

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

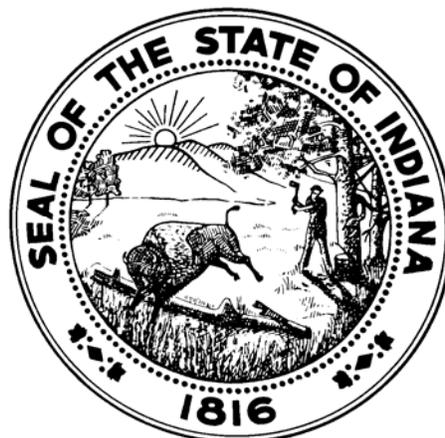
SPECIAL INVESTIGATIVE REPORT

OF

LOGANSPORT COMMUNITY SCHOOL CORPORATION

CASS COUNTY, INDIANA

July 1, 2001 to December 31, 2006



FILED

07/13/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
School Officials.....	2
Transmittal Letter	3
Examination Results and Comments:	
Malfeasance, Misfeasance or Nonfeasance	4-5
Travel Expense Reimbursement	5
Internal Controls	6
Audit Costs – Special Examination.....	6
Employee Dishonesty Insurance	6
Exit Conference.....	7
Summary	8
Affidavit	9

SCHOOL OFFICIALS

<u>Title</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert Lease Gregory E. Korreckt	07-01-01 to 01-07-07 01-08-07 to 12-31-07
Director of Technology	Kathryn McKeever	07-01-01 to 12-31-06
Superintendent of Schools	Dr. Jerry L. Thacker Damon Peigh (Interim) Julie Lauck	07-01-01 to 06-30-06 07-01-06 to 10-31-06 11-01-06 to 06-30-07
President of the School Board	William Tincher, Jr. Patrick McNary Mark Hetz Dan Slusser William Tincher, Jr. Patrick McNary	07-01-01 to 06-30-02 07-01-02 to 06-30-03 07-01-03 to 06-30-04 07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

TO: THE OFFICIALS OF LOGANSPORT COMMUNITY SCHOOL CORPORATION, CASS COUNTY

We have examined the claim and disbursement activity of Logansport Community School Corporation (School Corporation), for the period of July 1, 2001 to December 31, 2006, 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 Examination Results and Comments.

STATE BOARD OF ACCOUNTS

March 20, 2007

LOGANSPORT COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE, MISFEASANCE OR NONFEASANCE

Based on information received from the School Corporation and local law enforcement officials, a special examination was conducted related to the financial transactions conducted under the authority of Kathryn McKeever, Director of Technology, for the Logansport Community School Corporation. Our examination revealed the following:

1. The Logansport Police Department searched Kathryn McKeever's home on January 2, 2007, and retrieved approximately 400 items that belonged to the Logansport Community School Corporation. Many of the items retrieved, although purchased by the School Corporation, had no apparent use related to School Corporation operations.

2. Technical equipment and computer accessories purchased by Ms. McKeever through a variety of School Corporation funds were subsequently sold by Ms. McKeever on eBay, an internet auction site. The proceeds from these sales were deposited to Ms. McKeever's personal PayPal account and never returned to the School Corporation. A review of Ms. McKeever's eBay account revealed that in the years 2005 and 2006, Ms. McKeever had listed 169 items of technical equipment and computer accessories for sale on eBay. Our review of the purchases made under the authorization of Ms. McKeever revealed some items purchased by the School Corporation were identified by serial number on the purchase invoice. The items were eventually traced to an eBay sale in Ms. McKeever's account. The following schedule documents actual School Corporation purchases of some items that were subsequently sold on eBay under Kathryn McKeever's eBay account.

Date of Check	Voucher Number	Check Number	Vendor	Invoice Description	Invoice Serial Number	Invoice Cost	Serial Number Confirmed by Bidder
06-12-06	2832	37181	PCMALLGOV	SCANSNAP S500CLR 18PPM/361 PM	004459	\$ 491.99	004459
02-13-06	606	35105	DELL	SCANSNAP F1-5110EX2 SCANNER	029135	469.95	29135
11-24-03	13154	21829	APPLE	AIRPORT EXTREME BSE STN-MOD	HS3370SLNVX	224.00	HS3370SLNVX
08-11-03	11101	19861	DELL	MVC-CD500CD MAVICA DIGITAL CAMERA	S010344538D	641.68	S010344538D
02-10-03	7557	16454	DELL	DELL 3200MP PROJECTOR	1C8RG11	2,199.00	1C8RG11
Total Charge Kathryn McKeever						<u>\$ 4,026.62</u>	

The winning bidder in each of the cases listed above was contacted by the Logansport Police Department and the serial number of the product was confirmed.

The projected discounted sale price of items shown in the sample above was 48% of the invoice cost. The total eBay sales price of all technical equipment and accessories sold was \$15,028.57. Therefore, projected cost to the School Corporation of eBay items sold was \$31,309.52.

3. We found invoices for 12 copies of Norton 2007 Antivirus. The current head of the Department of Technology at the School Corporation indicated that the School Corporation's computers were all on a server. The server had the necessary virus protection and the School Corporation would have no need for separate versions of Norton Antivirus. A review of Ms. McKeever's eBay listed items included in the 169 items mentioned above, revealed a number of Norton 2007 Antivirus software packages. The software packages were listed as "New in Box."

LOGANSPORT COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Ms. McKeever has pleaded guilty to charges filed by the Logansport Police Department and entered into a plea agreement with the Cass County Prosecutor.

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 Indiana Public School Corporations, Chapter 9)

We requested Ms. McKeever reimburse the School Corporation \$31,309.52 for the purchase price of items sold on eBay as shown above. (See Summary, page 8)

TRAVEL EXPENSE REIMBURSEMENT

Kathryn McKeever submitted travel expense reimbursement claims on four separate occasions which requested duplicate or undocumented payments for travel expenses. The details related to the reimbursements are as follows:

1. Ms. McKeever was reimbursed \$1,392.09 on December 15, 2003, for travel expenses incurred from November 1, 2002 to March 31, 2003. Ms. McKeever was reimbursed \$1,145.17 on January 12, 2004, for travel incurred from November 1, 2002 through February 28, 2003. A comparison of the related travel claims revealed duplicate travel reimbursements were made in the amount of \$1,145.17.
2. Ms. McKeever filed a travel voucher on November 24, 2003, claiming \$3.53 for local travel incurred on September 19, 2002. However, a review of other travel claims revealed that on October 28, 2002, Ms. McKeever had submitted a travel claim indicating the she was in Atlanta, Georgia, from September 17, 2002 to September 20, 2002.
3. Ms. McKeever filed travel vouchers on November 12, 2001, claiming reimbursement for five trips to Indianapolis. Ms. McKeever again filed a travel voucher on November 26, 2001, claiming reimbursement for five trips to Indianapolis. A comparison of the related travel vouchers revealed that the five trips to Indianapolis claimed on the November 26 voucher were duplicate claims and had already been reimbursed on the November 12, 2001, travel voucher. The total amount of duplicate reimbursements related to this instance was \$260.40.
4. Ms. McKeever filed a travel claim on December 16, 2002, for \$1,471.81 for travel incurred from December 2001 to April 2002. The documentation presented with the claim supported travel from December 2001 to March 2002. No supporting documentation was presented for travel claimed for April 2002. The total travel claimed and reimbursed for April 2002 was \$169.53.

All claims, invoices and receipts and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

We requested Ms. McKeever reimburse the School Corporation \$1,578.63 for the duplicate or undocumented travel vouchers. (See Summary, page 8)

LOGANSPORT COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The controls over disbursements were insufficient due to lack of oversight responsibility for purchasing authority, lack of segregation of duties, and lack of control over capital assets.

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 that are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AUDIT COSTS - SPECIAL EXAMINATION

The State of Indiana incurred additional examination fees of \$17,248.88 in the examination of the sale of School Corporation property on the eBay account of Kathryn McKeever.

Audit costs incurred because of theft may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EMPLOYEE DISHONESTY INSURANCE

The School Corporation has an insurance policy that covers employee dishonesty. The policy is with UTICA National Insurance Group and provides for \$100,000 of coverage related to "Employee Dishonesty."

LOGANSPORT COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2007, with Julie Lauck, Superintendent of Schools; Gregory E. Korreкт, Treasurer; Mark Hetz, Board member; and Teresa Popejoy, Assistant Controller. The officials concurred with our examination findings.

LOGANSPOUR COMMUNITY SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kathryn McKeever, Director of Technology: Malfeasance, Misfeasance and Nonfeasance, pages 4 and 5	\$ 31,309.52	\$ -	\$ 31,309.52
Travel Expense Reimbursement, page 5	<u>1,578.63</u>	<u>-</u>	<u>1,578.63</u>
Totals	<u>\$ 32,888.15</u>	<u>\$ -</u>	<u>\$ 32,888.15</u>

AFFIDAVIT

STATE OF INDIANA)
)
WABASH County)

We, James D. Reed and Stanley W. Willmert, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Logansport Community School Corporation, Cass County, Indiana, for the period from July 1, 2001 to December 31, 2006, is true and correct to the best of our knowledge and belief.

James D. Reed

Stanley W. Willmert
Field Examiners

Subscribed and sworn to before me this 3 day of July, 2007.

Jamie Shepler
Notary Public

My Commission Expires:

County of Residence:

