

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

EXAMINATION REPORT
OF
UNION SCHOOL CORPORATION
RANDOLPH COUNTY, INDIANA
July 1, 2006 to July 21, 2009



FILED

03/21/2012

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Corporation Treasurer	Sharon Lankford	07-01-06 to 06-18-09
	Brandy Warren	06-19-09 to 06-30-12
Superintendent of Schools	Phil Dubbs	07-01-06 to 06-30-07
	Zach Rozelle	07-01-07 to 06-30-08
	Phil Wray	07-01-08 to 06-30-11
	Fred Heron	07-01-11 to 06-30-12
President of the School Board	Scott Houser	07-01-06 to 06-30-07
	Alan McCormick	07-01-07 to 06-30-08
	Greg Beumer	07-01-08 to 06-30-09
	Garth Jenkins	07-01-09 to 06-30-10
	Scott Houser	07-01-10 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF UNION SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

We have examined the records of the Union School Corporation for the period from July 1, 2006 to July 21, 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. The financial transactions of this office are reflected in the Audit Reports of Union School Corporation for the years 2006 to 2009.

STATE BOARD OF ACCOUNTS

January 30, 2012

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE

Sharon Lankford, former Corporation Treasurer, disbursed funds for personal use.

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)

FRAUDULENT DISBURSEMENTS FOR PERSONAL USE

A comparison of cancelled payroll checks to record postings indicated the payee noted on the cancelled checks did not agree with the payee posted to the records, or the payee was not posted to the records. The amounts noted on the cancelled payroll checks did agree with record postings. Eight checks were written in fiscal year 2008-2009 to Sharon Lankford (formerly Sharon Jesse), former Corporation Treasurer. The following schedule lists payments to the former Corporation Treasurer paid by the School Corporation totaling \$21,259.31.

<u>Payee Per Records</u>	<u>Actual Payee</u>	<u>Check Number</u>	<u>Check Amount</u>	<u>Check Date</u>
No vendor name	Sharon Jesse	15183	\$ 1,823.55	07-23-08
No vendor name	Sharon Jesse	15185	1,823.55	07-27-08
McCarty Mulch	Sharon Jesse	15215	1,845.75	08-11-08
Global Government Education	Sharon Jesse	15253	1,792.32	08-22-08
Gordon Foods	Sharon Jesse	16480	3,062.44	02-06-09
Shore and Sons	Sharon Jesse	16586	3,570.25	02-20-09
Baseball Fencing	Sharon Jesse	16792	3,570.25	03-20-09
No vendor name	Sharon Jesse	17308	<u>3,771.20</u>	05-29-09
 Total			 <u>\$ 21,259.31</u>	

The payroll checks dated July 2008 were not posted to the payroll system although the payroll checks were actually issued. The checks were generated as though they represented payments to vendors. A review of the Budget Transaction Edit report, which was generated on August 25, 2008, by the former Corporation Treasurer, indicated the reason for the posting was to "Replace Lost Check Summer Pay." The checks were not included on the claim allowance dockets. The payments were posted to the High School Certified Salaries, a budget appropriation line item in the General Fund. Entries to payroll budget appropriation line items are posted as payroll totals and not by individual employees. There were no vendor names for these checks listed in the Cleared Transactions Report, which is generated during the bank reconciliation process.

The payroll checks dated August 2008 were not posted to the payroll system although the payroll checks were actually issued. The checks were generated as though they represented payments to vendors. The checks were noted on the claim allowance dockets. Claims supporting the payroll checks were on hand. The two claims indicated that McCarty Mulch and Global Government Education were the payees. The invoice attached to the claim for McCarty Mulch was fraudulent based on inquiry with the company's owner.

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

The former Corporation Treasurer signed the bottom of the fraudulent invoice as an indication the mulch was received by her. The invoice attached to the claim for Global Government Education consisted of a product information sheet obtained from the internet. A shipping charge of \$42.23 was manually added to the product information sheet in order to come to a total of \$1,792.32. The vendor names were posted to the records, claim allowance dockets and the Cleared Transaction Report, which is generated during the bank reconciliation.

The payroll checks dated February 2009 and March 2009 were not posted to the payroll system although the payroll checks were actually issued. The checks were generated as though they represented payments to vendors. The checks were noted on the claim allowance dockets. There were no claims supporting the payments made. The vendor names were posted to the records, claim allowance dockets and the Cleared Transaction Report, which is generated during the bank reconciliation.

The payroll check dated May 2009 was not posted to the payroll system although a payroll check was actually issued. The check was generated as though it represented a payment to a vendor. The payment was posted to the High School Certified Salaries, a budget appropriation line item in the General Fund. Entries to payroll budget appropriation line items are posted as payroll totals and not by individual employees. The Cleared Transactions report, which is generated during the bank reconciliation process, indicated the payee for the check was an employee of the School Corporation. A separate payroll check was issued to the named employee making it appear the individual received two payroll checks.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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)

Sharon Lankford, former Corporation Treasurer, was asked to repay \$21,259.31 for personal disbursements made. (See Summary, page 8)

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXAMINATION COSTS – MISSING FUNDS

The State of Indiana incurred additional examination fees in the investigation of the missing funds. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$1,271.88. Sharon Lankford, former Corporation Treasurer, was asked to repay \$1,271.88. (See Summary, page 8)

OFFICIAL BOND

Sharon Lankford, former Corporation Treasurer, was covered under a yearly official bond in the amount of \$50,000 for the year 2008-2009.

UNION SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2012, with Brandy Warren, Corporation Treasurer; Fred Heron, Superintendent of Schools; and Al McCormick, Vice President of the School Board. The officials concurred with our examination findings.

Sharon Lankford, former Corporation Treasurer, was invited to discuss the contents of the report but declined to attend.

UNION SCHOOL CORPORATION
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sharon Lankford, former Corporation Treasurer:			
Fraudulent Disbursements for Personal Use, pages 4 and 5	\$ 21,259.31	\$ -	\$ 21,259.31
Examination Costs - Missing Funds, page 6	<u>1,271.88</u>	<u>-</u>	<u>1,271.88</u>
Totals	<u>\$ 22,531.19</u>	<u>\$ -</u>	<u>\$ 22,531.19</u>

AFFIDAVIT

STATE OF INDIANA)
)
Delaware COUNTY)

I, Stephanie Heath, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Union School Corporation, Randolph County, Indiana, for the period from July 1, 2006 to July 21, 2009 is true and correct to the best of my knowledge and belief.

Stephanie Heath
Field Examiner

Subscribed and sworn to before me this 1st day of March, 2017

Clara Burke
Notary Public

My Commission Expires: 11-16-2017

County of Residence: Henry

Clara Burke
Notary Public, State of Indiana
Henry County
My Commission Exp. 11/16/2017