

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

AUDIT REPORT

OF

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
LAKE COUNTY, INDIANA

July 1, 2003 to June 30, 2005



FILED
12/07/2006

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Tina R. Orzel	07-01-03 to 06-30-06
Principal of Irving Elementary School	Dusty Rhodes	07-01-03 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

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

We have examined the records of Irving Elementary School for the period from July 1, 2003 to June 30, 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

April 27, 2006

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS

DISBURSEMENTS TO EXTRA-CURRICULAR TREASURER

The Extra-Curricular (ECA) Treasurer, Tina R. Orzel, wrote 14 checks to herself as reimbursement for expenses for \$3,389. A review of the Claims for Payment (SA-7's) resulted in \$2,689.27 of these claims to being questioned. Claims were questioned because the attached supporting documentation was not adequate. Claims were questioned for the following deficiencies:

1. Receipts used to support the claim, were dated between 104 and 472 days prior to the date of the check for reimbursement. \$524.56
2. Receipts used to support the claim, were dated between 71 and 252 days after the date of the check for reimbursement. \$599.62
3. Personal items such as jewelry, glassware, PTA flowers, silverware, cosmetics, and clothing were purchased out of the student activity fund. \$806.06
4. Items, such as groceries, were purchased without a related documented purpose out of the (Staff) Flower and Gift Fund. \$185.04
5. Photo copies of receipts, rather than original receipts, were presented as documentation for reimbursement. \$280.36
6. A partial section of a credit card invoice was presented without any description of the disbursement, without a transaction date, and without the account owner's name. \$293.63

Additionally, six duplicate checks were missing from the ECA's records presented for audit. The checks cleared the bank for a total of \$1,595.19. Form SA-7, Claim for Payment and the attached supporting documentation, was not presented for audit for five of these checks. One of the checks was written to Wal-Mart for \$141.19. The optical images of the other five checks were not provided for audit by the ECA Treasurer. We requested copies of the checks from the bank. All five checks in question were issued to the ECA Treasurer and cashed by the ECA Treasurer.

We requested the Extra-Curricular Treasurer, Tina R. Orzel, to reimburse Irving Elementary School \$2,689.27 for the unallowable disbursements. (See Summary, page 13)

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)

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)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL COLLECTIONS NOT DEPOSITED

The extra-curricular records do not reflect any textbook rental fees being receipted to the records during school years ending June 30, 2004 and 2005. A calculation of textbook fees indicated \$1,020 and \$3,627 in fees should have been collected for the years ending June 30, 2004 and 2005, respectively. The calculation was determined by multiplying the enrollment for each grade level, by the School Board approved fee and subtracting textbook fees for the students that receive free textbooks. Additionally, uncollectible fees posted to the textbook rental system indicated \$1,980 and \$11,211 of textbook rental was delinquent at June 30, 2004, and June 30, 2005, respectively.

The following schedule reflects the amount of textbook rental which should have been receipted to the records.

	<u>2003-2004</u>	<u>2004-2005</u>	<u>Total</u>
Total textbook rental fees billed	\$ 36,000	\$ 47,031	\$ 83,031
Less: free/reduced textbooks	<u>(33,000)</u>	<u>(32,193)</u>	<u>(65,193)</u>
Available to collect	3,000	14,838	17,838
Less: unpaid textbook rental at June 30th	(1,980)	(11,211)	(13,191)
Projected receipts	1,020	3,627	4,647
Actual amounts receipted and deposited	<u>-</u>	<u>-</u>	<u>-</u>
Difference	<u>\$ 1,020</u>	<u>\$ 3,627</u>	<u>\$ 4,647</u>

We reviewed the deposit compositions for selected deposits during the audit period. We noted multiple checks in the deposits that were received from parents for student textbook rental fees. Since receipts were not issued for these collections, but the total deposits balanced with the total of receipts, the deposits did not include all cash received.

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 have requested the Extra-Curricular Treasurer, Tina R. Orzel, to reimburse Irving Elementary School \$4,647 for textbook rental collections not deposited. (See Summary, page 13)

UNPAID TEXTBOOK RENTAL

The 2004-2005 year reflected in the above schedule was substantially larger due to the school system requesting students who receive free textbooks to pay the consumable and supply fees. The Extra-Curricular Treasurer indicated that letters were sent to parents each year. However, textbook rental payments were not received. Additional procedures to pursue the collection of the amounts due were not used.

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-33-5-3 states:

"(a) If a parent of a child or an emancipated minor who is enrolled in a public school, in kindergarten or grades 1 through 12, meets the financial eligibility standard under section 2 of this chapter, the parent or the emancipated minor may not be required to pay the fees for school books, supplies, or other required class fees. The fees shall be paid by the school corporation that the child attends.

(b) The school corporation may apply for a reimbursement under section 7 of this chapter from the department of the costs incurred under subsection (a).

(c) To the extent the reimbursement received by the school corporation is less than the textbook rental fee assessed for textbooks that have been adopted under IC 20-20-5-1 through IC 20-20-5-4 or waived under IC 20-26-12-28, the school corporation may request that the parent or emancipated minor pay the balance of this amount."

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the missing funds at Irving Elementary School. The State of Indiana is requesting the Extra-Curricular Treasurer, Tina R. Orzel, to reimburse audit fees incurred in the amount of \$1,524.92. (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)

COMPOSITION OF EXTRA-CURRICULAR DEPOSITS

The Extra-Curricular Treasurer marked some official receipts as receiving both cash and checks, but did not indicate the amount of cash and amount of checks on the receipt. Therefore, we could not determine if all deposits were made 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."

TEXTBOOK RENTAL RECEIPTS AND 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. TBR-2s are mass printed for the whole School on one day, whether or not payment has been made. All bills were printed with a run date of February 23, 2004, and February 16, 2005, respectively, for school years ending June 30, 2004, and June 30, 2005. Accordingly, we could not determine from the records whether all monies collected for textbook rental was accounted for and deposited.

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

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)

POSTING ERRORS

A review of disbursements noted that eight disbursements were posted incorrectly. The fund noted on the approved claim (SA-7), and the check, was not the same fund where the disbursement was posted.

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)

FUNDRAISER AWARDS

The Extra-Curricular Treasurer writes a check to herself, cashes the check and uses the money to give to students as incentive to participate in fundraising activities. The cash is put into multiple envelopes. An envelope may contain amounts ranging from \$.25 to \$20.00. The students draw envelopes as an award for their participation in the school fundraiser. Officials kept lists of students and the amount of money drawn was recorded for that student. However, the lists are cumulative in nature. Each specific check, made out to the ECA Treasurer and cashed could not be traced to a specific group of student's prizes.

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)

Indiana Code 20-26-6 provides that no money shall be transferred from the fund of any organization, class or activity except by a majority vote of its members, if any, and by the approval of the principal, sponsor and treasurer of the organization, class or activity; except that in the case of athletic funds, approval of the transfer shall be made by the athletic director, principal and treasurer. However, see Approval of Expenditures, Page 1-4. Payments should not be made to any member. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN BANK ACCOUNT

The extra-curricular bank account was overdrawn in August 2004 resulting in \$72 in overdraft fees.

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)

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
AUDIT RESULTS AND COMMENTS
(Continued)

APPLICATIONS FOR FREE OR REDUCED PRICED MEALS AND OTHER BENEFITS

Schools verify three percent of "Applications for Free or Reduced-Price Meals and Other Benefits" on file as of October 31, every school year. As of October 31, 2004, Irving Elementary School had 390 applications on file. Three percent of the 390 applications indicated thirteen applications were required to be verified. As noted in the prior audit, Form 521, Applications for Free or Reduced Priced Meals and Other Benefits, was not completed properly upon verification. We noted that of the thirteen applications selected for verification by the School in October 2004, the following discrepancies occurred:

1. Three applications did not have verification information (i.e. date verification notice sent, verification results, or reason for change) noted in the verification section.
2. Thirteen applications did not have a signature by the verifying official.
3. Three applications did not indicate the change of status on the application. (i.e. no change, free to reduced, free to paid, reduced to free, or reduced to paid)

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)

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2006, with Dr. Stephen Johns, Assistant Superintendent of Business; Karen Wallisch, Corporation Treasurer; Dusty Rhodes, Principal; and Tina R. Orzel, Extra-Curricular Treasurer. The official response has been made a part of this report and may be found on pages 10 through 12.

*Tina R. Orzel
913 River Drive
Hammond, IN 46324
219-933-0750*

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2738

May 12, 2006

To Whom It May Concern:

This letter is in response to the audit performed for Irving Elementary School, 4727 Pine Street, Hammond, IN 46327.

This letter serves as my official response to the report given by the auditors. First, I would like to begin by making a personal statement. Any inconsistencies in the Irving School audit are due to human error in bookkeeping and nothing more.

I have been an office manager at Irving Elementary School for the past 12-13 years. During my employment for the School City of Hammond, I worked with the six different principals hired for the Irving Administration. Each administrator imposed different policies, guidelines and expectations. Many times throughout these years, a part-time secretary was hired to provide additional help. However, due to the constant change in the administrative climate, I spent countless hours training the part-time secretaries which hindered the help that I, the office manager, was supposed to be receiving. The daily activities that encompass a "regular" routine at Irving constantly change. The pressures within the office to meet deadlines while managing all other office responsibilities, including the changing of software and the expectations to implement the software, add to the "regular" daily schedule. Please allow me to reiterate that as office manager

I accepted the challenges imposed by the job. I know I am a very hard working and dedicated office manager and have gone above and beyond my office duties and responsibilities for Irving School. I am saddened that such unfortunate events have occurred for Irving School students, parents, staff and administrators. As an individual, I am beside myself that such accusations have occurred when I have done my job to the best of my knowledge and have always received positive feedback from those I have worked with.

Throughout the past two years, Irving School has been in various transitions. The staff was given approximately two weeks to pack and move out of the Irving building. In addition, the Irving Staff moved from Miller School back to the Irving School site during the week of spring break. This move was done in shifts by the movers, at which time; they moved 20 boxes per room at a time from Miller to Irving. The chaotic move has added to the distress of finding all documentation. Since the Irving Staff has moved twice in a two year time frame, it is possible that some items may have been lost or misplaced along with the many items reported by staff. As office manager, I located as much documentation as possible for this audit.

In response to the report, I submit the following:

I was not aware of a set timeline for reimbursements. At times, when purchases needed to be made, it would not be expected for any employee to purchase items using personal funds. Therefore checks were written and receipts were submitted for reimbursements. Indeed, some copies of receipts were submitted instead of originals. In years past, numerous copies of receipts have been submitted and this issue has never been brought to my attention, as office manager, as being unacceptable.

Irving School does in fact purchase food items for staff meetings, professional development, coffee hours, 1/2 day early release days, staff appreciation and numerous other staff occasions.

The flower and gift items were purchased for staff members for a variety of events including weddings, deaths, births, hospitalization, retirement etc. Remembrance of former Irving Staff Members and other friends of Irving as deemed necessary. A card, gift or monetary contribution is at the discretion of the committee. A card may be sent for any other event as identified by the staff and/or committee.

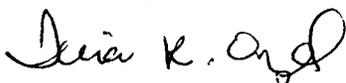
We have had many deaths in our school family and have opted to purchase items rather than flowers as a memorial to the families. Often these items were crystal vases, dishes, etc., unique items that would hold a special place in the hearts of our Irving Family Members.

To the best of my knowledge, without seeing any records, we have purchased flowers for the deaths of students at Irving over the past several years. In addition, we have purchased clothing and other necessities for families in need. We hold many student activities/functions that include food/snacks where supplies are purchased. It was stated that silverware and jewelry were purchased and it is possible that the stores codes could be misinterpreted for various items.

All of our families have the opportunity to fill out a lunch application to qualify for free or reduced lunch. Many parents choose not to fill out the application for various reasons (financial status, pride, etc...) Irving has a free textbook rental status of approximately 80%. Of the 20% that should pay, Irving School might have two or three that actually pay the amount owed. I did not remember collecting any rental for the years stated. However, according to the auditor, there were multiple checks deposited into student activity instead of the textbook rental account. I agree this is a bookkeeping error. Apparently, I deposited the checks in the wrong account.

In conclusion, I would like to reiterate that in the past 13 years, I have never received a poor evaluation or audit during my employment. In addition, I have held my position in a professional manner while extending my personal best to all aspects of the job. I know I have the continued support of many of my colleagues, but it sickens and saddens me to no end that I have been put in a position to defend my abilities as office manager. I feel my character has been personally attacked and my abilities as office manager have all of a sudden become inadequate. I am at a loss over the mental and physical toll this issue has taken on myself and the many individuals from Irving School.

Sincerely,



Mrs. Tina R. Orzel

IRVING ELEMENTARY SCHOOL
SCHOOL CITY OF HAMMOND
SUMMARY

	Charges	Credits	Balance Due
Tina R. Orzel, Extra-Curricular Treasurer:			
Disbursements to Extra-Curricular Treasurer, page 4	\$ 2,689.27	\$ -	\$ 2,689.27
Textbook Rental Collections Not Deposited, page 5	4,647.00	-	4,647.00
Audit Costs - Missing Funds, page 6	1,524.92	-	1,524.92
 Totals	 \$ 8,861.19	 \$ -	 \$ 8,861.19

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AFFIDAVIT

STATE OF INDIANA)
)
LAKE COUNTY)

We, Jane Elder and Robert James, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Irving Elementary School, School City of Hammond, Lake County, Indiana, for the period from July 1, 2003 to June 30, 2005, is true and correct to the best of our knowledge and belief.





Field Examiners

Subscribed and sworn to before me this 30 day of October, 2006.



Notary Public

My Commission Expires: June 12, 2007
County of Residence: Lake

GERRI L. BATTLE
NOTARY PUBLIC
SEAL
STATE OF INDIANA
COUNTY OF LAKE
MY COMMISSION EXPIRES JUNE 12, 2007