

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

EXAMINATION REPORT
OF

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
MADISON COUNTY, INDIANA

July 1, 2004 to February 19, 2007



FILED

02/28/2008

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Lapel Elementary School Treasurer	Maryelynn Kemerly Katrice Mills	07-01-04 to 02-19-07 02-20-07 to 06-30-08
Principal	Woody Fields	07-01-04 to 06-30-08
Corporation Treasurer	Lynn Hall	07-01-04 to 06-30-08
Superintendent of Schools	Ned L. Speicher	07-01-04 to 06-30-08
President of the School Board	Nancy Likens	07-01-04 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY

We have examined the records of the Lapel Elementary School for the period from July 1, 2004 to February 19, 2007, 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

October 30, 2007

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE

Maryelynn Kemerly, former Lapel Elementary Treasurer, was responsible for making all bank deposits, posting and reconciling all official records, issuing all official receipts, and issuing all official checks for the School during the examination period.

The information presented for examination indicated numerous instances of collections being deposited without corresponding receipts being issued or recorded. Additionally, we noted checks deposited into the bank account were not listed on the prescribed receipt form. Checks, in some instances, were deposited into the bank account and credited to funds other than the fund intended by the payor.

The record balance of Lapel Elementary School would increase from \$71, 552.14 to \$76,745.94 after properly recording the unrecorded collections, as identified in our examination, which would produce cash necessary to balance of \$5,193.80 as detailed in the following Examination Results and Comments: Check Substitutions for Cash Collections, Personal Checks Cashed, Undeposited Receipts All-Day Kindergarten, Undeposited Receipts Extended Care, and Undeposited Receipts Textbook Rental Collections.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CASH COLLECTIONS NOT DEPOSITED

Cash receipts were not always deposited in the same form as the collections. We reviewed records to determine if the money receipted for all collections reviewed was deposited in the same form as collected (e.g. the amount for checks as noted on the computerized receipt agree with the total for checks on the deposit ticket; similarly for cash). We found several days during the period examined where the amount of cash deposited according to the deposit tickets was less than the amount collected in cash shown on the computerized receipts issued by Maryelynn Kemerly, former Lapel Elementary School Treasurer. Conversely, we found several days during the period examined where the amount of money deposited for checks shown on the deposit ticket, was greater than the amount collected in checks shown on the computerized receipts issued by Ms. Kemerly.

We reviewed deposits using the copies of checks provided by the bank and/or included with the Lapel Elementary School records and the copies of the computerized receipts corresponding to the deposit, and then matched the checks within the deposit to the computerized receipts. Eighteen of the deposits examined contained checks that were not receipted on the computerized receipts as shown in the following schedule:

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts Date	Checks Per Receipts	Less: Adjustments For Posting Errors	Add: Adjustments For Check Cashing	Checks In Bank Deposit	Excess of Checks Deposited But Not Receipted
09-05-05	\$ 596.50	\$ -	\$ -	\$ 661.50	\$ 65.00
09-06-05	2,440.00	3.00	-	2,479.50	42.50
09-12-05	1,309.60	-	-	1,314.50	5.00
10-05-05	786.63	-	-	816.63	30.00
10-25-05	1,718.76	136.71	-	1,676.05	94.00
11-08-05	2,348.75	193.00	-	2,358.75	203.00
02-09-06	1,087.50	20.00	-	1,127.50	60.00
02-13-06	1,927.50	-	-	1,952.50	25.00
02-27-06	1,374.50	-	40.00	1,440.50	26.00
03-06-06	1,175.50	-	-	1,235.50	60.00
03-27-06	3,014.00	-	80.00	3,278.50	184.50
05-05-06	4,919.93	-	-	4,949.93	30.00
09-06 to 09-11-06	1,106.76	-	-	1,126.76	20.00
10-02-06	1,071.00	-	-	1,076.00	5.00
10-11 to 10-20-06	4,053.14	345.66	-	4,122.28	414.80
11-01-06	1,571.00	17.31	-	1,700.69	147.00
11-13-06	1,255.00	-	-	1,295.00	40.00
11-20-06	835.99	-	-	883.99	48.00
Totals	<u>\$ 32,591.96</u>	<u>\$ 715.68</u>	<u>\$ 120.00</u>	<u>\$ 33,496.08</u>	<u>\$ 1,499.80</u>

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."

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (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)

We have requested the former Lapel Elementary School Treasurer, Maryelyne Kemerly, to remit \$1,499.80 to the Lapel Elementary School Extra-Curricular Account for the difference noted above. (See Summary, page 12)

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL CHECKS CASHED

We noted checks were cashed on six separate dates during the examination period.

Five of the instances noted were traceable to receipts in the Lunchbox Program which is used to maintain a record of student lunch monies. The Program is separate from the system used to account for the Lapel Elementary School extra-curricular funds. A parent or guardian would send one check to School for items accounted for in the extra-curricular system, as well as, an amount for their student's lunch. The former Lapel Elementary School Treasurer, Maryelynn Kemerly, was to return the check and ask for separate checks which can be receipted to each system independently and deposited in the same form received. The former Treasurer, Maryelynn Kemerly, issued a receipt in five instances for the portion of the check relating to extra-curricular activities and withdrew cash from the deposit for lunch money which was subsequently receipted to the Lunchbox system and the individual student's school lunch account. As a result, cash collections were not deposited in the same form as the collections were received.

Receipt Number 8749 for \$40 was issued on February 27, 2006, for an \$80 check. The difference was withheld from the deposit in the form of currency. As a result, cash collections were not deposited in the same form as the collections were received. We could not account for the \$40 difference as a part of our examination, as we did with the five other instances noted above.

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."

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (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)

We have requested the former Lapel Elementary School Treasurer, Maryelynn Kemerly, to remit \$40 to the Lapel Elementary School Extra-Curricular Account for personal checks cashed. (See Summary, page 12)

UNDEPOSITED RECEIPTS ALL-DAY KINDERGARTEN

We noted two receipts designated as cash being for All-Day Kindergarten totaling \$160 were not deposited. Receipt Numbers 7876 and 7996 dated October 12, 2005 and October 31, 2005, respectively, for \$80 each could not be traced to a deposit.

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."

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

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Lapel Elementary School Treasurer, Maryelynn Kemerly, to remit \$160 to the Lapel Elementary School Extra-Curricular Account for undeposited receipts for all-day kindergarten. (See Summary, page 12)

UNDEPOSITED RECEIPTS EXTENDED CARE

We noted numerous instances where receipt postings in the Kinderstreet System for extended care (daycare) could not be traced to a bank deposit or a Lapel Elementary School extra-curricular receipt (Receipt Form SA-3). The Kinderstreet System is used to track billings and receipts and generate tax statements for extended care for students. The system is independent of the system used to account for the Lapel Elementary School extra-curricular funds. An entry is posted once in Kinderstreet to update the students balance and once in the extra-curricular accounting system to post the receipt to the proper fund.

Receipts posted to the Kinderstreet System during the periods of September 1, 2005 through November 30, 2005, and July 1, 2006 through February 19, 2007, and not accounted for in the Lapel Elementary School extra-curricular system or traceable to bank deposits ranged from \$10.00 to \$294.00 and totaled \$1,196.50.

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

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Lapel Elementary School Treasurer, Maryelynn Kemerly, to remit \$1,196.50 to the Lapel Elementary School Extra-Curricular Account for undeposited receipts extended care. (See Summary, page 12)

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

UNDEPOSITED RECEIPTS TEXTBOOK RENTAL COLLECTIONS

Some Official Receipts – Individual Textbook Rental List (Form TBR-2) receipts issued by the former Lapel Elementary School Treasurer, Maryelynn Kemerly, could not be verified to bank deposits, to prescribed Receipt Form SA-3, or to posting entries into the School extra-curricular records. The TBR-2 receipts collections totaled \$2,297.50.

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."

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

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (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)

We have requested from Lapel Elementary School Treasurer, Maryelynn Kemerly, to remit \$2,297.50 to the Lapel Elementary School Extra-Curricular Account for undeposited receipts textbook rental collections. (See Summary, page 12)

ADDITIONAL EXAMINATION COSTS

Additional costs were incurred during the current examination due to additional time spent to review check cash collections not deposited, personal checks cashed, undeposited receipts all-day kindergarten, undeposited receipts extended care and undeposited receipts textbook rental collections in more detail totaling 238.25 hours. Additional costs totaled \$15,655.41.

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)

OFFICIAL BONDS

A Public Official Name Schedule Bond was obtained from the Western Surety Company in the amount of \$10,000 for Maryelynn Kemerly for the position of Lapel Elementary School Treasurer for the following terms:

07-01-04 to 07-01-05
07-01-05 to 07-01-06
07-01-06 to 07-01-07

LAPEL ELEMENTARY SCHOOL
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EXAMINATION RESULTS AND COMMENTS
(Continued)

ECA PURCHASE OF EQUIPMENT

A disbursement of \$6,000 was made from the Fundraiser Fund on January 5, 2005, for laminating and poster printing equipment. A review of the School Board minutes did not reveal authorization for the purchase.

Indiana Code 20-5-2-2 states in part: "In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the . . . specific powers . . . to acquire personal property or an interest in personal property as the governing body considers necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees.

ISSUANCE OF TEXTBOOK RENTAL RECEIPT FORM

We noted several instances where Official Receipt – Individual Textbook Rental List (Form TBR-2) was not issued when textbook rental fees were received from students.

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)

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)

OVERDRAWN CASH BALANCES

The cash balance of the Transportation Fund was overdrawn at June 30, 2005, by \$31.39 and the All-Day Kindergarten Fund was overdrawn at June 30, 2006, by \$80.00.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECEIPT ISSUANCE

We noted during the examination of cash collections the prescribed or approved receipt form had not been issued at the time funds were received. The computerized receipt was not written and posted until the money was deposited. A deposit in one instance was credited by the bank one day prior to the date of the corresponding receipts.

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY 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)

SUPPORTING DOCUMENTATION

Two disbursements were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2007, with Maryelynn Kemerly, former Lapel Elementary School Treasurer; and David Happe, Counsel.

The contents of this report were discussed on October 30, 2007, with Ned L. Speicher, Superintendent of Schools; Nancy Likens, President of the School Board; John A. Mitchell, Vice President of the School Board; Lynn Hall, School Corporation Treasurer; Woody Fields, Lapel Elementary School Principal; and Katrice Mills, Lapel Elementary School Treasurer.

LAPEL ELEMENTARY SCHOOL
FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Maryelynn Kemerly, former Lapel Elementary School Treasurer:			
Cash Collections Not Deposited, pages 4 and 5	\$ 1,499.80	\$ -	\$ 1,499.80
Personal Checks Cashed, page 6	40.00	-	40.00
Undeposited Receipts All-Day Kindergarten, pages 6 and 7	160.00	-	160.00
Undeposited Receipts Extended Care, page 7	1,196.50	-	1,196.50
Undeposited Receipts Textbook Rental Collections, page 8	<u>2,297.50</u>	-	<u>2,297.50</u>
Totals	<u>\$ 5,193.80</u>	<u>\$ -</u>	<u>\$ 5,193.80</u>

AFFIDAVIT

STATE OF INDIANA)
)
MADISON COUNTY)

We, Douglas A. Witham and Sommer M. Cannon, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Lapel Elementary School, Frankton-Lapel Community School Corporation, Madison County, Indiana, for the period from July 1, 2004 to February 19, 2007, is true and correct to the best of our knowledge and belief.

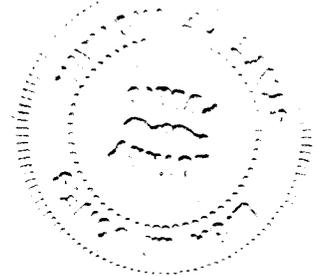
Douglas A. Witham

Sommer M. Cannon
Field Examiners

Subscribed and sworn to before me this 23rd day of February, 2008

Lisa M. Jones
Notary Public

My Commission Expires: Jan 15, 2013
County of Residence: Madison



Lisa M. Jones
Notary Public, State of Indiana
County of Madison
My commission expires: January 5, 2013