

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

AUDIT REPORT
OF

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2005 to February 14, 2008



FILED
05/16/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Textbook Rental Receipts Not Deposited	4
Employee Blanket Bond	4
Audit Costs – Textbook Rental Receipts Not Deposited	4
ECA Deposits	5
Optical Images of Checks.....	5
Disbursement Documentation	5-6
Exit Conference.....	7
Official Response	8
Summary	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Rosemary T. Svast	07-01-05 to 06-30-08
Elementary School Principal	John E. Worthington	07-01-05 to 06-30-08
Corporation Treasurer	Kimberly Pusateri	07-01-05 to 06-30-08
Superintendent of Schools	Dr. Robert Beach Dr. Sharon Johnson-Shirley	07-01-05 to 06-30-06 07-01-06 to 06-30-08
President of the School Board	Richard Lowe Annette Wells	07-01-05 to 06-30-06 07-01-06 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF HOSFORD PARK ELEMENTARY, LAKE
RIDGE SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have examined the records of the Hosford Park Elementary School for the period from July 1, 2005 to February 14, 2008, 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

March 10, 2008

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TEXTBOOK RENTAL RECEIPTS NOT DEPOSITED

The School collects textbook rental fees from students. A textbook rental receipt (form TBR-2) is issued to the payer, upon collection of the fee, by the Extra-Curricular Account (ECA) Treasurer. The ECA Treasurer then issues an ECA receipt for the TBR-2 receipts, using the ECA receipt to make the deposit and post to the ledgers.

Review of the TBR-2s determined that some TBR-2s issued could not be traced to an ECA receipt or the ledger. Since the collections were not receipted into the ECA account or posted to the ledger, the collections were not deposited. This occurred in both school years of the audit period, as well as in the current school year. The amount of textbook rental collections not deposited totaled \$1,462.06, as shown in the table below.

<u>School Year</u>	<u>Collections per TBR-2 Receipts</u>	<u>Collections per ECA Receipts</u>	<u>Amounts Not Deposited</u>
2005-2006	\$ 3,638.24	\$ 3,237.68	\$ 400.56
2006-2007	4,651.31	4,009.81	641.50
2007-2008	<u>1,582.50</u>	<u>1,162.50</u>	<u>420.00</u>
Totals	<u>\$ 9,872.05</u>	<u>\$ 8,409.99</u>	<u>\$ 1,462.06</u>

We have requested that Rosemary T. Svast, Extra-Curricular Treasurer, reimburse Hosford Park Elementary School \$1,462.06 for the missing collections. \$1,375.90 and \$86.16 (totaling \$1,462.06) was deposited on April 7 and 8, 2008, into the extra-curricular account of Hosford Park Elementary School.

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)

EMPLOYEE BLANKET BOND

Lake Ridge School Corporation has Public Officials Schedule Bonds which cover the extra-curricular treasurers. The bonds are with Travelers Casualty and Surety Company of America and provide \$7,500 of coverage for each elementary school treasurer.

AUDIT COSTS - TEXTBOOK RENTAL RECEIPTS NOT DEPOSITED

The State of Indiana incurred additional audit costs in the investigation of the textbook rental receipts not deposited. Additional audit costs totaled \$458.84.

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)

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods up to 24 days before depositing. In several instances of late deposits, where receipts were held 2 or more weeks before deposit, the treasurer had taken other collections to the bank for deposit during that time period.

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

OPTICAL IMAGES OF CHECKS

After Bank Calumet was merged into First Midwest Bank, the financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks, states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and original invoices. Additionally, the student General Fund was used to pay for the notary bonding fee which is not a student activity.

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)

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 3, 2008, with Dr. Sharon Johnson-Shirley, Superintendent of Schools; Rosemary T. Svast, Extra-Curricular Treasurer; J. Eric Worthington, Elementary School Principal; Janet Flores, Assistant Superintendent of Schools; Kimberly Pusateri, Corporation Treasurer; and James Huddleston, Business Manager. The official response has been made a part of this report and may be found on page 8.

HOSFORD PARK SCHOOL



4735 ARTHUR ST
GARY, IN 46408
(219) 980-3390

Date: April 11, 2008

To: State Board of Account – OFFICIAL RESPONSE

From: J. Eric Worthington

Re: State Board of Account Audit Re: Hosford Park Elementary

All monies identified in the official exit interview report from the auditors have been accounted for. Most of the book rental money was in the vault attached to original receipts. A small amount had been left out for petty cash. After retrieving the money it was deposited immediately at First Midwest Bank.

HOSFORD PARK ELEMENTARY SCHOOL
LAKE RIDGE SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rosemary T. Svast, Extra-Curricular Treasurer:			
Textbook Rental Receipts Not Deposited, page 4	\$ 1,462.06	\$	
Receipt No. 25703, deposited April 7, 2008		40.00	
Receipt No. 25702, deposited April 7, 2008		1,035.00	
Receipt No. 25701, deposited April 7, 2008		300.90	
Receipt No. 25709, deposited April 8, 2008		86.16	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,462.06</u>	<u>\$ 1,462.06</u>	<u>\$ -</u>