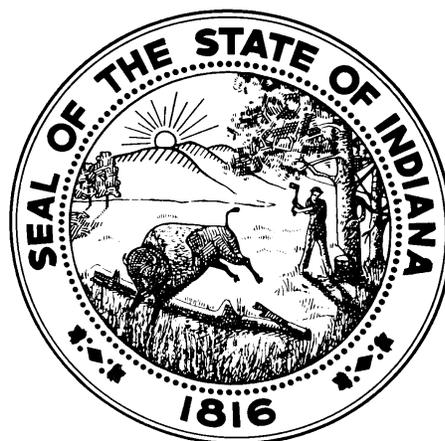


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
LAKE COUNTY, INDIANA

July 1, 2005 to December 31, 2007



FILED

06/23/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nadyne Kokot	07-01-05 to 08-17-05
	Vacant	08-18-05 to 08-31-05
	Ernest Dittmann	09-01-05 to 04-30-06
	Vacant	05-01-06 to 08-28-06
	Francisco Ramirez	08-29-06 to 06-30-08
Superintendent of Schools	Dr. John Flores	07-01-05 to 06-30-06
	Frank Kwasny	07-01-06 to 07-31-06
	Dr. Juan Anaya	08-01-06 to 06-30-08
President of the School Board	Fernando Trevino	07-01-05 to 06-30-08
Principal of West Side Junior High School	David D. Allen, Jr.	07-01-05 to 06-30-08
Extra-Curricular Treasurer of West Side Junior High School	Barbara O'Donnell	07-01-05 to 02-16-06
	Petrita DeLeon	02-17-06 to 02-07-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL CITY OF EAST CHICAGO, LAKE COUNTY

We have audited the records of the West Side Junior High School for the period from July 1, 2005 to December 31, 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 Audit Results and Comments.

STATE BOARD OF ACCOUNTS

February 11, 2008

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

UNACCOUNTED FOR COLLECTIONS - GYM UNIFORMS

Students were required to purchase gym uniforms from the main office. The students were assessed \$18 or \$20 (dependent on the size) each for gym uniforms. Based on the understanding of the controls, students purchased the uniform from the clerks in the main office. All collections were remitted to the Extra-Curricular Treasurer. The Extra-Curricular Treasurer was responsible for safeguarding the collections and ensuring all collections were receipted, posted, and deposited. Individual receipts were not given to students.

We met with the Extra-Curricular Treasurer on January 14, 2008, at which time we counted the gym uniform inventory in the vault with the Extra-Curricular Treasurer and noted 70 uniforms. The Extra-Curricular Treasurer did not inform us of the existence of any other gym uniforms in the vault or office.

Additional gym uniforms were discovered by school personnel on January 17, 2008, in the vault. School personnel counted the inventory and determined there were 270 gym uniforms. Also, on January 17, 2008, the following collections were discovered: an envelope in a brown bag was found in a box of gym uniforms totaling \$750.00; collections were also discovered in a bank bag in a file cabinet totaling \$1,618.25. According to school personnel, there was a note attached to each of the items stating "gym suits."

We returned to the school on January 28, 2008, and were informed of the additional gym uniforms discovered by school personnel on January 17, 2008. As we took the inventory on January 28, 2008, school personnel continually found additional gym uniforms in various places throughout the main office which brought our gym uniform count to 294.

We received copies of the gym uniform vendor invoices from Main Sporting Goods on January 30, 2008, for the calendar years 2006, 2007, and 2008. According to one vendor invoice, an order was placed by Petrita DeLeon (the Extra-Curricular Treasurer) on January 14, 2008, for 250 gym uniforms. The order was signed and picked up by Jose E. DeLeon on January 15, 2008. We determined that the 250 gym uniforms purchased on January 14, 2008, were included in the gym uniform inventory count of 294.

Based on the above information regarding gym uniforms, we prepared the following table relating to the sale of gym uniforms:

	<u>Number of Uniforms</u>	<u>Sale Price</u>	<u>Amount</u>
Gym Uniform Detail:			
Gym Uniform Purchases:			
2006-2007 School Year	349	\$ 18.00	\$ 6,282.00
	6	20.00	120.00
2007-2008 School Year	585	18.00	10,530.00
	10	20.00	<u>200.00</u>
 Total Potential Collections			 <u><u>\$ 17,132.00</u></u>

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

	Number of Uniforms	Sale Price	Amount
Deposited Collections:			
School Year 2006-2007 Collections Deposited		\$	\$ 1,836.00
School Year 2007-2008 Collections Deposited			4,991.25
 Total Deposited Collections			 \$ 6,827.25
 Ending Gym Uniform Inventory as of January 28, 2007:			
	293	18.00	\$ 5,274.00
	1	20.00	20.00
 Total Gym Uniform Inventory			 \$ 5,294.00
 Gym Uniform Summary:			
Total Potential Collections			\$ 17,132.00
Total Deposited Collections			(6,827.25)
Total Ending Gym Uniform Inventory			(5,294.00)
 Unaccounted For Collections			 \$ 5,010.75

The gym uniform collections were determined to have \$5,010.75 in unaccounted for collections that should have been deposited by the Extra-Curricular Treasurer. (See Summary, page 12)

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)

UNACCOUNTED FOR COLLECTIONS – TEXTBOOK RENTAL RECEIPTS

Students were assessed textbook rental and fees. According to our understanding of the controls, textbook rental is collected and deposited by the Extra-Curricular Treasurer. The Extra-Curricular treasurer issued individual textbook rental receipts to the students and, subsequently, issued an extra-curricular receipt for a grouping of textbook rental receipts. The extra-curricular receipts were traced to the deposits. The textbook rental receipt collections for the period beginning February 2006 to June 2006 and the 2006-2007 school year exceeded the extra-curricular receipt collections by the following:

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Description</u>	<u>February to June 2006</u>	<u>School Year 2006-2007</u>
Textbook rental receipt	\$ 8,488.22	\$ 20,894.34
Extra-curricular receipts deposited per ledger for textbook rental	(8,409.32)	(20,667.34)
Repayment by Extra-Curricular Treasurer on 01-22-08	-	(179.00)
	<u> </u>	<u> </u>
Difference	<u>\$ 78.90</u>	<u>\$ 48.00</u>

The textbook rental collections were determined to have \$126.90 in unaccounted for collections that should have been deposited by the Extra-Curricular Treasurer. (See Summary, page 12)

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)

UNACCOUNTED FOR COLLECTIONS - ATHLETIC EVENTS

Our analytical review of revenue generated by sporting events significantly decreased in the 2006-2007 school year. Based on discussions with the Principal and the Extra-Curricular Treasurer, gate fees for basketball games were not always charged, and sometimes students or parents would collect the revenue. Due to the lack of documentation and control, we could not determine if any basketball collections for the 2006-2007 school year were made at the time of the events.

The Principal and the Extra-Curricular Treasurer also stated that the 2007-2008 school year gate fees were collected. However, upon review of the June to December 2007 ledger, no collections had been posted to the Athletic Fund. The Extra-Curricular Treasurer provided two envelopes of collections on January 15, 2008. One envelope was for the entire volleyball season totaling \$259.00 and the other envelope was for the entire boys basketball season totaling \$272.00.

School personnel discovered an envelope in the Extra-Curricular Treasurer's file cabinet during our visit on January 29, 2008, to take gym uniform inventory. The Principal stated that he wrote the attached note that indicated the collections were from a basketball game occurring on January 9, 2007. The note indicated that \$235.39 was collected for that particular basketball game. However, the envelope only contained \$79.00.

The basketball collections were determined to have \$156.39 in unaccounted for collections that should have been deposited by the Extra-Curricular Treasurer. (See Summary, page 12)

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)

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

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)

OFFICIAL BOND

School officials and employees were not bonded nor a crime policy for the two year audit period.

The Treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the 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, Indiana Code 20-26-6-5. The bond shall be filed in the office of the county recorder, and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, Indiana Code 20-26-5-17. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, Indiana Code 20-26-6-5.

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 recommended 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)

STUDENT ID TAGS

Based on the understanding of the controls, the initial student ID tag and the first replacement ID tag were at no charge to the student. Anything after the first replacement tag, students were assessed \$8 for the ID and \$2 for the lanyard. \$743.00 was collected and deposited in the 2005-2006 school year, for replacement ID tags and lanyards. No revenue was deposited in the 2006-2007 school year. As of January 14, 2008, the Extra-Curricular Treasurer provided \$202.14 of collections held in a bank bag. According to the Extra-Curricular Treasurer, the collections were for replacement ID tags. The Extra-Curricular Treasurer retained the collections in case students or the school lunch personnel needed change. No receipts were issued for the replacement ID tags. Since receipts were not issued for the tags, we could not determine the amount collected for ID tag collections.

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)

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

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS – GYM UNIFORM AND ATHLETIC GAME COLLECTIONS

There was one extra-curricular check paid to the gym uniform vendor that had no supporting invoice attached. We discovered during our review of the invoices submitted by the gym uniform vendor, an overpayment of \$455.00 to the vendor. A credit of \$455.00 was received from the vendor in February, 2008.

Tickets were not issued and ticket sale reports were not completed for the 2007-2008 athletic gate fee collections. The only documentation retained for the gate fee collections was a roster of athletic games with a dollar amount collected for adult and students written by the game date.

Tickets and ticket sale reports were completed during the 2006-2007 school year, for volleyball games after the volleyball game was completed. The number of tickets necessary to agree with cash collected was taken from the ticket roll and attached to the ticket sale report. The tickets were not given to the public as they entered the volleyball game.

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)

UNTIMELY DEPOSITS AND DEPOSIT COMPOSITION –
TEXTBOOK RENTAL RECEIPTS, ATHLETIC EVENTS, ID TAGS

- (1) Textbook rental receipts were deposited from two to 184 days after the receipt was written. The composition of the textbook rental receipts did not always agree with the duplicate deposit slip composition.
- (2) Athletic event collections for the 2006-2007 school year were deposited from 39 to 105 days after the athletic event occurred.

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

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."

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2008, with Francisco Ramirez, Corporation Treasurer; Dawn Green, Assistant Superintendent of Schools; David D. Allen, Jr., West Side Junior High School Principal; and Ernie Dittmann, Consultant. The officials concurred with our audit findings.

The contents of this report were sent on February 11, 2008, by certified mail, to the former Extra-Curricular Treasurer, Petrita DeLeon.



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March 7, 2008

Carla Wenger, CPA
Indiana State Board of Accounts
Field Examiner
2293 N. Main Street
Crown Point, Indiana 46307

RE: Petrita DeLeon
Our File No.: 15357

Dear Ms. Wenger:

I am writing in follow-up of our telephonic conference February 20, 2008 to confirm that our office has been retained by Petrita DeLeon regarding termination of her employment by the Board of School Trustees for the School City of East Chicago on Tuesday, February 5, 2008. During the course of our representation, your February 11, 2008 correspondence to Ms. DeLeon forwarding a copy of the Audit Results and Comments that pertain to the West Side Junior High School and request for reimbursement for unaccounted for collections was referred to our attention. During the course of our referenced conference, the undersigned indicated that Ms. DeLeon had not received notice of, nor been invited to, the final exit interview. As a result of the questions raised during our discussion, it was suggested that the ten (10) day deadline to provide a written response to the audit be extended and that a further meeting be scheduled with Ms. DeLeon and the State Board of Accounts' Field Examiners.

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APR 03 2008

STATE BOARD OF ACCOUNTS

Carla Wenger, CPA
RE: Petrita DeLeon
March 7, 2008
Page 2

During the course of our telephonic conference, the undersigned directed attention to the discrepancies in the audit relating to the gym uniforms. Further, the undersigned noted that Ms. DeLeon requested access to the receipt book for gym uniforms during the meeting held January 14, 2008 but was advised at that time the receipt book was unavailable. In reviewing the Audit, the undersigned is unable to determine whether the receipt book and accounting records Ms. DeLeon submitted to the School City of East Chicago on August 22, 2007 were reviewed as part of the field audit.

This correspondence shall confirm that Ms. DeLeon maintains her innocence of any allegation of unaccounted for collections and declines to speak to the Indiana State Board of Accounts any further. Naturally, I am requesting that you cease all communications with my client and that you direct all further communication in regard to this matter to my attention. In the event the Indiana State Board of Accounts requires any further information, I would be glad to speak to you at your earliest convenience.

Very truly yours,

MURPHY LAW FIRM

BY: J. JUSTIN MURPHY

JJM:cah

cc: Petrita DeLeon

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APR 03 2008

STATE BOARD OF ACCOUNTS

WEST SIDE JUNIOR HIGH SCHOOL
SCHOOL CITY OF EAST CHICAGO
SUMMARY OF UNACCOUNTED FOR COLLECTIONS

Petrita DeLeon, Extra-Curricular Treasurer:	
Unaccounted For Collections - Gym Uniforms, See pages 4 and 5	\$ 5,010.75
Unaccounted For Collections - Textbook Rental Receipts, See pages 5 and 6	126.90
Unaccounted For Collections - Athletic Events See pages 6 and 7	<u>156.39</u>
Total	<u><u>\$ 5,294.04</u></u>