

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

SPECIAL REPORT
OF

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
PORTER COUNTY, INDIANA

July 1, 2007 to June 7, 2010



FILED
08/20/2010

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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Valparaiso High School Media Center Director	Donna Walters	07-01-07 to 07-08-10
Extra-Curricular Treasurer of Valparaiso High School	Lauren Goethals	07-01-07 to 06-30-11
Principal of Valparaiso High School	Patrick Weil James Doane	07-01-07 to 06-30-08 07-01-08 to 06-30-11
Administrative Officer for Finance and Operations	H. Stephen Hewlitt David White	07-01-07 to 12-31-07 01-01-08 to 06-30-11
Superintendent of Schools	Dr. Michael P. Benway Andrew Melin	07-01-07 to 06-07-10 07-01-10 to 06-30-11
President of the School Board	Mark Schmidtke Dr. James Bernard Mary Idstein	07-01-07 to 06-30-08 07-01-08 to 06-30-09 07-01-09 to 06-07-10
Interim President of the School Board	James Sarkisian	07-01-10 to 06-30-11
Corporation Treasurer	Joanne Boyer Joyce Nicholas	07-01-07 to 08-01-09 08-02-09 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

We have audited the records of the Valparaiso High School Media Center for the period from July 1, 2007 to June 7, 2010, 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

June 10, 2010

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

The Valparaiso High School Media Center has a computer software program (System) that accounts for their library materials including determining overdue book fines, lost book fines, and other types of fees assessed to students. All Media Center personnel had access to the System. When a student has an overdue or lost book, student account information is retrieved from the System. Individual receipts are not issued manually or generated from the System. We found manual receipts were written for "lost books." However, we are uncertain if all manually written receipts were presented for audit. The manually written receipts are also posted to the System. A "Fine History – Cash Flow Report" from the System abstracted the detailed transactions for a specific time period. These detailed transactions were the amounts collected by the media staff for overdue books, lost books, and other fees.

Collections were sporadically remitted by the Media Center personnel to the Extra-Curricular Treasurer for deposit and subsequent forwarding to the School Corporation. The Extra-Curricular Treasurer issued individual receipts for the collections received.

1. A comparison of the Fine History – Cash Flow Report generated by the System to the amounts remitted to and deposited by the Extra-Curricular Treasurer revealed that not all collections had been remitted to the Extra-Curricular Treasurer. These amounts are as follows:

<u>School Year</u>	<u>Collections Posted – System</u>	<u>Collections Remitted to Extra-Curricular Treasurer and Deposited</u>	<u>Receipts Not Remitted or Deposited</u>
2007-2008	\$ 1,383.72	\$ 317.68	\$ 1,066.04
2008-2009	2,086.53	283.33	1,803.20
2009-2010	<u>2,091.19</u>	<u>823.21</u>	<u>1,267.98</u>
Totals	<u>\$ 5,561.44</u>	<u>\$ 1,424.22</u>	<u>\$ 4,137.22</u>

Per Donna Walters, Media Center Director, cash purchases were made from the collection such as books, candy, office supplies, and decorations. Donna Walters provided supporting documentation for these purchases in the amount of \$104.23 for the three year period.

We requested that Donna Walters, Media Center Director, remit restitution to Valparaiso High School in the amount of \$4,032.99 (\$4,137.22 less \$104.23) for the receipts not deposited. Donna Walters reimbursed Valparaiso High School \$4,032.99 on July 8, 2010. (See Summary, page 9)

2. A comparison of receipts to amounts posted in the System revealed that not all collections had been posted to the system. These amounts are as follows:

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

<u>School Year</u>	<u>Amount of Receipt</u>	<u>Amount Posted in the System</u>	<u>Difference</u>
2007-2008	\$ 83.95	\$ 70.95	\$ 13.00
2008-2009	81.49	61.23	20.26
2009-2010	<u>36.90</u>	<u>14.00</u>	<u>22.90</u>
Totals	<u>\$ 202.34</u>	<u>\$ 146.18</u>	<u>\$ 56.16</u>

We could not determine individual responsibility because of the multiple accessibility to the System and collections, and the lack of internal controls in place.

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 EMPLOYEE DISHONESTY POLICY

Valparaiso Community School Corporation has a Public Employee Dishonesty Policy which covers employees. The bond is with Ohio Casualty Insurance Company and the coverage at Valparaiso High School was \$10,000 per employee per year starting September 1, 2006.

INTERNAL CONTROLS

There were material weaknesses in controls over the Valparaiso High School Media Center receipts and disbursements:

1. Various fees were collected for late fees, lost books, processing fees, damage fees, and copies. Receipts were only issued when lost books fees were collected. Furthermore, the receipts issued were not prescribed by the State Board of Accounts.
2. Collections were posted to the Software System. The System allows for tracking of individuals who posted to the System by requiring them to log in. However, the control was not utilized; multiple Media Center personnel could post collections under one log in ID.
3. The Software System allows for a report called Fine History-Cash Flow that indicates by day the amount collected by student and any fees waived. However, the report was not reconciled to the actual collections received.
4. Amounts collected per the receipts that were issued did not always agree to the amount posted to the System. There were two instances where a receipt was issued but the information in the System indicated that the fee was waived.

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

5. There was no procedure or approval process for when fees are to be waived. Waivers were at the discretion of the individual employee.
6. The System calculated fees but the calculations could be overridden by personnel when entering collections.
7. Collections were placed in a banker bag and used for making change or for cash purchases.
8. Purchases were made from the collections, thus, by passing the approval process. Additionally, receipts or other supporting documentation was not provided to support these disbursements.
9. Collections received were remitted to the Treasurer sporadically or not at all.

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 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 9)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 9)

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

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)

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

APPROVAL OF FORMS

The Valparaiso High School Media Center used generic nonprescribed receipt books for payments made by students for lost books and fees. Additionally, the Media Center uses a computer software program that allows the Center to maintain books at the Center or on loan, assess fees including lost book fees, late fees, and miscellaneous fees, record payments, waive fees, maintain individual student account balances, and prepare notices of fees to students. The computer generated records have not been submitted for approval by the State Board of Accounts.

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)

VALPARAISO HIGH SCHOOL MEDIA CENTER
VALPARAISO COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2010, with Jim McCall, Associate Principal of Valparaiso High School; David White, Administrative Officer for Finance and Operations; Donna Walters, Valparaiso High School Media Center Director; and Andrew Borrelli, UniServ Director, ISTA. The officials concurred with our findings.

VALPARAISO HIGH SCHOOL MEDIA CENTER
 VALPARAISO COMMUNITY SCHOOL CORPORATION
 SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Donna Walters, Media Center Director:			
Receipts Not Deposited, pages 4 and 5	\$ 4,137.22	\$	\$
Supporting Documentation		104.23	
Donna Walters, Receipt 75152 dated July 8, 2010		<u>4,032.99</u>	<u>-</u>
Totals	<u>\$ 4,137.22</u>	<u>\$ 4,137.22</u>	<u>\$ -</u>