

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

SPECIAL INVESTIGATION REPORT

OF

21ST CENTURY CHARTER SCHOOL OF GARY

LAKE COUNTY, INDIANA

July 1, 2006 to May 31, 2009



FILED

09/29/2009

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Ayanna Burns	08-16-06 to 08-22-07
	Vacant	08-23-07 to 08-30-07
	Victoria Robinson	08-31-07 to 03-23-09
	Vacant	03-24-09 to 05-31-09
	Linda Scott	06-01-09 to 06-30-09
Principal	Vynesha Johnson	07-01-06 to 06-06-07
	Vacant	06-07-07 to 07-31-07
	Tamika Chambers	08-01-07 to 06-30-08
	Angela West	07-01-08 to 06-30-09
President of the School Board	Alyce Butler	07-01-06 to 06-30-09
Treasurer	Melissa Bechtel	07-01-06 to 12-31-07
	Dana Johnson	01-01-08 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE 21ST CENTURY CHARTER
SCHOOL OF GARY, LAKE COUNTY, INDIANA

We have examined the financial information of the 21st Century Charter School of Gary 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 16, 2009

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS

CASH COLLECTIONS NOT DEPOSITED

21st Century Charter School of Gary Officials became aware of potential theft in March of 2009. Local law enforcement officers were contacted of the potential theft and a police report was filed; however, no further action has been pursued. We analyzed information presented for examination concerning receipts or documentation on cash collection logs in comparison to actual bank deposits. We were presented with documentation whereby cash collections were used to make payments to athletic event officials/referees. The results of our procedures resulted in identifying cash collections for which there were no corresponding bank deposits. Our calculation of cash collections not deposited, allowing for cash disbursements made to officials, is as follows:

Ayanna Burns, Office Manager, 08-16-06 to 08-22-07:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>Totals</u>
Cash Collections	\$ 3,055.56	\$ 8,196.85	\$ 11,252.41
Deposits	(1,922.28)	(7,868.85)	(9,791.13)
Cash Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
 Total Cash Collections Not Deposited	 <u>\$ 1,133.28</u>	 <u>\$ 328.00</u>	 <u>\$ 1,461.28</u>

Victoria Robinson, Office Manager, 08-31-07 to 03-23-09:

	<u>2007-2008</u>	<u>2008-2009</u>	<u>Totals</u>
Cash Collections	\$21,033.41	\$ 15,315.66	\$36,349.07
Deposits	(11,496.35)	(12,366.60)	(23,862.95)
Cash Disbursements	<u>-</u>	<u>(645.00)</u>	<u>(645.00)</u>
 Total Cash Collections Not Deposited	 <u>\$ 9,537.06</u>	 <u>\$ 2,304.06</u>	 <u>\$11,841.12</u>

We requested that Ayanna Burns, the former Office Manager, whose employment ended on August 22, 2007, reimburse 21st Century Charter School of Gary \$1,461.28 for cash collections not deposited when she held the position of Office Manager. We requested that Victoria Robinson, former Office Manager, whose employment ended March 23, 2009, reimburse 21st Century Charter School of Gary \$11,841.12 for the cash collections not deposited when she held the position of Office Manager. (See Summary, page 13)

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)

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CRIME POLICY

21st Century Charter School of Gary has a Commercial Crime Policy with Hanover Insurance Group for the period starting July 1, 2006 and ending July 1, 2008. The policy provides \$100,000 coverage for employee dishonesty. The School Corporation has a General Liability Policy with Arthur J. Gallagher RMS, Inc., for the period starting July 1, 2008 through July 1, 2009, that provides \$300,000 for employee dishonesty.

IC 20-41-1-6 states in part:

"(a) The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. . . . The surety on the bonds must be a surety company authorized to do business in Indiana."

AUDIT COSTS - MISSING FUNDS

Additional costs were incurred by the State of Indiana due to cash collections 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)

EXTRA-CURRICULAR INTERNAL CONTROLS

The Management Company, Greater Educational Opportunities, has adopted extra-curricular school accounting policies and procedures for 21st Century Charter School of Gary. These policies and procedures were not implemented at the School until June 15, 2009. The following deficiencies were found during our examination period:

1. An Extra-Curricular Account Ledger was not maintained.
2. Receipts were not issued for cash collections remitted to the principal by sponsors. Only a check book register was maintained.
3. Deposits made by the School were not adequately documented.
4. Bank reconciliations were not performed for the extra-curricular bank account.
5. Checks returned for nonsufficient funds were not pursued for collection.
6. Cash collections were used in some instances to purchase money orders or cashier checks. The money orders or cashier checks were then used for payments for things such as shirt orders or bus payments.

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

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

NONUSE OF PRESCRIBED FORMS

The following prescribed or approved forms were not in use for the extra-curricular account:

- Purchase Orders (SA-1)
- Claim for Payment (SA-7)
- Check and Register of Checks (SA-2)
- Receipt and Register of Receipts (SA-3)
- Financial Report of School Extra-Curricular Accounts (SA 5-1)
- Extra-Curricular Ledger (SA-6)
- Summary Collection Form (SA-8)
- Accountable Items Review (SA-9)

Also, the School hosted athletic events in which cash collections were made for admittance to the event. No tickets were used for the events where admission was charged, and the Ticket Sales Form (SA-4) was not used. Therefore, we were unable to determine the accountability for ticket sales.

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)

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)

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. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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. Part of the prenumbered 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 prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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)

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

NONPRESCRIBED RECEIPTS

Books of nonprescribed receipt forms were used at the 21st Century Charter School of Gary. These receipts were used when collecting money from students/parents at the time of collection. We could not determine how many of the books of the nonprescribed receipt forms were purchased. All three copies of a receipt in some instances were missing from the receipt books. When a receipt was voided the original copy was not returned to the receipt book.

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.

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)

21ST CENTURY CHARTER SCHOOL OF GARY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2009, with Dana Johnson, Treasurer; Angela West, Principal; and Ayanna Burns, former Office Manager. The official response has been made a part of this report and may be found on pages 9 through 12.

Response to Auditing

I Ayanna Burns have been requested to respond to the findings in the audit that has been done at 21st Century Charter School. I would like to say that I don't agree with the findings of the audit. As Office Manager my financial responsibility was to collect funds for the lunch account and make deposits to the bank.

In looking at the Audit I see where there are some items that they state that I receipted. I will say if my signature is found on receipts then, I will say I collected that money from that parent. As you can see in the audit there is many staff personal that wrote out receipts for parents. This was a job duty of any staff member sitting at the front desk. However when I collected money from parents for events that other staff was running I gave the money to them. The reason for receipts is so parents could have proof of payments.

I would also like to mention that before I started making deposits for lunch account I did sit at the front desk and take payments for lunch and give them to person responsible for making deposits.

In my closing I would like to say that every penny that I collected was accounted for. I keep documentation of all money received and deposits made in the file cabinet in the office. However, no one can seem to find it. Which tells me some one has tampered with the files at 21st Century Charter School.

Ayanna Burns

A handwritten signature in black ink, appearing to read 'Ayanna Burns', written in a cursive style.

**21st Century Charter School at Gary
556 Washington Street
Gary, Indiana 46402**

**Response to Examination Results – Extracurricular Account
July 1, 2006 – June 30, 2009**

The school recognizes and appreciates the findings of the State Board of Accounts with regard to its recent audit of the school's Extracurricular Account. In response, the school has implemented new personnel and new procedures to better control and monitor this account.

The school wishes to note on record, however, that it does not feel there has been any wrongdoing by former Office Manager Ayanna Burns. The cash-management procedures were not fully developed, and, at that time, personnel other than Ms. Burns were responsible for handling cash. Ms. Burns' responsibility was collection and deposit of lunch funds, which are clearly and properly documented. She should not be held responsible for any shortfall caused by other areas.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dana L. Johnson", with a long, sweeping flourish extending to the right.

Dana L. Johnson, Treasurer
21st Century Charter School at Gary

**21st Century Charter School at Gary
556 Washington Street
Gary, Indiana 46402**

**Response to Examination Results
July 1, 2006 – June 30, 2008**

The 21st Century Charter School at Gary appreciates the hard work and guidance of the State Board of Accounts during its recent audit of the above accounting period. The school wishes to offer the following responses:

Bank Reconciliation, Annual Report

During the audit period, the school changed from an internal accounting system, to an outsource contract with a local accounting firm. The school is aware of the requirement of cash-basis financial reporting, and will work with the accounting firm to avoid these problems in the future.

Overdrawn Fund Balance

The fund became overdrawn at the end of the period due to the delay in property tax payments from the county. This problem has been resolved, and is not expected to occur again in the future.

Temporary Loan Not Approved by Governing Body

To cover the cash flow gap caused by the delayed property tax payments, the school secured a temporary loan. While the board was fully aware of the loan process, and it was discussed as part of the financial discussions during board meetings, it was never formally presented for motion. The school will be aware of this requirement in the future.

Official Bond

The school will make sure this bond is put in place.

Student Service Fee Overpayment

Due to changes in enrollment, the student service fee was overstated for a portion of the audit period. Per the management agreement, the school will be issued a refund.

Contracts

The purchase of the school bus was done on the school's behalf, prior to it actually opening in 2005. A formal contract was not executed at the time, however, the school will put one in place for the upcoming school year.

Receipt Issuance, Disbursement Internal Controls

The school appreciates the findings of the State Board of Accounts, and will this guidance to review and improve certain internal controls.

Board Approval of Claims

All claims have been historically submitted to the Board president for approval, and this practice has been accepted by the State Board of Accounts in other audits. However, the school recognizes the requirement that the full board approve claims, and will establish its procedure for the upcoming school year.

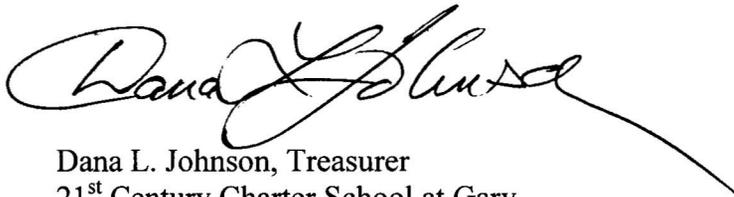
School Lunch Records Retention/Negative Student Lunch Balances

The school recognizes historical difficulty managing the lunch program, and has established new procedures and software system to better manage the program.

Prescribed Forms

The school's forms make every effort to present the same information required on formally approved State Board of Account forms, and the school will work with the SBoA to get all forms approved.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dana L. Johnson". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

Dana L. Johnson, Treasurer
21st Century Charter School at Gary

21ST CENTURY CHARTER SCHOOL OF GARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Ayanna Burns, former Office Manager:			
Cash Collections Not Deposited, page 4	<u>\$ 1,461.28</u>	<u>\$ -</u>	<u>\$ 1,461.28</u>
Victoria Robinson, former Office Manager:			
Cash Collections Not Deposited, page 4	<u>\$ 11,841.12</u>	<u>\$ -</u>	<u>\$ 11,841.12</u>

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AFFIDAVIT

STATE OF INDIANA)
)
Lake COUNTY)

We, Kelly Wenger and Denise Sempf, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of 21st Century Charter School of Gary, 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.

Kelly Wenger
Denise Sempf
Field Examiners

Subscribed and sworn to before me this 15th day of September, 2009

Carol J. Cody
Notary Public

My Commission Expires October 11, 2014
County of Residence: LAKE

CAROL J. CODY
Notary Public
State of Indiana
My Commission Expires Oct 11, 2014