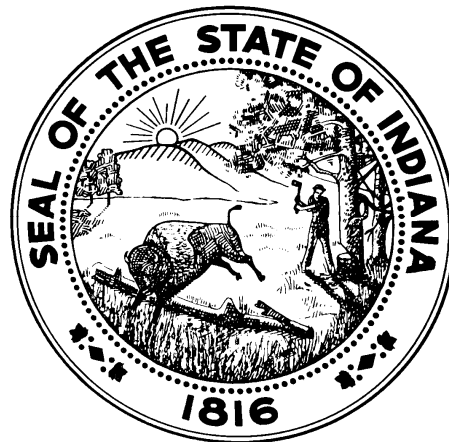


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

BURRIS LABORATORY SCHOOL
EXTRA-CURRICULAR ACCOUNT
BALL STATE UNIVERSITY
DELAWARE COUNTY, INDIANA

July 1, 2002 to September 15, 2008



FILED

04/17/2009

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Coordinator	Nancy Jones Dorothy Marvell	07-01-02 to 09-15-08 10-27-08 to 06-30-09
Principal	Donna Biggs Dr. Jay McGee	07-01-02 to 06-30-04 07-01-04 to 06-30-09
President of University	Dr. Blaine A. Brownell Dr. Beverley J. Pitts Dr. Jo Ann Gora	07-01-02 to 01-31-04 02-01-04 to 08-08-04 08-09-04 to 06-30-09
President of the Board	Thomas L. DeWeese	07-01-02 to 06-30-09



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TO: THE OFFICIALS OF THE BURRIS LABORATORY SCHOOL, DELAWARE COUNTY

We have examined the records of the Burris Laboratory School for the period from July 1, 2002 to September 15, 2008, 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 Examination Results and Comments. The financial transactions of this office are reflected in the Annual Report of Ball State University.

STATE BOARD OF ACCOUNTS

February 12, 2009

BURRIS LABORATORY SCHOOL
EXTRA-CURRICULAR ACCOUNT
BALL STATE UNIVERSITY
EXAMINATION RESULTS AND COMMENTS

COLLECTIONS NOT DEPOSITED

Nancy Jones, former Financial Coordinator, failed to deposit all collections received.

1. Textbook and Other Fees Not Deposited

Textbook and other fees collected were stored in an unlocked cabinet. Fees charged to and collected from students were accounted for using the fees system in the Power School Student Information System (Power School). Delinquent textbook fees at the end of the fiscal year were not automatically carried forward to the next fiscal year. Form TBR-2, Official Receipt - Individual Textbook Rental List, was not in use. Although several individuals collected fees at the beginning of the school year, the former Financial Coordinator was responsible for entering collections into Power School, creating Cash Receipts Vouchers (Form B-113), and remitting the Cash Receipts Vouchers with the collections to the Office of Bursar and Loan Administration at Ball State University (Bursar Office) for deposit. The former Financial Coordinator collected the fees after registration. The receipt entries posted to Power School were traced to individual Cash Receipts Vouchers. Also, individual checks supporting the Cash Receipts Vouchers were traced to Power School entries. Ball State University retains copies of all checks deposited as well as Cash Receipts Vouchers. Properly recording all receipts would have increased the total record balance of Burris Laboratory School by the amounts noted below. The following schedule details total fees collected, receipts remitted for deposit and collections received and not remitted according to the entries in Power School:

<u>School Year</u>	<u>Fees Collected (Power School)</u>	<u>Receipts Remitted to Bursar</u>	<u>Amount Not Remitted to Bursar</u>
2005-2006	\$ 66,348.02	\$ 60,209.18	\$ 6,138.84
2006-2007	67,494.51	61,056.39	6,438.12
2007-2008	70,534.65	64,166.90	6,367.75
2008-2009	<u>64,165.20</u>	<u>61,039.20</u>	<u>3,126.00</u>
Totals	<u>\$ 268,542.38</u>	<u>\$ 246,471.67</u>	<u>\$ 22,070.71</u>

2. Athletic Collections Not Deposited

The Athletic Director maintained ledgers noting receipts for athletic collections, completed and signed deposit worksheets and submitted the deposit worksheets with collections to the former Financial Coordinator. Deposit worksheets were completed for all fiscal years; however, deposit worksheets were not presented for examination prior to the fiscal year 2006-2007. Deposit worksheets were completed and signed by the Athletic Director which documented the date of the event, the type of event, the funds to be posted, cash amount collected, a detailed listing of checks collected. Signatures of the sponsors and the financial coordinator were to be obtained. The former Financial Coordinator did not sign any of the deposit worksheets reviewed. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. A comparison was made

BURRIS LABORATORY SCHOOL
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BALL STATE UNIVERSITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

between the check and cash amounts on the Athletic Department deposit worksheets and entries in the Athletic Director's ledger to the check and cash amounts on the Cash Receipts Vouchers. Variances were investigated by reviewing checks deposited with the Bursar Office that supported the Cash Receipts Vouchers. Ball State University retains copies of all checks deposited. Checks that were received from other sources were included on the Cash Receipts Vouchers in order to make the total deposit amount correct. Additionally, cash as shown on the Athletic Department deposit worksheets was not remitted to the Bursar Office for deposit in other instances. All Cash Receipts Vouchers were traced to the postings for the Burris Athletics Fund. We noted twenty-one instances where checks were included on the Cash Receipts Vouchers in place of cash and cash was missing from athletic collections that were remitted for deposit to the former Financial Coordinator. There were two entries on the Athletic Director's ledger totaling \$5,727 for the month of November 2003; however, the former Financial Coordinator only remitted \$4,182 to the Bursar Office for deposit in December 2003, resulting in a difference of \$1,545 shown below. Properly recording all receipts would have increased the total record balance of Burris Laboratory School by the amounts noted below. The following schedule details by fiscal year the cash and check amounts of the deposit worksheets, the cash and check amounts of the Cash Receipts Vouchers and the amount of cash and checks not properly remitted for deposit for athletic collections:

School Year	Deposit Worksheets/ Athletic Director's Ledger		Cash Receipts Vouchers		Amount Not Remitted to Bursar
	Cash	Checks	Cash	Checks	
2002-2003	\$ 2,540.00	\$ 2,461.10	\$ 446.00	\$ 4,555.10	\$ 2,094.00
2003-2004	2,800.00	2,116.90	2,102.50	2,814.40	697.50
2003-2004	-	-	-	-	1,545.00 *
2004-2005	1,760.00	5,050.98	-	5,050.98	1,760.00
2006-2007	2,910.00	2,897.00	36.00	5,771.00	2,874.00
2007-2008	3,163.00	3,493.00	540.00	3,493.00	2,623.00
Total					<u>\$ 11,593.50</u>

*See comment above

3. Driver Education Fees Not Deposited

The Athletic Director, who also provides driver education instruction, maintained ledgers noting collections for the driver education program, completed and signed deposit worksheets, and submitted the deposit worksheets with collections to the former Financial Coordinator. Deposit worksheets were reviewed for fiscal years 2005-2006, 2006-2007, 2007-2008, and 2008-2009. Deposit worksheets, completed by the Athletic Director, documented the date of the event, the type of event, the funds to be posted, cash amount collected, and a detailed listing of checks collected. Signatures of the sponsors and the Financial Coordinator were to be obtained. The former Financial Coordinator did not sign any of the deposit worksheets reviewed. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. A comparison was made between the

BURRIS LABORATORY SCHOOL
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(Continued)

cash and check amounts as noted on the deposit worksheets and entries in the Athletic Director's Driver Education ledger to the cash and check amounts as noted on the Cash Receipts Vouchers. All Cash Receipts Vouchers were traced to the Burris Driver Education Fund. We found evidence in six instances that cash was missing from driver education fees collected that were remitted for deposit.

We multiplied the number of students by the driver education rate and compared the amount to actual receipts posted to the Burris Driver Education Fund. We were required to add the missing cash amounts to actual receipts in order to reconcile estimated revenue to actual receipts. Properly recording all receipts would have increased the total record balance of Burris Laboratory School by the amounts noted below. The following schedule details by fiscal year driver education fees to be collected, collections according to the deposit worksheets and cash that was received and not properly remitted for deposit:

<u>School Year</u>	<u>Amount to be Collected</u>	<u>Deposit Worksheet Amounts</u>	<u>Cash Not Remitted to Bursar</u>
2005-2006	\$ 14,000.00	\$ 13,650.00	\$ 350.00
2006-2007	13,110.00	11,885.00	1,225.00
2007-2008	16,400.00	15,350.00	1,050.00
2008-2009	<u>10,580.00</u>	<u>9,880.00</u>	<u>700.00</u>
Totals	<u>\$ 54,090.00</u>	<u>\$ 50,765.00</u>	<u>\$ 3,325.00</u>

4. Miscellaneous Collections - Checks

Various other School program sponsors (excluding the Athletic Director) completed and signed deposit worksheets and submitted the deposit worksheets with collections to the former Financial Coordinator. Deposit worksheets completed by the sponsors were obtained from the files of the former Financial Coordinator and were reviewed for fiscal years 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, and 2008-2009. The deposit worksheets, completed by sponsors, documented the date of the event, the type of event, the funds to be posted, cash amount collected, and a detailed listing of checks collected. Signatures of the sponsors and the Financial Coordinator were to be obtained. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. A comparison was made between the cash and check amounts as noted on the deposit worksheets to the cash and check amounts as noted on the Cash Receipts Vouchers. Variances were investigated by reviewing checks deposited with the Bursar Office that supported the Cash Receipts Vouchers. Ball State University retains copies of all checks deposited. Checks that were received from other sources were used in place of the cash remitted in order to make the total deposit amount correct. We noted nineteen instances where checks were deposited in lieu of cash. Properly recording all receipts would have increased the total record balance of Burris Laboratory School by the amounts noted below. The following schedule details by

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fiscal year in which variances were noted, the cash and checks according to deposit worksheets, the cash and checks according to Cash Receipts Vouchers and the use of checks for cash for sponsor (excluding the Athletic Director) collections. Some of the checks used to replace cash were included in the textbook and other fees amount not deposited as noted in Number 1 above, textbook and other fees not deposited and are not included in the "Amount Not Remitted to Bursar" in the schedule below.

School Year	Deposit Worksheets		Cash Receipts Vouchers		Amount Not Remitted to Bursar
	Cash	Checks	Cash	Checks	
2002-2003	\$ 2,193.00	\$ 3,318.00	\$ 33.00	\$ 5,188.45	\$ 1,870.45
2005-2006	855.50	3,123.50	469.50	3,511.35	387.85
2006-2007	2,680.50	2,570.00	643.00	4,626.50	1,952.50
Total					<u>\$ 4,210.80</u>

5. Miscellaneous Collections - Cash

Various sponsors completed and signed deposit worksheets and submitted the deposit worksheets with collections for miscellaneous other items not otherwise listed herein to the former Financial Coordinator. Deposit worksheets completed by the sponsors were obtained from the files of the former Financial Coordinator and were reviewed for fiscal years 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, and 2008-2009. Deposit worksheets were completed by sponsors who documented the date of the event, the type of event, the funds to be posted, cash amount collected, and a detailed listing of checks collected. Signatures of the sponsors and the financial coordinator were to be obtained. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. A comparison was made between the cash and check amounts as noted on the deposit worksheets to the cash and check amounts noted on the Cash Receipts Vouchers. We noted eleven instances where the cash amount noted on the deposit worksheets was not properly remitted to the Bursar Office for deposit. Properly recording all receipts would have increased the total record balance of Burriss Laboratory School by the amounts noted below. The following schedule details by fiscal year the cash and checks according to the deposit worksheets, the cash and checks according to the Cash Receipts Vouchers and cash not remitted for deposit for sponsor collections:

BURRIS LABORATORY SCHOOL
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BALL STATE UNIVERSITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

School Year	Deposit Worksheets		Cash Receipts Vouchers		Amount Not Remitted to Bursar
	Cash	Checks	Cash	Checks	
2003-2004	\$ 947.00	\$ 1,226.00	\$ -	\$ 1,226.00	\$ 947.00
2005-2006	1,000.00	3,921.00	-	3,921.00	1,000.00
2006-2007	60.00	2,330.00	-	2,330.00	60.00
2007-2008	2,621.05	1,015.00*	320.00	1,065.00*	2,301.05
Total					\$ 4,308.05

*\$50 difference due to a \$50 textbook check already considered in item 1, textbook and other fees not deposited.

6. Book Fair Collections Not Deposited

The Book Fair occurs twice per year. The sponsor would retain all collections and make one remittance to the former Financial Coordinator. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. The event is designed to enable the School to receive books in exchange for the volume of sales generated and earns no profit. All proceeds collected are to be remitted to the vendor and the transactions are to be reflected in the Burris Library Fund. The former Financial Coordinator would prepare purchase orders, enter the purchase orders into the accounting system, designate the fund to be charged, approve disbursements, etc. The vendor requires a financial report to be completed which notes total sales, sales tax collected, profit options, amount due the vendor, etc. The report is completed by the sponsor. Many documents were obtained from the files of the former Financial Coordinator including worksheets that she had prepared which detailed collections received for the events occurring in May 2003, November 2003, October 2004, and May 2005. These worksheets indicated cash was received. The financial report filed with the vendor was on hand for all events except for May 2004. Collections from the September 2007 event were originally counted by a Burris Supervisor rather than the former Financial Coordinator. These collections consisted of cash and checks and were properly posted to the Burris Library Fund. All events (except for September 2007) only included checks in the deposit and were posted to the Burris Extra-Curricular Fund which generally has a much larger cash balance than the Burris Library Fund. Properly recording all receipts would have increased the total record balance of Burris Laboratory School by the amounts noted below. The collections remitted for deposit for the May 2003 event consisted of a cashier's check, dated January 19, 1999, in the amount of \$315.00. A review of eleven Book Fair events occurring from May 2003 to April 2008 indicated deposits were less than the amount disbursed to the vendor. The following schedule details by fiscal year the amount collected, the amount deposited and the difference between the amount collected and the amount deposited for the Book Fair events:

BURRIS LABORATORY SCHOOL
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(Continued)

School Year	Amount Collected	Amount Deposited	Amount Not Remitted to Bursar
2002-2003	\$ 1,906.89	\$ 315.00	\$ 1,591.89
2003-2004	4,005.03	790.76	3,214.27
2004-2005	3,246.32	1,224.24	2,022.08
2005-2006	4,241.16	1,508.72	2,732.44
2006-2007	5,255.52	2,700.15	2,555.37
2007-2008	2,719.08	811.27	1,907.81
Totals	<u>\$ 21,374.00</u>	<u>\$ 7,350.14</u>	<u>\$ 14,023.86</u>

7. Improper Postings Not Collected

A review was made of checks submitted by the former Financial Coordinator that support individual Cash Receipts Vouchers other than those listed in numbers 1-6 above. The former Financial Coordinator was responsible for creating Cash Receipts Vouchers and remitting the Cash Receipts Vouchers with the collections to the Bursar Office for deposit. A comparison was made of the source noted on the Cash Receipts Voucher to the memo entries noted on the checks submitted supporting that Cash Receipts Voucher. We found evidence in forty-eight instances that checks were clearly posted to incorrect funds which resulted in inflated cash balances for some funds using sources meant for other purposes. Properly recording all receipts would have increased the total record balance of Burriss Laboratory School by the amounts noted below.

School Year	Amount Not Remitted to Bursar
2002-2003	\$ 624.00
2003-2004	2,682.78
2004-2005	1,099.00
2005-2006	494.80
2006-2007	781.18
2007-2008	275.00
Total	<u>\$ 5,956.76</u>

The former Financial Coordinator had performed the bookkeeping functions for the School for approximately eighteen years. Another staff member would at times remit the Cash Receipts Voucher and the collections to the Bursar Office, but the Cash Receipts Voucher was prepared by Nancy Jones, former Financial Coordinator, in all but a few isolated instances. The Bursar Office would remit at a later time to the former Financial Coordinator a receipt supporting the deposit made in all instances. The former Financial Coordinator never reported any discrepancies between the amounts noted on the receipts obtained by the Bursar Office and her records.

BURRIS LABORATORY SCHOOL
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Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance 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)

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)

Nancy Jones, former Financial Coordinator, was requested to repay all the above listed items, \$65,488.68. (See Summary, page 19)

INTERNAL CONTROLS

A Cash Handling Policy was approved by Ball State University Controller and Business Services on October 15, 2007. The School did not follow the Cash Handling Policy. Violations are scheduled by position below:

A. Staff Members/Faculty: (1) Deposit worksheets were not completed for all collections. (2) Receipts were not issued as required by the cash handling policy. (3) Deposit policies were not followed. (Cash in excess of \$50 was to be prepared for deposit and given to the financial coordinator by the next business day. Cash totaling less than \$50 was not to be held for more than three school days.) (4) Collections were left unsecured.

B. Former Financial Coordinator: (1) Receipts were not issued to students, parents or staff members as required by the Cash Handling Policy. (2) No log was maintained of deposits received and made. (3) No reconciliation was made between the former Financial Coordinator's records to the accounting system of the University. Records noting receipts and disbursements by fund were not maintained. (4) Deposit policies were not followed. (Cash in excess of \$50 was to be prepared for deposit and given to the financial coordinator by the next business day. Cash totaling less than \$50 was not to be held for more than 3 school days.) (5) Collections were left unsecured. (6) The deposit worksheets were not signed by the former Financial Coordinator. (7) The former Financial Coordinator did not attach the receipt issued by the Bursar Office to all deposit worksheets. Many deposit worksheets were missing from the former Financial Coordinator's files.

C. Athletic Director: (1) Receipts were not issued as required by the Cash Handling Policy. (2) Deposit policies were not followed. (Cash in excess of \$50 was to be prepared for deposit and given to the financial coordinator by the next business day. Cash totaling less than \$50 was not to be held for more than three school days.)

D. Office Supervisor, Principal, and/or Assistant Principal: No periodic reviews were made of the former Financial Coordinator's records. A periodic review of the log of deposits was not made. There was no oversight over the receipt and disbursement transactions handled by the former Financial Coordinator. Deposits prepared solely by the Financial Coordinator were to be subject to surprise reviews by management. However, no information was presented for examination documenting any surprise reviews.

BURRIS LABORATORY SCHOOL
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The Cash Handling Policy states the following: (1) Receipts will not be issued for checks or money orders unless specifically requested. (2) The Financial Coordinator is only required to issue a receipt to a student and/or parent for currency received if over \$50. (3) Receipts are not required to be issued for checks or currency less than \$50. (4) The policy does not address maintaining records on the disbursement of funds.

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)

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)

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 Extra-Curricular Accounts, Chapter 7)

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. A deposit dated October 3, 2008, contained checks dated from May 2008. We had difficulties determining in most instances when funds were received by the former Financial Coordinator and the sponsors since receipts were not issued.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

UNAUTHORIZED PURCHASES AND ACCEPTANCE OF
TELEVISIONS FROM VENDOR FOR PERSONAL USE

Purchases were made from American Digital Solutions, Inc., in the amount of \$8,651.78 as detailed below:

<u>Invoice Date</u>	<u>Amount</u>
February 2005	\$ 139.00
July 2005	437.20
March 2007	480.95
March 2007	480.96
March 2007	1,187.85
March 2007	1,187.85
June 2007	<u>4,737.97</u>
Total	<u>\$ 8,651.78</u>

BURRIS LABORATORY SCHOOL
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The first four purchases scheduled were paid by credit card. The statement dated July 2005 contained a signature of the Principal which indicated payment was to be made by credit card. An interview performed by the Indiana State Police with the Principal indicated that the Principal did not sign the July 2005 statement.

The former Financial Coordinator approved credit card purchases. The cardholder, who is the Principal, was required to log on to the credit card vendor's website and note approvals. The Principal or Burris Supervisor did not approve all purchases including office supplies and other small purchases. The former Financial Coordinator approved purchase orders using her Supervisor's log on and password. The University's purchasing system would allow purchase orders to be entered after goods or services were received.

An investigative report prepared by the Ball State University Police Department indicated American Digital Solutions, Inc., sent the former Financial Coordinator a 13" television in early 2007 according to an interview with Nancy Jones, former Financial Coordinator. Nancy Jones gave the television to the Burris Supervisor in 2007. The Burris Supervisor indicated the television was only used a few times before malfunctioning and then discarded. The investigative report noted that the Burris Supervisor was not aware that the television had been sent by the vendor.

An interview conducted by the Ball State University Police Department with the Burris Supervisor, indicated that in May 2008 or June 2008, the vendor contacted the School requesting payment of an outstanding invoice for printer cartridges due from orders placed in previous months in the amount of \$11,037.81. The former Financial Coordinator was not available so the call was forwarded to a Burris Supervisor. The Burris Supervisor had no knowledge of the outstanding invoice and inquired with the former Financial Coordinator. The former Financial Coordinator stated she would address the problem. On August 29, 2008, a different employee of American Digital Solutions, Inc., contacted the School and the call again was forwarded to the Burris Supervisor. The employee stated that if the former Financial Coordinator was not going to keep the cartridges they sold her, then they wanted the second television that was shipped to her home returned. Documents reviewed indicated the television was shipped to the home address of the former Financial Coordinator on August 30, 2007. An interview conducted by the Ball State University Police Department with the former Financial Coordinator, revealed that the printer cartridges, which had not been paid for, and the second television received were returned to the vendor. A shipping charge of \$109.45 was paid by Ball State University for the return of the printer cartridges.

The Ball State University Purchasing Code of Ethics states in part: "Decline personal gifts or gratuities."

The Ball State University Police Department determined that the President of American Digital Solutions, Inc., had also been the President of Modern Concept Marketing, Inc. A news release dated May 3, 2001, from the Federal Trade Commission (FTC), stated in part: "Modern Concepts Marketing, Inc. has agreed to pay \$2,000,000 for consumer redress to settle federal charges that they operated a fraudulent toner-phoner business. The FTC alleged that the defendants' telephone sales presentations included promises that Modern's laser toner cartridges would have a much longer life than the products that the consumers were currently using. The defendants' telemarketers routinely represented that the laser cartridges were 'new' products. The defendants principally sold 'remanufactured' (that is, used and refilled) laser cartridges that did not provide longer life."

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IC 35-44-1-1 states in part:

"(a) A person who: . . .

- (2) being a public servant, solicits, accepts, or agrees to accept, either before or after the person becomes appointed, elected, or qualified, any property, except property the person is authorized by law to accept, with intent to control the performance of an act related to the person's employment or function as a public servant . . .

commits bribery, a Class C felony."

IC 35-41-1-24 states:

"'Public servant' defined Sec. 24. 'Public servant' means a person who:

- (1) is authorized to perform an official function on behalf of, and is paid by, a governmental entity;
- (2) is elected or appointed to office to discharge a public duty for a governmental entity;
or
- (3) with or without compensation, is appointed in writing by a public official to act in an advisory capacity to a governmental entity concerning a contract or purchase to be made by the entity.

The term does not include a person appointed by the governor to an honorary advisory or honorary military position."

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit. (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)

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 Extra-Curricular Accounts, Chapter 7)

Nancy Jones, former Financial Coordinator, was requested to repay shipping expenses incurred in the amount of \$109.45. (See Summary, page 19)

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INTEREST FUND

Interest earned on investments and bank accounts, donations from corporations and a parent teacher organization, various refunds, state grants, fees, book fair proceeds, etc., were receipted to the Interest Fund (Burris Extra-Curricular Fund).

IC 20-41-1-9 states:

"(a) The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times.

(b) . . . The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund. The interest earned from the investment may be used for any of the following:

- (1) A school purpose approved by the principal.
- (2) An extracurricular purpose approved by the principal."

PERSONAL EXPENSES

A payment of \$17.00 in September 2005 was made for a bath and body gift set. The invoice contained the name of the former Financial Coordinator.

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 Extra-Curricular Accounts, Chapter 7)

Nancy Jones, former Financial Coordinator, was requested to repay for the purchase of personal items of \$17.00. (See Summary, page 19)

ADDITIONAL COSTS – MISSING FUNDS

The State of Indiana incurred additional fees in the investigation of the missing funds.

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)

CRIME INSURANCE POLICY

Nancy Jones, former Financial Coordinator, was covered under an employee dishonesty policy in the amount of \$500,000 per year which was obtained by Ball State University.

BURRIS LABORATORY SCHOOL
EXTRA-CURRICULAR ACCOUNT
BALL STATE UNIVERSITY
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2009, with Nancy Jones, former Financial Coordinator.

The contents of this report were discussed on February 16, 2009, with Thomas J. Kinghorn, Vice President for Business Affairs and Treasurer; Thomas D. Roberts, Director of Auditing; Dr. Jay McGee, Principal; and Naomi McLaren, Burris Office Supervisor. The official response has been made a part of this report and may be found on pages 16 through 18.

VICE PRESIDENT FOR BUSINESS AFFAIRS
AND TREASURER

Muncie, Indiana 47306-0700
Phone: 765-285-1033

February 23, 2009

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765

Dear Mr. Hartman:

Attached is the Burriss Laboratory School response to the recent Indiana State Board of Accounts and Ball State University audits. The response clarifies that many changes have been implemented at Burriss to tighten control and security regarding how incoming cash and how spending from extracurricular accounts are managed. The actions listed have either been fully implemented or will be implemented by the end of this academic year. These actions provide for multi-layered supervision of accounts and will reduce the risk of errors or irregularities in the accounting of funds received at Burriss Laboratory School.

The great amount of time and effort contributed by the Indiana State Board of Accounts Field Examiner and the Ball State University Internal Auditing office, along with the Office Manager at Burriss Laboratory School, was invaluable in helping to define problem areas and revise and implement procedures/policies to improve internal practices at the school. We are confident that the enhancements will address any concerns that may have been present during the auditing process and that the continued refinement of these policies/procedures will result in no further concerns regarding financial practices at Burriss Laboratory School.

Sincerely,



Thomas J. Kinghorn

TJK:ljf

Attachment

**Burriss Laboratory School Response to the
Indiana State Board of Accounts Audit Report**

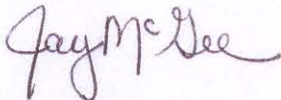
Burriss has implemented many changes in the school internal financial procedures as a result of information obtained from the audit process. These changes bring the school in-line with the Ball State University financial procedures and best business practices. Changes implemented include the following:

1. The Burriss Cash Handling Policy has been revised and all newly adopted policies and procedures are being followed. The new cash handling policy has been approved by BSU internal auditors and BSU financial officials.
2. The Burriss principal, office manager and financial coordinator have attended workshops on the BSU cash handling policy and on reading BSU account statements.
3. All teacher/sponsors wait for a receipt when depositing money and are given a copy of the CRV from the Bursar's office when funds are deposited. Students are no longer allowed to make transactions for clubs/classes.
4. Written instructions have been provided to all faculty and staff on the proper use of receipts. All receipts are in duplicate and are pre-numbered.
5. Teacher/Sponsors are required to write receipts for amounts over \$25.00 in classrooms.
6. Cash over the amount of \$50 must be turned in to the office within 24 hours. All cash must be turned in to the office within three days. Cash must be stored in a secured, locked area. Locked bags are available for teacher/sponsors to use for this purpose.
7. Receipts are issued in the office for any amount received. BSU adopted Receipt B-4 is being used for this purpose.
8. The school is using a summary collection form.
9. The school is using an accounts payable voucher.
10. Purchasing procedures were reviewed with all members of the department. Representatives from the BSU departments of purchasing and accounting presented information on placing orders, handling cash, issuing receipts and other procedures at a departmental faculty meeting.
11. Notices regarding new cash handling policies were included in parent newsletters. Parents have been notified that checks are the preferred method of payment.
12. Ticket sales for athletic events and other school events are closely monitored. Tickets to be sold are color coded and are issued by the school financial coordinator. The school is using an approved ticket sale form to track sales and receipts and all used and unused tickets are kept in the office.
13. The school is changing the fee schedule for 2009-2010. Fees will be approved by the BSU governing board and will be based on actual costs of classroom textbooks and supplies.

14. New fees are being established for Drivers Education classes. A written policy will be established regarding these fees. If included in this policy, any waiver, discount or payment schedule for fees will be approved by the school Principal.
15. The school will use a prescribed textbook rental receipt beginning in the Fall of 2009.
16. Dining Service deposits are transported in a locked bag.
17. Periodic unannounced counts are being performed on cash funds by the school Principal and Office Manager.
18. Periodic review of selected deposits takes place on a regular basis. These are reviewed for appropriateness of deposit.
19. Receipts/Summary Collection forms are reviewed on a regular basis to make certain none are missing.
20. Teacher/Sponsors are required to keep records of account transactions for review.
21. All accounts have been reviewed for July 2008 – January 2009 to check accuracy of balances and all transactions. Reviews have been completed by teacher/sponsor or office supervisor/administrative coordinator.
22. All accounts are now reviewed on a monthly basis with the teacher/sponsor for the account.
23. Student fees collected at the start of the school year will be deposited on a daily basis for the 2009-2010 school year with verifications of receipts and fee transactions in PowerSchool made by more than one person.
24. All account numbers and purposes have been reviewed with BSU internal auditing. Many changes were made in account numbers and types of accounts at the school bringing the school better in-line with state and BSU accounting practices.
25. The extra-curricular account 2-25050 is used only for interest income.
26. The school Financial Coordinator has no approval permissions on any financial system and does not have access to any approval passwords.
27. The school Principal or designee approves all purchases and payments.

We appreciate the opportunity to respond. The extensive work performed by both the State Board of Accounts Field Examiner and the Internal Auditing office at Ball State University is much appreciated. We believe that the changes made in the internal control structure at the Burris Laboratory School will reduce the risk that any errors or irregularities may occur in the future.

Sincerely,



Dr. Jay McGee
Principal and Chairperson of Burris Laboratory School
A Department of Ball State University

BURRIS LABORATORY SCHOOL
EXTRA-CURRICULAR ACCOUNT
BALL STATE UNIVERSITY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Nancy Jones, former Financial Coordinator:			
Collections Not Deposited, pages 4 through 10:			
Receipt Entries for Textbook and Other Fees	\$ 22,070.71	\$ -	\$ 22,070.71
Athletic Collections	11,593.50	-	11,593.50
Driver Education Collections	3,325.00	-	3,325.00
Sponsor Collections - Checks Substituted for Cash	4,210.80	-	4,210.80
Sponsor Collections - Cash Missing	4,308.05	-	4,308.05
Book Fair	14,023.86	-	14,023.86
Irregularities from Collections Posted	5,956.76	-	5,956.76
Unauthorized Purchases and Acceptance of			
Televisions From Vendor For Personal Use,			
pages 11 through 13:			
Acceptance of Televisions From Vendor for			
Personal Use, Shipping Costs Incurred	109.45	-	109.45
Personal Expenses, page 14:			
Personal Purchase Made	<u>17.00</u>	-	<u>17.00</u>
Totals	<u>\$ 65,615.13</u>	<u>\$ -</u>	<u>\$ 65,615.13</u>

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AFFIDAVIT

STATE OF INDIANA)
)
Delaware COUNTY)

I, Stephanie Heath , Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Burriss Laboratory School, Extra-Curricular Account, Ball State University, Delaware County, Indiana, for the period from July 1, 2002 to September 15, 2008, is true and correct to the best of my knowledge and belief.

Stephanie Heath
Field Examiner

Subscribed and sworn to before me this 7th day of April, 2009

Clare Burke
Notary Public

My Commission Expires: 11-9-09

County of Residence: Henry

Clare Burke
Notary Public, State of Indiana
Henry County
My Commission Exp. 11/09/2009