

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

SPECIAL INVESTIGATION REPORT
OF

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
LAKE COUNTY, INDIANA

July 1, 2006 to March 24, 2009



FILED
07/07/2009

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer of Whiting Middle School	Kathleen Drevyanko	07-01-06 to 03-27-09
Principal of Whiting Middle School	Jay Harker Cynthia Scroggins	07-01-06 to 04-30-08 05-01-08 to 06-30-09
Director of Finance	Cynthia Adams	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Sandra T. Martinez	07-01-06 to 06-30-09
President of the School Board	Lindy Fisher Susan Mills-Groninger Shawn Turpin Anthony Borgo	07-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCHOOL CITY OF WHITING, LAKE COUNTY, INDIANA

We have audited the records of the Whiting Middle School for the period from July 1, 2006 to March 24, 2009, 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

May 11, 2009

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

School Officials became concerned that problems existed at Whiting Middle School when they discovered improper bookkeeping procedures over petty cash, replacement lanyard fees and identification card sales, and processing of claims. School Officials requested that the State Board of Accounts extend the review through March of 2009.

An audit of receipts to deposits revealed several instances of receipts that were not deposited:

Textbook Rental Receipts Not Deposited

Textbook Rental receipts (TBR-2) are issued for each school year, by the Extra-Curricular Treasurer to parents when they remit payment for their students' textbook rental and educational fees. The Extra-Curricular Treasurer is also responsible for compiling the daily textbook rental receipts and then preparing an official receipt (Form SA-3) for each day, recording the receipts in the ledger and in each student's records, and taking the collections to the bank for deposit.

Three textbook rental receipts representing collections in the 2006-2007 school year, were not deposited to the bank. These are as follows:

Textbook Rental Receipt		
Date	Number	Amount
August 31, 2006	97390	\$ 134.29
November 14, 2006	97408	110.00
June 12, 2007	97475	210.52
2006-2007 Textbook rental receipts not deposited		\$ 454.81

Five textbook rental receipts representing collections in the 2007-2008 school year, were not deposited to the bank. These are as follows:

Textbook Rental Receipt		
Date	Number	Amount
November 18, 2007	97544	\$ 35.89
January 30, 2008	97558	70.00
February 4, 2008	97559	100.00
April 30, 2008	97584	182.57
May 20, 2008	97597	216.17
2007-2008 Textbook rental receipts not deposited		\$ 604.63

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

Check Substituted

Additionally, we found a check was substituted for cash in the textbook rental deposit dated August 16, 2007, for \$219.82. The check listed on the deposit slip did not agree to the TBR-2's that were issued. The check for \$219.82 was substituted for TBR-2's that were issued for cash.

Duplicate Posting of Textbook Rental Receipts

Instances of posting individual textbook rental receipts to more than one student's payment history were also noted resulting in the students' account balances showing a zero balance.

There were two instances during the 2006-2007 school year of payments posted to students' accounts without a corresponding receipt. The duplicate posting totaled \$485.36.

There were seven instances during 2007-2008 of the same receipt posted to different student accounts totaling \$1,195.95.

Summary Collection Forms (SA-8) Not Receipted or Deposited

Pre-Numbered Summary Collection Forms (SA-8) were completed by the Extra-Curricular Treasurer for collections remitted by teachers and/or sponsors to the Extra-Curricular Treasurer. The Extra-Curricular Treasurer would issue an official receipt (SA-3) from the report of collections, and the proceeds would be deposited to the bank.

We reviewed all of the Summary Collection Forms presented for audit for the period July 1, 2006 to March 2009. Since the forms are pre-numbered, we found 20 forms that could not be accounted for. Upon request the teachers and/or sponsors provided us with copies of 5 of the 20 forms that were initially unaccounted for. We could not trace these Summary Collection Forms to an official receipt (SA-3) or to a corresponding deposit.

The detail of the sum of Summary Collection Forms amounts not deposited is shown in the following schedule:

Summary Collection Forms (SA-8)		
Date	Number	Amount
2007-2008 School Year:		
September 7, 2007	160293	\$ 438.00
December 10, 2007	160321	248.75
2008-2009 School Year:		
September 5, 2008	160395	234.50
September 10, 2008	160397	454.00
May 20, 2008	160428	33.00
Completed SA-8s not deposited		\$ 1,408.25

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

Additionally, we found two Summary Collection Forms that were not deposited in full:

Summary Collection Forms (SA-8)				
Date	Number	Amount on SA-8	Deposit Amount	Difference
December 1, 2008	160414	\$ 245.50	\$ 232.50	\$ 13.00
February 17, 2009	160430	808.37	750.37	58.00
SA-8s not deposited in full				<u>\$ 71.00</u>

Fundraiser Collections Not Deposited

The School conducted several fundraisers between July 1, 2006 and March 27, 2009. The students collect the money at the time an individual places an order, thereby the company and school can determine the profit to be realized at the time the order is placed. Historically, a fundraiser is held in the fall and spring of each school year. These fundraisers are as follows:

Fundraiser Collections				
Fundraiser	Date	Amount Collected	Amount Received And Deposited	Collections Not Deposited
Candles - Yankee Candle	Fall 2006	\$ 3,966.00	\$ 3,400.00	\$ 566.00
Candles - Yankee Candle	Fall 2007	3,522.00	2,395.00	1,127.00
Candles - Yankee Candle	Spring 2008	3,100.00	2,716.00	384.00
Candles - Yankee Candle	Fall 2008	3,988.00	2,183.00	1,805.00
Cookie dough - Great American Opportunities Inc.	Spring 2007	3,080.00	2,153.00	927.00
Cookie dough - Great American Opportunities Inc.	Spring 2008	4,494.00	4,272.00	222.00
Total fundraiser collections not deposited				<u>\$ 5,031.00</u>

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)

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

We have requested that Kathleen Drevyanko, former Extra-Curricular Treasurer, reimburse Whiting Middle School \$9,470.82 for the receipts that were not deposited as follows:

Receipts Not Deposited:

Textbook Rental Receipts Not Deposited	\$ 1,059.44
Check Substituted	219.82
Duplicate Posting of Textbook Rental Receipts	1,681.31
Summary Collection Forms (SA-8) Not Received or Deposited	1,479.25
Fundraiser Collections Not Deposited	<u>5,031.00</u>

Total Receipts Not Deposited \$ 9,470.82

(See Summary, page 11)

AUDIT COSTS - MISSING FUNDS

Additional audit costs in the amount of \$2,936.55 were incurred due to receipts which were not deposited.

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)

EMPLOYEE BLANKET BOND

The School City of Whiting had a Public Employees Blanket Bond with RLI Insurance Company which provided \$15,000/year coverage for their extra-curricular treasurers for the period July 1, 2006 to June 30, 2008. On July 2, 2008, the Corporation obtained insurance coverage with The Ohio Casualty Insurance Company for their Whiting Middle School secretary in the amount of \$4,000/year.

TICKET SALES

The Whiting Middle School sponsored dances and the production of student theatrical plays. Admission fees were charged; however, there was no evidence that pre-numbered tickets were issued. Therefore, we could not determine if all collections were deposited from those events.

Serially pre-numbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the pre-numbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be pre-numbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit.

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

CORPORATION EXPENSES PAID BY EXTRA-CURRICULAR

Desk plaques, flowers for school planters, computer software, band music, shelving, storage bins, garbage cans, and snacks for school association meetings were paid from extra-curricular funds.

All financial transactions related to the school corporation should be accounted for in the School Corporation Records. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

PERSONAL EXPENSES

We found personal expenses that were reimbursed by extra-curricular funds. Subsequently, these personal expenses were repaid in the amount of \$141.99.

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)

TEXTBOOK RENTAL INTERNAL CONTROLS

The following internal control problems were noted while reviewing textbook rental receipts:

1. The computer software used by the Whiting Middle School allows for multiple student identification numbers to be assigned to a student.
2. The Daily Fee Payment reports generated from the computer system did not always agree to the textbook rental receipts (TBR-2) issued for the corresponding day. The differences were due to inconsistencies in the way she posted to the electronic record.
3. All Daily Fee Payment reports were not available for audit.
4. The balance due on the individual Student Fee History did not agree to the balance due on the delinquent letters that were sent to the student's parents.
5. Many individual Student Fee Histories for textbook rental fees have negative or zero balances due to adjustments made by the treasurer. These adjustments were made without supervisory approval.
6. The computer system allows for any extra-curricular treasurer to make entries to a student's account regardless of which school the student attends.

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 Extra-Curricular Accounts, Chapter 7)

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER ACCOUNTS PAYABLE VOUCHERS

The following internal control problems were noted:

1. Expenditures were paid from incorrect funds; for example, field trips were paid from the textbook rental fund.
2. According to the principal, some claims were paid using the signature stamp without her approval.
3. The extra-curricular treasurer signed the sponsors' names on the accounts payable vouchers for authorization of purchases.
4. Accounts payable vouchers could be posted as negative amounts to the ledger.

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 Extra-Curricular Accounts, Chapter 7)

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2009, with Anthony Borgo, President of the School Board; Dr. Sandra T. Martinez, Superintendent of Schools; Cynthia Adams, Director of Finance; Jay Harker, High School Principal; Cynthia Scroggins, Whiting Middle School Principal; and Penny Banfield, Elementary School Principal.

This report was mailed via certified mail on May 18, 2009, to Kathleen Drevyanko, former Extra-Curricular Treasurer of Whiting Middle School.

WHITING MIDDLE SCHOOL
SCHOOL CITY OF WHITING COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kathleen Dreyanko, former Extra-Curricular Treasurer: Receipts Not Deposited, pages 4 through 7	\$ 9,470.82	\$ -	\$ 9,470.82

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AFFIDAVIT

STATE OF INDIANA)
LAKE COUNTY)

We, Lapreil Schwan and Denise Sempf, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Whiting Middle School, Lake County, Indiana, for the period from July 1, 2006 to March 24, 2009, is true and correct to the best of our knowledge and belief.

Lapreil Schwan

Denise Sempf
Field Examiners

Subscribed and sworn to before me this 16 day of JUNE, 2009.

Anna F. Davis
Notary Public

My Commission Expires: Oct. 12, 2012

County of Residence: LAKE