

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

SPECIAL SUPPLEMENTAL REPORT

OF

TIPPECANOE VALLEY SCHOOL CORPORATION

KOSCIUSKO COUNTY, INDIANA

January 1, 2010 to January 31, 2013



FILED

06/14/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent of Schools	Brett Boggs	01-01-10 to 12-31-13
Treasurer	Sherri Adamson (deceased) (Vacant) Jennifer Barden (Interim) Jessica McFarland	01-01-10 to 01-07-13 01-08-13 to 01-13-13 01-14-13 to 03-11-13 03-12-13 to 06-30-13
President of the School Board	Dave O'Brien Mark Wise Brian Murphy	07-01-09 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TIPPECANOE VALLEY SCHOOL CORPORATION, KOSCIUSKO COUNTY

We have examined certain records of the Tippecanoe Valley School Corporation for the period from January 1, 2010 to January 31, 2013, and certify that those 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.

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

STATE BOARD OF ACCOUNTS

April 18, 2013

TIPPECANOE VALLEY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

UNDOCUMENTED CHECKS ISSUED TO THE FORMER TREASURER

During the period June 29, 2012 to January 3, 2013, Sherri Adamson, former Treasurer, issued and negotiated thirty-four vendor checks totaling \$34,916.63 to herself or her personal credit card company with no valid supporting documentation. They are as follows:

Check No.	Check Date	Cleared Date	Payee Posted to School Records	Actual Payee	Amount
8535	06-29-12	July '12	Sherri Adamson	Sherri Adamson	\$ 483.64
8556	07-10-12	July '12	"Does not exist"	Sherri Adamson	811.40
8830	07-18-12	July '12	Wildman Uniform	Sherri Adamson	413.58
8833	07-19-12	July '12	RE Sutton & Assoc	Sherri Adamson	625.00
9137	07-27-12	Aug '12	Wabash Electric	Sherri Adamson	523.20
9140	07-30-12	Aug '12	Janitor Supply Co	Sherri Adamson	869.99
9146	08-01-12	Aug '12	ENA Service	Sherri Adamson	930.00
9159	08-06-12	Aug '12	Wildman Uniform	Sherri Adamson	286.22
9412	08-13-12	Aug '12	Janitor Supply Co	Sherri Adamson	423.64
9413	08-13-12	Aug '12	EPES Software	Sherri Adamson	648.00
9514	08-23-12	Sep '12	Bureau of Ed Research	Sherri Adamson	450.00
9522	08-24-12	Sep '12	In Dept Workforce Dev	Sherri Adamson	604.34
9998	09-19-12	Oct '12	"Does not exist"	Sherri Adamson	500.00
10903	10-12-12	Oct '12	"Does not exist"	Sherri Adamson	833.93
10908	10-16-12	Oct '12	"Does not exist"	Sherri Adamson	773.28
11300	10-22-12	Oct '12	"Does not exist"	Sherri Adamson	1,159.68
11301	10-22-12	Oct '12	"Does not exist"	Sherri Adamson	579.85
11791	11-08-12	Nov '12	MNL	Sherri Adamson	1,567.38
11803	11-14-12	Nov '12	Apple, Inc	Sherri Adamson	405.95
12189	11-20-12	Nov '12	"Does not exist"	Sherri Adamson	131.74
12196	11-27-12	Nov '12	TVSC	Sherri Adamson	1,145.10
12197	11-27-12	Dec '12	TVSC	Sherri Adamson	875.41
12198	11-27-12	Dec '12	TVSC	Sherri Adamson	935.86
12199	11-27-12	Dec '12	TVSC	Sherri Adamson	1,024.10
12200	11-27-12	Dec '12	TVSC	Sherri Adamson	1,019.53
12211	11-28-12	Dec '12	"Does not exist"	Sears #2946	2,500.00
12212	11-28-12	Dec '12	"Does not exist"	US Bank #9418	2,500.00
13258	01-03-13	Jan '13	Kellermeyer Co.	Sherri Adamson	2,062.93
13262	12-14-12	Dec '12	Sherri Adamson	Sherri Adamson	546.44
13294	12-13-12	Dec '12	J.A. Sexauer, Inc	Sherri Adamson	536.44
13715	12-26-12	Jan '13	USB	US Bank	2,500.00
13716	12-26-12	Jan '13	USB	US Bank	2,500.00
13717	12-30-12	Dec '12	SE	Sears #2946	2,500.00
13718	12-30-12	Jan '13	CMS	Sherri Adamson	1,250.00
Total					\$ 34,916.63

TIPPECANOE VALLEY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

We examined accounts payable vouchers, when available, to determine if proper documentation existed to support these payments. Of the thirty-four checks issued, twenty-two checks did not have a corresponding voucher or other form of documentation available to review. Vouchers were located for twelve checks that corresponded to payments made to the former Treasurer. Eleven of these vouchers appeared to be from various corporation vendors and contained invoices from these vendors; but the corresponding checks for these vouchers were actually payable to the former Treasurer. The remaining voucher, submitted by the former Treasurer, contained a valid mileage reimbursement of \$355.26 and invalid personal reimbursements of School Corporation credit card charges.

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 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)

Based on our examination, we have determined the School Corporation should be reimbursed \$34,916.63 for the undocumented checks. We are requesting reimbursement from the estate of Sherri Adamson, former Treasurer. (See Summary of Charges, page 11)

UNDOCUMENTED/PERSONAL CREDIT CARD CHARGES OF THE FORMER TREASURER

The School Corporation's accounts payable vouchers did not contain all credit card statements. We requested and received from the credit card company a copy of statements for the credit card issued to the School Corporation and controlled by Sherri Adamson, former Treasurer. Based on the types of vendors listed on the credit card statements we determined that a significant number of the purchases made with this card were for personal expenses of Sherri Adamson, former Treasurer.

We examined all credit card accounts payable vouchers for the examination period. All valid itemized vendor invoices attached to the accounts payable vouchers were considered legitimate school purchases. All purchases not supported by an appropriate vendor invoice were considered undocumented expenditures and the personal obligation of the former Treasurer. For the fiscal years ending June 30, 2010, 2011, 2012 and for the period from July 1, 2012 to January 9, 2013; the former Treasurer's School Corporation credit card contained \$24,827.84, \$62,528.24, \$91,488.21, and \$66,780.86, respectively, of charges which had no documentation to support the validity of the charge. Credit of \$1,485.15 was given for all "merchandise/service returns" items noted on the credit card statements.

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)

TIPPECANOE VALLEY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Based on our examination, after giving credit for the "merchandise/service returns" of \$1,485.15, we have concluded the School Corporation should be reimbursed \$244,140.00 for the credit card charges discussed above. We are requesting reimbursement from the estate of Sherri Adamson, former Treasurer. (See Summary of Charges, page 11)

AUDIT COSTS – UNDOCUMENTED CHECKS AND CREDIT CARD CHARGES

The State of Indiana incurred additional costs of \$28,149.55 related to the investigation of undocumented checks and credit charges totaling \$276,516.29 resulting in a total charge of \$304,665.84. The State of Indiana is requesting reimbursement from the estate of Sherri Adamson, former Treasurer, of the additional examination fees incurred.

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)

Based on our examination, the School Corporation should be reimbursed \$28,149.55 for additional costs incurred as a result of this investigation. We are requesting reimbursement from the estate of Sherri Adamson, former Treasurer. (See Summary of Charges, page 11)

PUBLIC OFFICIAL BOND

The Tippecanoe Valley School Corporation has public official bonds which cover the 48 month period from July 1, 2009 through June 30, 2013. These bonds are with Ohio Casualty Insurance Company and provide \$100,000 of coverage each year on Sherri Adamson, former Treasurer.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained errors and did not balance at December 31, 2012.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

INTERNAL CONTROLS – VENDOR CHECKS

Internal controls over the disbursing, recording, and accounting for the financial activities were insufficient for the disbursement of vendor checks. The term vendor check refers to all checks issued outside of the payroll system. In order to correct the conditions and prevent a recurrence of the problem, management

TIPPECANOE VALLEY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

was instructed to follow and implement the necessary internal control policies and procedures, as outlined in the recording of disbursements section on page 5-2 contained in the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

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)

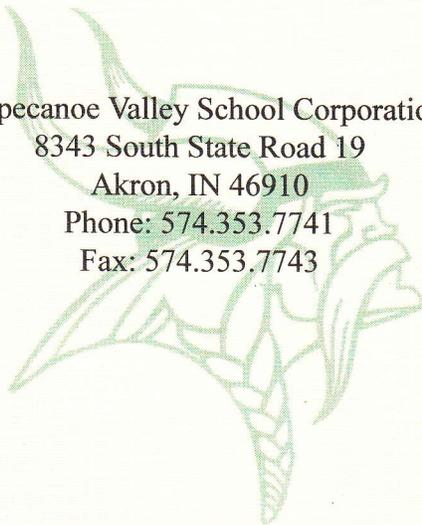
INTERNAL CONTROLS – CREDIT CARDS

Internal controls over the disbursing, recording, and accounting for the financial activities related to the processing and payment of credit cards of the School Corporation were insufficient. In order to correct the conditions and prevent a recurrence of the problem, management was instructed to follow and implement the necessary internal control policies and procedures, as outlined in the credit card section on pages 9-5 and 9-6 contained in the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

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)

TIPPECANOE VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 18, 2013, with Brian Murphy, President of the School Board; Brett Boggs, Superintendent of Schools; Dr. Daniel Kramer, Assistant Superintendent of Schools; Jessica McFarland, Treasurer; and Jennifer Barden, Deputy Treasurer. The Official Response has been made a part of this report and may be found on pages 9 and 10.



Tippecanoe Valley School Corporation
8343 South State Road 19
Akron, IN 46910
Phone: 574.353.7741
Fax: 574.353.7743

Mr. Brett R. Boggs, Ed.S.
Superintendent

Dr. Daniel V. Kramer, Ph.D.
Assistant Superintendent

OFFICIAL RESPONSE

April 25, 2013

State Board of Accounts
302 West Washington Street
Room E 481
Indianapolis, IN 46204-2765

Dear State Board of Accounts:

This letter is to serve as the "Official Response" of the Tippecanoe Valley School Corporation in regard to the Examination Results and Comments presented by representatives of the State Board of Accounts.

The Tippecanoe Valley School Corporation (TVSC) deeply regrets the circumstances leading to the emergency audit conducted by the State Board of Accounts following the death of the corporation treasurer. The TVSC wishes to express its gratitude to the State Board of Accounts for the professionalism of the field representatives that conducted the audit and their supervisor. A significant amount of time and effort went into compiling the examination results.

Based on the thoroughness of the emergency audit, the TVSC believes the examination results to be an accurate reflection of the misuse of public funds by the former corporation treasurer. The individuals who manage and govern the TVSC are deeply disappointed in the actions of the former corporation treasurer resulting in undocumented checks issued to or on behalf of the former corporation treasurer in the amount of \$34,916.63 and the undocumented credit card charges by the former corporation treasurer in the amount of \$245,625.15. It is important to note that a significant portion of the misuse of public funds occurred during the time of transition from the retirement of the previous deputy treasurer to the hiring of a new deputy treasurer when the former corporation treasurer assumed the responsibilities of both positions.

The TVSC has public official bonds which cover the period of time in which the misuse of public funds occurred. The TVSC anticipates the bonds will result in full restitution of the public funds misused by the former corporation treasurer.

During the emergency audit, as details of the misuse of public funds by the former treasurer were discovered, immediate actions were taken to correct the conditions and prevent a recurrence. Internal controls over the disbursing, recording, and accounting for the financial activities related to the disbursement of vendor checks and the processing and payment of credit cards were immediately reevaluated. The TVSC recognizes internal controls must be in place 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. Internal controls associated with the segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are in place.

All TVSC building and corporation level treasurers fully understand that 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 TVSC.

Every effort will continue to be made to ensure proper procedures are followed for disbursing, recording, and accounting for the financial activities of the TVSC according to the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9.

Sincerely,



Brett R. Boggs
Superintendent

TIPPECANOE VALLEY SCHOOL CORPORATION
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Estate of Sherri Adamson, former Treasurer (deceased):			
Undocumented Checks Issued to the Former Treasurer, pages 4 and 5	\$ 34,916.63	-	\$ 34,916.63
Undocumented Credit Card Charges of the former Treasurer, pages 5 and 6	245,625.15		
Credit for merchandise/service returns, page 6		1,485.15	244,140.00
Audit Costs - Undocumented Checks and Credit Card Charges, page 6	28,149.55	-	28,149.55
Totals	\$ 308,691.33	\$ 1,485.15	\$ 307,206.18

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
CASS)
 COUNTY)

We, Andy D. Williams and Cynthia J. Ropes, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Tippecanoe Valley School Corporation, Kosciusko County, Indiana, for the period from January 1, 2010 to January 31, 2013, is true and correct to the best of our knowledge and belief.

Andy D. Williams

Cynthia J. Ropes
Field Examiners

Subscribed and sworn to before me this 11 day of June, 2013.



CYNTHIA D. HOWARD
Notary Public, State of Indiana
My Commission Expires: October 21, 2017

Cynthia D. Howard
Notary Public

My Commission Expires: _____

County of Residence: Cass

