

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

SUPPLEMENTAL AUDIT REPORT
OF

TREASURER
SOUTHEASTERN CAREER CENTER
RIPLEY COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
09/18/2012

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah Tompkins Angela S. Powers	07-01-09 to 02-05-12 02-06-12 to 06-30-13
Director	Bradley Street	07-01-09 to 06-30-13
President of the Board of Managers	Ted Ahaus Steve Patz James S. Roberts	07-01-09 to 06-30-10 07-01-10 to 06-30-12 07-01-12 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF SOUTHEASTERN CAREER CENTER

We have audited the records of the Treasurer for the period from July 1, 2009 to June 30, 2011, 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 Financial Statement and Single Audit Report of the Southeastern Career Center period July 1, 2009 to June 30, 2011.

STATE BOARD OF ACCOUNTS

June 22, 2012

TREASURER
SOUTHEASTERN CAREER CENTER
AUDIT RESULTS AND COMMENTS

PROCESSING CREDIT CARD PAYMENTS

On February 16, 2012, we requested to review credit card claims from July 1, 2009 to January 31, 2012. When the claims were presented on February 23, 2012, six claims totaling \$39,177.56 had no supporting documentation (invoices and receipts). The following is a schedule of the six credit card claims that had no documentation as of February 23, 2012:

<u>Statement</u> <u>Due Date</u>	<u>Total</u> <u>Credit Card</u> <u>Charges</u>
07-17-09	\$ 9,382.39
05-19-10	5,919.13
08-19-10	2,682.69
07-24-11	2,063.60
12-24-11	14,406.48
01-24-12	<u>4,723.27</u>
Total	<u>\$ 39,177.56</u>

All of the missing documentation was made available for audit by March 23, 2012.

Deborah Tompkins, former Treasurer, stated when she received supporting documentation from employees that the documentation was filed in a folder. The delay in providing supporting documentation was because she had to request the vendor to provide her a copy of the documentation if the documentation was not in the folder.

Because the supporting documentation was not presented for audit upon request, we were unable to determine whether the Treasurer matched supporting documentation to the credit charges at the time the credit card claims were processed and whether the supporting documentation was presented to the Board of Managers at the time they approved claims.

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

". . . (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

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(Continued)

(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. . . .

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meets all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

(1) processed in accordance with this section; and

(2) for which funds are appropriated and available. . . ."

PERSONAL ITEMS PURCHASED WITH CREDIT CARD

Credit card statements showed three payments totaling \$648.16 that could not be traced to the checks written by the Career Center. Deborah Tompkins, former Treasurer, stated the payments were direct payments made by herself and Bradley Street, Director, for personal items charged to the Career Center's credit card. The following is a schedule of these personal purchases charged to the Career Center's credit card:

Personal Purchases Paid by Bradley Street

<u>Vendor</u>	<u>Transaction Date</u>	<u>Payment Date</u>	<u>Amount</u>
Amazon	11-29-11	01-24-12	\$ 82.54
Amazon	11-29-11	01-24-12	0.75
Amazon	12-02-11	01-24-12	296.95
Kreg Tool	12-08-11	01-24-12	<u>178.68</u>
Total Bradley Street			<u>558.92</u>

Personal Purchases - Paid by Deborah Tompkins

Meijer	01-15-11	02-24-11	45.38
Amazon	11-27-11	01-24-12	<u>43.86</u>
Total - Deborah Tompkins			<u>89.24</u>
Total			<u>\$ 648.16</u>

Deborah Tompkins, former Treasurer, stated she accidentally used the Career Center's credit card instead of her personal credit card when ordering personal items for herself and on behalf of Bradley Street, Director.

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AUDIT RESULTS AND COMMENTS
(Continued)

The credit card policy approved by the Board of Managers restricts use of the credit card to conducting of Career Center business.

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)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PENALTY AND INTEREST CHARGES FOR LATE PAYMENT

The Career Center paid late fees, penalties, and interest in the amount of \$229.01 as shown in the following schedule:

Statement Due Date	Amount	Charges Not Waived	Notes
12-17-09	\$ 53.63	\$ -	(2)
01-16-10	3.84	3.84	(1)
07-19-10	130.59	130.59	(1)
08-19-10	94.58	94.58	(1)
12-24-10	76.01	-	(2)
01-24-11	41.54	-	(2)
04-24-11	151.94	-	(2)
05-24-11	<u>70.25</u>	<u>-</u>	(2)
Totals	<u>\$ 622.38</u>	<u>\$ 229.01</u>	

Note to Schedule:

- (1) No documentation was presented for audit that the above late payments were adjusted off by the credit card company.
- (2) Credit card statements showed amounts paid. These payments could not be traced to checks paid by the Career Center. Deborah Tompkins, former Treasurer, stated the payments shown on the credit card statements represented adjustments made by the credit card company to waive the late payment fees and interest.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges 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 9)

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AUDIT RESULTS AND COMMENTS
(Continued)

EXCESS PAYMENTS FOR EMPLOYEE MEALS

We noted a credit card charge dated July 21, 2011, to Santa Fe Cattleman Company, Nashville, Tennessee, in the amount of \$282.30. Deborah Tompkins, former Treasurer, stated the credit card charge was in connection with a meal for the Career Center instructors when they were attending a seminar for "High Schools that Work." For this same business trip, the instructors were also paid a per diem for July 21, 2011.

It was the Career Center's practice to pay the instructors a daily per diem rate for meals while in travel status whenever allowed by a grant agreement. It was the Career Center's practice to pay for instructors actual cost meals that are in travel status if a per diem rate of reimbursement was not authorized by a grant agreement. The Board of Managers did not have a written travel policy.

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

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (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 9)

CREDIT CARD CHECKS HELD

We noted the following checks written to a credit card company that were included on the outstanding check list for several months:

<u>Check Date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Notes</u>
06-29-10	8576	\$ 790.00	(1)
06-29-11	9472	197.11	(1)
09-07-11	9599	1,610.60	(2)

Notes to Schedule:

- (1) The check was on the outstanding checklist as of December 31, 2011.
- (2) This check was found in a filing cabinet on February 13, 2012, along with other checks that were recorded to the Career Center's financial records and shown on the outstanding check list December 31, 2011.

No documentation was presented for examination associating this check with a credit card statement or any specific credit card charges.

Deborah Tompkins, former Treasurer, did not provide an explanation during the audit as to why these payments were held instead of being sent to the credit card company.

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The holding of checks for extended periods of time increases the risk that the checks could be lost or cashed by a party other than the payee.

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 20-26-4-1(d) states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall: . . . issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation . . ."

CREDIT CARD PAYMENTS NOT SHOWN ON CORRECT VENDOR HISTORY

Using the Career Center's vendor history report to identify credit card payments to CardMember Services, we noted that a portion of the following three payments to CardMember Services were recorded on the vendor history as being payments to other vendors:

Check No.	Date	Check Amount	Vendor			
			Card Member Services	Harbor Freight Tools	Films For The Humanities	Quill Corporation
7986	11-18-09	\$ 1,397.64	\$ 405.44	\$ 992.20	\$ -	\$ -
8597	07-20-10	9,556.16	9,406.21	-	149.95	-
9046	01-25-11	<u>13,310.69</u>	<u>8,059.64</u>	-	-	<u>5,251.05</u>
Totals		<u>\$24,264.49</u>	<u>\$17,871.29</u>	<u>\$ 992.20</u>	<u>\$ 149.95</u>	<u>\$ 5,251.05</u>

No explanation was provided during the audit as to why the payments recorded on the vendor history report were not in agreement with the actual checks written.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

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INTERNAL CONTROLS – USE OF CREDIT CARD

The Career Center made credit card payments to CardMember Services totaling \$183,124 during the period July 1, 2009 to January 31, 2012, for travel related costs and for making on-line purchases of supplies and equipment. There was a lack of segregation of duties and other internal control deficiencies for on-line purchases of supplies and equipment as described below:

1. The Treasurer was responsible for making credit card purchases based on purchase orders signed by instructors/employees.

There were instances of purchase orders not presented for audit.

2. The Treasurer acknowledged the receipt of supplies and equipment purchased with the credit card on the Accounts Payable Voucher (prescribed Form 523). This is a blanket acknowledgement for all items purchased with the credit card claim.

Deborah Tompkins, former Treasurer, stated that she verified all supplies and equipment received because the supplies were delivered to the business office and certified to receiving the supplies and equipment on the credit card claim.

We noted credit purchases paid from grant funds where the supporting invoices showed the supplies or equipment were shipped directly to a member school. There was no evidence presented for audit that the Treasurer would have knowledge of the receipt of items shipped directly to a member school.

3. The Treasurer was responsible for auditing credit card claims to insure that adequate supporting documentation is available to support the credit card claims.

The lack of segregation of duties without mitigating compensating controls could result in unauthorized purchases not being detected in a timely manner.

Recommendations

We recommend implementation of the following additional controls to mitigate the lack of segregation of duties:

1. The instructor/employee that orders supplies or equipment sign the receiving copy of the Purchase Order (prescribed Form 98).
2. A staff member, who does not have authority to make credit card purchases, review monthly credit card documentation in sufficient detail to determine that proper supporting documentation is available. This supporting documentation would include invoices/receipts and signed purchase orders documenting the order request and the receipt of items ordered.

The staff member's review of credit card purchase documentation should be documented with their signature on the claim form or separate certification to document this internal control procedure.

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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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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EXIT CONFERENCE

The contents of this report were discussed on June 22, 2012, with Deborah Tompkins, former Treasurer. The official concurred with our audit findings.

The contents of this report were discussed on June 26, 2012, with Bradley Street, Director, and Angela S. Powers, Treasurer.