

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

**SPECIAL INVESTIGATION REPORT
OF**

**THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA**

July 1, 2012 to June 30, 2014



FILED
05/08/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Transmittal Letter	3
Special Investigation Result and Comment: Condition Records - High School Extra-Curricular Accounts	4-7
Exit Conference.....	8

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Corporation Treasurer	Sandra Cain	07-01-12 to 06-30-15
Superintendent of Schools	Dan Dehaven Thomas L. Crippliver	07-01-12 to 06-30-14 07-01-14 to 06-30-15
President of the School Board	Larry L. Biggs James Vanderlin Greg Tenorio	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15
Principal of Thomas A. Edison Jr./Sr. High School	Bruce Bush	07-01-12 to 06-30-15
Extra-Curricular Treasurer of Thomas A. Edison Jr./Sr. High School	Bonnie Sykes Tammy Whisenant	07-01-12 to 06-30-14 07-01-14 to 06-30-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF LAKE STATION COMMUNITY SCHOOLS

We have performed compliance procedures on the receipts and collections (financial records) of the Extra-Curricular Treasurer and sponsors of Thomas A. Edison Jr./Sr. High School for the period from July 1, 2012 to June 30, 2013, and July 1, 2013 to June 30, 2014.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Special Investigation Result and Comment contained herein describe the identified reportable instances of noncompliance found as a result of the procedures applied to the specific records as identified above.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 13, 2015

THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULT AND COMMENT

CONDITION OF RECORDS - JR./SR. HIGH SCHOOL EXTRA-CURRICULAR ACCOUNTS

The Jr./Sr. High School has various programs and clubs that are managed by sponsors, which are usually teachers. The sponsors are responsible for the activities and fundraising associated with their club or program. According to a policy established by the administration, each sponsor was to maintain a complete record of the club's or program's financial activity and submit all money collected to the Extra-Curricular Treasurer to be deposited into the bank and recorded in the Extra-Curricular Accounts.

The sponsor was to issue receipts from a prescribe form for any money that was received. If a student event was held, such as a dance, concert, or athletic event, then the sponsor was to issue pre-numbered tickets, and prepare a Ticket Sales Report (SA-4). The receipts, tickets, and ticket sale reports were to be maintained and available upon request for any subsequent audit or examination. In addition, the sponsor was to complete a Summary Collection Form (SA-8) that provided the information on the amount of cash and checks collected, what fund or organization the money was to be deposited into, purpose of the collection, and sponsor name. The SA-8 and collections was to be remitted to the Extra-Curricular Treasurer so the money could be posted to the correct fund and deposited in the bank.

Receipt Deficiencies - Sponsors

1. Not all receipts issued were prescribed by the Indiana State Board of Accounts. Generic duplicate receipts were purchased from an office supply vendor and were used by the sponsors for collections.
2. Receipts were not always issued by the sponsors for money collected; as a result, we were unable to determine if all collections were properly remitted to the Extra-Curricular Treasurer.
3. Some sponsors disposed of the handwritten receipts they issued for the 2012-2013 and 2013-2014 school year, as a result, we were unable to determine if all money collected had been remitted to the Extra-Curricular Treasurer.
4. Receipts issued did not provide sufficient information to adequately determine the source of collections. Due to the lack of detailed sources, we were unable to determine if all funds collected were remitted to the Extra-Curricular Treasurer.
5. Receipts issued by some of the sponsors did not designate whether the collections were in cash or check; therefore, we were unable to determine if monies were deposited in the same form in which they were received.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The receipt, to be properly issued, shall show the date, the name of the person from whom the money was received, the payment type, the activity fund for which it was received, the amount and the source of the receipt. The receipt form must be signed by the treasurer of the extra-curricular account or collecting authority. The cash receipts collected by and for the benefit of any activity fund should be in charge of some designated official or sponsor of the activity, until turned over to the treasurer of the extra-curricular account. Posting to the control account and the activity funds will be made from the duplicate receipts (Register of Receipts) in the same manner as previously outlined for the posting of checks. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULT AND COMMENT
(Continued)

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 Extra-Curricular Accounts, Chapter 9)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Summary Collections Form (SA-8) Deficiencies

The sponsors routinely commingled the source of collections on the Summary of Collection (SA-8) forms (i.e., collections for shirts and cookie dough sales).

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extra-curricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Timely Submission

Some sponsors did not remit collections timely to the Extra-Curricular Treasurer. Therefore, they were not deposited in a timely fashion. Some of the collections were remitted up to three months after being collected by the sponsor.

Indiana Code 20-41-1-9(a) states in part: "The receipts shall be deposited without unreasonable delay."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Inventories and Ticket Sales

1. Controls over concessions were not adequate to determine if all collections were remitted to the Extra-Curricular Treasurer. Concession inventories and reconciliations to purchases and sales were not performed.
2. Gym uniforms are sold and maintained by the gym teacher. The gym teacher indicated that an inventory of uniforms was taken at the beginning and end of the each school year to determine the number of uniforms to order for the next school year. The inventories were not maintained for examination; as a result, we could not verify that all collections were remitted to the Extra-Curricular Treasurer.

THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULT AND COMMENT
(Continued)

3. Prenumbered tickets were not issued for the Homecoming Dance. As a result, we could not verify the number of students who attended and paid or verify that all the money collected for the Homecoming Dance had been remitted to the Extra-Curricular Treasurer.

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. Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Disbursements

1. Some sponsors used the cash collections to make purchases for supplies, beverages, or to pay for other expenses such as security, prior to remitting them to the Extra-Curricular Treasurer. As a result, the sponsor bypassed the accounts payable/claims and check processes used to disburse extra-curricular funds.
2. A photographers "sitting fee" is included in the textbook rental for each member of the senior class and recorded in the Yearbook account in the Extra-Curricular records. Documentation was not provided that the School Board approved the fee or if there was a contract for this service.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The Purchase Order and Accounts Payable Voucher (SA-1) is to be used when a purchase is made for delivery at a later date. The form is to be executed in full and signed by the person authorized to purchase for the particular activity concerned. Before the activity is permitted to use the Purchase Order and Accounts Payable Voucher (SA-1), the extra-curricular account treasurer must determine if there is sufficient balance in the fund of the activity to make payment upon receipt of the merchandise. The treasurer is required to certify as to the unobligated balance. The sponsor must also know that approval for the purchase has been given by the membership of the activity, as applicable, except in the case of athletic, school lunch, and textbook rental purchases. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Claim for Payment (SA-7) shall be used for claiming payment by anyone in situations where purchase orders are not used; for example, purchases from delivery salesmen, services of officials at athletic events, etc.

THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULT AND COMMENT
(Continued)

Signatures are required by the person authorized to purchase and the person acknowledging the receipt of the good or services. Additionally, the extra-curricular treasurer is to sign the required certification on the form SA-7. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

The Check and Register of Checks (SA-2) form is to be prenumbered and printed in duplicate, three checks to the page if checkbook bound and five checks to the page if printed loose-leaf. If loose-leaf, the duplicate shall be contained in a post binder as a permanent record. The check form shall be used to make disbursements for any activity whether such disbursement is for accounts payable or direct purchases. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 9)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Educational Fees

Money was collected for activities that are not considered Extra-Curricular in nature but are part of the educational curriculum. The Physical Education Teacher collected money for bowling, skating, and gym uniforms that is part of the Physical Education Class. Such fees should have been collected with textbook rental and remitted to the School Corporation General fund. The Physical Education Teacher charges in excess of the cost of the bowling, skating, and gym uniforms. Additionally, the School Board has not approved the fees charged for bowling, skating, and gym uniforms. The Physical Education Teacher also holds fund-raisers to accumulate funds to purchase equipment and supplies. These purchases are educational curriculum expenses and should have been accounted for in the School Corporation records.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, provides 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." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

THOMAS A. EDISON JR./SR. HIGH SCHOOL
LAKE STATION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2015, with Sandra Cain, Corporation Treasurer; Thomas L. Crippliver, Superintendent of Schools; Thomas P. Corey, Assistant Superintendent of Schools; Greg Tenorio, President of the School Board; Bruce Bush, Principal of Thomas A. Edison Jr./Sr. High School; and Tammy Whisenant, Extra-Curricular Treasurer of Thomas A. Edison Jr./Sr. High School.