

STATE BOARD OF ACCOUNTS
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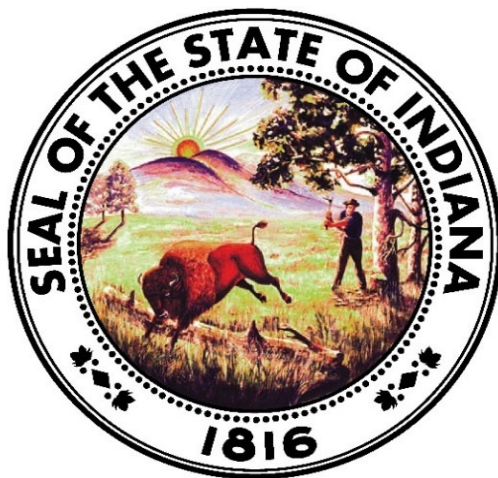
SPECIAL COMPLIANCE REPORT

OF

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION

VERMILLION COUNTY, INDIANA

January 1, 2016 to February 28, 2021



FILED
01/17/2023

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TO: THE OFFICIALS OF THE NORTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

This is a special compliance report for the North Vermillion Community School Corporation (School Corporation), for the period January 1, 2016 to February 28, 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/.

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 Extracurricular Cheer Fund. 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 17, 2022

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS

BACKGROUND

Former cheer coach, Brenda Furry (Furry), was requested to move all cheer funds to the North Vermillion Junior-Senior High School Extracurricular Account (ECA). With the ECA's return, the Superintendent of Schools, Dan Nelson (Nelson), was made aware of some irregular variances in the Cheer Fund. Furry was paid a stipend by the School Corporation for being cheer coach.

The Indiana State Board of Accounts (SBoA) was notified of the variances and irregularities by the School Corporation in accordance with Indiana Code 5-11-1-27. The SBoA examined the records of the bank account. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts*.

UNSUPPORTED CHEER ACCOUNT DISBURSEMENTS

Prior to 2016, a booster club account was set up and maintained outside of the North Vermillion Junior-Senior High School's (High School) records. The High School also had an ECA Cheer Fund that was maintained by the ECA Treasurer. In 2016, the booster club sponsor, Furry, became the High School cheer coach and merged the ECA Cheer Fund with the booster club account.

On May 24, 2016, a new bank account was opened under the name of North Vermillion High School North Vermillion Cheer Team (NVCT) and was handled by Furry outside of the School Corporation's records. The NVCT bank account used the High School's tax identification number and all receipts and disbursements for the cheerleaders were maintained in this account.

The ECA Treasurer issued check 11853, dated July 25, 2016, for \$951.15, the balance of the High School ECA Cheer Funds, to NVCT. The check contained the signatures of Debra L. Harding, Treasurer, and Jayne A. Virostko, High School Principal. The High School ECA Treasurer continued to issue checks annually from the High School ECA account that were deposited into to NVCT account that were to be used for cheer uniforms.

When Furry was requested to return the funds and records of the NVCT account to the High School ECA in 2021, it was discovered that \$16,726.21 of questionable withdrawals were made from the NVCT account for department store and credit card purchases. Nelson questioned Furry as to the purpose of these withdrawals. Per Nelson, Furry explained that the account only had checks so she would order cheer items and pay for them with cash or her personal debit card. Instead of issuing herself a reimbursement for these payments, Furry withdrew funds directly from the NVCT account to pay her personal accounts.

Furry produced emails, order confirmations, invoices, and credit card statements that totaled \$17,352.40, validating the cheer expenses she paid for with her personal funds.

The following table compares the unsupported cheer account withdrawals from the NVCT account for Furry's personal accounts to the cheer expenses Furry paid personally:

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

| Year | Unsupported Cheer Account Disbursements for Furry's Personal Accounts | Cheer Expenses Paid for by Furry Personally |
|--------|---|--|
| 2016 | \$ 4,693.94 | \$ 4,420.44 |
| 2017 | 3,412.27 | 2,985.98 |
| 2018 | 1,400.00 | 4,555.12 |
| 2019 | 3,550.00 | 3,813.78 |
| 2020 | 3,470.00 | 1,577.08 |
| 2021 | 200.00 | - |
| Totals | <u>\$ 16,726.21</u> | <u>\$ 17,352.40</u> |

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

Indiana Code 20-26-4-1(d) states:

"The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall:

- (1) issue a receipt for money received by the treasurer;
- (2) deposit money described in subdivision (1) in accordance with the laws governing the deposit of public funds; and
- (3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body. The governing body may not require an allowance or approval for amounts lawfully due in payment of indebtedness or payments due the state, the United States government, or agencies and instrumentalities of the state or the United States government."

Some duties of the governing body not specifically mentioned in the School Powers Act are the following:

1. Authority to administer oaths relative to school business appertaining to their respective offices.
2. IC 5-11-10-1 and IC 20-26-4-1 provides the duty for the governing body to examine and approve all claims, accounts payable vouchers, and payrolls.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
RESULTS AND COMMENTS
(Continued)

Activity or activities as used herein has reference to conducting any athletic, social, class, or other school function and the collection, custody and disbursement of any money in connection therewith, other than functions conducted solely by any organization of parents and teachers, which does not include public money. The collection, custody, and disbursement of the money for an activity are represented in the accounting records by a fund and the control account for all of the activity funds is designated as the "School Extracurricular Account." (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts Chapter 1)

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 1)

INTERNAL CONTROLS

There was a lack of oversight over the ECA Cheer Fund. Due to this lack of oversight in internal controls, the Cheer Fund was allowed to be moved outside of the High School ECAs by the ECA Treasurer. This enabled the cheer coach to pay for her personal accounts with Cheer account funds. In addition, the ECA Treasurer was able to transfer the ECA funds issuing a check to the outside organization without approval. The ECA Treasurer continued to give the outside organization funds annually.

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."

INVESTIGATION BY LAW ENFORCEMENT

It is our understanding that an investigation is currently ongoing by the Indiana State Police.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2022, with Daniel A. Nelson, Superintendent of Schools; Monty Kirk, School Principal; John Bean, President of the School Board; Sadie Paige, School Board member; Joan E. Hathaway, School Board member; and Joel Wesch, Attorney.

In a separate exit conference, the contents of this report were discussed on November 17, 2022, with Brenda J. Furry, former cheer coach, and Joseph K. Etling, Attorney.



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OFFICIAL RESPONSE

Date: November 25, 2022

Indiana State Board of Accounts
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Re: North Vermillion Cheer Team Account: Audit Results and Comments

The North Vermillion Community School Corporation identified irregular variances and discrepancies in an off-site cheerleading account that does not align with the corporation's internal accounting practices. State Board of Accounts procedures and internal control training had been implemented to safeguard all funds at the North Vermillion Community School Corporation since the Financial Statement Audit and Compliance Report were filed on 7/06/2018 by the State Board of Accounts.

These irregular variances were discovered when the corporation requested the cheerleading fund account be brought back to the Extracurricular Account (ECA) at the North Vermillion Junior-Senior High School. Once the discovery was made, the school corporation consulted with our legal team and was diligent in reporting the variances to the State Board of Accounts for further review.

In the most recent Indiana State Board of Accounts financial audits conducted this past year for the periods of July 1, 2018, thru June 30, 2020, found no reportable instances of noncompliance. The three financial audits conducted for this timeframe, which included the financial audit of the North Vermillion Community School Corporation, the North Vermillion Junior-Senior High School Extracurricular Account, and the North Vermillion Elementary Extracurricular Account were all in compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Daniel A. Nelson
Superintendent