

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

EXAMINATION REPORT
OF

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
10/23/07

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Lynne Stutler	07-01-04 to 12-17-04
	Tracy Stutler	12-18-04 to 12-14-06
	Jill Dickerson	12-15-06 to 06-30-07
Principal of Kahler Middle School	Scott Graber	07-01-04 to 06-30-06
	Karen Brownell	07-01-06 to 06-30-07
Superintendent of Schools	Dr. Janet Emerick	07-01-04 to 06-30-07
President of the School Board	Margaret Clark	07-01-04 to 12-31-04
	Nancy Gray	01-01-05 to 12-31-05
	John Devries	01-01-06 to 12-31-06
	Howard Marshall	01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have examined the records of Kahler Middle School for the period from July 1, 2004 to June 30, 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

May 15, 2007

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE

We reviewed the bank compositions for all deposits made for Kahler Middle School for the period July 1, 2005 to June 30, 2006. The checks included in the School's deposits were traced to receipts issued by the Extra-Curricular Treasurer. We found 176 checks that could not be traced to an official receipt. Properly recording the 176 checks as recorded receipts increases the record balance and results in cash necessary to balance to the bank of \$4,169.41.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 former Extra-Curricular Treasurer, Tracy Stutler, to reimburse Kahler Middle School \$4,169.41 for the cash necessary to balance. (See Summary, page 15)

PETTY CASH FUND

The Extra-Curricular Treasurer, Tracy Stutler, resigned her position at Kahler Middle School on December 14, 2006. The following day, the petty cash fund was counted by Lake Central Business Manager Tom Dykiel, Kahler Middle School Principal Karen Brownell, and the former Kahler Middle School Principal Scott Graber. Mr. Dykiel reported to us that according to the count, the cash on hand plus unreimbursed receipts totaled \$500. The aforementioned School Officials, along with Ms. Stutler, agreed that the petty cash should have a balance of \$1,000.

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.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for the fund in an amount that is not more than five hundred dollars (\$500)."

We have requested the former Extra-Curricular Treasurer, Tracy Stutler, to reimburse Kahler Middle School \$500 for the petty cash fund shortage. (See Summary, page 15)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of the missing funds at Kahler Middle School. The State of Indiana is requesting the former Extra-Curricular Treasurer, Tracy Stutler, to reimburse audit fees incurred in the amount of \$2,694.51. (See Summary, page 15)

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)

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPOSITION OF EXTRA-CURRICULAR DEPOSITS

We reviewed the bank compositions for all deposits made by the extra-Curricular Treasurer for Kahler Middle School between July 1, 2005 and June 30, 2006. The payment classification (i.e. cash, check, money order) on the receipts did not agree to the composition of the deposits for 37 of 61, or 61%, made by the Treasurer.

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)

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."

PERSONAL CHECKS CASHED

Our examination of internal control procedures at Kahler Middle School we noted that between July 1, 2005 and June 30, 2006, 97 checks totaling \$2,325.96 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."

TEXTBOOK RENTAL RECEIPTS

We noted the following concerning controls over the receipting of textbook rental fees:

1. Textbook rental receipts for the elementary and middle schools were preprinted on pre-numbered receipts. When payment was received, the student's preprinted receipt was pulled and payment was noted on the receipt. This resulted in textbook rental receipts not being issued in numerical order.
2. Payments were noted on the preprinted receipt without a new textbook rental receipt being issued for each collection.
3. "Daily Fee Payment" reports were not utilized to trace the receipt posted to the Book Rental Fund back to the original textbook rental receipts.

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)

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
EXAMINATION 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)

Form TBR-2, Official Receipt - Individual Textbook Rental List, is to be prenumbered and printed in triplicate. The form, one set for each student, is to be prepared when textbooks and related materials are issued to the student. Form TBR-2, Official Receipt - Individual Textbook Rental List provides for the date the textbooks were issued, the name of the student and the total fee collected. The completed form shall be signed by the issuing officer who could be the treasurer of the extra-curricular account or someone designated by the treasurer to issue the textbooks and collect the rental fees. If the volume of transactions for grades with a fixed list (applicable to all students) of books and materials is great enough to demand it, a copy of the printed list may be attached to the TBR-2 form and the form processed with a reference to such attached list instead of further itemization.

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. The treasurer may direct the issuing officer to deposit all fees collected each day and submit an acknowledged, duplicate deposit slip with the duplicate copies of Form TBR-2. The treasurer may also require the issuing officer to submit a summary or recap sheet of all fees collected by grade or other designated categories. If this is done, the total of the summary or recap sheet must agree with the amount on the duplicate deposit slip as well as the total of all TBR-2 forms submitted for the day. All duplicates of Form TBR-2 shall be filed alphabetically, by student last names, in the office of the treasurer for audit purposes. A separate TBR-2 should be issued for each payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

TICKET SALES

Kahler Middle School's ticket sales were receipted up to 20 days after the event. A similar comment appeared in the prior report.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

OLD OUTSTANDING CHECKS

The bank reconcilements as of June 30, 2006, included checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

CRIME POLICY

The Lake Central School Corporation has a crime insurance policy (No. 3-692-351) with The Ohio Casualty Insurance Company. The policy has an annual bonding period from June 30 to June 30 with an annual limit of \$25,000 for each extra-curricular treasurer for Public Employee Dishonesty.

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2007, with Dr. Janet Emerick, Superintendent of Schools; Dr. Thomas J. Dykiel, Director of Business Services; Cora Mollick, Corporation Treasurer; Howard Marshall, President of the School Board; Nancy Gray, School Board member; Karen Brownell, Principal of Kahler Middle School; Scott Graber, former Principal of Kahler Middle School; Jill Dickerson, Extra-Curricular Treasurer; and Tracy Stutler, former Extra-Curricular Treasurer. The official response has been made a part of this report and may be found on pages 8 through 14.

June 7, 2007

Mr. Charles Johnson
State Examiner
State Board of Accounts
Indiana Government Center
Room E418
Indianapolis, In. 46207.2765

**RE: Lake Central School Corporation-Kahler Middle School
Audit Results & Comments July 1, 2004 to June 30, 2006**

Dear Mr. Johnson:

The State Board of Accounts has completed their audit of Kahler Middle School for the period ending July 1, 2004 to June 30, 2006 and during this period there are several discrepancies that I would like to explain.

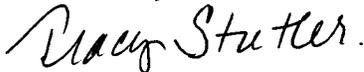
1. The practice at Kahler Middle School over the years has been to cash checks for staff members. These could be personal checks and/or Kahler checks. For example, when staff members received a check from the Kahler P.T.O. for expenses for state competitions, I would receive the check and give them the cash from my deposit. I am submitting notarized letters from the staff acknowledging the fact that I handed them cash instead of giving them a check for various local and state competitions. I am requesting that \$1,500 be reduced from the Student Activities Fund repayment.
2. I have attached a notarized letter from Mr. Graber, former principal of Kahler Middle School stating that he took cash from petty cash to pay the postmaster for a mailing that had to be done before I came back to work. Once I started working for that school year, I wrote a check to Kahler Middle School, cashed it and put that cash back into petty cash. I am requesting that \$166.31 be reduced from the Postage Fund repayment.
3. January 31, 2006 entry for Home Economics-When I went through the deposits for that day I showed Sewing receipts for \$289.69 when in fact it was only \$280.79. Band was credited with receipts of \$86.50 when they should have been

credited with \$95.40 for a difference of \$8.90. I believe that this is a wash and I am requesting that \$8.90 be reduced from the Home Economics Fund deposited on January 31, 2006.

4. March 23, 2006 Athletics Fund-On the receipt book I listed the total deposit for Athletics of \$334 of which \$280 was check and \$54 cash. I didn't identify the cash and check amounts only the total of \$334. When I reviewed this deposit, it was clear to me that I showed all the receipts for that time period as being made in check when in fact it was a combination of both cash and check. Therefore, included in the receipt of \$334 shown as checks were also cash of \$54 and checks of \$280. I am requesting that \$280 be reduced from the Athletics Fund since it was already part of the \$334 deposit.
5. November 9, 2005 Band Fund-I believe the \$75.00 was part of the Band Fund and was improperly identified as unknown. Therefore, I am requesting that \$75 be reduced from the Band repayment.

I would like to state that I did not take any of the money that has been identified as unaccounted for, that it was simply switched cash for checks and that all deposits are in fact correct. My error was in not properly recording in each fund the amount of money that came in or went out from that particular fund. It was my error in cashing personal checks for employees and also in giving employees cash instead of a check payable to them for competitions, food, etc., but that was the practice at Kahler Middle School. If you look back at a prior audit, you will see that Kahler has been cited for not have the proper composition on deposits. It doesn't make it correct, but I was the new bookkeeper and was doing what the previous bookkeeper did. I am requesting that all amounts identified as missing be dropped since it was attributed to sloppy bookkeeping practices on my part.

Sincerely,



Tracy Stutler

Cc: Mr. Rob James
State Board of Accounts
Lake County Government Center
2293 North Main Street
Crown Point, Indiana 46307

To: Dr. Thomas Dykiel

Fr: Mr. Scott Graber

Date: May 30, 2007

Re: Kahler Audit

Dear Dr. Dykiel,

During the first week of August 2006, it was necessary for me to take \$166.31 out of the petty cash account to do a school mailing for Kahler Middle School. The receipt for the mailing was placed into the petty cash account. Since the bookkeeper was not scheduled to be back at work until the following week, the necessary information was given to her upon her return to Kahler.

Sincerely,



Scott B. Graber
Former Kahler Principal

SUBSCRIBED AND SWORN TO before me, a Notary Public, this 30th day of May, 2007.


Notary Public

My Commission Expires: February 12, 2012

County of Residence: Lake

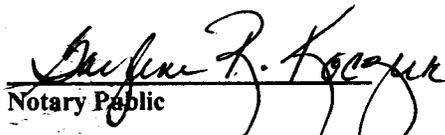
To Whom it may concern:

I serve as Kahler's chess sponsor, and to the best of my recollection, during April of 2006, I was given \$300 cash by T. Stutler, Kahler's bookkeeper in April of 2006, to be used for Kahler's chess team. We had qualified for the state chess team finals & the money was for meals, snacks, & other miscellaneous chess team needs. The funds were used for meals, snacks, and other chess needs. I had been told by Mr. Graber that this money was from Kahler's PTO, and the funds were to be used for meals, snacks, and anything Kahler chess may need.

I turned in receipts for all purchases during either late April or maybe early May 2006. I did return some cash along with the receipts. The cash total was under \$100, but I can't recall the exact amount. It might have been \$90 or maybe \$20, but I just don't remember. I do remember that it was a mixture of paper money and coins.


Mark A. Langlois

SUBSCRIBED AND SWORN TO before me, a Notary Public, this 1st day of June, 2007.


Notary Public

My Commission Expires: February 12, 2012

County of Residence: Lake

Friday, June 1, 2007

To Whom This May Concern:

Our Kahler PTO has generously donated money toward the Spell Bowl Team's celebratory dinner for many years. As our bookkeeper, Tracy Stutler cashed PTO's check and gave me cash to pay for the dinner. Our previous treasurer, Lynne Stutler did the same. I always gave the bookkeeper a receipt from the restaurant upon our return.

Thank you,


Laurie Dougherty
Language Arts Department Chairperson
Kahler's Spell Bowl Co-Coach

SUBSCRIBED AND SWORN TO before me, a Notary Public, this 4th day of June, 2007.


Notary Public

My Commission Expires: February 12, 2012

County of Residence: Lake

Christine A. Gaines
Science Olympiad Coach
Kahler Middle School
600 Joliet Road
Dyer, IN 46311

June 1, 2007

To Whom it May Concern,

In the spring of 2005, I petitioned the PTO for \$600 to help off set the cost of the over-night trip to Indiana University in Bloomington for my 20 member Science Olympiad team who were then competing in the state Science Olympiad tournament.

I was concerned that I would have to put the cost of the gasoline for the bus on my own credit card as I had done in previous years. The PTO had also given money with the expectation that the evening meal would be paid for these students. Again I was hesitant to put this expense on my own credit card and bring receipts in to be reimbursed later, I asked Mr. Scott Graber if it would be possible instead to have a petty cash fund with me to cover these two specific expenses. Mr. Graber agreed and I was given \$300 by the bookkeeper, Mrs. Stutler.

The competition was held on the Friday and Saturday immediately before our spring break began that year. Upon return to school after spring break, I turned in an envelope with the remaining cash and the receipts. Included were receipts for gasoline for the school bus and the pizzas ordered on the day of the competition.

Sincerely,

Christine A. Gaines

Christine A. Gaines

Stephen R. Keizer
M of Commission expires 2/12/12
-13-

June 5, 2007

To Whom it may concern,

When the Mathcounts Team went to State in March of 2005, from what I recall, we were given approximately \$200 by the PTO (cash). We used it for expenses such as food. Any remaining money was used for pizza for the entire team after we returned.

Sincerely,

Roberta Gadoski

Mathcounts Sponsor
(Coach)

SUBSCRIBED AND SWORN TO before me, a Notary Public, this 5th day of June, 2007,

 *Stephen R. Kozel*
Notary Public

My Commission Expires: February 12, 2012

County of Residence: Lake

KAHLER MIDDLE SCHOOL
LAKE CENTRAL SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tracy Stutler, former Extra-Curricular Treasurer:			
Cash Necessary to Balance, page 4	\$ 4,169.41	\$ -	\$ 4,169.41
Petty Cash Fund, page 4	500.00	-	500.00
Audit Costs - Missing Funds, page 4	<u>2,694.51</u>	<u>-</u>	<u>2,694.51</u>
Totals	<u>\$ 7,363.92</u>	<u>\$ -</u>	<u>\$ 7,363.92</u>

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AFFIDAVIT

STATE OF INDIANA)
LAKE COUNTY)

We, Robert James and Bradley Yates, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Kahler Middle School, Lake Central School Corporation, Lake County, Indiana, for the period from July 1, 2004 to June 30, 2006, is true and correct to the best of our knowledge and belief.

Robert James
Bradley N Yates
Field Examiners

Subscribed and sworn to before me this 25 day of July, 2007

CAROL J. CODY
Notary Public
State of Indiana
My Commission Expires Oct 11, 2014

Carol J. Cody
Notary Public

My Commission Expires: 10-11-2014

County of Residence: LAKE