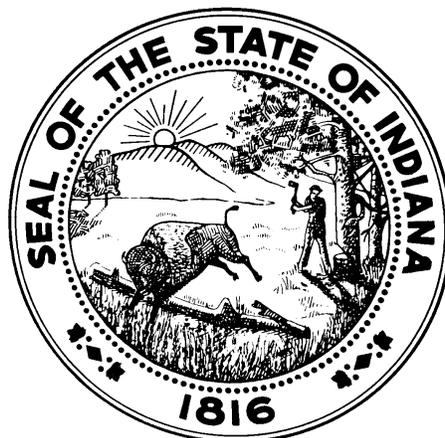


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL INVESTIGATION REPORT  
OF

EMERSON SCHOOL FOR THE VISUAL  
AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA

July 1, 2006 to May 31, 2009



**FILED**

09/11/2009



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## SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carolyn V. Keith	07-01-06 to 02-16-07
	Alesia Y. Pritchett	02-17-07 to 06-30-10
Superintendent of Schools	Dr. Mary Steele-Agee	07-01-06 to 12-19-08
	Vacant	12-20-08 to 12-21-08
	Dr. Myrtle V. Campbell	12-22-08 to 06-30-10
President of the School Board	Alex Wheeler, Jr.	07-01-06 to 06-30-07
	Nellie F. Moore	07-01-07 to 06-30-09
	Kenneth A. Stalling	07-01-09 to 06-30-10
Principal of Emerson School for the Visual and Performing Arts	Noah Riley	07-01-06 to 06-30-10
Extra-Curricular Treasurer of Emerson School for the Visual and Performing Arts	Paula Gilkey-Joseph	07-01-06 to 10-20-06
	Vacant	10-21-06 to 10-25-06
	Charlotte Rowan	10-26-06 to 05-29-09
	Vacant	05-30-09 to 06-30-10



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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE GARY COMMUNITY SCHOOL  
CORPORATION, LAKE COUNTY, INDIANA

We have examined the records of the Emerson School for the Visual and Performing Arts for the period from July 1, 2006 to May 31, 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 Examination Results and Comments.

STATE BOARD OF ACCOUNTS

July 4, 2009

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL RECEIPTS NOT DEPOSITED

We traced all Official Receipts (Form SA-3) issued to actual bank deposits. The results of our procedures revealed collections for which there were no corresponding bank deposits. Only \$448,341.85 was deposited of \$472,194.29 in official receipts issued, thus \$23,852.44 was not deposited as follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>Totals</u>
Official receipts issued	\$ 159,217.52	\$ 172,035.15	\$ 140,941.62	\$ 472,194.29
Bank deposits	<u>(157,831.16)</u>	<u>(160,684.80)</u>	<u>(129,825.89)</u>	<u>(448,341.85)</u>
Official receipts not deposited	<u>\$ 1,386.36</u>	<u>\$ 11,350.35</u>	<u>\$ 11,115.73</u>	<u>\$ 23,852.44</u>

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$23,852.44 for official receipts not deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

DEPOSITS NOT RECEIPTED OR RECORDED

A comparison of Official Receipts (Form SA-3) issued to actual bank deposits also revealed many deposits made for which Official Receipts were not issued or recorded. Properly recording receipts would have increased the record balance and provide a cash necessary to balance of \$16,269.24 as follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>Totals</u>
Deposits not receipted or recorded	<u>\$ 919.72</u>	<u>\$ 1,182.17</u>	<u>\$ 14,167.35</u>	<u>\$ 16,269.24</u>

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$16,269.24 for deposits not receipted or recorded. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
 GARY COMMUNITY SCHOOL CORPORATION  
 EXAMINATION RESULTS AND COMMENTS  
 (Continued)

TICKET SALES NOT RECEIPTED OR DEPOSITED

The students performed various concerts, plays, and other events for which an admission fee is charged. Prenumbered tickets are purchased from a supplier of printing forms and sold to students and adults. The sponsors sell the tickets, prepare a Ticket Sales Report (SA-4), and remit the report with the collections to the Treasurer. The Treasurer verifies the amount received, issues a receipt, and prepares the deposit for the armored car service.

The Treasurer also records the information from the Ticket Sales Report to a Ticket Sales log. The ticket stubs are placed in an envelope and retained with a copy of the SA-4 stapled to the envelope and a copy also placed inside the envelope. The Ticket Sales Logs included the organization sponsoring the event, the ticket numbers issued and returned, the number of tickets sold, the amount of sales, the date the report was submitted, and the event sponsor for the 2006-2007 and 2007-2008 school years. The Ticket Sales Log presented for the 2008-2009 included only the date, organization, sponsor, event, and an amount. Detailed ticket information was not included on the 2008-2009 Ticket Sales Log.

A comparison of the Ticket Sales Reports and the Ticket Sales Logs for the 2006-2007 and 2007-2008 school years indicated that the reports agreed with events and amounts entered on the log. However, several of the Ticket Sales Reports and entries on the Ticket Sales Logs could not be traced to an official receipt, or to an entry in the Extra-Curricular Account receipt ledger, or to a bank deposit. Additionally, there was also two Ticket Sales Reports for the 2008-2009 school year, that were provided directly from the event sponsors, that could not be traced to the Ticket Sale Log, or to an official receipt, or to the receipt ledger, or to a bank deposit. Ticket sale collections not receipted or deposited were as follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>Totals</u>
Collections per ticket sales reports	\$ 23,025.38	\$ 15,900.60	\$ 10,945.10	\$ 49,871.08
Ticket sales receipted and deposited	<u>(22,394.38)</u>	<u>(11,312.60)</u>	<u>(7,142.41)</u>	<u>(40,849.39)</u>
Ticket sales not receipted or deposited	<u>\$ 631.00</u>	<u>\$ 4,588.00</u>	<u>\$ 3,802.69</u>	<u>\$ 9,021.69</u>

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$9,021.69 for ticket sales collections that were not receipted or deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A reconciliation of the record balance to the bank balance indicated that the record balance exceeded the available bank balance by \$2,184.66 as of May 29, 2009. The difference included many deposit overages and shortages noted on the bank statements which were not included in the

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
 GARY COMMUNITY SCHOOL CORPORATION  
 EXAMINATION RESULTS AND COMMENTS  
 (Continued)

calculations of the amounts not deposited in the previous comments. We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$2,184.66 for the cash necessary to balance. (See Summary, page 22)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CHECKS SUBSTITUTED FOR CASH COLLECTIONS

We observed that checks were deposited during the 2007-2008 and 2008-2009 school years even though the official receipts indicated that cash was received. Copies of the deposit compositions received from the bank confirmed that several checks were substituted for cash received. Official receipts were not issued or recorded for the checks deposited for cash collections as follows:

	2007-2008	2008-2009	Total
Checks deposited for cash collections	\$ 1,784	\$ 35	\$ 1,819

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$1,819 for cash receipts not deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

REGISTRATION RECEIPTS NOT RECORDED OR DEPOSITED

The Treasurer issued manually prepared receipts, outside of the computerized accounting system, for class fees and other miscellaneous items during the annual registration periods for the 2006-2007, 2007-2008, and 2008-2009 school years. Not all of these manual receipts could be traced to an official computerized receipt, to the Extra-Curricular Account receipt ledger, or to a bank deposit. The differences between the manually prepared receipts and the related bank deposits for the three school years were as follows:

	2006-2007	2007-2008	2008-2009	Totals
Registration receipts issued	\$ 9,122.00	\$ 13,532.79	\$ 8,956.00	\$ 31,610.79
Registration receipts deposited	(8,829.00)	(13,013.10)	(8,256.00)	(30,098.10)
Registration receipts not deposited	\$ 293.00	\$ 519.69	\$ 700.00	\$ 1,512.69

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
 GARY COMMUNITY SCHOOL CORPORATION  
 EXAMINATION RESULTS AND COMMENTS  
 (Continued)

We requested that Paula Gilkey-Joseph, the former Extra-Curricular Treasurer, whose employment ended on October 20, 2006, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$293 for 2006-2007 registration receipts not deposited. We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$1,219.69; \$519.69 and \$700, respectively, for the 2007-2008 and 2008-2009 registration receipts not deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

OTHER RECEIPTS NOT RECORDED OR DEPOSITED

The Treasurer issued manually prepared nonprescribed receipts (receipts which are issued outside of the computerized accounting system) for other fees, such as, prepaid lunches, field trips, locks, transcripts, and textbook rental during the 2007-2008, and 2008-2009 school years. Not all of these manual receipts could be traced to an official computerized receipt, to the Extra-Curricular Account receipt ledger, or to a bank deposit. The differences between the nonprescribed receipts and the related bank deposits for the three school years were as follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>Totals</u>
Unofficial receipts issued	\$ 23,286.65	\$ 5,574.01	\$ 2,492.15	\$ 31,352.81
Unofficial receipts deposited	<u>(23,240.65)</u>	<u>(5,266.55)</u>	<u>(2,151.15)</u>	<u>(30,658.35)</u>
Unofficial receipts not deposited	<u>\$ 46.00</u>	<u>\$ 307.46</u>	<u>\$ 341.00</u>	<u>\$ 694.46</u>

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$694.46 other receipts not deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

COLLECTIONS NOT RECEIPTED OR DEPOSITED

The Treasurer recorded all collections on a Daily Deposit Summary Sheet. A copy of the duplicate deposit slip was attached to the summary sheet. There was a total of \$175 listed on two individual Daily Deposit Summary Sheets during the 2007-2008 school year, that was not receipted or recorded in the receipt ledger and not included in a bank deposit.

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

We requested that Charlotte Rowan, Extra-Curricular Treasurer, remit restitution to Emerson School for the Visual and Performing Arts in the amount of \$175.00 for collections not received or deposited. (See Summary, page 22)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance 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)

PUBLIC OFFICIAL BOND

Gary Community School Corporation has a Public Official Bond which covers their extra-curricular treasurers. The bond is with Liberty Mutual Insurance Company and provides \$100,000 of coverage for the Extra-Curricular Treasurer at Emerson School for the Visual and Performing Arts.

ADDITIONAL AUDIT COSTS - RECEIPTS NOT DEPOSITED

Additional examination costs 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)

INTERNAL CONTROL DEFICIENCIES

The internal controls over receipts, disbursements, and ticket sales were deficient as follows:

Receipts

1. Receipts were not issued in numerical order. Computer software allowed the user to change the information on the receipt.
2. Deposits were made up to 103 days after the receipt was issued and recorded. A deposit was made in one instance, but the receipt was written 3 months later resulting in recording in the subsequent school year.
3. Unused receipts and duplicate receipts (receipts issued twice for the same collections) were not always voided.
4. Receipts were not deposited in the same form (cash, check, or money order) in which they were received.

Ticket Sales

1. Ticket sale collections were used to make purchases for events, thereby bypassing prescribed procedures.

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. Not all tickets used for events were prenumbered by a printing supplier. There were instances where the sponsor created their own tickets which were numbered by hand.

Disbursements

1. Two checks cleared the bank but were not recorded in 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.

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)

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

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. . . . Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. . . . (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Guideline Manual for Extra-Curricular Accounts, Chapter 7)

BANK RECONCILEMENTS

The following discrepancies were noted concerning the bank reconcilements:

1. The ledger balance did not reconcile to the bank balance.
2. Amounts reported as deposits in transit were not deposited in the subsequent month.
3. Some checks listed as outstanding had previously cleared the bank.
4. Interest was not recorded or carried forward to the next month's reconciliation.

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

5. Errors were not corrected or carried forward to the next month's reconciliation.
6. Some errors were not detected because the bank reconciliation was not accurate.

IC 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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Guideline Manual for Extra-Curricular Accounts, Chapter 7)

#### STUDENT REGISTRATION

The following discrepancies were noted concerning student registration:

1. Collections for student registration were receipted on forms which were neither prescribed nor approved for use for the 2006-2007 and 2008-2009 school years.
2. Receipts did not always specify the amount of cash or checks that was received.
3. Collections in the 2008-2009 school year for student registration fees were not recorded in the ledger.
4. Textbook rental receipts (Form TBR-2) were not used for the 2007-2008 or 2008-2009 school year collections.
5. Computerized receipts (Form SA-3) for student registration for the 2006-2007 and 2007-2008 school years did not always indicate which textbook rental receipts or non-prescribed receipts were included in the batch total.

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)

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.

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)

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN FUND BALANCES

The Class of 2009 Fund and the Choir Fund were overdrawn by \$569.06 and \$6,128.39, respectively, at June 30, 2007. The Close-Up Fund was overdrawn \$2,018.77 at June 30, 2008.

The 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)

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2009, with Charlotte Rowan, Extra-Curricular Treasurer of Emerson School for the Visual and Performing Arts; Noah Riley, Principal of Emerson School for the Visual and Performing Arts; Alesia Pritchett, Treasurer, Dr. Myrtle V. Campbell, Superintendent of Schools; Dr. Cordia P. Moore, Executive Director Elementary/Secondary Studies; Charles F. Williams, Internal Auditor; and Detective Chris Schramm, Indiana State Police. The official response has been made a part of this report and may be found on pages 13 through 21.

The contents of this report, was sent certified mail on July 9, 2009, to Paula Gilkey-Joseph, former Extra-Curricular Treasurer.

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**GARY COMMUNITY  
SCHOOL CORPORATION**



**A NEW DIRECTION: Focus on Accountability  
and Continuous School Improvement**

(219) 881-5401 • Fax (219) 881-4102  
Dr. Myrtle V. Campbell, Superintendent  
mcampbell@garycsc.k12.in.us

620 East 10<sup>th</sup> Place – Gary, IN 46402

July 17, 2009

Indiana State Board of Accounts  
Bruce Hartman, State Examiner  
302 West Washington Street - Room E418  
Indianapolis, IN 46204-2765

RE: 2006-2008 AUDIT RESPONSES

Dear Mr. Hartman:

**RE: AUDIT RESULTS: EXTRA-CURRICULAR ACCOUNTS  
CORRECTIVE ACTION PLAN  
EMERSON VISUAL & PERFORMING ARTS**

Receipts Not Deposited and Cash Necessary to Balance Bank Reconciliations

- 1) Cash from cafeteria sales will be monitored by comparing daily sales per the SNAPS system to the actual cash being deposited into the bank for all schools. Differences will be investigated promptly.
- 2) Gate receipts and concessions from athletic events will be monitored by analyzing athletic schedules and related ticket reports to ensure that all deposits are properly documented.
- 3) A seminar will be held before the beginning of the upcoming school year with district treasurers to discuss the findings disclosed in the latest audit, the reasons why these findings occurred and the corrective action that needs to be taken.
- 4) Book fairs will be examined to determine that all proceeds are properly deposited and that amounts paid are in accordance with the contractual agreement.
- 5) The district will explore the possibility of conducting a financial seminar for principals, athletic directors and other administrators to educate this staff on fiscal matters.

### Receipts

1. Computer software will be reviewed so that receipts will be issued in numerical order and users will not be allowed to change information on a posted receipt.
2. Timeliness of deposits and receipt issuance will be discussed at the upcoming treasurer's seminar.
3. Voided receipts will be marked voided.
4. Making deposits in the form in which they were received has been discussed with treasurers in past seminars. This topic will also be discussed in the upcoming treasurer's seminar.

### Ticket Sales

1. Ticket accounting procedures will be discussed in the upcoming treasurer's seminar.
2. The GCSC is in the process of purchasing uniform tickets to be issued by all schools.

### Disbursements

1. Check processing will be discussed at the upcoming treasurer's seminar.

### Bank Reconcilements

1. Bank reconcilements have been discussed in previous treasurer's seminars. The treasurer at this school will be replaced. The new treasurer will have the appropriate experience and training in the preparation of bank reconciliations.

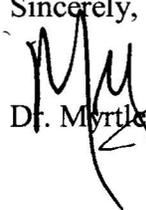
### Student Registration

1. Receipts will be issued on officially approved receipts.
2. Making deposits in the form in which they were received has been discussed with treasurers in past seminars. This topic will be discussed in the upcoming treasurer's seminar.
3. Student registration fees will be recorded in the ledger.
4. Use of form TBR-2 will be discussed at the upcoming treasurer's seminar. Use of this form has also been discussed in past treasurers seminars.
5. Computerized receipts will note all pertinent information.

Overdrawn Fund Balances

1. Overdrawn fund balances have been discussed in previous treasurer's seminars. The treasurer at this school will be replaced. The new treasurer will have appropriate experience and training with regard to overdrawn fund balances.

Sincerely,

  
Dr. Myrtle V. Campbell, Superintendent

July 27, 2009

Mr. Bruce Hartman  
Indiana State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

RE: **“OFFICIAL RESPONSE”**

Emerson School for the Visual & Performing Arts  
Gary Community School Corporation Audit Results and Comments

Dear Mr. Hartman:

I have reviewed the audit results and comments for the Emerson School for the Visual & Performing Arts and apparently I need to vindicate myself from further insult, humiliation, and illegal action against me.

**FINDINGS:** Official Receipts Not Deposited

RESPONSE: All funds collected by the treasurer were receipted and deposited. The current treasurer was actually hired a short time after the RDS system was instituted and was directed by the former supervisor to the secretaries to enter all manual receipts in the RDS system on the actual date the activity took place. The current treasurer did not see the deposits for the actual receipts only the manual receipts written by the former treasurer, prior to my hire date. When processing these transactions I even mentioned to employees from the MIS department that the directive from the former supervisor did not appear correct. I was even told that they should have just started entering transactions that I processed upon my arrival with the Gary Community School Corporation. This discrepancy is based on failure to properly provide training to a new employee.

**FINDINGS:** Deposits Not Receipted or Recorded

RESPONSE: The position of Secretary/Treasurer is very demanding and can be very overwhelming. I made every attempt to receipt all transactions that were presented. I made it my goal to make sure that all sponsors of organizations making deposits be prepared to stay until a receipt was issued. Many time sponsors complained about they did not have the time to wait, but I demanded that they remain until all funds were confirmed. But, this did not work all the time. It was my priority to be responsible and accountable for my job duties but the position also included the tasks of performing daily payroll functions to staff members in the assigned school which included teachers, custodial staff, Para-professionals, and administrators; 7<sup>th</sup> hour coverage which consisted

of daily monitoring all classroom coverage through out the business day on a daily basis. When teachers failed to comply with the sub finder procedures when calling off, I would have to provide classroom coverage in a timely manner. Excessive time was spent attempting to get subs or faculty members to cover classes when absences occurred; As office manager I was responsible for ensuring that the main office was covered and prepared to service visitors, students, and parents. It appears that upon my arrival to the school, the secretarial staff abused their time. Time abuse from other secretaries in the office created delays and chaos on a daily basis; being the secretary to the principal also added to being side tracked. When the principal requested my assistant on projects or reports that were requested by the district, once again my duties as treasurer were put on hold. During this audit period, two (2) secretaries retired and our Assistant Principal retired just at the time we were given notice that the school was relocating to another location. Once again chaos occurred. The school was not given orders to close the office during the packing, but the MIS department was directed to come in and break-down the computers. Deposits were made but the manual receipts were misplaced. Actual deposits receipts were available for review, but during the transition of packing and unpacking documents were misplaced and an oversight of not entering the manual receipts in the RDS system once things settled down did not happen. This was an error of omission and not in anyway used as substitution for official receipts issued which were not deposited. There was no support from the district to assist with staff shortages in the office. Daily reports are submitted to the district indicating staffing shortages. Not one time did the supervisor to the secretaries come to the school to give assistance or send help. The Supervisor to the Secretaries failed to perform her duties in crises.

**FINDINGS:** Ticket Sales Not Receipted or Deposited

The ticket stubs were placed in an envelope and retained for audit with an accompanying Ticket Sales Report Form S-4 stapled to the envelope. An additional copy of the SA-4 was placed inside the envelope information from the ticket Sales Report was corded on a ticket Sales Log for 2006-2007 and 2007-2008 school years. The Ticket Sales Log presented for the 2008-2009 included only the date organization, sponsor even and an amount. Detailed ticket information was not included on the ticket Sales Log.

A comparison of the Ticket Sales Reports and the Ticket Sales Logs for the 2006-2007 and 2007-2008 school years indicated that the reports agreed with the events and amounts entered on the log. However, several of the Ticket Sales Reports and entries on the ticket Sales Logs could not be traced to an official receipt or to an entry in the Extra Curricular Account receipt ledger.

**RESPONSE:** Training was never provided to the Secretary/Treasurer. I trained myself. I implemented certain procedures that I gained from prior employment and from working with State Board of Accounts from previous state positions. The 2008-2009 Log was not in detailed due to the fact I did not have enough hands and time. The Log that was referred to in the audit was created by the Secretary/Treasurer for tracking purposes. It was not a state form. All funds were receipted.

**FINDINGS: Cash Necessary to Balance Bank Reconciliations**

A reconciliation of the record balance to the back balance indicated that the record balance exceeded the available bank balance .

The difference included many deposit overages and shortages noted on the bank statements.

RESPONSE: When I was hired On October 26, 2006, the bank reconcilements were not done for 6 months. The former supervisor to the secretaries attempted to complete the task but she had problems herself. Once again, when added untrue figures that are carrying over to the next school year is not going to make it right. Funds were not misappropriated or diverted. The problem was not corrected when there were concerns with the prior audits.

**FINDINGS: Substituted For Cash Collections**

During the 2007-2008 and 2008-2009 school year it was observed that checks were deposited even though the official receipts indicated that cash was received.

RESPONSE: No funds were substituted for cash for personally use. The guidance counselor had to make a purchase and the counselor did provide a check, but the vendor would not take the check and wanted cash. This was an error. Training was not provided in this area. It was related to a school activity.

**FINDINGS: Other Receipts Not Recorded or Deposited**

The Treasurer issued manually prepared unofficial receipts (receipts which are not prescribed or approved formed issued outside of the computerized accounting system) for other fees, such as, prepaid lunches, field trips, locks, transcripts, and textbook rental during the 2007-2008 and 2008-2009 school years. Not all of these manual receipts could be traced to an official computerized receipt, to the Extra-Curricular Account receipt ledger, or to a bank deposit.

RESPONSE: School Registration for 2007-2008 was held in the Old Emerson Gym where staff registered students for that school year. There was no access to computers in that area so receipts were issued and later entered into the RDS system. Emerson VPA relocated in the school year 2008-2009 and the school year registration was held in the gym area where we did not have any computer access. Manual receipts were issued and later entered into the system. In addition, the receipts that could not be traced to an official computerized receipt is due to a manual receipt book that was misplaced during the renovation of the office and reported to the school principal. A mistake was made by a staff member and reported.

**FINDINGS: Ticket Sales**

1. Ticket sale collections were used to make purchases for events thereby by passing prescribed procedures
2. Not all tickets used for events were pre-numbered by a printing supplier. There was an instance where the sponsor created their own tickets and numbered it by hand.

RESPONSE: When the administration fail to train all staff and faculty members how to perform task that are required we have errors. As Secretary/Treasurer I attempted to inform sponsors and issued ticket sales procedures prescribed by the State Board of Accounts. Sponsors continue to follow their own way of doing things and I am not in a position to discipline or teach the sponsors. I informed the principal of the concerns. Many times the activity before the Secretary/Treasurer had acknowledged of the act. In one incident, the arts coordinator had the pre-printed tickets for an event but, took ill and the sponsor had to take majors to substitute the tickets at the last minute.

**FINDINGS: The discrepancies noted concerning the bank reconcilements**

1. The ledger balance did not reconcile to the bank balances
2. Amounts reported as deposits in transit were not deposited in the subsequent month
3. Some checks listed as outstanding had previously cleared the bank
4. Interest was not recorded or carried to the next month's reconciliation
5. Errors were not corrected or carried forward to the next month's reconciliation
6. Some errors were not detected because the bank reconciliation was not accurate

RESPONSE: Numerous errors were made, but not intentionally. If the Secretary/Treasurer was allowed to focus on the finances and treat it with priority these errors and omission would have been eliminated. Findings were made that other treasurers in the district do not perform abundance tasks that will interfere with their duties as treasurer.

**FINDINGS: Student Registration**

The following discrepancies were noted concerning student registration:

1. Collections for student registration and receipted on forms which were neither prescribed nor approved for use for the 2006-2007 and 2008-2009 school year
2. Receipts did not always specify the amount of cash or checks that was received
3. In the 2008-2009 school year, collections for student registration fees were not recorded in the ledger
4. Textbook rental receipts (TBR-2's) were not used for the 2007-2008 or 2008-2009 school year collection

5. Computerized receipts (SA-3) for student registration for 2006-2007 and 2007-2008 school years did not always indicate which textbook rental receipt or unofficial receipts were included in the batch total

RESPONSE: Under the direction of the former supervisor to the secretaries instructions were given not to use the manual receipts unless there was a computer problem. All transactions would be entered into the RDS system. Errors can be eliminated if training was provided to all secretarial staff when the Treasurer is not available or when working on projects that might need their assistance. In addition, the present supervisor to the secretaries is needed to come to the schools to monitor and assist with questions and concerns.

I attempted to perform my many duties the best I could with the training that I did not receive. As the Head Secretary/Treasurer at Emerson School for the Visual & Performing Arts, I was also responsible for the following Essential duties, and Demands of the Position **although other Treasurers in the District were not mandated to perform these functions:**

- Performing payroll functions which consisted of monitoring all sign-in and sign out books on a daily basis, recording all hours worked, and absences reported. This also included ensuring that all 7<sup>th</sup> hour coverage was handled in a timely manner. Through out the day, I was attempting to obtain coverage for teachers who were on school business, attending field trips, or had to leave for the day.
- Respond to customer inquiries. Covering the front office was extremely difficult when your when other office staff did not show up for work, did not call off, and just disappeared for days without notice. I had to performed their job duties when this occurred, which was every other day. Performing incoming and outgoing student transfers, answering phone calls, and assisting visitors. Reserving buses for field trips. Being the nurse when the school nurse was out. There were many days that my duties had to be placed on hold. The Supervisor to the Secretaries should have been aware of the absences and should have assisted with the shortages.
- Conducting accounts receivable and accounts payable duties in a timely manner was my goal. To ensure that vendors were paid in a timely manner. Sponsors would come in 4 or 5 times daily requesting for checks that they needed immediately, dropping off funds to be receipted, and picking up or dropping off purchase orders.
- Performing Secretarial duties for the Principal was priority. Answering calls for the Principal. No other staff member was allowed to take these calls. All calls were channeled to the Secretary to the Principal Office. Reports due to the District office, at their request at the last minute. Principal Riley attempted to take care of many of his typing assignments due to the overwhelming duties that I was given.
- Serving as Office Manager ensuring that the office is functioning with professionalism and effectively. Phones are answered in a timely manner, requesting for supplies, equipment operational, and etc.

- Processing student fees, collecting textbook fees, and obligations. Speaking with parents about fees. Processing monthly and weekly reports. Reconciling accounts, receipting funds, preparing deposits, recording cafeteria funds, and other duties that are assigned.
- Preparing for relocation to new location without ceasing operations of the office was overwhelming. Working out of boxes and then to have items still not located from the move from the old Emerson site to the Kennedy-King location.
- Performing assignments that normally the Arts Coordinator would do if time abuse was that the issue.
- Process bulk mailing, incoming mail and distribute mailing to faculty mail boxes
- Liaison person communicating with the postal fees and rentals
- And any and all assignments that were given or assigned

In closing, I attempted to perform my duties to the best of my ability and errors and omissions were not intentionally.

Respectfully submitted,



Charlotte Rowan

7.26.09

Date

EMERSON SCHOOL FOR THE VISUAL AND PERFORMING ARTS  
GARY COMMUNITY SCHOOL CORPORATION  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Paula Gilkey-Joseph, former Extra-Curricular Treasurer:			
Registration Receipts Not Recorded or Deposited, pages 6 and 7	\$ 293.00	\$ -	\$ 293.00
Charlotte Rowan, Extra-Curricular Treasurer:			
Official Receipts Not Deposited, page 4	23,852.44	-	23,852.44
Deposits Not Received or Recorded, page 4	16,269.24	-	16,269.24
Ticket Sales Not Received or Deposited, page 5	9,021.69	-	9,021.69
Cash Necessary to Balance, Bank			
Reconcilements, pages 5 and 6	2,184.66	-	2,184.66
Check Substitution For Cash Collections, page 6	1,819.00	-	1,819.00
Registration Receipts Not Recorded or Deposited, pages 6 and 7	1,219.69	-	1,219.69
Other Receipts Not Recorded or Deposited, page 7	694.46	-	694.46
Collections Not Received or Deposited, pages 7 and 8	<u>175.00</u>	-	<u>175.00</u>
Subtotal Charlotte Rowan, Extra-Curricular Treasurer	<u>55,236.18</u>	-	<u>55,236.18</u>
Totals	<u>\$ 55,529.18</u>	<u>\$ -</u>	<u>\$ 55,529.18</u>

AFFIDAVIT

STATE OF INDIANA )  
Porter COUNTY )

We, Karen A. Tetrault and Susan M. Lardino, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Emerson School for the Visual and Performing Arts, Gary Community School Corporation, Lake County, Indiana, for the period from July 1, 2006 to May 31, 2009, is true and correct to the best of our knowledge and belief.

Karen A. Tetrault

Susan M Lardino  
Field Examiners

Subscribed and sworn to before me this 24<sup>th</sup> day of August, 2009.

Sundae H. Kubacki  
Notary Public

My Commission Expires: April 20, 2016

County of Residence: Porter

