

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

AUDIT REPORT

OF

LINCOLN ELEMENTARY SCHOOL
HANOVER COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED

04/04/2013

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer of Lincoln Elementary School	Jennifer Grcich (Vacant) Cindy Ring	07-01-10 to 12-12-11 12-13-11 to 01-03-12 01-04-12 to 06-30-13
Principal of Lincoln Elementary School	Brandie Muha	07-01-10 to 06-30-13
Superintendent of Schools	Carol A. Kaiser Richard Cook (Interim)	07-01-10 to 12-05-12 12-06-12 to 06-30-13
President of the School Board	Dale Poston (Vacant) Julie Mueller Mary Joan Dickson Dana Griner (Vacant) Mary Joan Dickson	07-01-10 to 12-31-10 01-01-11 to 01-10-11 01-11-11 to 07-10-11 07-11-11 to 06-30-12 07-01-12 to 12-31-12 01-01-13 to 01-07-13 01-08-13 to 12-31-13
Corporation Treasurer	Dana Bogathy	07-01-10 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE HANOVER COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited the records of the Lincoln Elementary School for the period from July 1, 2010 to June 30, 2012, 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

January 9, 2013

LINCOLN ELEMENTARY SCHOOL
HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TEXTBOOK RENTAL AND STUDENT SYSTEM PAYMENTS NOT DEPOSITED

Each individual school within the School Corporation used a standardized computer software system to account for the collection of Textbook Rental (TBR) fees. Each student had an account whereby payments were automatically recorded when a receipt was issued from the computer system. The Extra-Curricular Accounts (ECA) Treasurer generated a computerized receipt to individuals for the payment of the TBR fees. At Lincoln Elementary, occasionally, a manually prepared textbook rental receipt (Form number TBR-2, Official Receipt - Individual Textbook Rental List) was issued for TBR fees.

The ECA Treasurer was also responsible for making the deposit for the collections of TBR fees into the School Corporation bank account. A copy of the receipts issued and a Payment Listing report from the computerized system should have been remitted by the ECA Treasurer to the School Corporation to record in the School Corporation's Textbook Rental Fund. The Payment Listing report included the detail of computerized receipts issued for a particular span of time. Personnel in the School Corporation central office issued a receipt to the ECA treasurer indicating the amount posted to the Textbook Rental Fund based on the Payment Listing Report.

A comparison of the computerized and manual TBR's issued by the ECA Treasurer, at Lincoln Elementary and the amounts recorded in the School Corporation ledger revealed that not all TBR fees were remitted and deposited as noted in the following table.

We also noted payments were posted to student accounts without a corresponding receipt issued. The amounts that were not receipted, deposited, or remitted to the School Corporation are noted in the following table:

Calendar Year	Textbook Rental Receipts Recorded Not Deposited	Payments Posted to Student Accounts Not Deposited	Total
2010	\$ 2,187.94	\$ 1,110.00	\$ 3,297.94
2011	3,117.13	3,645.28	6,762.41
Totals	<u>\$ 5,305.07</u>	<u>\$ 4,755.28</u>	<u>\$ 10,060.35</u>

We requested that Jennifer Gricich, former Extra-Curricular Treasurer, reimburse Hanover Community School Corporation \$10,060.35 for the receipts and payments recorded in the student system that were not deposited. (See Summary of Charges, page 10)

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds . . . Public funds deposited under this subsection shall be deposited in the same form in which they were received."

LINCOLN ELEMENTARY SCHOOL
HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 Indiana Public School Corporations, Chapter 9)

PUBLIC OFFICIAL BOND

Hanover Community School Corporation had a Public Employees Position Schedule Bond which covered their Extra-Curricular Treasurers. The bond was with The Ohio Casualty Insurance Company and the coverage for the Extra-Curricular Treasurer at Lincoln Elementary was as follows:

<u>Term</u>	<u>Coverage</u>
January 1, 2010 to January 1, 2011	\$ 12,000
January 1, 2011 to January 1, 2012	12,000

ADDITIONAL AUDIT COSTS

The State of Indiana incurred additional audit costs in the investigation of the textbook rental and student system payments not deposited totaling \$10,060.35. We requested Jennifer Grcich, former Extra-Curricular Treasurer, reimburse the State of Indiana \$10,060.35 of the additional audit costs incurred in the investigation of the textbook rental and student system payments not deposited. (See Summary of Charges, page 10)

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 Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS OVER TEXTBOOK RENTAL (TBR) RECEIPTS

The following deficiencies in internal controls were noted concerning the accounting of the 2010 and 2011 textbook rental receipts (TBR):

1. The software system allowed the Extra-Curricular (ECA) Treasurer to manipulate the date that the receipt was issued.
2. TBR receipts were not remitted to the School Corporation in numeric order; therefore, allowing the accountability of all receipts issued to go undetected by the central office personnel.
3. The ECA Treasurer did not provide a Payment Listing Report to the School Corporation when submitting receipts to be recorded. This would have made it possible to determine that payments had been recorded in the student system but not remitted to the School Corporation.

LINCOLN ELEMENTARY SCHOOL
HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 Indiana Public School Corporations, Chapter 9)

LINCOLN ELEMENTARY SCHOOL
HANOVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 9, 2013, with Mary Joan Dickson, President of the School Board; Richard Cook, Interim Superintendent of Schools, Dana Bogathy, Corporation Treasurer; and Brandie Muha, Principal of Lincoln Elementary School. The Official Response has been made a part of this report and may be found on pages 8 and 9.

The contents of this report were sent by certified mail to Jennifer Grcich, former Extra-Curricular Treasurer of Lincoln Elementary School.

The contents of this report were discussed on January 9, 2013, with Carol A. Kaiser, former Superintendent of Schools.



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
Julie Mueller
James Sakelaris
Dennis Wilkening

Central Office

Richard G. Cook
Interim Superintendent

January 23, 2013

State Board of Accounts
301 W. Washington St.
Room E418
Indianapolis, IN 46204-2765

Re: Hanover Community School Corporation
Audit Results & Comments
July 1, 2010 to June 30, 2012

Please let this letter serve as our official response from Hanover Community School Corporation concerning the recent audit for school years 2010-11 and 2011-12.

Shown below is our response to the deficiencies the auditors found for Hanover Community School Corporation:

Lincoln Elementary School Audit Results and Comments

TEXTBOOK RENTAL AND STUDENT PAYMENTS NOT DEPOSITED

The school corporation met with Jennifer Gricich concerning the reimbursement of \$10,060.35 of textbook rental fee collections that was not accounted for. Said meeting was held with the State Board of Accounts' Auditor Carla Wenger, Superintendent at that time, Carol Kaiser, Director of Business Services Dana Bogathy, and Corporation Attorney William Kaminski. Jennifer Gricich's explanation was insufficient, and the district suspended her without pay immediately. At the School Board meeting on December 11, 2012, the Board of School Trustees unanimously approved the termination of Jennifer Gricich.

New personnel is in place at Lincoln Elementary School and the procedures have been properly followed to ensure funds are appropriately deposited and receipted in our ledger. The Corporation Treasurer will reconcile the student fees system to the corporation ledger of receipts at regular intervals.

INTERNAL CONTROLS OVER TEXTBOOK RENTAL (TBR) RECEIPTS

The Corporation discontinued their use of the previous student fees system in June 2012. The new student fees software system allows for better controls over receipting and batch closing. Receipts will be remitted to the corporation using a software generated batch report that will list all TBR payments in numeric order.

In closing, it is the desire of Hanover Community School Corporation to fully comply with all requirements pertaining to the administration of all funds entrusted to the Corporation.

Respectfully submitted,

Handwritten signature of Richard G. Cook in cursive script.

Richard G. Cook
Interim Superintendent

Handwritten signature of Dana M. Bogathy in cursive script.

Dana M. Bogathy
Treasurer

LINCOLN ELEMENTARY SCHOOL
 HANOVER COMMUNITY SCHOOL CORPORATION
 SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jennifer Grcich, former Extra-Curricular Treasurer of Lincoln Elementary School:			
Textbook Rental and Student System Payments			
Not Deposited, pages 4 and 5	\$ 10,060.35	\$ -	\$ 10,060.35
Additional Audit Costs, page 5	<u>10,060.35</u>	<u>-</u>	<u>10,060.35</u>
Totals	<u>\$ 20,120.70</u>	<u>\$ -</u>	<u>\$ 20,120.70</u>

AFFIDAVIT

STATE OF INDIANA)

Porter)
COUNTY)

We, Carla Wenger and Mary Jo Small, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Lincoln Elementary School, Harlow Community School Corporation, Lake County, Indiana, for the period from July 1, 2010 to June 30, 2012, is true and correct to the best of our knowledge and belief.

Carla Wenger
Mary Jo Small
Field Examiners

Subscribed and sworn to before me this 21st day of March, 2013.

Sundae H. Schoon
Notary Public

My Commission Expires: April 20, 2016
County of Residence: Porter

