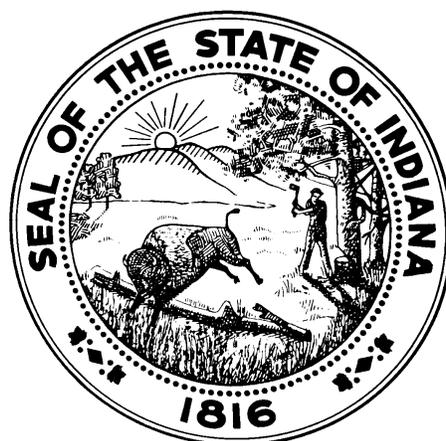


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
KNOX COUNTY, INDIANA

July 1, 2002 to April 25, 2008



**FILED**

06/20/2008



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## SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Madonna J. Williams	07-01-02 to 06-30-08
Superintendent of Schools	Harry Nolting (Interim) Douglas D. Rose	07-01-02 to 09-30-02 10-01-02 to 06-30-08
President of the School Board	Alan D. Stewart Matt Minderman Scott Blackburn Pat Hutchinson Bryan Thais Alan D. Stewart	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 07-01-07 to 06-30-08
Principal of Lincoln High School	Steven Bowman Barber D. McCuiston David Chapman	07-01-02 to 06-30-04 08-09-04 to 06-30-06 07-01-06 to 06-30-08
Extra-Curricular Treasurer of Lincoln High School	Colette Hill Vacant Sarah Richardson Vacant Candace Beard	07-01-02 to 06-07-04 06-08-04 to 08-10-04 08-11-04 to 12-07-07 12-08-07 to 01-06-08 01-07-08 to 06-30-08
Lincoln High School Yearbook Advisor	Barbara Martin	07-01-02 to 04-25-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE VINCENNES COMMUNITY  
SCHOOL CORPORATION, KNOX COUNTY, INDIANA

We have examined the records of the Lincoln High School Yearbook Fund for the period from July 1, 2002 to April 25, 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 Examination Results and Comments.

STATE BOARD OF ACCOUNTS

May 20, 2008

LINCOLN HIGH SCHOOL YEARBOOK FUND  
 VINCENNES COMMUNITY SCHOOL CORPORATION  
 EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Lincoln High School Yearbook Fund on the Extra-Curricular ledger for the period examined was as follows:

Cash Balance	Amount
05-23-03	\$ 2,798.61
05-28-04	(315.22)
05-31-05	(1,092.37)
05-26-06	(13,368.19)
05-22-07	891.33
04-25-08	14,850.25

The cash balance reported as of April 25, 2008, does not take into account the following additional items:

Cash Balance 04-25-08	\$ 14,850.25
Additional items:	
Loan received 05-15-07 from Jostens	(10,000.00)
2007-2008 yearbook presales owed to Jostens	(6,878.00)
Outstanding yearbook publication fees owed to Herff Jones	(60,522.53)

The Lincoln High School Principal stated that in April 2007 he was informed by the Extra-Curricular Treasurer that the Yearbook Fund was overdrawn and that the Yearbook Fund needed to have a positive cash balance by the end of the school year as was discussed during a prior audit. The Principal stated that he had been in contact with Jostens, a yearbook publishing company, and knew that they offered a debt assistance program to schools that begin using their company. The program loans an amount to the school that is needed to pay any outstanding bills owed to their prior yearbook publishing company and in return the school signs an agreement to be a customer for a specified number of years and to repay one-half of the loan amount back to Jostens. The Principal stated that he then met with Barbara Martin, the Lincoln High School Yearbook Advisor, to find out the amount of assistance needed to pay the outstanding balance to Herff Jones, the prior yearbook publisher. Barbara Martin stated that \$10,000 would be adequate. The Principal, not the Vincennes Community School Board, entered into a debt assistance agreement on May 3, 2007, with Jostens for the amount of \$10,000 and agreed to be a customer for three years and to repay one-half of this amount back. However, the \$10,000 that was received by Lincoln High School was never remitted to Herff Jones but was used for cash flow purposes.

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)

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-26-4-8 states: "Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PERSONAL EXPENSES

During the period examined, \$39,931.02 was charged and paid to Wal-Mart from the Lincoln High School Yearbook Fund. Due to the fact that receipts were available for only \$3,361.75, we requested detailed statements from Wal-Mart to identify all items purchased and the signatures for the purchases. We noted that Barbara Martin, Lincoln High School Yearbook Advisor, charged \$21,411.94 for personal items such as groceries, pet supplies, clothing, toys/games, alcohol, gift cards, and medicine. Wal-Mart could not provide any detail for \$7,439.46 of this amount due to the age of the transactions. There was no evidence presented for examination to verify that the \$7,439.46 was not also for personal items.

State Board of Accounts contacted the Indiana State Police for assistance. A detective interviewed Barbara Martin on April 25, 2008, and she confessed in writing to using the Wal-Mart charge account for personal use. School Officials placed Barbara Martin on paid administrative leave effective April 28, 2008. Barbara Martin submitted a letter of resignation on April 29, 2008, with an effective date of May 23, 2008.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (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)

Barbara Martin, Lincoln High School Yearbook Advisor, was requested to reimburse the Lincoln High School Yearbook Fund \$28,851.40. The \$28,851.40 represents \$21,411.94 in personal expenses and \$7,439.46 in expenses without supporting documentation. (See Summary, page 11)

PENALTIES, INTEREST, AND OTHER CHARGES

Based on a review of detailed charge card statements for the Wal-Mart charge account of Lincoln High School Yearbook Fund, finance charges totaling \$219.19 were paid for the period examined.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

Barbara Martin, Lincoln High School Yearbook Advisor, was requested to reimburse \$219.19 in finance charges to the Lincoln High School Yearbook Fund. (See Summary, page 11)

EXCESSIVE OR UNREASONABLE COSTS

Barbara Martin, Lincoln High School Yearbook Advisor, purchased an excessive number of yearbooks each year that were never sold. Based on an inquiry of School Officials, we determined that the students order and prepay for yearbooks throughout the school year with a deadline usually in April. High School Officials stated that some extra yearbooks are purchased as complimentary and for subsequent sales to students who did not order one by the deadline. However, adequate records were not presented to accurately determine the number of yearbooks sold or given out as complimentary in order to reconcile to the number of yearbooks in inventory. The Yearbook Advisor purchased 800 yearbooks for the school years 2002-2003, 2003-2004, 2004-2005, and 750 yearbooks for 2005-2006. An inventory taken by High School Officials and verified by the Field Examiners showed 104 unsold books were on hand for 2002-2003, 138 books for 2003-2004, 199 books for 2004-2005, and 264 books for 2005-2006. The High School's cost for the yearbooks that were unsold and held in inventory for the four years noted above amounted to \$35,422.

Presales for 2006-2007 yearbooks amounted to 451 and the Yearbook Advisor ordered 600. The cost was \$42.07/yearbook. The yearbooks have not been received as of the report date so the final unsold count was not available and is not included in the above amount.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CREDIT CARDS

Barbara Martin, Lincoln High School Yearbook Advisor, was using Wal-Mart credit cards to purchase items without an approved credit card policy. The School Corporation did have a credit card policy that was adopted on July 23, 2002; however, the policy addressed the use of School Corporation credit cards and not credit cards used at the school buildings. School Corporation Officials stated that they were unaware of the existence of the Wal-Mart credit cards.

Payments from the Yearbook Fund made to Wal-Mart for credit card charges totaled \$39,931.02 during the period examined. Originally, the receipts provided for examination to support the payments totaled \$3,361.75. Subsequently, additional receipts were requested and received from Wal-Mart. (See Examination Results and Comments "Personal Expenses," page 5)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

### ECA DEPOSITS

Receipts for business and patron ad sales for the High School Yearbook Fund were not always deposited within a reasonable time. Receipts, in some instances, were held for periods of up to five months before depositing. Three checks were found in yearbook records with dates of October 30, 2003, May 23, 2006, and January 18, 2008, which had never been deposited.

Based on a review of business and patron ad contracts, for the 2007-2008 school year, cash sales totaled \$360 and \$205, respectively. The information was verified to the yearbook ledger maintained by yearbook staff which listed ad sales for both businesses and patrons by yearbook staff member. However, when abstracting bank deposits for the 2007-2008 school year and comparing the deposits to the summary collection forms submitted by Barbara Martin, Lincoln High School Yearbook Advisor, we noted that only \$35 cash was deposited for the 2007-2008 school year. The remaining \$530 in cash receipts was not deposited.

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

We have requested that Barbara Martin, Lincoln High School Yearbook Advisor, reimburse the Lincoln High School Yearbook Fund \$530 for receipts that were not deposited. (See Summary, page 11)

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FUNDRAISERS

Sales of blankets, Yankee candles, Krispy Kreme donuts, and candy bars were conducted as fund raising events by the Lincoln High School Yearbook Staff during the period examined. The Vincennes Community School Board minutes presented for examination did not indicate approval of the events nor did the minutes contain designation of control procedures and the responsible officials or employees. No accounting for the fundraisers was presented for examination.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESCRIBED FORMS

The Receipt, SA-3, was not used until June 22, 2005, and the Summary Collection Form, SA-8, was not used until August 8, 2006. After the prescribed forms were implemented, the Receipts and Summary Collection Forms usually had several sources of receipts combined on one receipt causing difficulties to determine the amount of receipts that were being reported from each source.

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 receipt is to be issued for any and all money received. A separate receipt shall be issued for each amount of money received. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Summary Collection Form (SA-8) is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

OFFICIAL BOND

The School Corporation had an Honesty Blanket Position Bond Number 69272748 for a term of January 7, 2002, until the effective date of cancelation or termination through Western Surety Company. An additional indemnity rider, also dated January 7, 2002, listed seven extra-curricular treasurers to be covered. The bond has not been updated since 2002 and currently, only two of those extra-curricular treasurers are employed by the School Corporation.

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The honesty blanket position bond covers loss sustained by the insured through any fraudulent or dishonest act or acts committed by any of the employees, acting alone or in collusion with others, during the bond period, the amount of indemnity on each of such employees being the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement (\$20,000).

The Treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The bond shall be filed in the office of the county recorder, and a new bond shall be issued and filed each year. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6.

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommend bond coverage for any employee handling funds. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

#### EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional examination fees in the investigation of the missing funds of the Lincoln High School Yearbook Fund in the amount of \$11,435.58.

Examination 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)

#### EXTRA-CURRICULAR DISBURSEMENTS

The following items were noted from the information presented for examination:

1. Some disbursements lacked proper documentation.

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)

2. Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

LINCOLN HIGH SCHOOL YEARBOOK FUND  
VINCENNES COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2008, with Douglas D. Rose, Superintendent of Schools; Alan D. Stewart, President of the School Board; David Chapman, Principal of Lincoln High School; Madonna J. Williams, Treasurer; and Candace Beard, Extra-Curricular Treasurer of Lincoln High School. The officials concurred with our audit findings.

Barbara Martin, Lincoln High School Yearbook Advisor, was contacted by phone on May 19, 2008, and invited to an exit conference on May 20, 2008. Barbara Martin chose not to attend.

LINCOLN HIGH SCHOOL YEARBOOK FUND  
 VINCENNES COMMUNITY SCHOOL CORPORATION  
 SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Barbara Martin, Lincoln High School Yearbook Advisor:			
Personal Expenses, page 5	\$ 28,851.40	\$ -	\$ 28,851.40
Penalties, Interest, and Other Charges, pages 5 and 6	219.19	-	219.19
ECA Deposits, page 7	<u>530.00</u>	<u>-</u>	<u>530.00</u>
Totals	<u>\$ 29,600.59</u>	<u>\$ -</u>	<u>\$ 29,600.59</u>

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AFFIDAVIT

STATE OF INDIANA )  
                                  )  
Dubois COUNTY)

We, Karen Weales and Christie Wessel, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Lincoln High School Yearbook Fund, Vincennes Community School Corporation, Knox County, Indiana, for the period from July 1, 2002 to April 25, 2008, is true and correct to the best of our knowledge and belief.

Karen Weales

Christie Wessel  
Field Examiners

Subscribed and sworn to before me this 12<sup>th</sup> day of June, 2008.

Lois A. Kuntz  
Notary Public  
LOIS A. KUNTZ

My Commission Expires: 10/24/08  
County of Residence: Dubois