

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

AUDIT REPORT  
OF

FORMER SCHOOL CORPORATION TREASURER AND  
FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION

July 1, 2006 to June 30, 2010



**FILED**  
05/24/2011



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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra Beaman	07-01-06 to 06-30-10
	Peggy E. Smith	07-01-10 to 06-30-11
Superintendent of Schools	Joseph H. Adams	07-01-06 to 06-30-10
	Darrel A. Bobe	07-01-10 to 06-30-11
President of the School Board	Frank Hall	07-01-06 to 06-30-07
	Vaughn Huey	07-01-07 to 06-30-08
	Max Nickless	07-01-08 to 06-30-09
	Matt Sandefer	07-01-09 to 06-30-10
	Vacant	07-01-10 to 07-29-10
	James E. Franklin	07-30-10 to 06-30-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF NORTH KNOX SCHOOL CORPORATION

We have audited the records of the former School Corporation Treasurer and the former School Corporation Superintendent for the period from July 1, 2006 to June 30, 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. The financial transactions of this office are reflected in the Audit Report of North Knox School Corporation for the year ended June 30, 2010.

STATE BOARD OF ACCOUNTS

April 14, 2011

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

NON-SCHOOL CORPORATION TRAVEL EXPENSES

The following travel claims were paid by the School Corporation during the period of review for items not related to the School Corporation:

- (1) Sandra Beaman, former School Corporation Treasurer, charged a hotel stay to the School Corporation credit card for \$155.00 on July 7, 2008, for a technology meeting. Inquiry with the sponsoring company revealed that a technology meeting was not held, but that a golf outing was sponsored by the company on that day.
- (2) Sandra Beaman, former School Corporation Treasurer, charged a hotel stay for \$117.16 on July 9, 2009, and a gas charge for \$38.75 on July 13, 2009, to the School Corporation credit card. There were no descriptions provided on the invoices documenting the charges were for School Corporation business and there were two guests noted on the hotel invoice.
- (3) Sandra Beaman, former School Corporation Treasurer, charged a hotel stay for \$77.61 on July 30, 2009, to the School Corporation credit card for an Indiana Association of School Business Officials (IASBO) meeting. IASBO provided information detailing that no meetings were held during July 2009.
- (4) Sandra Beaman, former School Corporation Treasurer, and Joseph H. Adams, former Superintendent of Schools, registered to attend the National School Board Association conference in San Francisco, CA, from April 14 to April 17, 2007. However, a payment was made by the School Corporation to PRA Destination Management for daily tours from April 13 to April 17, 2007. These tours lasted the entire day, during conference meeting times and nothing was presented for audit to indicate that Sandra Beaman or Joseph H. Adams attended the conference. The following charges for the trip were paid by the School Corporation on behalf of Sandra Beaman: Lodging, \$1,686.26; Airfare, \$223.60; meals, \$194.94 and conference registration, \$795.00 for a total of \$2,899.80. The following charges for the trip were paid by the School Corporation on behalf of Joseph H. Adams: Lodging, \$1,094.40; Airfare, \$389.90; meals, \$199.61 and conference registration, \$795.00, for a total of \$2,478.91.

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)

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 unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 Indiana Public School Corporations, Chapter 9)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Sandra Beaman, former School Corporation Treasurer, was requested to repay \$3,288.32 to the North Knox School Corporation for the following: Lodging, \$2,036.03; Gasoline, \$38.75; Airfare, \$223.60; Meals, \$194.94; Registration Fees, \$795.00. (See Summary, page 11)

Joseph H. Adams, former Superintendent of Schools, was requested to repay \$2,478.91 to the North Knox School Corporation for the following: Lodging, \$1,094.40; Airfare, \$389.90; Meals, \$199.61 and Registration Fees, \$795.00. (See Summary, page 11)

MALFEASANCE, MISFEASANCE OR NONFEASANCE

The following claims presented to the School Board for approval and expenditures paid by the former School Corporation Treasurer did not relate to what supporting documentation showed on the claim. Many of the expenditures were for personal items or expenses which did not relate to the School Corporation. All claims listed below were approved by the School Board. Expenditures reviewed covered an extended audit period of four years.

- (1) A claim to Shane Wolfe Motors, Inc., dated August 17, 2009, listed the purchase of 5 motors and mechanical seal kits for \$3,000. We researched the name and address of Shane Wolfe Motors, Inc., on the internet, and a company by that name or location did not exist. The School Corporation did not receive the motors or seal kits. Through inquiry, we determined that Shane Wolfe is an artist who was later hired by the School Corporation to paint their gym floor. The School Corporation did not receive services or goods in August of 2009 for the \$3,000 spent.
- (2) A claim for Gold Medal Training dated June 18, 2007, listed the purchase of 60 drug free medals and ribbons for \$525.00. Investigation showed that Gold Medal Training is a wrestling camp based out of Pennsylvania. The endorsement on the back of the cancelled check was verified as Gold Medal Wrestling Camps, Boalsburg, PA which also have camps in Indiana at Hanover College. The School Corporation did not receive 60 drug free medals and ribbons as the claim indicated, but paid to send four North Knox Wrestlers to a wrestling camp at Hanover College.
- (3) A claim to Gold Medal Training dated March 23, 2009, documented registration and lodging for an IASBO meeting attended by the former School Corporation Treasurer for \$990.00 on February 27, 2009. Gold Medal Training was contacted and they verified that four wrestlers from North Knox registered for a camp at Hanover College for \$950 registration fee plus \$10/per wrestler for a total of \$990.00 during February 2009.

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (4) Sandra Beaman, former School Corporation Treasurer, and Joseph H. Adams, former School Corporation Superintendent, attended Indiana Association of Public School Superintendent meetings on May 8 and 9, 2008 and February 13, 2010, with their spouses. Meals were paid by the School Corporation for the administrators' spouses. Total cost of the meals paid by the School Corporation for their spouses was \$40.00 for Mr. Beaman and \$60.00 for Mrs. Adams.
- (5) Registration fees for Sandra Beaman's and Joseph H. Adams' spouses were paid by the School Corporation for the American Association of School Administrators national conference in San Francisco, CA, dated February 19 to 21, 2009. The School Corporation paid \$69.00 for each spouse to attend the conference.
- (6) Ethan Singleton, IT Director, ordered one laptop computer on July 1, 2008. However, the School Corporation received three computers on July 21, 2008, for a total cost of \$3,625.00. Ethan Singleton contacted the vendor who stated that Sandra Beaman had changed the order to three. Inspection of the purchase order and claim showed that Sandra Beaman verified the receipt of three computers. Ethan Singleton did tag the computers and all three are on the School Corporation inventory listing. However, only two of the computers are on the premises. The third computer, entered unknown as the user on the inventory list, is not on the premises. However, Ethan Singleton stated that the computer was issued to Sandra Beaman. Total cost of the missing laptop computer is \$1,208.33.
- (7) A claim to On A Wing dated May 31, 2007, documented the purchase of 20 Webster thesauruses and dictionaries for \$600.00. Investigation showed that On A Wing is a business that specializes in picture frames and other woodworking items in Vincennes, IN. On A Wing does not sell books and further investigation documented that the actual purchase was two picture frames for Sandra Beaman. The State Board of Accounts was advised by the current School Corporation Officials that they did not receive the picture frames nor did they receive 20 thesauruses and dictionaries as the claim stated. Sandra Beaman was requested to repay the School Corporation for the picture frames which were not on School Corporation premises.
- (8) A claim to Wal-Mart dated May 19, 2008, showed the purchase of three LCD monitors and a 20" TV/DVD combo for \$1,068.00. Sandra Beaman signed the charge slip and purchase order verifying the School Corporation received the items on the claim. Ethan Singleton is the School Corporation IT Director and all technology items are to be ordered and tagged for asset accountability by him. Ethan Singleton stated he does not know the location of these four items, has never seen them and the items are not included on the technology inventory list. The claim showed that these purchases were office equipment, but no office in the School Corporation could account for them. Since Sandra Beaman signed the purchase order, claim and charge slip verifying the School Corporation has these items and they are not on School Corporation premises, they are considered her responsibility.

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (9) A claim to PRA Destination Management dated January 22, 2007, listed ten registrations for "Train the Trainer" sessions for Links English Proficiency Assessment in Indianapolis, IN, at \$150.00/person along with a proficiency assessment test manual for \$182.00 for a total expenditure of \$1,682.00. Further research showed that all "Train the Trainer" pretest workshops are offered by the Indiana Department of Education for free on-line. The workshop in Indianapolis is also free for all professional staff and administrators. On-line research of PRA Destination Management documented that the company specializes in tours for large corporate meetings. Contact with PRA produced an invoice that showed the expenditure was for five all-day tours around the San Francisco, CA, area for four persons dated April 13, 2007 to April 17, 2007, which happened to coincide with the National School Board Association national conference in San Francisco, CA, that Sandra Beaman and Joseph H. Adams were registered to attend. The claim was not for training with Links English Proficiency Assessment as listed. Based upon the documentation of the PRA Destination Management tours and the agenda for the National School Board Association conference, a reimbursement from Sandra Beaman and Joseph H. Adams for \$841.00 each was requested.

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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)

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 Indiana Public School Corporations, Chapter 9)

Sandra Beaman, former School Corporation Treasurer, was requested to repay \$8,341.33 to the North Knox School Corporation for the following items: \$3,000 to Shane Wolfe Motors Inc.; \$525.00 and \$990.00 for wrestling camp; \$40.00 for spouse meals; \$69.00 for spouse registration fees; \$1,208.33 for missing computer; \$600.00 for picture frames; \$1,068.00 for LCD monitors and TV/DVD combo; \$841.00 to PRA Destination Management. (See Summary, page 11)

Joseph H. Adams, former Superintendent of Schools, was requested to repay \$970.00 to the North Knox School Corporation for the following items: \$60.00 for spouse meals; \$69.00 for spouse registration fees; \$841.00 to PRA Destination Management. (See Summary, page 11)

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

DUPLICATE TRAVEL EXPENSES

The School Corporation provided a charge card for gasoline purchases for all School Corporation vehicles and buses at the BP station in Bicknell, IN. The State Board of Accounts was advised that there was an unwritten policy that any School Corporation employee could fill a School Corporation vehicle with gas to be used for School Corporation business purposes. Administrators had their own School Corporation charge card that they could use while on travel status and charge gas for School Corporation vehicles while on business use. The unwritten policy was that anytime a School Corporation vehicle was filled with gas, the ticket was signed by the person using the vehicle and noted what vehicle was filled. We noted that numerous employees filled the School Corporation van during the audit period, but most of the time the van was filled by Sandra Beaman, former School Corporation Treasurer. Review of her mileage claims along with gas tickets for van fill ups signed by her noted numerous times that the day the van was filled up, she charged mileage on her mileage claim that same day. The total amount of mileage claimed by Sandra Beaman on the same days she filled the School Corporation van using the School Corporation charge cards during the audit period was \$367.64.

Official Opinion No. 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. 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 school corporation. (The School Administrator and Uniform Compliance Guidelines, March 2000, Volume 149, Page 2)

IC 20-26-5-4(9) states in part:

"Notwithstanding the appropriation limitation in subdivision (3), when the governing body by resolution considers a trip by an employee of the school corporation or by a member of the governing body to be in the interest of the school corporation, including attending meetings, conferences or examining equipment, buildings, and installation in other areas, to permit the employee to be absent in connection with the trip without any loss in pay and to reimburse the employee or the member the employee's or member's reasonable lodging and meal expenses and necessary transportation expenses."

Accordingly, if the governing board of a school corporation deems it advantageous to the school corporation from a business point of view to not furnish a vehicle for use in conducting the business affairs of the school corporation, individuals may be reimbursed by way of mileage allowance claim, for using personally owned vehicles in conducting school corporation business. The school corporation, in such instance, should not pay any of the expenses of fueling, operation or maintenance of the employee's automobile; only the mileage allowance for the miles driven in conducting the business affairs of the school corporation is permissible. (The School Administrator and Uniform Compliance Guidelines, September 2010, Volume 191, Page 7)

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 Indiana Public School Corporations, Chapter 9)

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sandra Beaman, former School Corporation Treasurer, was requested to repay \$367.64 to the North Knox School Corporation. (See Summary, page 11)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred audit costs in the investigation of fraudulent expenditures of the North Knox School Corporation perpetrated by former Treasurer Sandra Beaman in the amount of \$13,956.25.

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 Indiana Public School Corporations, Chapter 9)

Sandra Beaman, former School Corporation Treasurer, was requested to repay \$13,956.25 to the North Knox School Corporation. (See Summary, page 11)

OFFICIAL BOND

The following official bonds were filed in the Office of the County Recorder for former School Corporation Treasurer Sandra Beaman:

- Sandra Beaman, School Corporation Treasurer, Bond B140159,  
09-26-06 until successor duly qualified, \$100,000
- Sandra Beaman, School Corporation Treasurer, Bond B140159,  
09-26-07 until successor duly qualified, \$100,000
- Sandra Beaman, School Corporation Treasurer, Bond B140159,  
09-26-08 until successor duly qualified, \$100,000
- Sandra Beaman, School Corporation Treasurer, Bond B140159,  
09-26-09 until successor duly qualified, \$100,000

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2011, with Joseph H. Adams, former Superintendent of Schools; Peggy E. Smith, Treasurer; James H. Dotson, Jr., Board member; James E. Franklin, President of the School Board; and Darrel A. Bobe, Superintendent of Schools.

The contents of this report were discussed on April 14, 2011, with Sandra Beaman, former Treasurer.

Per a phone message left with Sara Bellamy, Field Supervisor, Sandra Beaman, former Corporation Treasurer, chose not to write an official response to the report. She requested her response to be changed to be in agreement with the rest of the Schools Corporation Officials as dated on the April 14, 2011.

FORMER SCHOOL CORPORATION TREASURER  
AND FORMER SCHOOL CORPORATION SUPERINTENDENT  
NORTH KNOX SCHOOL CORPORATION  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Total Due</u>
Sandra Beaman, former School Corporation Treasurer:			
Non-School Corporation Travel Expenses, pages 4 and 5	\$ 3,288.32	\$	\$
Malfeasance, Misfeasance or Nonfeasance, pages 5 through 7	8,341.33		
Duplicate Travel Expenses, pages 8 and 9	367.64		
Audit costs - Missing Funds, page 9	13,956.25		
Paid April 15, 2011, Receipt 619		<u>25,953.54</u>	<u>-</u>
 Total for Sandra Beaman	 <u>25,953.54</u>	 <u>25,953.54</u>	 <u>-</u>
Joseph H. Adams, former Superintendent of Schools:			
Non-School Corporation Travel Expenses, pages 4 and 5	2,478.91		
Malfeasance, Misfeasance or Nonfeasance, pages 5 through 7	970.00		
Paid April 14, 2011, Receipt 618		<u>3,448.91</u>	<u>-</u>
 Total for Joseph H. Adams	 <u>3,448.91</u>	 <u>3,448.91</u>	 <u>-</u>
 Totals	 <u>\$ 29,402.45</u>	 <u>\$ 29,402.45</u>	 <u>\$ -</u>