

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

SPECIAL INVESTIGATION REPORT  
OF

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
LAKE STATION COMMUNITY SCHOOLS  
LAKE COUNTY, INDIANA

July 1, 2008 to January 22, 2013



**FILED**  
06/18/2013



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SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra Cain	07-01-10 to 12-31-13
Superintendent of Schools	Dan DeHaven	07-01-10 to 06-30-13
President of the School Board	Karen Curtis Larry L. Biggs James Vanderlin	07-01-10 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13
Extra-Curricular Account Treasurer of Virgil I. Bailey Elementary School	Jane Woynaroski (Vacant)	07-01-08 to 03-20-13 03-21-13 to 06-30-13
Principal of Virgil I. Bailey Elementary School	Terry Kolopanis	07-01-08 to 06-30-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAKE STATION COMMUNITY SCHOOLS

We have audited the records of the Virgil I. Bailey Elementary School for the period from July 1, 2008 to January 22, 2013, 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

February 26, 2013

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
LAKE STATION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**RECEIPTS NOT DEPOSITED – FUNDRAISERS**

Virgil I. Bailey Elementary School conducted an all-school fundraiser each school year of the audit period. Jane Woynaroski, the Extra-Curricular Account (ECA) Treasurer of Virgil I. Bailey Elementary School, was responsible for collecting the orders and the money from the students or parents. She prepared the deposit tickets for the collections; however, the account number on the deposit ticket was the Parent-Teacher United (PTU) account. The PTU President deposited the funds, paid the fundraising invoices and maintained a ledger for the "school's fundraiser money"; however, the fundraiser was not a PTU function. The ECA Treasurer submitted various invoices to the PTU for payment from the fundraising profits. According to the PTU President, the ECA Treasurer then "audited" the PTU records each year for accuracy.

Based on profit reports from the fundraising company, the invoices paid to the company, and the deposits made to the PTU account, we determined that not all fundraiser receipts were remitted to the PTU for deposit. Fundraiser profits not receipted or deposited were as follows:

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>Totals</u>
Deposits of Fundraising receipts	\$ 5,714.60	\$ 5,664.85	\$ 3,006.50	\$ 4,627.50	\$ 6,766.50	\$ 25,779.95
Disbursement to Fundraising Company	<u>3,869.38</u>	<u>4,164.19</u>	<u>2,549.72</u>	<u>4,109.80</u>	<u>5,757.67</u>	<u>20,450.76</u>
Profit recorded	<u>1,845.22</u>	<u>1,500.66</u>	<u>456.78</u>	<u>517.70</u>	<u>1,008.83</u>	<u>5,329.19</u>
Gross Profit per Fundraising Company	<u>3,037.98</u>	<u>2,333.32</u>	<u>3,279.74</u>	<u>3,745.36</u>	<u>5,048.56</u>	<u>17,444.96</u>
Difference - Receipts not Deposited	<u>\$ (1,192.76)</u>	<u>\$ (832.66)</u>	<u>\$ (2,822.96)</u>	<u>\$ (3,227.66)</u>	<u>\$ (4,039.73)</u>	<u>\$ (12,115.77)</u>

We requested that Jane Woynaroski, ECA Treasurer of Virgil I. Bailey Elementary School, make restitution to Virgil I. Bailey Elementary School \$12,115.77 for fundraising receipts not deposited. (See Summary of Charges, page 12)

Indiana Code 20-41-1-9(a) states: "The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay."

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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-7 (a) states:

"The treasurer has charge of the custody and disbursement of any funds collected by a collecting authority and expended to pay expenses:

- (1) approved by the principal or teacher in charge of the school;
- (2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers);
- (3) that cost more than twenty-five dollars (\$25) during the school year; and
- (4) that are not paid from public funds."

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
 LAKE STATION COMMUNITY SCHOOLS  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**RECEIPTS NOT DEPOSITED – TEXTBOOK RENTAL RECEIPTS**

Official Textbook Rental Receipts (TBR-2's) were issued to parents when textbook rental payments were received. The amount of checks and cash on the deposit slips agreed with the amount of checks and cash designated on the receipts. We obtained copies of the deposit slips and checks that were included in the deposits from the depository. We compared the names on the checks to the receipts (TBR-2's) issued and found many of the checks were for students other than those for which the receipts were issued. No deposit could be found for many of these receipts. Amounts of textbook rental receipts not deposited were as follows:

<u>School Years</u>	<u>Amount</u>
2008-2009	\$ 450
2009-2010	652
2010-2011	360
2011-2012	206
2012-2013	<u>1,106</u>
Total	<u>\$ 2,774</u>

We requested that Jane Woynaroski, ECA Treasurer of Virgil I. Bailey Elementary School, make restitution to Virgil I. Bailey Elementary School \$2,774 for textbook rental receipts not deposited. (See Summary of Charges, page 12)

Indiana Code 20-41-1-9(a) states: "The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay."

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 Extra-Curricular Accounts, Chapter 7)

**DEPOSITS NOT INTACT – TEXTBOOK RENTAL RECEIPTS**

Many duplicate deposit slips presented for audit included textbook rental checks for which no receipt was found. Copies of the deposit slips and checks included in the deposits were received from the depository. Many instances indicated that these checks deposited were substituted for cash withheld from other textbook rental collections. These checks were for students for which no receipts were found. Amounts of textbook rental checks deposited for cash withheld from other textbook rental collections were as follows:

<u>School Years</u>	<u>Amount</u>
2008-2009	\$ 50.00
2009-2010	929.50
2010-2011	552.00
2011-2012	100.00
2012-2013	<u>744.00</u>
Total	<u>\$ 2,375.50</u>

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
 LAKE STATION COMMUNITY SCHOOLS  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

In addition, many textbook rental receipts were issued for less than the amount of the checks received. Copies of the deposit slips and checks included in the deposits were received from the depository and compared to the textbook rental receipts. Several checks were written for an amount in excess of the TBR-2's issued. This indicated that portions of these checks deposited were substituted for cash withheld from other textbook rental collections. No receipts were found for the excess amounts of the checks. Amounts of textbook rental checks deposited in excess of the amount of receipts issued were as follows:

<u>School Years</u>	<u>Amount</u>
2008-2009	\$ -
2009-2010	314
2010-2011	182
2011-2012	70
2012-2013	<u>296</u>
Total	<u>\$ 862</u>

We requested that Jane Woynaroski, ECA Treasurer of Virgil I. Bailey Elementary School, make restitution to Virgil I. Bailey Elementary School \$3,237.50 for textbook rental receipts not deposited. (See Summary of Charges, page 12)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 20-41-1-9(a) states: "The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay."

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 Extra-Curricular Accounts, Chapter 7)

**DEPOSITS NOT INTACT – OFFICIAL RECEIPTS**

Many duplicate deposit slips presented for audit included checks for which no receipts were found. Copies of the deposit slips and checks included in the deposits were received from the depository. Many instances indicated that these checks deposited were substituted for cash withheld from the deposits of other items. These checks were clearly marked as payment for items such as textbook rental, staff retirement party, North American Games t-shirts, and fundraisers, yet there were no receipts issued and no receipts recorded in the ledger for these items. Instead, these checks were included in deposits for other items such as recess milk and sales for bookstore items, snacks, yearbooks, and agendas. Amounts of checks deposited for cash withheld from other deposits were as follows:

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
 LAKE STATION COMMUNITY SCHOOLS  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

<u>School Years</u>	<u>Amount</u>
2008-2009	\$ 720
2009-2010	1,085
2010-2011	1,724
2011-2012	1,119
2012-2013	<u>228</u>
Total	<u>\$ 4,876</u>

We requested that Jane Woynaroski, ECA Treasurer of Virgil I. Bailey Elementary School, make restitution to Virgil I. Bailey Elementary School \$4,876 for checks substituted for cash withheld and not deposited. (See Summary of Charges, page 12)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 20-41-1-9(a) states: "The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay."

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 Extra-Curricular Accounts, Chapter 7)

***DEFICIENCIES IN DEPOSIT DOCUMENTATION***

Duplicate deposit tickets were available at the school; however, a detail list of checks deposited was not included. We requested and received copies of deposit documentation from Main Source Bank for the period July 1, 2009 to December 31, 2012. We also requested copies of deposit documentation from J.P. Morgan (Chase Bank) for the period July 1, 2008 to June 30, 2009. Due to the unreasonable cost charged by Chase Bank to obtain the information, we were unable to determine if there were additional receipts not deposited for the 2008-2009 school year.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers, and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***LOSSES ON SALES***

Information was not presented for audit to indicate that inventories and reconcilements to purchases and sales of recess milk, snacks (chips and ice cream), bookstore items (including agendas not purchased at registration), and yearbooks were performed. Because all of these items were commingled in the Student Activity Fund and on official receipts written for collections, it was not possible to determine the net receipts of each type of sale. The following table details the purchases for milk, snacks, yearbooks, agendas and bookstore items; receipts that could be identified as sales of these items; and the calculated profit or loss on these items:

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
LAKE STATION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

<u>School Years</u>	<u>Sales</u>	<u>Purchases</u>	<u>Profit (Loss)</u>
2008-2009	\$ 8,747.06	\$ 6,448.53	\$ 2,298.53
2009-2010	2,838.89	3,356.08	(517.19)
2010-2011	3,712.15	5,637.66	(1,925.51)
2011-2012	5,575.73	7,780.53	(2,204.80)
2012-2013	<u>6,174.90</u>	<u>6,390.18</u>	<u>(215.28)</u>
Totals	<u>\$27,048.73</u>	<u>\$29,612.98</u>	<u>\$ (2,564.25)</u>

Additionally, based on the number of milk cartons purchased, the cost of each carton, and the amount charged to students, the school should have generated a profit of \$980.17 and \$1,073.48, on milk sales alone for the years 2010-2011 and 2011-2012, respectively.

These losses resulted in insufficient funds in the school's Student Activity Fund to pay outstanding invoices. As of June 30, 2012, the Student Activity Fund balance was only \$37.49; however, there was an outstanding invoice for milk purchases from February through June 2012 for \$1,301.47. This outstanding balance for milk purchases was paid in August 2012 after the collection of \$952 Agenda fees and \$258 Technology fees at registration and a \$342 donation for yearbooks from the school picture provider.

As of January 22, 2013, the total balance in all extra-curricular funds was \$2,821.95; however, there were outstanding invoices totaling \$20,090.16.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Treasurers of Indiana, Chapter 7)

**TEXTBOOK RENTAL RECEIPTS UNACCOUNTED FOR**

The ECA Treasurer of Virgil I. Bailey Elementary School did not issue receipts in sequential order and did not complete a textbook rental receipt book before issuing receipts from another book. For the period July 1, 2008 to December 31, 2012, the ECA Treasurer of Virgil I. Bailey Elementary School issued textbook rental receipts from 9 different receipt books. Each textbook rental receipt book was spiral bound and contained 150 duplicate receipts. Of the 1,350 receipts available for issuance during the period, only 331 were presented for audit as issued to parents for textbook rental payments. There were 475 of the receipts still on hand; the remaining 544 receipts were not properly accounted for. They were not on hand and were not presented for audit.

In addition, a parent presented a textbook rental receipt (TBR-2) for the 2012-2013 school year from a receipt book not included above. The TBR-2 number indicated that there was at least one more textbook rental receipt book of 150 receipts which was unaccounted for and not presented for audit.

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
LAKE STATION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

A TBR-2 should be issued each time a payment is received. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

***ADDITIONAL AUDIT COSTS – MISSING FUNDS***

The State of Indiana incurred additional audit fees in the investigation of missing funds at Virgil I. Bailey Elementary School. We requested that Jane Woynaroski, ECA Treasurer of Virgil I. Bailey Elementary School, reimburse the State of Indiana \$18,843.83 for additional audit fees incurred in the investigation of the deposits not made intact and receipts not deposited.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***EMPLOYEE POSITION BONDS***

Lake Station Community Schools had Public Employees Position Schedule Bonds which cover their ECA Treasurers. The bonds for the four school years beginning July 1, 2008 through July 11, 2012, were with the Ohio Casualty Insurance Company and provide \$5,000 of coverage each year for the Virgil I. Bailey Elementary School Treasurer. The bond for the period July 1, 2012 to July 1, 2013, is with Selective Insurance Company of America and provides \$10,000 of coverage for Virgil I. Bailey Elementary School.

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
LAKE STATION COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2013, with Dan DeHaven, Superintendent of Schools; Thomas P. Corey, Assistant Superintendent of Schools; Sandra Cain, Treasurer; Larry L. Biggs, School Board member; Gregory Tenorio, Vice President of the School Board; and Terry Kolopanis, Principal of Virgil I. Bailey Elementary School. The Official Response has been made a part of this report and may be found on page 11.

The contents of this report were also sent on February 28, 2013, via certified mail, to Jane Woynaroski, Extra-Curricular Account Treasurer of Virgil I. Bailey Elementary School.

# LAKE STATION COMMUNITY SCHOOLS

2500 PIKE STREET / LAKE STATION, IN 46405 / TELEPHONE (219) 962-1159  
FAX (219) 962-4011



DAN DEHAVEN  
SUPERINTENDENT

TOM COREY  
ASSISTANT SUPERINTENDENT

## Virgil I. Bailey Audit Results

February 26, 2013

The Audit for Bailey School is very thorough and shows a pattern of poor accounting practices. I do not challenge any of the Audit findings for Bailey School.

Dan DeHaven, Superintendent

VIRGIL I. BAILEY ELEMENTARY SCHOOL  
 LAKE STATION COMMUNITY SCHOOLS  
 SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Jane Woynaroski, Extra-Curricular Account Treasurer of Virgil I. Bailey Elementary School:			
Receipts Not Deposited - Fundraisers, page 4	\$ 12,115.77	\$ -	\$ 12,115.77
Receipts Not Deposited - Textbook Rental Receipts, page 5	2,774.00	-	2,774.00
Deposits Not Intact - Textbook Rental Receipts, pages 5 and 6	3,237.50	-	3,237.50
Deposits Not Intact - Official Receipts, pages 6 and 7	4,876.00	-	4,876.00
Additional Audit Costs - Missing Funds, page 9	18,843.83	-	18,843.83
 Totals	 \$ 41,847.10	 \$ -	 \$ 41,847.10

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

AFFIDAVIT

STATE OF INDIANA            )  
  Lake   COUNTY) )

We, Susan M. Lardino and Lori A. Adney, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Virgil I. Bailey Elementary School, Lake Station Community Schools, Lake County, Indiana, for the period from July 1, 2008 to January 22, 2013, is true and correct to the best of our knowledge and belief.

Susan M. Lardino

Lori A. Adney  
Field Examiners

Subscribed and sworn to before me this 30<sup>th</sup> day of May, 2013.

Iris D. Kanavos  
Notary Public

My Commission Expires: 2-27-2020

County of Residence:   Lake  

