

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
LAKE COUNTY, INDIANA

July 1, 2003 to December 31, 2005



FILED
12/07/2006

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Angeline Nieves	07-01-03 to 06-30-06
Principal of Hammond High School	Cassel White Otis Watkins	07-01-03 to 06-30-05 07-01-05 to 06-30-06
Superintendent of Schools	Dr. Walter J. Watkins	07-01-03 to 06-30-06
President of the School Board	Albertine Dent James Hornak	07-01-03 to 06-30-04 07-01-04 to 06-30-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL CITY OF HAMMOND, LAKE COUNTY, INDIANA

We have examined the records of Hammond High School for the period from July 1, 2003 to December 31, 2005, 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.

STATE BOARD OF ACCOUNTS

March 22, 2006

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

TEXTBOOK RENTAL RECEIPTS (FORM TBR-2) NOT DEPOSITED

The ECA Treasurer documents when a student makes a payment for textbook rental, on the student's Form TBR-2 and manually enters the payment into the computerized textbook rental system. The computer system generates a 'Fee Payment Report' which details each of the payments received from students. The total collections for all students reported on the 'Fee Payment Report' agree to the amount received into the extra-curricular Textbook Rental Fund which, in turn, agrees to the amount deposited to the bank. Our review of textbook rental billings and collections provided the following:

	<u>2003-2004</u>	<u>2004-2005</u>	<u>Total</u>
Total Textbook Rental Fees Billed	\$ 206,918	\$ 246,085	\$ 453,003
Less: Free/Reduced Textbooks	<u>(104,544)</u>	<u>(120,763)</u>	<u>(225,307)</u>
Available to Collect	102,374	125,322	227,696
Less: Unpaid Textbook Rental at June 30th	<u>(59,401)</u>	<u>(97,552)</u>	<u>(156,953)</u>
Amount Due	42,973	27,770	70,743
Actual Collections Received and Deposited	<u>27,934</u>	<u>17,021</u>	<u>44,955</u>
Accounted For Textbook Rental Receipts	<u>\$ 15,039</u>	<u>\$ 10,749</u>	<u>\$ 25,788</u>

The School uses Form TBR-2 as an invoice for textbook rental and to document payments made by students. The form is not used as a textbook rental receipt, as prescribed by the State Board of Accounts. Most of the Form TBR-2's generated in the beginning of the year were not provided for audit.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested the Extra-Curricular Treasurer, Angeline Nieves, to reimburse Hammond High School \$25,788 for textbook rental receipts not deposited. (See Summary, page 13)

CASH NECESSARY TO BALANCE

We reviewed the bank compositions for all deposits made for Hammond High School for the period July 1, 2003 to December 31, 2005. The checks included in the School's deposits were traced to receipts issued by the Extra-Curricular Treasurer. We found 131 checks that could not be traced to an official receipt. Recording receipts increases the record balance and results in a cash necessary to balance to the bank of \$8,379.32.

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

We determined upon further analysis that \$1,613 of the \$8,379.32, has been identified as collections for current year textbook rental and would have been part of the shortfall noted in the previous Audit Result and Comment. The difference of \$6,766.32 represents cash necessary to balance. We requested the Extra-Curricular Treasurer, Angeline Nieves, to reimburse Hammond High School \$6,766.32 for cash necessary to balance. (See Summary, page 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN BANK ACCOUNT

The checking account was overdrawn by \$1,345.44 during July and August 2004. Checks issued by the School were returned due to nonsufficient funds resulting in the extra-curricular checking account being charged \$192 in bank charges for returned items.

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

We requested the Extra-Curricular Treasurer, Angeline Nieves, to reimburse Hammond High School \$192 for the bank charges for overdraft fees. (See Summary, page 13)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the missing funds at Hammond High School. The State of Indiana is requesting the Extra-Curricular Treasurer, Angeline Nieves, to reimburse audit fees incurred in the amount of \$8,187.17. (See Summary, page 13)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PERSONAL CHECKS CASHED

Our examination of internal control procedures at Hammond High School noted that between July 1, 2003 and December 31, 2005, 53 checks totaling \$1,958.80 were cashed by the Extra-Curricular Treasurer from daily cash collections. As a result, cash collections were not deposited in the same form as the collections were received.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

COMPOSITION OF EXTRA-CURRICULAR DEPOSITS

Many of the receipts issued did not indicate the classification of the dollar amount received (i.e. cash, check, money order). The Treasurer noted that some receipts were a combination of both cash and checks, but did not indicate the breakdown in dollar amounts on the receipt. Due to the deficiencies, we were only able to confirm 39 of 196 (20%) deposits made by the Extra-Curricular Treasurer. The composition of the deposit did not agree to the composition of the receipts for 26 of the deposits reviewed. We obtained copies of the deposit composition for all of the deposits in order to expand our review, from July 1, 2003 to December 31, 2005, resulting in the findings in this report.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

RECEIPTS NOT DEPOSITED TIMELY

Receipts, including textbook rental receipts, are not deposited timely. Receipts were found to be deposited up to 86 days after receiving payment.

Indiana Code 20-26-6-6 states in part: "...receipts shall be deposited without unreasonable delay."

UNTIMELY REMITTANCE OF ATHLETIC RECEIPTS

Ticket sales and concession collections are not remitted to the Extra-Curricular Treasurer in a timely manner. The Athletic Department held collections up to 21 days after the event before remitting the deposits to the Treasurer.

Indiana Code 20-26-6-6 states in part: "...receipts shall be deposited without unreasonable delay."

TEXTBOOK RENTAL (TBR) CONTROLS

Individual textbook rental receipts (Form TBR-2, Official Receipt - Individual Textbook Rental List) are not prepared and issued at the time a student makes a payment for book rental. Instead, the Extra-Curricular (ECA) Treasurer accesses the student's billing for enrolled courses at the time the student comes in to pay his/her textbook rental fees. The Treasurer prints two copies of the listing, marks both copies paid, notes method of payment (cash, check, or money order), gives the student one copy and retains the other copy. The second copy is retained only until the mass printing of all TBR-2s (usually when the guidance department has closed all dropping and adding of classes to the student schedules). All TBR-2s are later mass printed for the whole School, whether or not payment has been made. Payments are then manually recorded on the computer generated TBR-2s and the original printout noting the receipt of money is thrown away. Payments are then entered into the textbook rental computerized system from the TBR-2 by the ECA Treasurer. The TBR system is not able to generate a receipt at the time of payment. TBR-2s are also not issued for each partial payment of book rental. Due to these procedures, we could not determine from the ECA's records whether all monies collected for textbook rental were accounted for in the system and deposited. We noted a material decrease in TBR collections during the 2004-2005 school year, a reduction of 39%, as compared to the 2003-2004 school year while student enrollment increased 6% and TBR fees increased 20%. TBR collections were \$27,934 and \$17,021 in FY 2003-2004 and 2004-2005, respectively.

HAMMOND HIGH SCHOOL
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AUDIT RESULTS AND COMMENTS
(Continued)

The ECA Treasurer also approves all free and reduced lunch applications and inputs that information into the computer system that designates which students receive free textbooks. Segregation of duties has not been implemented.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

NONUSE OF REVISED PRESCRIBED FORMS - FORM SA-7, CLAIM FOR PAYMENT,
AND FORM SA-1, PURCHASE ORDER ACCOUNTS PAYABLE VOUCHER

Form SA-7, Claim For Payment, and Form SA-1, Purchase Order- Accounts Payable Voucher, were revised in 2001. The revised forms were not used. A similar comment was in the prior audit report.

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)

DONATIONS RECEIVED

No evidence was provided for audit indicating the School obtained School Board approval for donations received.

Cash donations that are extra-curricular in nature may be accounted for in the Extra-Curricular Account. Any School Corporation donations shall be accounted for in the school corporation records. The acceptance of these donations shall have prior approval by the Board of School Trustees. Either the School Corporation Treasurer or Extra-Curricular Treasurer will be responsible for the accounting of these funds as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2006, with Dr. Walter J. Watkins, Superintendent of Schools; Dr. Stephen Johns, Assistant Superintendent of Business; Karen L. Wallisch, Treasurer; Otis Watkins, Principal of Hammond High School; and Angeline Nieves, Extra-Curricular Treasurer. The official response has been made a part of this report and may be found on pages 9 through 12.

School City of Hammond

41 Williams Street • Hammond, IN 46320
(219) 933-2400 • (219) 933-2495 FAX



Dr. Walter J. Watkins, Superintendent

April 28, 2006

State Board of Accounts
Attn: Bruce Hartman, State Examiner
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Dear Mr. Hartman:

Please find enclosed the response from Angeline Nieves, bookkeeper at Hammond High, regarding the audit findings for the period July 1, 2003 through January 31, 2006.

Yours truly,

Karen L. Wallisch
Corporation Treasurer

Board of School Trustees

Mrs. Albertine M. Dent
Mr. James D. Hornak
Ms. Anna Mamala
Mrs. Rebecca Ward
Mrs. Deborah White

Administration

Mr. Don Sohacki, *Assistant Superintendent, Personnel*
Dr. Stephen R. Johns, *Assistant Superintendent, Business*
Ms. Ruth A. Mueller, *Administrator for Curriculum, Instruction,
Professional Development and Technology*

Reponses for 2003-2004
2004-2005
Auditor comments

Text Rental Receipts (Form TBR-2-Not Deposited)

All Monies collected for TBR Receipts were recorded, Posted, and printed out from the computer generated. I'm confused on the part (Projected) this is a very shaded area to how exactly you came to this conclusion.

I feel you have neglected to take into consideration all the students who initially were billed from the beginning and are now withdrawn the ending or in between calculations they were included in the beginning but do not show once they are withdrawn on any reports.

Without reviewing the materials that prompted this conclusion I can't come to a resolution on this matter but to say if it was collected it was recorded and deposit to the text book rental accounts.

At the beginning of every school year a great number of withdrawn students are no show or transferred to other school systems or have moved , and or died or dropped out of the school; or transfers within other school systems.

The projected enrollment from our feeder middle school is always incorrect because of summer drop out monies incarcerated transfers or deaths. These students stay on our list and print on a TBR when they are actually are not actually not a body in our building or system.

SUBSTITUTION OF CHECKS FOR CASH

I disagree with the 131 checks you have not taken into consideration fund-raiser and on checks I always mark what it's for and club account. Instrument rental is not billed on TBR's because each student either owes or rents a instrument so therefore is collected and deposited into CO curricular account not textbook rental account.

OVERDRAWN BANK ACCOUNT

Yes it was but not intentionally in all the years at Hammond High school. I have never had this problem to be checking both NOW account and Money Market. Due to more expenses being occurred with example Athletic workers concession back bills, bills coaches occurred for uniforms etc. that they couldn't collect from the players bill were paid to keep from intuitions turning us over to collections I also had health issues, knee replacement in 2004 missing time and bills accumulated . I didn't realize the problem until Bank Calumet notified me when an over drafted happened I then realized what happened and corrected the problem I was more aware I had to transfer money to cover the bills.

AUDIT COST.

I feel the extra AUDIT wasn't warranted for explaining if I was asked and showed the above concerns. Asking me to pay this will cause a severe financial hardship more then I am already experiencing because of these allegations.

PERSONAL CHECKS.

Again without seeing exactly what the checks are I will not respond at this time.

COMPOSITION OF EXTRA CURRICULAR DEPOSITS.

This had been corrected after she brought this to my attention in November 2005.

RECEIPTS NOT DEPOSIT TIMELY.

I corrected this in the 2005-06 Year

Only recording on the textbook original receipts were delayed but TBR monies were deposited in a timely matter to the best of my knowledge.

TEXTBOOK RENTAL CONTROLS.

I haven't had a chance to use the proper procedure from the advice of the Auditors.

NON USE OF REVISED FORMS.

I have always adhered by the rules of Hammond High school .

If a e-mail was sent stating we have revised forms throw away old and use new ones that's what I did .When I ordered forms yearly the print shop sent them so if they were obsolete I was not aware of it.

DONATIONS RECEIVED .

I did follow proper procedures. I had temporarily mis located the approval but found it and I was suspended before I could get it to the auditors .SCH has it in their board briefs that they approved the donation to BIG PURPLE FROSH (BANKCALUMET) Donations.

 Angeline Irene Miller
4/28/06

HAMMOND HIGH SCHOOL
SCHOOL CITY OF HAMMOND
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Angeline Nieves, Extra-Curricular Treasurer:			
Textbook Rental Receipts (Form TBR-2)			
Not Deposited, See page 4	\$ 25,788.00	\$ -	\$ 25,788.00
Cash Necessary to Balance, pages 4-5	6,766.32	-	6,766.32
Overdrawn Bank Account, page 5	192.00	-	192.00
Audit Costs - Missing Funds, page 5	8,187.17	-	8,187.17
 Totals	 \$ 40,933.49	 \$ -	 \$ 40,933.49

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