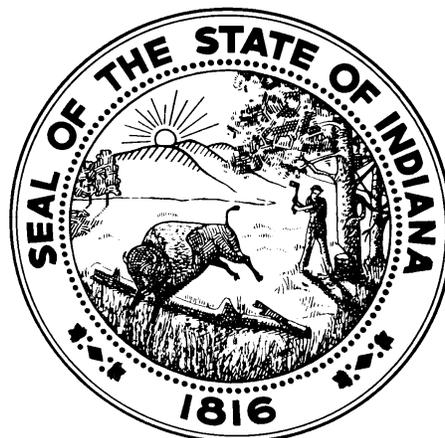


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/31/2008

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Dr. Anthony M. Lux	07-01-05 to 06-30-08
Treasurer	Ronald L. Price	07-01-05 to 05-30-06
Assistant to the Superintendent of Business Affairs	Kimberly J. Fox	04-18-06 to 10-31-07
Acting Treasurer	Janice Stojakovich	11-01-07 to 12-09-07
Business Manager (Treasurer)	Hilda Damianick	12-10-07 to 06-30-08
High School Principal	Michael Krutz	07-01-05 to 06-30-08
Extra-Curricular Treasurer	Lynn Herrera Joan B. Zerbe	07-01-05 to 12-22-06 02-02-07 to 06-30-08
President of the School Board	Mark Lucas Thomas G. Bainbridge Mark Lucas	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF MERRILLVILLE COMMUNITY SCHOOL CORPORATION

We have examined the records of the Merrillville High School for the period from July 1, 2005 to June 30, 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

December 11, 2007

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

The former Merrillville High School Extra-Curricular Treasurer, Lynn Herrera, did not deposit four textbook rental receipts totaling \$1,281.42. All four textbook rental receipts were written by Lynn Herrera and could not be traced to any deposits during the period of July 1, 2006 through December 22, 2006. The textbook rental receipts not deposited are:

<u>Receipt Number</u>	<u>Date</u>	<u>Amount</u>
104906	08-07-06	\$ 157.90
104988	08-14-06	506.45
112017	09-06-06	565.72
112066	10-11-06	51.35
Total receipts not deposited		\$ 1,281.42

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 requested Lynn Herrera, former High School Extra-Curricular Treasurer, to reimburse the Merrillville High School Extra-Curricular Account, Merrillville Community School Corporation, \$1,281.42 for receipts not deposited. Lynn Herrera reimbursed the \$1,281.42. (See Summary, page 8)

CRIME POLICY

The Merrillville Community School Corporation has a crime insurance policy (FID7003494) with RLI Insurance Company. The policy period is from June 30, 2003 to June 30, 2007, with an \$80,000 limit for Public Employee Dishonesty.

TIMELY DEPOSITS

Some textbook rental receipts were deposited 8 to 53 days after issuance of the receipt. Also, some receipts were not issued in sequential date order and transfers of funds or correction of errors were made through issuance and posting of negative receipts.

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

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)

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

OLD RECONCILING ITEMS

The bank reconciliation contains adjustments from 1999 that have not been posted or corrected in the records.

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)

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)

BANK ACCOUNT RECONCILIATIONS

The current High School Extra-curricular (ECA) Treasurer as of November 14, 2007, had completed the bank reconciliations through June 30, 2007. The current ECA Treasurer became Treasurer in February 2007. Bank reconciliations as of February 2007 had only been completed through September 2006.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

PETTY CASH AND CASH CHANGE FUNDS

The Petty Cash Fund did not have receipts or other documentation to support purchases. The fund also was not being balanced to the approved amount of \$200, but was cash over by \$25.34. The Textbook Rental Cash Change Fund was not being balanced to the approved amount of \$600, but was cash short by \$133.33.

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)

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

ATHLETIC CASH CHANGE FUND

A cash count completed on October 29, 2007, revealed that the Athletic Department has a Cash Change Fund of \$4,000 which has not been approved by the School Board.

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the school corporation in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have authority to increase or decrease such fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund [IC 36-1-8-2].

Indiana Code 36-1-8-2 is particularly applicable in school corporations where either a Textbook Rental Fund or School Lunch Fund, or both, are maintained as extra-curricular funds. If a Cash Change Fund is authorized and a check is drawn on the appropriate fund, it will be recorded as a disbursement in the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

FEES

The High School collects fees for parking permits, transcripts, traffic tickets, and lost library books. The fees are deposited into various extra-curricular funds.

All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations, Chapter 6)

INVESTMENTS IN CERTIFICATES OF DEPOSIT

A Register of Investments, General Form Number 350, was not used to record the investment activity.

General Form Number 350, Register of Investments, is the prescribed form for recording investments and all investments should be recorded on Form 350. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 5)

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2007, with Joan B. Zerbe, current Extra-Curricular Treasurer; Michael Krutz, High School Principal; Kimberly J. Fox, former Assistant to Business Affairs; Hilda Damianick, Business Manager (Treasurer); Janice Stojakovich, Assistant Treasurer; Mark Lucas, President of the School Board; and Dr. Anthony M. Lux, Superintendent.

The former Extra-Curricular Treasurer, Lynn Herrera, was notified by certified letter the contents of this report on December 11, 2007.

MERRILLVILLE HIGH SCHOOL
MERRILLVILLE COMMUNITY SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Lynn Herrera, Extra-Curricular Treasurer: Receipts Not Deposited, page 4	\$ 1,281.42	\$	\$
Paid by Lynn Herrera, Extra-Curricular Treasurer, December 27, 2007, Receipt No. 4283	<u> </u>	<u>1,281.42</u>	<u> </u> -
Totals	<u>\$ 1,281.42</u>	<u>\$ 1,281.42</u>	<u>\$ </u> -