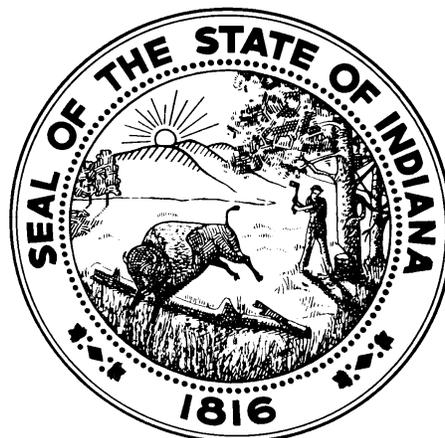


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
TIPPECANOE COUNTY, INDIANA

July 1, 2004 to December 3, 2007



**FILED**

08/14/2008



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### SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Elizabeth Darlene Craig Melissa Bennett Janae Bosma	07-01-04 to 02-09-07 04-02-07 to 06-14-07 07-30-07 to 06-30-08
Corporation Treasurer	Dr. Mark Miller Kim Fox	07-01-04 to 10-31-07 11-01-07 to 06-30-08
Superintendent of Schools	Dr. Richard Wood	07-01-04 to 06-30-08
President of the School Board	Dr. Tim Gibb Kathryn D. Dale Alan R. Kemper Linda Day	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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF TIPPECANOE SCHOOL CORPORATION

We have examined the records of the Dayton Elementary School for the period from July 1, 2004 to December 3, 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

June 17, 2008

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. Not all items were included in the depository reconciliation and not all transactions were included in the Schedule of Balances, Receipts, and Expenditures of School Extra-Curricular Accounts.
2. Some balances reported in the SA5-1 Financial Report - Expenditures Schedule of Balances, Receipts, and Expenditures of School Extra-Curricular Account did not equal the balances reflected in the ledgers.
3. Receipts and expenditures reported in the SA-5 Financial Report School Extra-Curricular Account did not all agree with the receipts and expenditures in the ledgers.
4. Beginning balances for each fiscal year did not all equal the ending balances of the prior fiscal year.
5. There were no investment records presented for examination for the certificate of deposit from the Student Needs Fund.
6. There were numerous unsubstantiated adjustments to the ledgers.
7. There were numerous mathematical errors in the ledgers.
8. There were some receipts and expenditures not posted.

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."

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

1. Records were hand written in pencil.
2. Receipts were not issued at the time monies were received.

DAYTON ELEMENTARY SCHOOL  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

3. Receipts were not issued to the person from whom the monies were received.
4. Ledgers were not timely reconciled to the depository balances.
5. Detail account ledgers were not reconciled to the control account.
6. Bookstore cash change had not been properly established. Cash change consisted of receipts withheld for the purpose of making change. No set amount was maintained in the cash box.
7. No records were kept of bookstore sales; therefore, sales to receipts could not be reconciled.
8. The safe was left unlocked in an unsecured area.
9. Deposits were not made timely.
10. No investment register was maintained.
11. Some disbursements were made from statements rather than invoices.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXTRA-CURRICULAR ACCOUNT DEPOSITS

Receipts were not generally deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of two weeks before being deposited. Additionally, receipts, in some instances, accumulated to over \$15,000 before being deposited.

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

EXTRA-CURRICULAR ACCOUNT EDUCATIONAL FEES

Kindergarten and Textbook Rental fees were being receipted to an extra-curricular fund and were not remitted to the School Corporation Office in a timely manner.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PAYMENT TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS

Employees of the School Corporation working at extra-curricular activity events, such as spelling bowls, were paid through the extra-curricular funds rather than through the payroll system.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 130) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

PUBLIC RECORDS RETENTION

The 2004-2005 extra-curricular records, including the textbook rental receipts, were not presented for examination. The following documents were utilized for reconciling; the SA-5 as submitted to the School Corporation without the control account, the Register of Receipts reprinted from the accounting software and the Check Register also reprinted from the accounting software.

All purchase orders and supporting documentation for payments made to the Internal Revenue Service, Indiana Department of Revenue, and Gambs, Mucker and Bauman (attorneys collecting for Indiana Department of Revenue) were missing from the files.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Elizabeth Darlene Craig, prior Extra-Curricular Treasurer, failed to remit payroll withholdings and employer matching of payroll withholdings timely to the proper agencies. Consequently, interest, penalty, and other fees were levied against Dayton School Cafeteria. Some of the interest, penalty, and other fees were paid by Mrs. Craig from the Cafeteria Fund.

The Internal Revenue Service levied the Dayton Elementary School bank account on three different occasions. The three levies were July 2003, \$8,458.08 for civil penalty and interest for intentional disregard for the period December 31, 1999; September 2006, \$5,387.67 civil penalty and interest for intentional disregard for the period December 31, 2001; and December 2006, \$5,312.41 for civil penalty

DAYTON ELEMENTARY SCHOOL  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

and interest for intentional disregard for the period December 31, 2002. Elizabeth Darlene Craig, prior Extra-Curricular Treasurer, made adjustments to the ledgers in the Textbook Rental Fund, as well as the Cafeteria Fund, to account for these reductions to the extra-curricular cash balances.

Due to a lack of response to written inquiries from Chase Bank, the Student Needs certificate of deposit investment in the amount of \$2,290 was remitted to the State of Indiana's Attorney General Unclaimed Funds. The School has since reclaimed the investment.

The Internal Revenue Service and Indiana Department of Revenue have levied charges for interest and penalties totaling \$35,568.38 of which the Internal Revenue Service has abated \$25,470.42 leaving a balance of \$10,097.96. Elizabeth Darlene Craig, prior Extra-Curricular Treasurer, was requested to reimburse Tippecanoe School Corporation \$10,097.96. Reimbursement was made on July 28, 2008. (See Summary, page 10)

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXAMINATION COSTS AND CHARGES

The State of Indiana incurred additional examination fees in the investigation of the missing funds and the payment of penalties and interest due to various violations in reporting and payment of payroll withholdings. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$2,299.85.

Elizabeth Darlene Craig, prior Extra-Curricular Treasurer, was requested to reimburse \$2,299.85 to the State of Indiana.

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 Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PUBLIC OFFICIAL POSITION SCHEDULE BOND COVERAGE

The following insurance information was presented for our examination:

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Description	Effective Dates	Coverage	Company/Insurer
Public Official Position Schedule Bond	07-01-83 to 07-01-84	\$ 2,500	Indiana Insurance Company
Public Official Position Schedule Bond	07-01-93 to 07-01-94	2,500	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-94 to 07-01-95	2,500	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-96 to 07-01-97	2,500	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-97 to 07-01-98	5,000	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-98 to 07-01-99	5,000	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-99 to 07-01-00	5,000	Peerless Insurance Company
Public Official Position Schedule Bond	07-01-00 to 07-01-01	5,000	Peerless Insurance Company
Public Official Position Schedule Bond	07-01-01 to 07-01-02	5,000	The Netherlands Insurance Company
Public Official Position Schedule Bond	07-01-02 to 07-01-03	5,000	Ohio Farmers Insurance Company

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2008, with Elizabeth Darlene Craig, prior Extra-Curricular Treasurer; and Kim Fox, Tippecanoe School Corporation Treasurer.

DAYTON ELEMENTARY SCHOOL  
TIPPECANOE SCHOOL CORPORATION  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Elizabeth Darlene Craig, prior Extra-Curricular Treasurer:			
Penalties, Interest, and Other Charges, pages 6 and 7	\$ 35,568.38	\$	\$
Internal Revenue Service Abatements		25,470.42	
Reimbursed by Elizabeth Darlene Craig on July 28, 2008, Check No. 3062		<u>10,097.96</u>	<u>-</u>
Totals	<u>\$ 35,568.38</u>	<u>\$ 35,568.38</u>	<u>\$ -</u>