

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

AUDIT REPORT
OF
FRANKTON-LAPEL COMMUNITY SCHOOLS
MADISON COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
09/18/2009

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-06 to 06-30-10
Superintendent of Schools	Ned L. Speicher Bobby Fields	07-01-06 to 06-30-08 07-01-08 to 06-30-11
President of the School Board	Nancy Likens Alan Bays	07-01-06 to 06-30-08 07-01-08 to 06-30-11



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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY SCHOOLS, MADISON COUNTY

We have audited the records of the Frankton-Lapel Community Schools for the period from July 1, 2006 to June 30, 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 Audit Results and Comments. The financial transactions of this office are reflected in the Biennial Report of Frankton-Lapel Community Schools, Madison County for the period from July 1, 2006 to June 30, 2008.

STATE BOARD OF ACCOUNTS

August 12, 2009

FRANKTON-LAPEL COMMUNITY SCHOOLS
MADISON COUNTY
AUDIT RESULTS AND COMMENTS

AUTOMOBILE MILEAGE ALLOWANCE

The Superintendent contracts for the 2006-2007 and 2007-2008 school years contained addendums which provide that he receive \$500 per month as compensation for his business use of an automobile. These payments were made on claim checks, for the 2006-2007 school year, not through payroll or subject to payroll withholdings. The amount for the 2007-2008 school year, was included in the Superintendent's payroll subject to tax withholding and reporting.

Seven other administrators and corporation employees (Assistant Superintendent; Special Ed Director; and five principals) have addendums to their contracts for the 2006-2007 and 2007-2008 school years, providing for annual mileage stipends ranging from \$400 to \$1,000. These stipends were included with these employees' salaries, subject to tax withholding and reporting.

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled. (The School Administrator and Uniform Compliance Guidelines, Volume 149, Page 2)

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form No. 101, for reimbursement at the rate per mile as established by the local board of school trustees for all employees of the corporation. (The School Administrator and Uniform Compliance Guidelines, Volume 149, Page 2)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BREAK-INS, BURGLARIES, OR OTHER CRIMES

\$70,000 and \$50,000, respectively, were wire transferred out of the Frankton-Lapel Community Schools' bank account on November 20, 2007 and on November 30, 2007. These transfers appear to have been made without the knowledge or approval of the School Corporation Treasurer or Administration. The School Corporation received \$20,000 from the School Corporation Treasurer's public official bond (the limit of the bond coverage) on April 28, 2008. Also, on April 28, 2008, an entry was made to the School Corporation's records to reduce the cash balance by the net amount of loss, \$100,000 (\$120,000 total unauthorized electronic funds withdrawals minus the \$20,000 recovered from the School Corporation Treasurer's bond). The matter is currently under investigation by an outside agency.

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FRANKTON-LAPEL COMMUNITY SCHOOLS
MADISON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2009, with Lynn Hall, Treasurer; Bobby Fields, Superintendent of Schools; and Michael C. Lacy, School Attorney. The officials concurred with our audit findings.