

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

AUDIT REPORT
OF

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
BARTHOLOMEW COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED

07/15/2011

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SCHOOL CORPORATION OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|-------------------------------|--|
| Treasurer | Vaughn Sylva | 07-01-08 to 06-30-11 |
| Soccer Coach | Brandon Trapp | 07-01-08 to 08-28-09 |
| Superintendent of Schools | John B. Quick | 07-01-08 to 06-30-11 |
| President of the School Board | Jill Shedd Ginger Stawicki | 07-01-08 to 06-30-10 07-01-10 to 06-30-11 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BARTHOLOMEW CONSOLIDATED
SCHOOL CORPORATION, BARTHOLOMEW COUNTY

We have audited the records of the Columbus East High School Soccer Coach Stipend for the period from July 1, 2008 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 Bartholomew Consolidated School Corporation County for the period July 1, 2008 to June 30, 2010.

STATE BOARD OF ACCOUNTS

May 9, 2011

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
 BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS

COACHING STIPEND OVERPAYMENT

During the 2008-2009 school year, the School Corporation overpaid Brandon Trapp for his one-time soccer coaching stipend. The School Corporation paid the annual coaching stipend on October 10, 2008, in the amount of \$2,692.50. The School Corporation failed to stop the stipend after the payroll and continued to include this additional amount in the remaining 23 pays for the 2008-2009 school year which resulted in an overpayment of \$61,927.50 as set forth in the following schedules:

| <u>OVERPAYMENT BY CALENDAR YEAR</u> | | | <u>OVERPAYMENT BY SCHOOL YEAR</u> | | |
|-------------------------------------|---------------------------|-------------------------|-----------------------------------|---------------------------|-------------------------|
| <u>Check Date</u> | <u>Check (EFT) Number</u> | <u>Stipend Overpaid</u> | <u>Check Date</u> | <u>Check (EFT) Number</u> | <u>Stipend Overpaid</u> |
| 10-24-08 | 900196515 | \$ 2,692.50 | 10-24-08 | 900196515 | \$ 2,692.50 |
| 11-07-08 | 900198261 | 2,692.50 | 11-07-08 | 900198261 | 2,692.50 |
| 11-21-08 | 900200036 | 2,692.50 | 11-21-08 | 900200036 | 2,692.50 |
| 12-05-08 | 900201816 | 2,692.50 | 12-05-08 | 900201816 | 2,692.50 |
| 12-19-08 | 900203591 | 2,692.50 | 12-19-08 | 900203591 | 2,692.50 |
| Calendar 2008 | | <u>13,462.50</u> | 01-02-09 | 900205373 | 2,692.50 |
| 01-02-09 | 900205373 | 2,692.50 | 01-16-09 | 900206481 | 2,692.50 |
| 01-16-09 | 900206481 | 2,692.50 | 01-30-09 | 900208161 | 2,692.50 |
| 01-30-09 | 900208161 | 2,692.50 | 02-13-09 | 900209919 | 2,692.50 |
| 02-13-09 | 900209919 | 2,692.50 | 02-27-09 | 900211699 | 2,692.50 |
| 02-27-09 | 900211699 | 2,692.50 | 03-13-09 | 900213511 | 2,692.50 |
| 03-13-09 | 900213511 | 2,692.50 | 03-27-09 | 900215317 | 2,692.50 |
| 03-27-09 | 900215317 | 2,692.50 | 04-10-09 | 900217079 | 2,692.50 |
| 04-10-09 | 900217079 | 2,692.50 | 04-24-09 | 900218883 | 2,692.50 |
| 04-24-09 | 900218883 | 2,692.50 | 05-08-09 | 900220692 | 2,692.50 |
| 05-08-09 | 900220692 | 2,692.50 | 05-22-09 | 900222489 | 2,692.50 |
| 05-22-09 | 900222489 | 2,692.50 | 06-05-09 | 900225346 | 2,692.50 |
| 06-05-09 | 900225346 | 2,692.50 | 06-19-09 | 900226996 | 2,692.50 |
| 06-19-09 | 900226996 | 2,692.50 | School year 2008-2009 | | <u>48,465.00</u> |
| 07-03-09 | 900228049 | 2,692.50 | 07-03-09 | 900228049 | 2,692.50 |
| 07-17-09 | 900229976 | 2,692.50 | 07-17-09 | 900229976 | 2,692.50 |
| 07-31-09 | 900230972 | 2,692.50 | 07-31-09 | 900230972 | 2,692.50 |
| 08-14-09 | 900231972 | 2,692.50 | 08-14-09 | 900231972 | 2,692.50 |
| 08-28-09 | 900233307 | 2,692.50 | 08-28-09 | 900233307 | 2,692.50 |
| Calendar 2009 | | <u>48,465.00</u> | School year 2009-2010 | | <u>13,462.50</u> |
| Grand total | | <u>\$ 61,927.50</u> | Grand total | | <u>\$ 61,927.50</u> |

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
 BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Vaughn Sylva, Treasurer, contacted Brandon Trapp by email on September 14, 2009, after the error was discovered. The Treasurer only requested that the net payroll increase of \$38,555.02 that the error created be reimbursed based on the calculations as follows:

| | 2008 | 2009 | Totals |
|-----------------------|--------------|--------------|--------------|
| Gross wages overpaid | \$ 13,462.50 | \$ 48,465.00 | \$ 61,927.50 |
| Deductions: | | | |
| Social security taxes | 834.70 | 3,004.74 | 3,839.44 |
| Medicare taxes | 195.20 | 702.72 | 897.92 |
| Federal income taxes | 3,443.46 | 12,466.80 | 15,910.26 |
| State income taxes | 457.75 | 1,647.72 | 2,105.47 |
| County income taxes | 134.65 | 484.74 | 619.39 |
| Total deductions | 5,065.76 | 18,306.72 | 23,372.48 |
| Net payroll | \$ 8,396.74 | \$ 30,158.28 | \$ 38,555.02 |

The School Corporation agreed to request refunds from taxing agencies for state and federal taxes as well as Indiana Teachers Retirement Fund for retirement related remittances. Since the error occurred in 2008 and 2009, the School Corporation issued an amended Form W-2 for 2008 to reflect what wages and taxes should have been withheld and corrected the 2009 wages to reflect what the proper wages and taxes withheld should have been for reporting on Form W-2. The School Corporation adjusted the recorded disbursements to reflect a corrected wage amount and the \$61,927.50 overpayment was reported in the cash reconciliation as an adjustment. The School Corporation set up Fund 8960 to record refunds as received.

Brandon Trapp emailed on December 11, 2009, a proposed repayment schedule of 38 quarterly payments of \$1,000.00 and a final quarterly payment of \$855.06 starting on March 31, 2010, and continuing on the last day of each quarter thereafter until September 30, 2019. No formalized agreement was prepared between the School Corporation and Brandon Trapp to approve any terms and course of action for the School Corporation in the event that he did not repay the overpayment. As of May 9, 2011, the School Corporation had only received the following reimbursements from Brandon Trapp:

| Money Order Dated | For Quarter Ending | School Receipt Date | Receipt Number | Amount |
|----------------------|-----------------------|------------------------|-------------------|-------------|
| March 29, 2010 | March 31, 2010 | April 13, 2010 | 40642 | \$ 1,000.00 |
| July 1, 2010 | June 30, 2010 | July 6, 2010 | 41099 | 1,000.00 |
| November 10, 2010 | September 30, 2010 | December 2, 2010 | 42065 | 1,000.00 |
| March 20, 2010 | December 31, 2010 | April 4, 2011 | 42840 | 500.00 |
| March 20, 2011 | December 31, 2010 | April 4, 2011 | 42841 | 500.00 |

As noted in the schedule, payments have not been received by the School Corporation as was proposed by Brandon Trapp.

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
 BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

The overpayment resulted in excess federal and state payroll tax withholdings and the payment of excess employer related social security, medicare, and retirement benefits. The School Corporation was able to recover 2009 excessive federal withholdings from the Internal Revenue Service after adjusting the 2009 Form 941. The School Corporation also received a credit from the Indiana Teachers Retirement Fund for the excessive payments. The School Corporation has filed a claim for refund of state and county income taxes with the Indiana Department of Revenue in the amount of \$592.40 for the year 2008 and \$2,132.46 for the year 2009. Likewise, an amended Form 941-X for the fourth quarter of 2008 in the amount of \$4,473.36 was filed with the Internal Revenue Service for employee and employer social security, medicare, and federal income taxes. We have advised School Corporation Officials of error on the 941-X for 2008. A summary of these overpayments, subsequent refunds and the correct amount of \$5,503.26 which should have been on 2008 941-X as of May 9, 2011, is set out in the following schedules:

| | <u>2008</u> | <u>2009</u> | <u>Totals</u> |
|--|--------------------|--------------------|--------------------|
| Wages overpaid | \$ 13,462.50 | \$ 48,465.00 | \$ 61,927.50 |
| Federal income taxes withheld | 3,443.46 | 12,466.80 | 15,910.26 |
| Social security taxes withheld | 834.70 | 3,004.74 | 3,839.44 |
| Employer social security taxes | 834.70 | 3,004.74 | 3,839.44 |
| Medicare taxes withheld | 195.20 | 702.72 | 897.92 |
| Employer medicare taxes | <u>195.20</u> | <u>702.72</u> | <u>897.92</u> |
| Total federal payroll taxes overpaid | 5,503.26 | 19,881.72 | 25,384.98 |
| Refunds received: | | | |
| August 16, 2010, receipt 41327 | <u>-</u> | <u>(19,881.72)</u> | <u>(19,881.72)</u> |
| Amount of taxes not refunded as of May 9, 2011 | <u>\$ 5,503.26</u> | <u>\$ -</u> | <u>\$ 5,503.26</u> |
| | <u>2008</u> | <u>2009</u> | <u>Totals</u> |
| Wages overpaid | \$ 13,462.50 | \$ 48,465.00 | \$ 61,927.50 |
| State income taxes withheld | 457.75 | 1,647.72 | 2,105.47 |
| County income taxes withheld | <u>134.65</u> | <u>484.74</u> | <u>619.39</u> |
| State payroll taxes overpaid | 592.40 | 2,132.46 | 2,724.86 |
| Refunds received: | <u>-</u> | <u>-</u> | <u>-</u> |
| Amount not refunded as of May 9, 2011 | <u>\$ 592.40</u> | <u>\$ 2,132.46</u> | <u>\$ 2,724.86</u> |

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
 BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Adjustments Reported to and Credits Given By Teachers Retirement Fund:

| <u>Quarter End</u> | <u>Wages</u> | <u>Employee</u> | | <u>Employer</u> | | <u>Totals</u> |
|--------------------|---------------------|--------------------|----------|--------------------|-------------|--------------------|
| December 31, 2008 | \$ 13,462.50 | \$ 403.88 | Rate: 3% | \$ 976.03 | Rate: 7.25% | \$ 1,379.91 |
| March 31, 2009 | 18,847.50 | 565.43 | Rate: 3% | 1,319.29 | Rate: 7% | 1,884.72 |
| June 30, 2009 | 16,155.00 | 484.65 | Rate: 3% | 1,130.85 | Rate: 7% | 1,615.50 |
| September 30, 2009 | <u>13,462.50</u> | <u>403.88</u> | Rate: 3% | <u>942.38</u> | Rate: 7% | <u>1,346.26</u> |
| Totals | <u>\$ 61,927.50</u> | <u>\$ 1,857.84</u> | | <u>\$ 4,368.55</u> | | <u>\$ 6,226.39</u> |

A certified letter was sent to Brandon Trapp on May 9, 2011, requesting that the uncollected amount of \$42,783.14 be reimbursed to the School Corporation. (See Summary, page 11) Any amounts not repaid by Brandon Trapp may be the personal responsibility of the Treasurer, Vaughn Silva.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INSURANCE COVERAGE

The School Corporation has official bond coverage on Vaughn Sylva as Treasurer with Western Surety Company in the amount of \$500,000 for the periods October 1, 2007 to October 1, 2008, and October 1, 2008 to October 1, 2009, and school leaders errors and omissions liability coverage with Indiana Insurance Company in the amount of \$1,000,000 for each wrongful act with a \$7,500 deductible per one wrongful act for the periods July 1, 2008 to June 30, 2009, and July 1, 2009 to June 30, 2010.

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2011, with Vaughn Sylva, Treasurer; John B. Quick, Superintendent of Schools; Ginger Stawicki, President of the School Board; and Pamela Boles, Director of Accounting. The official response has been made a part of this report and may be found on pages 9 and 10.

A certified letter was sent to Brandon Trapp, former Soccer Coach, on May 9, 2011, setting out the charges contained in this report and requesting repayment of the amounts due.

**COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
BARTHOLOMEW COUNTY
AUDIT RESPONSE TO
STATE BOARD OF ACCOUNTS AUDIT RESULTS AND COMMENTS
May 20, 2011**

In 2009, the Bartholomew Consolidated School Corporation's payroll department discovered that Brandon Trapp had received overpayments on his soccer coach stipend for the 2008-09 school year. Immediate steps were taken to contact Mr. Trapp to arrange a repayment plan and to build better safeguards to keep this type of situation from ever happening again. The software vendor was contacted and a request was made to correct a serious flaw in the payroll software that would have controlled this type of overpayment from happening. Payroll had entered the frequency of times for the supplemental to be paid out as "1" as a one-time contract, however, the software was setup to override the frequency code and would only look at a stop payment date. While the system required this stop payment date to stop payments from continuing to pay out, it did not force payroll to enter in a stop payment date.

BCSC Corrective Actions/Safeguards (in place before State Audit)

1. Software vendor changed the payroll software to force payroll to enter in a "stop-pay" date.
2. HR department switched from issuing supplemental coaching contracts to various employees throughout the school year to only three times a year. This change in process makes it easier to monitor the progress of payments. Before this change it was not unusual to have coaching supplemental payments each payroll, making it very hard to locate a continuous payment.
3. Payroll now sets up all supplemental pays as contract pays, which means they now enter in the payment to be paid, along with the total amount of the supplemental contract (which cannot be exceeded in the system). This is not how the software intended one-time payments to be made, as it takes payroll longer to process one-time pays. This process change does make it almost impossible to overpay a supplemental as happened with Brandon Trapp.

All supplemental contract payments were checked and no other employees were overpaid on their contract.

Also, we immediately sought recovery of overpaid FICA, income taxes, and retirement payments. We have received almost all such payments.

Finally, the repayment with Mr. Trapp was a compassionate response on our part. He is a new teacher, recently moved to Maryland, and we understand has recently married. We asked him what he could afford, and \$4,000 per year for 10 years was his response. We felt responsible for causing the error and wanted the repayment to minimize the burden it would cause Mr. Trapp.

COLUMBUS EAST HIGH SCHOOL SOCCER COACH STIPEND
BARTHOLOMEW CONSOLIDATED SCHOOL CORPORATION
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|--|---------------------|---------------------|---------------------|
| Brandon Trapp, former Soccer Coach: | | | |
| Coaching Stipend Overpayment, pages 4 through 7: | \$ 61,927.50 | \$ - | \$ 61,927.50 |
| Employer Share of Social Security Taxes | 4,737.36 | - | 4,737.36 |
| Employer Share of Teachers Retirement Contributions | 6,226.39 | - | 6,226.39 |
| Credit from Indiana Teachers Retirement Fund: | | | |
| January 6, 2011 | - | 6,226.39 | (6,226.39) |
| Reimbursements from Brandon Trapp: | | | |
| April 13, 2010, Receipt 40642 | - | 1,000.00 | (1,000.00) |
| July 6, 2010, Receipt 41099 | - | 1,000.00 | (1,000.00) |
| December 2, 2010, Receipt 42065 | - | 1,000.00 | (1,000.00) |
| April 4, 2011, Receipt 42840 | - | 500.00 | (500.00) |
| April 4, 2011, Receipt 42841 | - | 500.00 | (500.00) |
| Reimbursement from Internal Revenue Service: | | | |
| August 16, 2010, Receipt 41327 (For 2009 Social Security, Medicare and Federal Tax) | - | 19,881.72 | (19,881.72) |
| | <u> </u> | <u> </u> | <u> </u> |
| Totals - Brandon Trapp and Vaughn Sylva, Jointly and Severally | <u>\$ 72,891.25</u> | <u>\$ 30,108.11</u> | <u>\$ 42,783.14</u> |

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AFFIDAVIT

STATE OF INDIANA)
Johnson)
COUNTY)

We, Michael W. Browning and Ryan Preston, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Columbus East High School Soccer Coach Stipend, Bartholomew Consolidated School Corporation, Bartholomew County, Indiana, for the period from July 1, 2008 to June 30, 2010, is true and correct to the best of our knowledge and belief.

Michael W Browning

Ryan Preston
Field Examiners

Subscribed and sworn to before me this 30th day of June, 2011.

Jannine Meyers
Notary Public

My Commission Expires: December 31, 11

County of Residence: Johnson