

**STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769**

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State Examiner**

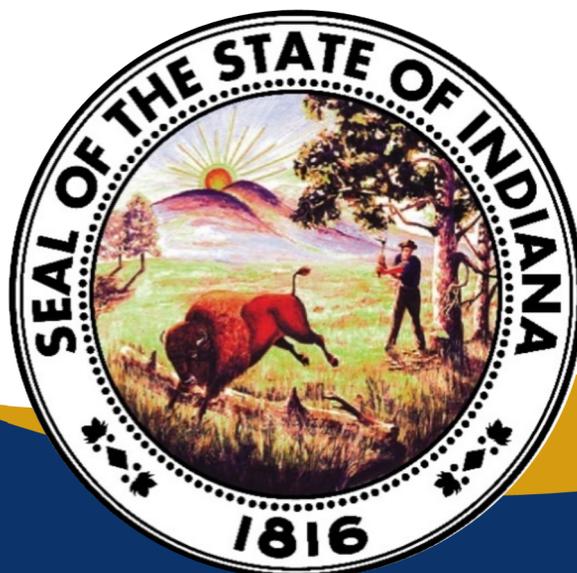
SPECIAL COMPLIANCE REPORT

OF

CENTER GROVE COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

January 1, 2020 to January 5, 2024



**FILED**

04/22/2025



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Paul D. Joyce, CPA  
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## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE CENTER GROVE COMMUNITY SCHOOL  
CORPORATION, JOHNSON COUNTY, INDIANA

This is a special compliance report for the Center Grove Community School Corporation (School Corporation), for the period January 1, 2020 to January 5, 2024, 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 leave time and credit card usage for the former Superintendent of Schools. 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 15, 2025

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS

**BACKGROUND**

The School Corporation reported inconsistencies to the Indiana State Board Accounts (SBOA), in accordance with Indiana Code 5-11-1-27(j), regarding discrepancies found with the time records and credit card purchases by Richard Arkanoff (Arkanoff), former Superintendent of Schools.

Arkanoff retired from the School Corporation effective January 5, 2024. Arkanoff was the Superintendent of Schools for over 12 years.

The SBOA opened a special investigation into Arkanoff's time records and credit card purchases. Specifically, the SBOA reviewed documentation provided by the School Corporation to the SBOA, which included, Arkanoff's work calendar, his payroll submissions, and the School Corporation's credit card statements associated with Arkanoff's cardholder account. The following describes noncompliance with the Indiana Code and/or the *Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations*.

**LEAVE TIME MARKED ON WORK CALENDAR NOT REPORTED IN PAYROLL SYSTEM**

The School Corporation officials performed an internal audit of Arkanoff's leave time usage from November 4, 2022 to December 28, 2023. The officials documented a total of 28 days that were marked as leave time used in Arkanoff's work calendar but were not contemporaneously recorded by Arkanoff in the School Corporation's payroll system to correspond with the same pay period. It was observed by the School Corporation that many of these occurrences were at the beginning and/or end of School Corporation business trips taken by Arkanoff. The School Corporation documented 28 days that leave time was marked on Arkanoff's work calendar, but no time off was recorded in the payroll software system.

On December 28, 2023, the School Corporation received a letter from Arkanoff stating that he would be retiring effective January 5, 2024. Per the School Corporation, Arkanoff did not work any time after submission of his retirement letter, and, therefore, the School Corporation posted leave time for the final 5 business days of that pay period (12-28-23, 01-02-24, 01-03-24, 01-04-24, 01-05-24). These 5 days, in addition to the 28 days noted above, bring the total amount of leave time submitted by the School Corporation to 33 days.

The total value of these 33 days documented by the School Corporation was \$36,206.95 as follows:

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

<u>Date</u>	<u>Days not Recorded</u>	<u>Category</u>	<u>Loss</u>	<u>Additional Benefits</u>	<u>Additional Taxes</u>	<u>Total</u>
11-04-22	1	PER	\$ 881.04	\$ 99.56	\$ 75.02	\$ 1,055.62
11-07-22	1	PER	881.04	99.56	75.02	1,055.62
01-26-23	1	PER	881.04	99.56	75.02	1,055.62
01-27-23	1	PER	881.04	99.56	75.02	1,055.62
02-19-23	1	PER	881.04	99.56	75.02	1,055.62
03-14-23	1	VAC	881.04	99.56	75.02	1,055.62
03-28-23	1	VAC	881.04	99.56	75.02	1,055.62
03-29-23	1	VAC	881.04	99.56	75.02	1,055.62
04-17-23	0.5	VAC	440.52	49.78	37.51	527.81
04-29-23	1	VAC	881.04	99.56	75.02	1,055.62
05-19-23	0.5	VAC	440.52	49.78	37.51	527.81
07-26-23	1	PER	930.82	105.18	79.25	1,115.25
07-27-23	1	PER	930.82	105.18	79.25	1,115.25
08-16-23	1	SICK	930.82	105.18	79.25	1,115.25
09-13-23	1	VAC	930.82	105.18	79.25	1,115.25
09-14-23	1	VAC	930.82	105.18	79.25	1,115.25
09-15-23	1	VAC	930.82	105.18	79.25	1,115.25
10-09-23	1	VAC	930.82	105.18	79.25	1,115.25
10-10-23	1	VAC	930.82	105.18	79.25	1,115.25
10-11-23	1	VAC	930.82	105.18	79.25	1,115.25
10-12-23	1	VAC	930.82	105.18	79.25	1,115.25
10-13-23	1	VAC	930.82	105.18	79.25	1,115.25
11-07-23	1	VAC	930.82	105.18	79.25	1,115.25
11-28-23	0.5	SICK	465.41	52.59	39.63	557.63
12-07-23	0.5	SICK	465.41	52.59	39.63	557.63
12-08-23	1	SICK	930.82	105.18	79.25	1,115.25
12-18-23	1	VAC	930.82	105.18	79.25	1,115.25
12-19-23	1	VAC	930.82	105.18	79.25	1,115.25
12-20-23	1	VAC	930.82	105.18	79.25	1,115.25
12-21-23	1	VAC	930.82	105.18	79.25	1,115.25
12-28-23	1	VAC	930.82	105.18	79.25	1,115.25
01-02-24	1	VAC	930.82	105.18	79.25	1,115.25
01-03-24	1	VAC	930.82	105.18	79.25	1,115.25
01-04-24	1	PER	930.82	105.18	79.25	1,115.25
01-05-24	1	PER	930.82	105.18	79.25	1,115.25

\$ 36,206.95

LEGEND

- Day's recorded by School Corporation in Lieu of Paid Leave-Leave Time Not Marked on Calendar
- Day's retroactively submitted by School Corporation- Leave time marked on Calendar not recorded

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

This \$36,206.95 was not considered a loss to the School Corporation because it was able to enter this time into the system before making the final payout of leave time to Arkanoff.

The SBOA then performed an investigation of Arkanoff's leave time inconsistencies. Using the same methodology as the School Corporation did in its internal audit, the SBOA compared Arkanoff's work calendar to the School Corporation's payroll system for the period of January 1, 2020 to January 4, 2024. We documented an additional 11 days that were marked as leave time used on Arkanoff's work calendar but were not reported or previously taken into consideration by the School Corporation. The total value of the 11 days equates to \$11,969.60 as follows:

<u>Date</u>	<u>Days not Recorded</u>	<u>Category</u>	<u>Loss</u>	<u>Additional Benefits</u>	<u>Additional Taxes</u>	<u>Total</u>
03-30-22	1	Vacation	\$ 881.04	\$ 99.56	\$ 75.02	\$ 1,055.62
05-23-22	1	Personal	881.04	99.56	75.02	1,055.62
05-24-22	1	Personal	881.04	99.56	75.02	1,055.62
06-28-22	1	Vacation	881.04	99.56	75.02	1,055.62
06-29-22	1	Vacation	881.04	99.56	75.02	1,055.62
07-01-22	1	Vacation	930.82	105.18	79.25	1,115.25
07-14-22	1	Personal	930.82	105.18	79.25	1,115.25
07-21-22	1	Personal	930.82	105.18	79.25	1,115.25
11-23-22	1	Vacation	930.82	105.18	79.25	1,115.25
06-20-23	1	Personal	930.82	105.18	79.25	1,115.25
09-12-23	1	Vacation	930.82	105.18	79.25	1,115.25
Total						<u>\$ 11,969.60</u>

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The School Corporation's policy for "Outside Activities of Staff" states in part:

"The School Board directs the Superintendent to promulgate the following guidelines so that staff members may avoid situations in which their personal interests, activities, and associations may conflict with the interests of the School Corporation. If nonschool activities threaten a staff member's effectiveness within the school system, the Board reserves the right to evaluate the impact of such activity upon a staff member's responsibility to the students and to the Board.

Staff members shall not give school time to an outside activity without valid reason to be excused from assigned duties . . ."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 Indiana Public School Corporations, Chapter 1)

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

The SBOA considers the value attributable to 11 days, \$11,969.60, to be Questioned Costs. These days account for the payroll amount received by Arkanoff but determined to be associated with leave time marked on his work calendar but not reported in the payroll software system.

**CREDIT CARD PURCHASES NOT REIMBURSED BY ARKANOFF**

Arkanoff often went on School Corporation related business trips for conferences and school visits. Arkanoff used the School Corporation's credit card while on trips on behalf of the School Corporation. The SBOA was informed by the School Corporation that Arkanoff often would reimburse any expenses that were personal. During the internal audit performed by the School Corporation, officials documented expenses that were paid for on days that leave time was marked on Arkanoff's work calendar but not reported in the payroll software system.

Using the same methodology as the School Corporation did in its internal audit, the SBOA reviewed the credit card statements and Arkanoff's work calendar to determine days that had not been recorded in the payroll software system. The SBOA reviewed the statements from January 1, 2020 to December 31, 2023. The SBOA documented \$1,190.78 in expenses that were incurred on days that were marked as leave time used on the work calendar but not recorded in the payroll software system:

Trip	Personal Amount
California 2022	\$ 996.22
Colorado 2023	143.69
Arizona 2023	50.87
Total	\$ 1,190.78

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)

The School Corporation's policy for "Use of Credit Cards" states in part:

". . . The Superintendent shall develop administrative guidelines that specify those authorized to use credit cards, the types of expense which can be paid by credit card, and their proper supervision and use.

Credit cards are not to be used to bypass the accounting system of the School Corporation. In addition, credit cards are not to be used for personal expenses not related to Corporation activities.

Procedures for payment of expenses charged to credit cards must be according to Board policy for the payment of claims."

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
RESULTS AND COMMENTS  
(Continued)

The School Corporation's policy for "Travel Payment and Reimbursement/Relocations Costs" states in part:

"Travel expenses incurred for official business travel on behalf of the School Corporation shall be limited to those expenses necessarily incurred by the employee in the performance of a public purpose authorized, in advance, in accordance with administrative guidelines.

. . . Employees are expected to exercise the same care incurring travel expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Unauthorized costs and additional expenses incurred for personal preference or convenience shall not be reimbursed.

Unauthorized expenses include but are not limited to alcohol, movies, fines for traffic violations, and the entertainment/meals/lodging of spouses or guests. . . ."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 Indiana Public School Corporations, Chapter 1)

The SBOA considers the credit card purchases, totaling \$1,190.78, made by Arkanoff to be Questioned Costs. These purchases were made on days marked as leave time on Arkanoff's work calendar but not reported as such in the payroll software system.

***INSURANCE COVERAGE***

The following information documents the insurance coverage purchased by the School Corporation:

<u>Policy Period</u>	<u>Coverage</u>
01-01-22 to 01-01-23	\$ 500,000
01-01-23 to 01-01-24	500,000

CENTER GROVE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2025, with William K. Long, Superintendent of Schools; Jason Taylor, Assistant Superintendent of Schools; Rob Daniels, President of the School Board; and Scott Alexander, School Board Secretary.

The contents of this report were discussed on April 11, 2025, with Richard Arkanoff, former Superintendent of Schools, and George Jay Hoffman, Arkanoff's Legal Representative.



# Center Grove

## Community School Corporation

### Center Grove Community School Corporation Response to State Board of Accounts Report

On December 28, 2023, the Center Grove Community School Corporation (“School Corporation”) reported irregular material variances in its funds, in accordance with Indiana Code 5-11-1-27(j), to the Indiana State Board of Accounts (“SBOA”). These variances stemmed from the actions of former Superintendent Richard Arkanoff (“Arkanoff”). At the same time, the School Corporation notified the Indiana State Police and the Johnson County Prosecutor’s Office. The Indiana State Police stated they would determine whether to open a criminal investigation based on the SBOA’s report, while the Prosecutor’s Office indicated they would consider criminal charges after receiving information from the police. The abuse of power by a high-ranking public servant is a serious matter, particularly when it results in personal financial gain at the expense of a taxpayer-funded school corporation.

In its initial meeting with the SBOA on January 4, 2024, the School Corporation provided sixty-eight (68) pages of documentation detailing Arkanoff’s misuse of school time and funds for personal gain unrelated to School Corporation business. For instance, Arkanoff was hired at least twice within a two-year period to present at the Indiana Construction Inc. Contractors Conference in French Lick, Indiana. This engagement had no connection to Center Grove Community Schools yet was conducted during School Corporation hours. Arkanoff did not take a personal or vacation day for this private activity and was compensated by the outside entity for his presentation. Additionally, the entity covered his room, board, and green fees for golf, all while he was simultaneously receiving his salary from the School Corporation.

This is just one of multiple instances where Arkanoff engaged in private activities while being paid by the School Corporation. His actions directly violated **Board Policy 3214 - Staff Gifts**, which prohibits professional staff from accepting compensation from vendors in ways that could influence their recommendations or create conflicts of interest in purchasing decisions.

Arkanoff authored a book and launched a private consulting business while employed at Center Grove, doing so without the consent of the Center Grove School Board of Trustees (“School Board”). He also misused the School Corporation’s credit card without approval from the governing body to purchase copies of his own book to give away as gifts.

Additionally, Arkanoff used the School Corporation’s credit card under the pretense of hosting lunch or dinner meetings with community leaders and elected officials. In some instances, however, these meals were actually with family members. Furthermore, he engaged in private consulting work and book marketing during times when he was being paid by the School Corporation, despite these activities having no connection to its business.

Arkanoff’s employment contract required him to devote his full working time to his duties as Superintendent. If he wished to engage in outside employment or consulting, he was contractually obligated to obtain prior approval from the School Board. However, Arkanoff never sought or received such approval before engaging in private employment



## Center Grove Community School Corporation

and consulting activities during school hours.

In some instances, he received compensation from outside entities while simultaneously collecting his salary and benefits from the district. He also failed to obtain prior School Board approval to use the School Corporation's credit card for personal expenses unrelated to Center Grove's business. In fact, obtaining such approval would have been impossible, as School Board policy strictly prohibits the use of the School Corporation credit card for personal expenses—likely the reason he did not disclose these transactions to the School Board.

The SBOA report did not note any deficiencies in the School Corporation's internal controls. As the highest-ranking employee in the School Corporation and the individual responsible for enforcing its internal controls, Arkanoff deliberately circumvented those very safeguards.

The School Board has established policies that directly address the issues raised by Arkanoff's misconduct. For example, **Board Policy 6550 – Travel Payment and Reimbursement** limits reimbursement for travel expenses to those incurred for school business purposes and requires prior authorization in accordance with administrative guidelines. The policy further states: *“Employees are expected to exercise the same care incurring travel expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Unauthorized costs and additional expenses incurred for personal preference or convenience will not be reimbursed.”*

Additionally, **Board Policy 6423 – Use of Credit Cards** explicitly prohibits the use of school credit cards for personal expenses unrelated to School Corporation activities. **Board Policy 3231 – Outside Activities of Staff** prohibits employees from using school time for personal activities unless they have a valid reason to be excused from their assigned duties. Furthermore, **Board Policy 3113 – Conflict of Interest** forbids employees from engaging in or having a financial interest in any activity—directly or indirectly—that creates or raises a reasonable question of conflict with their responsibilities to the School Corporation.

The School Corporation also maintains detailed **Administrative Guidelines** regarding professional and business travel. Despite these clear policies and safeguards, Arkanoff exploited his position as Superintendent to bypass them. His blatant disregard for internal controls, and School Board policies and procedures cannot be ignored. Arkanoff abused his position as the district's highest-ranking administrator to deliberately bypass the School Corporation's internal controls, providing false information about his travel, credit card purchases, and personal expenses.

The School Corporation takes its responsibility to uphold internal controls seriously, including hiring an independent auditing firm to review the financial activities of employees serving as Treasurers. However, even with stringent safeguards in place, fraud and other deceptive acts can be difficult to detect. When such misconduct occurs, laws exist to address and impose consequences for these violations. This is why the School Corporation reported the matter to the SBOA, Indiana State Police, and the Johnson County Prosecutor's Office.

On Thursday, March 20, 2025, representatives from the SBOA met with representatives from the School Corporation



## Center Grove Community School Corporation

to present an "Exit Conference."

The SBOA report acknowledges that funds remain outstanding due to Arkanoff's misconduct and have yet to be recovered by the School Corporation. However, the amount cited in the report does not fully account for all the outstanding funds identified by the School Corporation. The SBOA report did not include all the leave time that was either unreported or improperly earned, unauthorized credit card charges, mileage reimbursements, and other personal expenses as identified by the School Corporation. Based on the amounts identified in the SBOA report and the additional amounts the School Corporation has identified as outstanding are summarized below:

Total amount identified by the School Corporation	\$71,149.28
Amount of time off entered prior to retirement:	\$36,206.95
Check 25944 from Arkanoff Attorney:	\$11,024.67
<b>Additional amount SBOA will seek to recover:</b>	<b>\$2,135.71</b>

Based on the numbers above, the School Corporation has identified these additional amounts as outstanding:

Leave time not reported or improperly earned	\$16,312.35
Credit card charges	\$3,663.98
Mileage	\$542.79
<u>Additional personal expenses</u>	<u>\$1,262.83</u>

**Amount identified (not included in the SBOA report) \$21,781.95**

The School Corporation understands that the SBOA will seek only the amounts specified in its report and may refer the matter to the Indiana Attorney General's Office and the Johnson County Prosecutor for potential legal action against Arkanoff. Consequently, the School Corporation intends to pursue repayment of the remaining \$21,781.95 directly from Arkanoff.

The School Corporation remains committed to fully cooperating with the SBOA and any other authorities investigating this matter. At a time when public trust in government institutions is under scrutiny, it is more important than ever to reinforce that unlawful conduct by high-ranking public officials will not be tolerated.

Rob Daniels  
President Board of School of Trustees