

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

SUPPLEMENTAL AUDIT REPORT  
OF  
CLINTON CENTRAL SCHOOL CORPORATION  
CLINTON COUNTY, INDIANA  
July 1, 2009 to June 30, 2011



**FILED**  
11/06/2013



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## SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Corporation Treasurer	Robert Lease (Vacant) Jaclyn Sheets	07-01-09 to 10-28-10 10-29-10 to 11-21-10 11-22-10 to 06-30-13
Superintendent of Schools	Philip Boley Brent Kaufman (Interim) Jeff Bond Brent Kaufman (Interim) Dr. Celia Shand	07-01-09 to 10-11-10 10-12-10 to 12-31-10 01-01-11 to 01-31-11 02-01-11 to 06-30-11 07-01-11 to 06-30-14
President of the School Board	Robert Brinson Deborah Rawlings John D. Crum	07-01-09 to 06-30-10 07-01-10 to 12-31-12 01-01-13 to 12-31-13
Clinton Central Jr./Sr. High School Principal	Gary Vandergriff (Vacant) Beth Meguschar Michael Poiry	07-01-09 to 05-30-10 05-31-10 to 06-30-10 07-01-10 to 09-30-11 10-01-11 to 06-30-13
Clinton Central Jr./Sr. High School Treasurer	Brenda Spray Kristi Coverdale	07-01-09 to 08-21-11 08-22-11 to 06-30-13
Clinton Central Elementary Elementary Principal	John Sloggett (Vacant) Zach McKinney	07-01-09 to 06-30-12 07-01-12 to 07-30-12 08-01-12 to 06-30-13
Clinton Central Elementary Elementary School Treasurer	Cindy Stowers Laura Degenfelder	07-01-09 to 07-30-12 08-01-12 to 06-30-13



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TO: THE OFFICIALS OF CLINTON CENTRAL SCHOOL CORPORATION

We have audited the records of the Clinton Central School Corporation for the period from July 1, 2009 to June 30, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of Clinton Central School Corporation for the years ending June 30, 2010 and 2011.

STATE BOARD OF ACCOUNTS

January 31, 2013

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***CONDITION OF RECORDS***

Several transactions were recorded as "negative" receipts and disbursements. The negative transactions were done for the purpose of avoiding negative fund balances as shown on the School Corporation's financial statements at June 30, 2011. The posted transactions offset each other and as a result had no effect on the overall fund balance; however, individual fund balances were increased or decreased. No evidence was noted of School Board approval of these transactions.

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS***

A comparison of the records to the bank account indicated cash necessary to balance of \$1,580.76 at June 30, 2011. School Corporation personnel have identified a portion of the difference and are continuing procedures to resolve the remaining differences.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***COMPENSATION AND BENEFITS***

Robert Lease, former Corporation Treasurer, received \$24,145.52 in salary increases which were not approved by the School Board, as shown in the schedule below.

<u>School Year</u>	<u>Approved Amount</u>	<u>Amount Paid</u>	<u>Difference</u>
2008-2009	\$ 33,095.10	\$ 38,519.16	\$ 5,424.06
2009-2010	35,454.90	45,000.02	9,545.12
2010-2011	34,091.31	43,267.65	9,176.34

As noted in the attached official response from Philip Boley, former Superintendent of Schools, (pages 29 to 30), he states in part, "I believed the raise was authorized, or I would not have told Mr. Lease that it had been."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Robert Lease, former Corporation Treasurer, was requested to reimburse the School Corporation \$24,145.52 for salary increases which were not approved by the school board. (See Summary of Charges, page 34)

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERPAYMENT COLLECTIONS**

Overpayments of \$3,799.97 were made to Jeff Bond, former Superintendent of Schools. Mr. Bond was hired effective January 1, 2011, and resigned effective January 31, 2011. As part of his termination agreement, he was to be paid his regular rate of pay until he found other employment or June 30, 2011, whichever came earliest. As a result of an error in calculating his pay, he was overpaid in the amount of \$3,799.97. Refunds have not been received as of January 31, 2013.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**BUDGET NOT ADVERTISED**

The 2011 calendar year budget was approved by the School Board on October 4, 2010; however, it was not advertised as required. The previous year's (2010) appropriation amounts were allowed by the Department of Local Government Finance (DLGF) for use in 2011. This resulted in an overall reduction from the School Board approved budget in the amount of \$1,332,168, as detailed below.

<u>Fund</u>	<u>Board Approved</u>	<u>DLGF Allowed</u>	<u>Difference</u>
General	\$ 7,319,300	\$ 7,030,650	\$ (288,650)
Debt Service	980,041	446,000	(534,041)
School Pension Debt	90,880	90,880	-
Capital Projects	1,022,000	800,000	(222,000)
Transportation	772,500	772,500	-
Bus Replacement	<u>330,000</u>	<u>42,523</u>	<u>(287,477)</u>
Totals	<u>\$ 10,514,721</u>	<u>\$ 9,182,553</u>	<u>\$ (1,332,168)</u>

During the audit period, Indiana Code 6-1.1-17-3(a) stated:

"The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; and
- (4) the amounts of excessive levy appeals to be requested.



CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. Beginning in 2009, the duties required by this subsection must be completed before September 10 of the calendar year."

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Capital Projects	2009	<u>\$ 152,234</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**TEACHER COMPENSATION**

Signed teacher contracts were not presented for audit covering the 2010-2011 school year in all cases. Additionally, some teachers received compensation which was approved by the School Board but not included on the 2009-2010 teacher's contract.

Indiana Code 20-28-6-2(a) states in part: "A contract entered into by a teacher and a school corporation must: (1) be in writing; (2) be signed by both parties; and (3) contain the: . . . (C) total salary to be paid to the teacher during the school year; . . ."

**TEXTBOOK RENTAL CHARGES**

In calculating the textbook rental charges, the School Corporation included the cost of the textbook plus an additional 10 percent for shipping and handling; this amount would then be multiplied by the 25 percent allowable charge per year. The actual shipping and handling was less than 10 percent.

During the audit period, Indiana Code 20-26-12-2(a) stated in part:

"A governing body may purchase from a publisher, any textbook selected by the proper local officials. The governing body may rent these textbooks to students . . . (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbook."

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. (The School Administrator, Volume 185, March 2009)

**OVERDRAWN BALANCES**

The balances of the following funds were overdrawn:

Fund Name	06-30-10
Debt Service	\$ 43,961
Retirement/Severance Bond Debt Service	35,325
Capital Projects	75,188
Construction Student Help	1,652
Foundation Grants	252
High Ability Grant 2007-08	1,976
Title I 2006-07	6,076
Title I 2009-10	21
Wildcat Creek 2006-07	765
Special Education 2007-08	3,313
Special Education 2005-06	30
Drug Free Schools	15
5850 Title IV Safe and Drug Free	6,291
5860 Title IV Safe and Drug Free	48,641
Title V 2007-09	257
Carl Perkins Fund 2008-09	489
Carl Perkins Fund 2009-10	31,323
Title III, Language Instruction	118
Title II 2008-09	14,495
Title I - Grants to LEAs	68,777
Special Education - Part B	11,621

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**FEDERAL AND STATE AGENCIES – NATIONAL SCHOOL LUNCH PROGRAM REPORTING**

The Claim for Meal Reimbursement submitted to the State of Indiana was not filed by the due date. The reports are due on or before the 10th of the month following the month for which reimbursement is requested. Seven of the eleven reports reviewed were filed after the due date.

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***AVERAGE DAILY MEMBERSHIP (ADM)***

Records presented for audit to support the ADM claimed by the high school did not contain a written certification by the responsible building level official.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***CAPITAL ASSET RECORDS***

The School Corporation did not maintain capital asset records for the audit period. No information was presented for audit to indicate an inventory or record of capital assets was maintained.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***DISPOSAL OF ASSETS AND SUBSEQUENT PURCHASE OF ASSETS***

In conjunction with a school renovation project and disposal of assets, on May 10, 2010, the School Board minutes stated:

"Mr. Boley reported that the elementary desks and chairs are the original from when the school was new and the junior-senior high school also has some of the original furniture but not as much. There is not a market to resell the furniture so the demolition contractor will scrap them out. In addition, Patty Ridenour has asked to buy her laptop once she retires in May. Clay Hosteter had checked on the resale price which is about \$300. Clint Orr moved to permit the demolition contractor to scrap out the old student and teacher desks in preparation for their replacement and that we allow the retiring technology coordinator to buy her laptop for \$300. The motion was seconded by Debbie Rawlings, and it carried 6-0."

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

At some point after this time (at or near the end of the school year), the existing furniture, fixtures and equipment were removed from the buildings and moved outdoors to facilitate the renovation activity. The property removed included items original from when the school was new and also items purchased more recently. At least a portion of the items removed were not secured and items were taken from the property. Ultimately, there was no salvage contract or agreement with the demolition contractor to scrap out the furniture, fixtures and equipment. After another period of time, any remaining furniture was then removed for disposal. It is unknown at this time the salvage or resale value of the property removed from the buildings.

As a result of the disposal of the aforementioned assets, the Clinton Central 2009 School Building Corporation (created to for the purpose of financing the renovation project) made three separate purchases of furniture and equipment between September 15, 2010, and March 15, 2011. The process for the purchase of these replacement assets was started as early as May 2010. The purchases appeared to be made through a master intergovernmental cooperation purchasing agreement. There was no evidence presented for audit of the required interlocal agreement or any governing board approval prior to the items being purchased. In addition, no evidence was presented for audit that invitations for bids were advertised locally. For all of the other applicable project areas, bids were advertised and received by the School Board. The School Board then awarded the contracts.

The School Corporation officials should have established and followed procedures to ensure that the most value was obtained from the salvage or disposal of assets. Procedures should have addressed required School Board approvals, inventory and valuation of property to be removed.

Since the value of the property disposed of could not be estimated at this time, the following statutes have been included that govern the disposal of property.

Indiana Code 5-22-22-3 states:

"A purchasing agency may sell property that:

- (1) has been left in the custody of an officer or employee of a governmental body and has remained unclaimed for more than one (1) year; or
- (2) belongs to the governmental body but is no longer needed or is unfit for the purpose for which it was intended."

Indiana Code 5-22-22-4 states:

"(a) If the property to be sold is:

- (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or
- (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more; the purchasing agency may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction.

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

(b) The advertising by an auctioneer under this section must include a detailed description of the property to be sold.

(c) The purchasing agency shall pay an auctioneer who conducts a sale under this section from the gross proceeds of the sale received before other expenses and liens are paid."

Indiana Code 5-22-22-4.5 states:

"(a) The purchasing agency may sell surplus property using an Internet auction site that satisfies both of the following:

- (1) The site is approved by the office of technology established by IC 4-13.1-2-1.
- (2) The site is linked to the electronic gateway administered under IC 4-13.1-2-2(a)(5) by the office of technology.

(b) The purchasing agency's posting of the sale on the Internet auction site must include a detailed description of the surplus property to be sold. (c) The purchasing agency may pay the costs of conducting the auction on the Internet site as required by the person maintaining the auction site."

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
- (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter; the purchasing agency shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.

(b) Advertisement of the sale shall be made in accordance with IC 5-3-1. (c) All sales shall be made to the highest responsible bidder."

Indiana Code 5-22-22-6 states:

"If the property to be sold is:

- (1) one (1) item, with an estimated value of less than one thousand dollars (\$1,000); or
- (2) more than one (1) item, with an estimated total value of less than five thousand dollars (\$5,000);

the purchasing agency may sell the property at a public or private sale or transfer the property, without advertising."

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-22-22-7 states:

"If the property to be sold is material that:

- (1) may be recycled; and
- (2) has been collected in conjunction with a recycling program;

the purchasing agency may, without advertising, sell the property at a public or private sale or transfer the property."

Indiana Code 5-22-22-8 states:

"(a) If the property is worthless, it may be demolished or junked.

(b) For purposes of this section and IC 5-22-21-6(4)(B), property may be considered worthless or of no market value if the value of the property is less than the estimated costs of the sale and transportation of the property."

***INVESTMENT MATURITY LIMITATIONS***

The School Corporation purchased a certificate of deposit, which had a stated maturity of four years.

During the audit period, Indiana Code 5-13-9-5.6 stated in part: "... investments made under this chapter must have a stated final maturity of not more than ... (3) two (2) years ... after the date of purchase or entry into a repurchase agreement."

***CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES  
AND COMPENSATION OF PUBLIC EMPLOYEES***

A Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2010 and 2011 was not filed with the state examiner in a timely manner.

During the audit period, Indiana Code 5-11-13-1(a) stated in part:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office ... shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. ..."

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CREDIT CARD POLICY***

School Corporation personnel used credit cards in some instances to purchase items without an adequate approved credit card policy. A written credit card policy existed, but it was not complete. Additionally, there were credit cards in use that did not have School Board authorization.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

***SUPPORTING DOCUMENTATION - SCHOOL CORPORATION CREDIT CARD***

Purchases made on the School Corporation credit card sometimes did not contain adequate supporting documentation, such as receipts, invoices, and other public records. A disbursement made August 6, 2009, to the School Corporation's credit card vendor did not contain supporting receipts for \$2,236.12 in hotel charges incurred at a hotel in Arlington, Virginia, from July 9, 2009 to July 13, 2009. Additionally, there were two charges on that statement to the Asia Society totaling \$2,450.00 which had no supporting documentation available for audit. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Indiana Public School Corporations, Chapter 9)

***USE OF SCHOOL FACILITIES***

School Corporation employees had access to school property outside of normal work hours. The School Corporation had policies regarding the use of school facilities. Depending on the use of the property, the policies indicated that approval from the School Board or written administrative approval was required. School Board approval or written administrative approval for the use of school facilities, in accordance with School Corporation policy, was not presented for audit.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***PERSONAL EXPENSES - CONCESSIONS (Applies to Clinton Central Jr./Sr. High School)***

Linda Barnett, former Athletic Director, was responsible for the concession program at the high school. When purchasing supplies for the concessions, a school credit card was sometimes used. There were several credit card charges noted which were considered personal in nature. The personal and school charges would be identified on the supporting documentation. She would then reimburse the extra-curricular for the amount of personal charges.

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 governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***DISBURSEMENT DOCUMENTATION (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)***

Several payments were observed which did not contain adequate supporting documentation such as receipts, invoices or use of the prescribed form. These payments appeared to be for USB flash drives, senior awards, shirts, supplies and mileage.

An extra-curricular sponsor at Clinton Central Jr./Sr. High School, was reimbursed for mileage without adequate supporting documentation on seven occasions. When submitting claims for reimbursement, no Mileage Form 101 was submitted to document actual miles traveled; instead, a total dollar amount for mileage was entered on a Form SA-7, Claim for Payment. The total amount of this undocumented travel for the audit period was \$1,514.10.



CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

There were several charges noted on an extra-curricular credit card which did not contain detailed supporting documentation. We tested transactions for the credit card and found \$11,636.58 in expenditures that did not have adequate documentation presented. The following are examples noted which did not have adequate supporting documentation: meals, apparel, fees, food items, etc.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 Extra-Curricular Accounts, Chapter 7)

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***EDUCATIONAL EXPENDITURES (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)***

Funds were disbursed from the school's extra-curricular accounts for curricular or educational functions. Items such as equipment, ink cartridges, meals for corporation activities and various supplies were purchased.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds

Accordingly, with the above references to receipts, all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statute and must be treated separately. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***ECA PURCHASE OF EQUIPMENT (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)***

Various equipment purchases were made during the audit period from the extra-curricular funds. Items such as a laptop, phone, scanner, camcorder and other miscellaneous equipment were purchased. A review of the School Board minutes did not reveal authorization for the purchases.

Indiana Code 20-26-5-4 states in part:

"In carrying out the purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . . (5) To acquire personal property or an interest in personal property as the governing body considers necessary for school purposes, including . . . equipment, apparatus, appliances . . ."

Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

***FUNDRAISERS (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)***

Various fundraisers were conducted during the audit period. The School Board minutes presented for audit did not indicate approval of all of the events. Additionally, there was no documented or approved designation of control procedures and the responsible officials or employees.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***OUTSIDE ORGANIZATIONS (Applies to Clinton Central Jr./Sr. High School)***

Financial records indicated that monies from an athletic booster club were accounted for in the Extra-Curricular Accounts during a portion of 2010.

Indiana Code 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ." Therefore, activities and organizations which are not extra-curricular in nature should be responsible for their own accounting and cash handling systems. The extra-curricular account should not collect, receipt, remit, or disburse outside organization's monies. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

CLINTON CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***OFFICIAL BOND - REQUIREMENTS (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)***

The official bonds for the elementary and high school extra-curricular treasurers and the elementary and high school cafeteria managers were made payable to the "Obligee" and not the State of Indiana.

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

***OFFICIAL BOND***

Official bonds for Robert Lease, former Corporation Treasurer, were obtained and covered the period beginning from January 15, 2008, and ending until successor duly qualified. The guarantor was Ohio Farmers Insurance Company.

***AUDIT COSTS***

Additional audit time was required to audit information necessary for the supplemental audit report. Additional audit costs incurred totaled \$1,731.91 and were related to the compensation and benefits of Robert Lease, former Corporation Treasurer. (See Summary of Charges, page 34)

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 Indiana Public School Corporations, Chapter 9)

CLINTON CENTRAL SCHOOL CORPORATION  
CLINTON COUNTY  
EXIT CONFERENCE

The entire contents of this report were discussed on January 31, 2013, with Jaclyn Sheets, Corporation Treasurer; Dr. Celia Shand, Superintendent of Schools; John D. Crum, President of the School Board; Tim Wyrick, School Board member; Kevin Boone, School Board member.

The entire contents of this report were discussed on July 12, 2012, with Robert Lease, former Corporation Treasurer.

The entire contents of this report were discussed on June 25, 2012, with Philip Boley, former Superintendent of Schools.

The Official Responses have been made a part of this report and may be found on pages 19 through 33.



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Clinton Central School Corporation  
P.O. Box 118 – 725 North State Road 29  
Michigantown, IN 46057  
765-249-2515—765-249-2504 (FAX)

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March 1, 2013

*Via Hand Delivery*

Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204-2765

Re: Official Response regarding the audit of Clinton Central School  
Corporation for period July 1, 2009 to June 30, 2011

To Whom It May Concern:

The Board of School Trustees of the Clinton Central School Corporation (the “School Corporation”) is submitting this official response to the audit report prepared by David Bixler of the Indiana State Board of Accounts (“SBOA”) for the time period July 1, 2009 through June 30, 2011. Below are the responses of the School Corporation to each of the “Audit Results and Comments” provided to the School Corporation during an exit interview on January 31, 2013. The School Corporation appreciates the SBOA’s courtesy in allowing it additional time (until March 1, 2013) to respond to the items raised in the SBOA’s audit report.

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1. Lack of Segregation of Duties: This weakness noted by the auditor existed under the leadership of former Superintendent Phil Boley. Under the leadership of the current Superintendent, Dr. Celia Shand, this material weakness has been corrected. Dr. Shand was hired by the Board of School Trustees effective July 1, 2011. Under her leadership, she has established the following controls to prevent material misstatements of irregularities to go undetected. Specifically, the bank accounts are reviewed by the Treasurer, Deputy Treasurer and Superintendent. Separate bank account statements are mailed to the Treasurer and Superintendent. The Treasurer now handles the Purchase Orders and the Deputy Treasurer posts the claims.
2. Preparing Financial Statements: This weakness noted by the auditor also existed under the leadership of former Superintendent Phil Boley. Under the leadership of Dr. Shand, this material weakness has been corrected. Under Dr. Shand’s leadership, she has designed the following controls over the preparation of the financial statements to prevent or detect

material misstatements, including notes to the financial statements. There are monthly Board reports showing balances and budget performance. Timely reporting from the Administration Office is the responsibility of the Treasurer and the Superintendent. Items in payroll are double checked by Board members on a monthly basis. A master list has been created and shared with the Board to show what payments are made to employees. At Board meetings, several items in claims are discussed and Board signatures are requested.

3. Monitoring of Controls: This weakness noted by the auditor has been corrected by the Board of School Trustees. The School Board has evaluated its system of internal controls with respect to its oversight responsibility over financial reporting. The School Board has taken the following steps to ensure that its controls are operating effectively to prevent or detect material misstatements in a timely manner. Each Board member is given a list of payroll to look at sections of the payroll payments. Claims are discussed by looking at items in each Board meeting. The Board then signs off on the claims. The elementary and high school buildings each supply a report for the Board of their receipts and disbursements.

#### CONDITION OF RECORDS

All records are submitted per State Board of Accounts guidelines and the usage of State Board of Accounts approved forms.

#### CASH NECESSARY TO BALANCE BANK RECONCILIATIONS

Dr. Shand and the Corporation Treasurer, Jaclyn Sheets, have resolved the differences.

#### COMPENSATION AND BENEFITS

The School Board agrees with the SBOA's finding that the salary increases paid to the former Treasurer, Robert Lease, at the direction of former Superintendent Phil Boley during the 2008-2009, 2009-2010, and 2010-2011 school years were not approved by the Board of School Trustees. The School Board fully supports the SBOA's efforts to obtain repayment of these unauthorized salary increases. In the event Mr. Lease refuses to repay the unauthorized salary increases, then the Board of School Trustees will fully support and cooperate in any civil action brought by the Indiana Attorney General's Office against Mr. Lease to obtain repayment of these sums. The School Board notes that Mr. Boley should be held equally responsible for this unauthorized overpayment as he is the individual who admittedly (per the SBOA's audit report) told Mr. Lease that the raises had been Board approved.

## OVERPAYMENT COLLECTIONS

The School Corporation was unaware of this overpayment to former Superintendent Jeffrey Bond until the exit interview on January 31, 2013. The School Corporation through its Superintendent, Dr. Shand, has sent a certified letter to Mr. Bond seeking reimbursement of the inadvertent overpayment.

## BUDGET NOT ADVERTISED

In August and September 2010, Mr. Boley showed the School Board the proposed budgets for the following year. Mr. Robert Lease, the Treasurer at the time, represented to the School Board that the budget had been advertised pursuant to Indiana law. The School Board approved the budget in a public meeting in September 2010 believing it to have been properly advertised and therefore proper. On October 4, 2010, Mr. Boley's employment with the School Corporation ended. On October 15, 2010, Brent Kaufman became the Interim Superintendent for the School Corporation. In November 2010, Mr. Kaufman informed the School Board that the 2011 budget was never advertised in accordance with Indiana law. The School Board was appalled and stunned by this revelation. Around the same time Mr. Lease's employment ended with the School Corporation and a new Treasurer (Jaclyn Sheets) was hired effective November 20, 2010.

Although Mr. Boley and Mr. Lease were no longer employed by the School Corporation, the damage caused by their malfeasance, misfeasance, or nonfeasance in office with respect to their failure to ensure the budget was properly advertised is unacceptable. Their failure to properly advertise the budget cost the School Corporation \$1,332,168 (per page 3 of the SBOA audit report). This constitutes 15% of the total budget for fund year 2011. The next budget in 2012 was increased by \$1,065,174 to cover the losses. Despite Mr. Boley having completed a budget the previous five years of his employment at Clinton Central, Mr. Boley opted not to fulfill his budget responsibilities for reasons unknown to the Board during his last year of employment.

Pursuant to Indiana Code 5-11-5-1(a), if an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, is required to be placed by the state examiner with the attorney general and the inspector general. The attorney general then must diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper public body the recovery of any funds misappropriated, diverted, or unaccounted for. The School Board requests that the SBOA turn this issue over to the Indiana Attorney General so that it may be reviewed for civil action against Mr. Boley and Mr. Lease pursuant to Indiana Code 5-11-5-1.

## APPROPRIATIONS

This audit exception is due to former Superintendent Phil Boley and former Treasurer Robert Lease's failure to request additional appropriations from the School

Board as they should have per Indiana law. As the SBOA correctly notes, Indiana Code 6-1.1-18-4 states in relevant part that “the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article.” The “proper officers” in this instance were Mr. Boley and Mr. Lease. The School Board agrees with the SBOA that these two individuals violated Indiana law. This issue has been resolved under Dr. Shand’s leadership.

#### TEACHER COMPENSATION

The School Board did not realize this issue was occurring until Dr. Shand was hired as the Superintendent in July 2011 and she pointed out this problem to the School Board. Teachers at Clinton Central Elementary were given an additional stipend from the High Ability Grant for extra compensation without approval by the School Board at least since 2008. Unfortunately, this issue also appears to have been a problem during Phil Boley’s tenure as Superintendent and it passed through past SBOA audits undetected. The School Board acknowledges and appreciates Dr. Shand’s efforts in identifying this problem and correcting it after so many years of oversight.

#### TEXTBOOK RENTAL CHARGES

This violation of Indiana law was actually caught by a former School Board member, Deborah Rawlings, before it was noted by the SBOA in the audit report. While Ms. Rawlings was on the Board, she learned that students were being charged for textbooks that were never purchased by the School Corporation. This occurred during Mr. Boley’s tenure as Superintendent. Since being caught, the School Corporation has corrected this problem. The School Corporation appreciates the SBOA bringing light to this problem, which supports the position previously taken by Ms. Rawlings and the School Board.

#### OVERDRAWN CASH BALANCES

The School Board was aware that cash balances were overdrawn during Mr. Boley’s tenure as Superintendent. The School Board would make efforts by verbally inquiring with Mr. Boley to find out why the balances were overdrawn, but the School Board did not believe Mr. Boley’s responses were justified or appropriate.

#### FEDERAL AND STATE AGENCIES – NATIONAL SCHOOL LUNCH PROGRAM REPORTING

Unfortunately, reports were timely provided by cafeteria managers to Central Office personnel, but the prior Central Office personnel lost the reports, which resulted in the reports being filed late. This problem has been resolved by Dr. Shand and the reports are being timely filed now as required by law.



### AVERAGE DAILY MEMBERSHIP (ADM)

Again, the School Board believes this was a problem that resulted from improper oversight by former Central Office staff of building level administrators. Under Dr. Shand's leadership, she has corrected this problem. Now all building level administrators are required to deliver their ADM count to Central Office and Central Office verifies that the reports contain a written certification by the responsible building level official. Each report is kept in a file in the Administration Office.

### CAPITAL ASSET RECORDS

The School Corporation, again under Dr. Shand's leadership, has instituted a new process by which the School Corporation records every new piece of inventory that is purchased for the schools. All new inventory items are marked in a specified manner and are recorded in a capital asset log that is maintained by Central Office.

### DISPOSAL OF ASSETS AND SUBSEQUENT PURCHASE OF ASSETS

The School Board adamantly maintains that the disposal of the School Corporation's assets (primarily furniture) and the subsequent purchase of assets (primarily furniture) by former Superintendent Boley were handled inappropriately. The School Corporation had undergone a building project. As the SBOA report correctly notes, most purchases made in connection with this project were bid in accordance with Indiana's public bidding laws. To be specific, there were 39 different purchases of goods made throughout this project and of these 39 purchases, Mr. Boley bid out 38 of them. The only purchase of goods handled by Mr. Boley that related to the building project that was not bid out was the purchase of new furniture and related items.

As is noted in the SBOA's audit report (particularly on page 5), Mr. Boley represented to the School Board that he desired to scrap elementary desks and chairs as well as furniture in the junior-senior high school that were *original to when the schools were new*. Mr. Boley represented to the School Board that there was not a market to resell these old pieces of furniture so the demolition contractor would scrap them out. The School Board believed that there was a demolition contract in place that allowed the contractor to scrap out "old student and teacher desks" in preparation for their replacement. Based upon Mr. Boley's representations (as noted on page 5 of the SBOA audit report), the School Board believed only student and teacher desks that were original to the elementary and junior-senior high school buildings would be scrapped by the demolition contractor and the School Corporation would receive salvage value for the property. This was certainly a reasonable understanding on the part of the School Board in light of Mr. Boley's representations. Unbeknownst to the School Board (as the SBOA correctly notes in its audit report on page 6), there was no salvage contract or agreement with the demolition contractor. Instead, the School Board later learned that Mr. Boley without Board approval opted to unilaterally dispose of a large volume of Corporation furniture, fixtures and equipment, including property that did not fit into the category of student and teacher desks that were original to the elementary and junior-senior high

school buildings. Even more, per capital projects records that were subsequently discovered by the Board, prior Superintendents had already replaced “all desks, chairs, and tables” original to the building. The School Board contends that this action on the part of Mr. Boley was in violation of School Board Policy 7140/7145 Disposition of Real Property.

As noted by the SBOA, “school corporation officials should . . . follow procedures to ensure that the most value is obtained from the salvage or disposal of assets. Unit procedures should address required board approvals, inventory and valuation of property to be removed.” The School Board, as noted above, had a policy in place setting forth the procedure School officials were to follow to ensure the most value would be obtained from the salvage or disposal of School Corporation assets. The School Board’s policy was clearly not followed by Mr. Boley. As the SBOA also correctly notes in the audit report, the property of the School Corporation that values more than \$5,000.00 may either be sold by engaging an auctioneer or selling the property through an Internet auction site. See Indiana Code 5-22-22-4 and 5-22-22-4.5. If neither of these sale methods is used, then Indiana law requires that the School Corporation “shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of the sale.” See Indiana Code 5-22-22-5. The list of furniture disposed of by Mr. Boley without Board approval was provided to the SBOA during its audit. Many of the furniture items disposed of were items purchased since the year 2000 and several of these items were purchased by Mr. Boley himself during his tenure as Superintendent. According to the last capital assets inventory completed for the School Corporation and invoices obtained from vendors through whom the furniture was purchased, the School Board believes that the value of the property Mr. Boley improperly disposed of (valued pursuant to IRS approved depreciation schedules) far exceeds \$5,000.00.

As noted above, pursuant to Indiana Code 5-11-5-1(a), if an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, is required to be placed by the state examiner with the attorney general and the inspector general. The attorney general then must diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer’s official bond, or both, and against any other proper person that will secure to the state or to the proper public body the recovery of any funds misappropriated, diverted, or unaccounted for. The School Board strongly believes that the conduct of Mr. Boley in disposing of School Corporation assets without Board approval constitutes malfeasance, misfeasance, or nonfeasance in office. As such, the School Board requests that the SBOA turn this issue over to the Indiana Attorney General so that civil action may be taken against Mr. Boley.

In addition to the loss in value of School property that was improperly scrapped by Mr. Boley for no value, the School Board has requested that the SBOA turn over to the Indiana Attorney General the issue of what it deems to be Mr. Boley’s improper purchase of \$579,342.50 worth of new furniture, fixtures and equipment. These new furniture purchases occurred without the knowledge of the School Board with funds from

the private building corporation account. Notably, Mr. Boley purchased this furniture without obtaining any volume discount. He also paid premium freight for the delivery of the property to the School Corporation. Even more, Mr. Boley hid the invoices associated with the purchases from the School Board, which the School Board did not realize existed until after Mr. Boley had separated his employment in early October 2010. The School Board became aware of the invoices when the vendor who sold the property to the School Corporation contacted the Interim Superintendent to inquire as to the status of payment on the delinquent invoices. The Interim Superintendent then notified the School Board of the existence of the invoices.

The School Board has asked the SBOA to turn the issue of the improper purchases by Mr. Boley over to the Indiana Attorney General's Office for consideration of pursuing civil action against Mr. Boley. The SBOA has taken the position that because the building corporation established for the building project bond funds was a "private" building corporation as opposed to a "public" building corporation, the SBOA has no legal authority to audit the private building corporation. THE SCHOOL BOARD ADAMANTLY MAINTAINS THAT THE STATE OF INDIANA NEEDS TO REVIEW CURRENT INDIANA LAW AND CLOSE THE LOOPHOLE THAT PERMITS SCHOOL CORPORATION OFFICIALS TO USE A PRIVATE BUILDING CORPORATION TO EXPEND PUBLIC FUNDS WITH NO SBOA AUDIT OVERSIGHT OR PENALTY JUST BECAUSE THE BUILDING CORPORATION IS ESTABLISHED AS A PRIVATE (AS OPPOSED TO PUBLIC) BUILDING CORPORATION. The money expended through a private building corporation is still public money, and as such, goods purchased through these public dollars should be subject to Indiana laws requiring competitive bidding, SBOA oversight and audits, and all other laws that apply to public building corporations.

#### INVESTMENT MATURITY LIMITATIONS

The School Corporation was unaware of the investment maturity limitations. Since becoming aware of these limitations, the School Corporation has corrected this problem.

#### CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND COMPENSATION OF PUBLIC EMPLOYEES

The School Corporation acknowledges that Mr. Boley failed to timely provide the required certified report of names, addresses, duties and compensation of public employees for 2010. With respect to 2011, the School Corporation had just undergone signification transition in key officials in Central Office, which resulted in the 2011 report being untimely filed. This problem has been rectified by the current superintendent, Dr. Celia Shand, and the required certified report is now being timely submitted by the School Corporation.

## CREDIT CARD POLICY

During Mr. Boley's tenure as Superintendent, he would instruct or otherwise permit school employees to open credit card accounts in their names on behalf of their school organizations and clubs. Those employees were unaware of the personal liability to them associated with having these school credit card accounts in their names until the SBOA audit. The current Superintendent, Dr. Celia Shand, has implemented a new procedure to correct the prior problem of credit card use among Corporation personnel. Specifically, Dr. Shand requires that all purchases made with a school credit card must be related to school business. In addition, School employees using a School credit card must submit a purchase order in advance of purchasing an item on behalf of the School Corporation that projects the anticipated cost of the item. After submitting a purchase order and receiving approval to purchase the requested item, the employee purchases the item and then must submit a receipt and purchase order to Central Office documenting the purchase.

In addition, under the prior procedure, there were several credit cards that were issued to various school personnel that were located in various School buildings. Dr. Shand has implemented a new requirement by which all School Corporation credit cards must be kept at Central Office and will only be provided to a school employee who has complied with the purchase order procedure specified herein. In addition, there is a sign out sheet maintained in the Superintendent's Office. An employee desiring to use a School Corporation credit card is required to sign the card out if he/she desires to use a Corporation credit card. This sign out process is intended to keep track of the location of credit cards at all times.

The School Board is planning to amend its credit card policy to confirm in writing the corrective procedures that have been implemented by Dr. Shand.

## SUPPORTING DOCUMENTATION – SCHOOL CORPORATION CREDIT CARD

As noted above, under the new procedures implemented by Dr. Shand, receipts are required to be submitted for all credit card purchases. Therefore, supporting documentation is now being required thereby resolving this issue.

## USE OF SCHOOL FACILITIES

The School Corporation noted to the SBOA auditor during the audit several instances that the School Corporation had become aware of by which school facilities were being used for non-school business without approval from the School Board. The School Board appreciates the SBOA noting this issue in its report as it is an issue that needed to be corrected. The School Corporation, through Dr. Shand, now requires compliance with the School Board's school facilities policy in that all requests to use school facilities for non-school business must be submitted to Central Office and/or the School Board for approval. The enhanced oversight with respect to enforcement of the Board's policy has resolved this issue.

## MILEAGE REIMBURSEMENT

It is the School Board's understanding that during Mr. Boley's tenure as Superintendent he provided erroneous instructions to School staff regarding the handling of mileage reimbursement requests. This issue has been resolved as the current Superintendent, Dr. Shand, requires the appropriate Mileage Form 101 be submitted by employees seeking mileage reimbursement and that supporting documentation also be provided to Central Office in accordance with State Board of Accounts regulations.

## PERSONAL AND UNDOCUMENTED EXPENSES – FFA (Applies to Clinton Central Jr./Sr. High School)

As previously noted under the "CREDIT CARD POLICY" section above, Dr. Shand has implemented a new procedure to correct the prior problem of credit card use among Corporation personnel. Specifically, Dr. Shand requires a School employee to submit a purchase order in advance of purchasing an item on behalf of the School Corporation that projects the anticipated cost of the item. After submitting a purchase order and receiving approval to purchase the requested item, the employee purchases the item and then must submit the final purchase order and receipt to Central Office. This procedure equally applies to those employees using the FFA credit card. Thus, the new procedures will allow Central Office to identify improper purchases that are not properly documented. In addition, no personal purchases are permitted to be made using Corporation credit cards.

## PERSONAL EXPENSES – CONCESSIONS (Applies to Clinton Central Jr./Sr. High School)

As noted above under the "CREDIT CARD POLICY" section, Dr. Shand requires that all purchases made with a school credit card must be related to school business in accordance with SBOA regulations. The documentation required to make purchases with a School credit card safeguards against uses of School credit card for personal reasons. Thus, this issue has been addressed by the School Corporation.

## DISBURSEMENT DOCUMENTATION (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)

This problem has been corrected as Dr. Shand requires that supporting documentation be provided to support all disbursements made with School funds in accordance with SBOA regulations.

EDUCATIONAL EXPENDITURES (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)

Under Dr. Shand's direction and supervision, all funds disbursed for curricular or educational functions are disbursed from School Corporation funds and not from extracurricular accounts. Thus, this issue has been addressed and rectified.

ECA PURCHASE OF EQUIPMENT (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)

To correct this issue, the School Corporation has demanded of the employee who made the unauthorized equipment purchases to reimburse the funds expended for the unauthorized items purchased that are identified in the SBOA audit report.

FUNDRAISERS (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)

Dr. Shand has corrected this issue by requiring all fundraiser proposals to be submitted to Central Office for approval by the School Board. The School Board is in the process of amending Board Policy 5480 to implement in writing this corrective action.

OUTSIDE ORGANIZATIONS (Applies to Clinton Central Jr./Sr. High School)

This problem occurred under former Superintendent's Phil Boley's leadership, but has been corrected by Dr. Shand. Monies from athletic booster clubs are no longer collected, receipted, remitted, or disbursed through the School Corporation's extra-curricular accounts.

OFFICIAL BOND REQUIREMENTS (Applies to Clinton Central Jr./Sr. High School and Clinton Central Elementary School)

The bond is now payable to the State of Indiana and not the "Obligee." Thus, this issue has been corrected.

If the School Corporation can provide any additional information to the Indiana State Board of Accounts, then please feel free to let us know.

Sincerely,

John Crum  
School Board President

Tim Wyrick  
School Board Vice President

June 28, 2012

State Board of Accounts  
ATTN: Richard D. Cole  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

To Whom It May Concern:

I am responding to the Audit Results and Comments for Clinton Central School Corporation for the period July 1, 2009, June 30, 2011. It is appropriate to note that two out of the three comments to which I am responding occurred during the previous audit period, July 1, 2007, to June 30, 2009. A State Board of Accounts audit for that period did not comment regarding these issues.

COMPENSATION AND BENEFITS (page 2)

The audit alleges that payments in the amount of \$24,145.52 to Robert Lease, Corporation Treasurer, were not authorized by the school board. I recommended that Mr. Lease receive a \$10,000 raise at the September 8, 2008, school board meeting. This recommendation was part of a package of raises for classified staff. The board duly authorized the raises according to the table of salaries I provided them. This was the typical method we used to authorize classified raises. I do not have access to the minutes of that meeting; however, I remember the occasion well, because the board voted to approve the raises with the exception of that of Deputy Treasurer, Renee Simmons, about whom they wanted to have a discussion in executive session. This was a very uncomfortable moment, because Mrs. Simmons was in the board room taking minutes. No mention was made of Mr. Lease. I fully believe the board meant to authorize his raise at that time. I had previously discussed Mr. Lease with then board president, Mr. Clint Orr, and I sent a letter with my recommendation on the previous Friday. Mr. Lease was to go from three to four days per week and to be paid \$45,000 instead of his previous \$35,000. I understand that the board members at that time have since signed affidavits indicating they intended for him to receive only a 2.6% raise. I find this baffling because I clearly made the recommendation and there was no indication from the board at that meeting that they did not approve it. If the minutes are not that specific, then it is an error. The only exception to the recommendation had to do with Mrs. Simmons, not Mr. Lease.

Records show that the board approved the payroll claims for Mr. Lease's raise on several occasions, including a large check for back pay to accommodate the raise's effective date, and subsequent claims which plainly show his salary to be \$45,000. (Each check was \$45,000 divided by 26 pays) It appears to me that someone has found the minutes lacking, and therefore has decided to pursue this claim.

BUDGET NOT ADVERTISED (page 2)

It is probably true that the 2011 budget, approved by the board at the October 4, 2010, meeting was not advertised. That is the meeting immediately after which the board took my keys and told me not to return for the remainder of my tenure. My resignation was effective December 31, 2010. There is no way I could have advertised the budget under that circumstance.

PERSONAL EXPENSES – SCHOOL CORPORATION CREDIT CARD (page 6)

The audit indicates that I did not reimburse the corporation for personal expenses related to a trip to Washington, D.C. taken in July of 2008. Global Indiana, the organization to which I donated my time then and now, paid \$818.00 to Clinton Central to reimburse the expenses placed on the corporation credit card. The remaining amount was not Global Indiana's responsibility because it included a flight extension to Rhinelander, Wisconsin to accommodate my family vacation. That amount, \$194.99, was my personal responsibility. Upon my return from vacation, I paid Clinton Central \$194.99 by check on July 30, 2008. (See copy of the check #7670 and the relevant part of the bank statement, attached.) The SBA alleges that I still owe that money, which I clearly do not.

In summary, it is my understanding that the corporation, through the State Board of Accounts, is demanding that Mr. Lease repay the sum in question. I believed the raise was authorized, or I would not have told Mr. Lease that it had been. Neither of us had any intent to defraud the corporation. Mr. Lease would have resigned had the raise not been approved. As it was, he was working nearly full time and only was only being compensated for first three days a week, then four.



Philip M. Boley  
Retired Superintendent



July 18, 2012

State Board of Accounts

302 West Washington Street

Room E 418

Indianapolis, IN 46204-2765

**OFFICIAL RESPONSE**

Clinton Central Audit

To Whom It May Concern:

I am responding to the Audit Results and Comments for Clinton Central School Corporation for the period July 1, 2009 through June 30, 2011.

I have been charged with being overpaid \$ 24,145.52 during my years of employment with Clinton Central School Corporation. I totally disagree with this finding. Superintendent Philip Boley presented a salary schedule to the Clinton Central School Board at the September 8, 2008 school board meeting. The salary schedule presented to the school board recommended an increase of 2.6 % for the majority of the classified personnel and larger increases for the positions of Treasurer and Deputy Treasurer. Mr Boley stated in his Official Response that there was no discussion of the recommended increase for the position of Treasurer , but the Board did table the recommended salary for Deputy Treasurer. The Board had three options regarding the proposed Classified Salary Schedule. They could have approved the schedule, denied the schedule or tabled the proposed schedule or any part of it. They chose to table the recommended salary increase for Deputy Treasurer, but made no mention of either tabling or denying the proposed raise for the Treasurer. Mr. Boley believed the Board was approving the salary schedule with the sole exception of the Deputy Treasurer. Mr. Boley and Deputy Treasurer, Renee' Simmons both told me the following day that my salary change had been approved and I was told to change my salary to \$ 45,000 per year. Mr. Boley also states in his Official Response that he authorized me to increase my salary to the \$ 45,000 level.

The Superintendent acknowledged in his Official Response that the minutes were not as specific as they should have been and should have referenced the Classified Salary Schedule and not just the percentage of raise for the majority of the classified personnel. The Board approved the Salary Schedule presented to them, not a percentage increase!

I should also mention that my salary was audited in the period ending June 30, 2009 by the State Board of Accounts and no exception was made in their report. My salary had been increased during this audit period. I should have been advised of any issue involving my salary at that time. The SBOA examiner evidently was comfortable that my salary level was appropriate and accurate.

I am also presenting the following additional information and documents that all support the fact that I was approved for the salary increase to \$ 45,000 a year.

A. Clinton Communiqué distributed by Mr. Boley to all members of the Clinton Central School Board on or about September 5, 2008 in advance of their regular School Board meeting on Monday, September 8, 2008. Note in the highlighted portion on Page 2 the Superintendent recommended an increase of Bob's (Mr. Lease) and Renee's (Assistant Treasurer Renee Simmons) salaries. In reference to Mr. Lease it was observed "Even at \$45,000, his services are a bargain...". Exhibit attached.

B. A copy of the "Proposed Raises for Classified Staff" that accompanied the Clinton Communiqué proposing a "Bump" to \$45,000 for Mr. Lease. Exhibit attached.

C. Minutes from School Board meeting conducted on September 8, 2008. Mr. Lease was not present at that meeting. The Board was presented a Proposed Salary Schedule for classified employees with all positions except Treasurer and Deputy Treasurer being recommended for raises of either 1.3% or 2.6%. The School Board Minutes clearly indicate the Deputy Treasurer's proposed increase be removed and acted on at a later date. The Board would have also removed the proposed raise for the Treasurer at the same time if their desire was not to approve the recommended increase for Mr. Lease. Exhibit attached.

D. Schedule for "Classified Staff Salary & Hourly Rates 2008-09" given to Mr. Lease by Mr. Boley sometime after the September 8, 2008 School Board meeting confirming his raise to \$45,000 per annum. Exhibit attached.

E. Payroll Claim Detail Listing for checks dated 9/19/08 reflecting payment to Robert M. Lease Employee, No. 5363.00 in the amount of \$1,346.15 (times 26 pays = \$35,000). As reflected on the last page, these claims were approved by the full Board and Superintendent by their signatures dated October 6, 2008. Exhibit attached.

F. Payroll Claim Detail Listing for checks dated 10/03/08 reflecting payment to Robert M. Lease in the amount of \$4,038.46 (back pay retroactive to July 1, 2008). These claims were also approved by the full Board and Superintendent by their signatures dated October 6, 2008. Exhibit attached.


G. Payroll Claim Detail Listing for checks dated 10/17/08 reflecting increased payment to Robert M. Lease in the amount of \$1,730.77 (times 26 pays = \$45,000). These claims were approved by the full Board and Superintendent by their signatures dated November 10, 2008. Exhibit attached.

H. Payroll Claim Detail Listing for checks dated 10/31/08 reflecting ongoing payment to Robert M. Lease in the amount of \$1,730.77 consistent with the approved \$45,000 salary. These claims were also approved by the full Board and Superintendent by their signatures dated November 10, 2008. Exhibit attached.

I. Though not obtained or included herein it is likely that all subsequent claims relating to Mr. Lease's salary and vacation pay were reviewed and approved by the full Board and Superintendent in the same fashion during his tenure at Clinton Central.

As noted in the Communiqué, Mr. Lease was entitled to a salary increase because he was devoting substantially more time to the Treasurer's job than was initially provided in the Contract. After September 8, 2008 he continued employment upon the express promise of his supervisor, as ratified by the full Board, that he was to be paid \$45,000 per year. If his salary increase had not been approved or ratified he would have had the option to limit his work hours or discontinue employment at any time.

For the above reasons, without limitation, Mr. Lease was authorized and entitled to receive the \$45,000 per year salary and he does not owe Clinton Central any salary refund.



Robert M. Lease

Former Treasurer

Clinton Central School Corporation

CLINTON CENTRAL SCHOOL CORPORATION  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Robert Lease, former Corporation Treasurer:			
Compensation and Benefits, page 5	\$ 24,145.52	\$ -	\$ 24,145.52
Audit Costs, page 17	<u>1,731.91</u>	<u>-</u>	<u>1,731.91</u>
Totals	<u>\$ 25,877.43</u>	<u>\$ -</u>	<u>\$ 25,877.43</u>

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

AFFIDAVIT

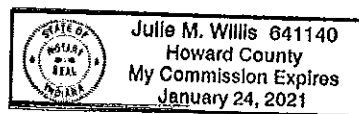
STATE OF INDIANA )  
Howard COUNTY )

We, David J. Bixler and J. Allen Homrig, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Clinton Central School Corporation, Clinton County, Indiana, for the period from July 1, 2009 to June 30, 2011, is true and correct to the best of our knowledge and belief.

David J. Bixler

J. Allen Homrig  
Field Examiners

Subscribed and sworn to before me this 10 day of October, 2013



Julie M. Willis  
Notary Public

My Commission Expires: \_\_\_\_\_

County of Residence: \_\_\_\_\_