges			
	<u>208,426.07</u>	<u>-</u>	<u>208,426.07</u>
Special Investigation Costs, pages 7 and 8	15,520.33	-	15,520.33
	<u>15,520.33</u>	<u>-</u>	<u>15,520.33</u>
Totals	<u>\$ 223,946.40</u>	<u>\$ -</u>	<u>\$ 223,946.40</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, Private Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Clay Middle School, Carmel Clay Schools, Hamilton County, Indiana, for the period from February 25, 2016 to March 15, 2021, is true and correct to the best of my knowledge and belief.

William F. Vinson  
Private Examiner

Subscribed and sworn to before me this 6<sup>th</sup> day of June, 2022

J. H. H.  
Notary Public

My Commission Expires: 03.29.2025

County of Residence: Delaware

