

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

SPECIAL INVESTIGATION REPORT  
OF

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
LAKE COUNTY, INDIANA

July 1, 2006 to December 31, 2008



**FILED**

08/19/2009



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### SCHOOL CORPORATION OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer of Kahler Middle School	Tracy Stutler	07-01-06 to 12-14-06
	Jill Dickerson	01-24-07 to 11-21-08
	Louise Diederich	12-01-08 to 02-05-09
	Linda Isailovich (Interim)	02-09-09 to 06-30-09
Principal of Kahler Middle School	Karen Brownell	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Janet Emerick	07-01-06 to 06-30-08
	Dr. Gerald Chabot	07-01-08 to 06-30-09
President of the School Board	Dr. John DeVries	01-01-06 to 12-31-06
	Howard Marshall	01-01-07 to 12-31-07
	Margaret Clark	01-01-08 to 12-31-08
	Dr. John DeVries	01-01-09 to 12-31-09
Director of Business Services	Dr. Thomas Dykeil	07-01-06 to 06-30-09
Corporation Treasurer	Cora Mollick	07-01-06 to 09-28-07
	Lorri Miskus	10-01-07 to 06-30-09



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TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited the records of the Kahler Middle School for the period from July 1, 2006 to December 31, 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 Audit Results and Comments.

STATE BOARD OF ACCOUNTS

March 17, 2009

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

School Officials became concerned that problems existed at Kahler Middle School when the current Extra-Curricular Treasurer took a leave of absence and an interim replacement discovered that bank reconciliations had not been performed since June of 2008.

An audit of receipts to deposits revealed several instances of receipts that were not deposited:

1. For each school year, the Textbook Rental receipts (TBR-2) were preprinted for all registered students. The preprinted TBR-2's serves as the receipt that is issued to the parents when paid. Randomly groups of the TBR-2 receipts are then entered into the computer system and posted to each student's account. Additionally, these groups of the TBR-2 receipts are posted to the extra-curricular ledger Textbook Rental fund by issuing an official receipt (SA-2). The collections are then deposited to the bank.

Three textbook rental receipts in the 2007-2008 school year were neither posted to the student's account nor deposited to the bank. These receipts are as follows:

Textbook Rental Receipt		
Date	Number	Amount
08-15-07	022667	\$ 150
08-17-07	022614	150
09-12-07	000257	150
2007-2008 Textbook Rental Receipts Not Deposited		\$ 450

Three receipt amounts in the 2008-2009 school year posted to student accounts and deposited was less than the amount collected as shown on the TBR-2 receipt. These amounts are as follows:

Textbook Rental Receipt		
Date	Number	Amount
08-13-08	039394	\$ 174
08-13-08	039725	176
08-13-08	039763	176
Total Textbook Rental		526
Total Receipted and Deposited		432
2008-2009 Textbook Rental Receipt Deposit Difference		\$ 94

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

When delinquent textbook rental notices were mailed in January of 2009, six parents provided copies of textbook rental receipts they were issued for the 2008-2009 school year. The receipts provided were marked paid. The amounts noted on the textbook rental receipts were not posted to the student accounts, nor receipted to the extra-curricular ledger, nor deposited. The amounts are as follows:

<u>Textbook Rental Receipt</u>		
<u>Date</u>	<u>Number</u>	<u>Amount</u>
08-12-08	39108	\$ 122
08-13-08	19409	174
08-13-08	19431	100
08-13-08	38952	122
08-14-08	39129	170
08-15-08	39205	<u>170</u>
2008-2009 Textbook Rental Receipts Not Deposited		<u>\$ 858</u>

2. Nonprescribed receipt books were issued to teachers and sponsors by the Extra-Curricular Treasurer in both the 2007-2008 and the 2008-2009 school years. The receipt books are used by teachers and extra-curricular sponsors to issue receipts to students/parents for fundraisers or field trip collections. A listing of the nonprescribed receipt numbers that make up the official receipt (Form SA-2) issued by the Extra-Curricular Treasurer was not provided for audit. All nonprescribed receipts provided were totaled and verified to the appropriate account in the extra-curricular ledger by the collection type.

The total nonprescribed receipts in the 2007-2008 school year for Memory Books and Publications were greater than the receipts issued by the Extra-Curricular Treasurers official receipts. Since all deposits were traced to the Treasurers official receipts, which have been traced to a deposit, the extra nonprescribed receipts were not deposited. The total amount not deposited for nonprescribed receipts is as follows:

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

MEMORY BOOKS			PUBLICATIONS		
Manual Receipt Range		Amount	Manual Receipt Range		Amount
Date	Number		Date	Number	
05-12-08 to 06-05-08	777005 to 777092	\$ 1,305	06-04-08 to 06-06-08	740375 to 740481	\$ 2,190
Official Extra-Curricular Receipts		Amount	Official Extra-Curricular Receipts		Amount
Date	Number		Date	Number	
05-19-08	035906	\$ 254	06-20-08	035943	\$ 1,835
05-19-08	035907	249			
05-19-08	035908	411			
06-20-08	035942	205			
Actual Receipts Posted and Deposited		1,119			
Total Manual Memory Book Receipts Not Deposited		\$ 186	Total Manual Publication Receipts Not Deposited		\$ 355

3. Kahler Middle School's Athletic Director kept a detailed income and expense ledger of all athletic events throughout each school year tracking the total ticket sales for all home games. Both the 2007-2008 school year and the 2008-2009 school year each had one athletic event that was neither receipted/posted nor deposited by the Treasurer. The ticket sale collections not receipted or deposited are as follows:

Athletic Event	Reported Collections
May 8, 2008, Track Meet	\$ 443
November 12, 2008, Wrestling Match	350
Total Athletic Events Not Receipted and Deposited	\$ 793

4. All official receipts were traced to a bank deposit for both the 2007-2008 school year and the 2008-2009 school year through December. The 2007-2008 school year receipts traced to a bank statement. Two receipts in the 2008-2009 school year were determined not deposited in full. These receipts are as follows:

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Official Receipt			Deposit	Difference
Date	Number	Amount		
09-17-08	36155	\$ 16,406	\$ 15,841	\$ 565
10-22-08	36156	422	-	<u>422</u>
Total Official Receipts Not Deposited				<u><u>\$ 987</u></u>

5. For all collections remitted to the Extra-Curricular Treasurer, an internally developed report of collections was completed. From the report of collections, the Treasurer would issue an official receipt, and then receipts issued by date were deposited together. Eight completed report of collections could not be traced to receipts or deposits. The completed report of collections is as follows:

Report of Collections Date	Amount
11-06-08	\$ 463.88
11-12-08	195.00
11-14-08	75.00
11-17-08	567.25
11-18-08	180.00
11-18-08	30.00
11-18-08	130.00
11-19-08	<u>1,935.00</u>

Total Report of Collections  
Not Received or Deposited \$ 3,576.13

6. The Extra-Curricular Treasurer took a leave of absence in the 2008-2009 school year as of November 21, 2008. After a few weeks, the Principal opened the safe and discovered unidentified cash. At that time, the Principal deposited the unidentified cash that was held without posting a receipt since what fund the collections should have been posted to could not be determined. The amount deposited is as follows:

Cash Deposited on 12-02-08 \$ (1,592.60)

We have requested that Jill Dickerson, Extra-Curricular Treasurer, reimburse Kahler Middle School \$5,706.53 for the receipts that were not deposited as follows:

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

2007-2008 Textbook Rental Receipts Not Deposited	\$ 450.00
2008-2009 Textbook Rental Receipt Deposit Difference	94.00
2008-2009 Textbook Rental Receipts Not Deposited	858.00
Manual Memory Book Receipts Not Deposited	186.00
Manual Publication Receipts Not Deposited	355.00
Total Athletic Events Not Receipted or Deposited	793.00
Total Official Receipts Not Deposited	987.00
Total Report of Collections Not Receipted or Deposited	3,576.13
Cash Deposited on 12-02-08	<u>(1,592.60)</u>
 Total Receipts Not Deposited (See summary, page 21)	 <u>\$ 5,706.53</u>

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)

PETTY CASH FUND

A cash count was performed of the petty cash fund on January 9, 2009. At that time, the cash balance was \$23.49 with no checks or receipts found for reimbursement. A receipt was obtained from Pizza Hut on February 24, 2009, of \$170.50 for pizza that was purchased for students with cash from the Petty Cash Fund by the Principal. This brought the petty cash balance up to \$193.99. According to the Lake Central Business Manager, Tom Dykiel, the petty cash should have a balance of \$500.

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.

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)

AUDIT COSTS - MISSING FUNDS

Additional audit costs were incurred due to receipts which were not deposited.

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)

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

CRIME POLICY

Lake Central School Corporation has Public Employees Name Bonds which cover their Extra-Curricular Treasurers. The bonds are with The Ohio Casualty Insurance Company and provide \$25,000 of coverage for each Treasurer, for each school year.

The Lake Central School Corporation also has a Fidelity Bond. The bonds are with The Smith Insurance Agency and provide \$25,000 of coverage.

BANK ACCOUNT RECONCILIATIONS

The last bank reconciliation performed as of December 2008 was for June of 2008. A review of the monthly bank reconciliations from June 2007 to January 2009 revealed the following deficiencies:

1. Checks totaling \$363.85 were issued with October 2007 dates but cleared the bank in September of 2007. These checks were included in the outstanding check list in September and were never removed.
2. A check for \$1,024 was issued in December of 2007 but never received by the vendor. A replacement check was sent out and cashed in December of 2007. The original lost check was never voided and has remained on the outstanding check list.
3. The funds have not been adjusted for nonsufficient fund (NSF) checks totaling \$1,178.50 dating back to July 2007.
4. The bank charges the School's account a monthly account analysis fee each time account information is requested. Account analysis fees totaling \$453.77 were not posted to the ledger dating back to April 2008.
5. There were instances that receipts were posted to the records as negative amounts totaling \$2,013.42.
6. Textbook rental receipts totaling \$987 were posted to the ledger but were not deposited in the bank.
7. An unidentified deposit totaling \$1,592.60 was not posted to the ledger.

We noted adjustments needed to be made to Kahler Middle School's ledger balance by the items above (No. 3 thru No. 5). Additionally, corrections were required to the errors to the outstanding check list at June 30, 2008, by the items listed above. After the adjustments and corrections were made, the bank balance was in excess of the ledger balance by \$605.60 which is comprised of the textbook rental receipts not deposited totaling \$987 (No. 6), and the deposit totaling \$1,592.60 not posted to the ledger (No. 7). These differences have been addressed in the Receipts Not Deposited audit result and comment.

IC 5-13-6-1(e) states in part: "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."

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

1. Record balances were not reconciled to depository balances.

IC 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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

3. Some transactions were recorded as "negative" receipts and disbursements.

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)

#### DEPOSITS NOT INTACT

Seventy-nine percent of the deposits composition in the 2007-2008 school year did not agree with the receipts designation. Seventy percent of the deposits composition for July through November 2008 did not agree with the receipts designation.

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

#### TEXTBOOK RENTAL RECEIPTS

We noted the following concerning controls over the accounting of textbook rental fees:

1. Textbook rental receipts were preprinted on prenumbered receipts. When payment's were received, the student's preprinted receipt was pulled and payment was noted on the receipt. Since receipts are not issued in numerical order, all textbook rental collections could not be accounted for.
2. When full payment is collected, the amount received, payment type, date, and issuing officer's initials are noted on the preprinted receipt. The top copy of the triplicate form is then provided to the payee.

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. When partial payments are collected, the amount received, payment type, date, issuing officer's initials, and remaining balance are noted on the preprinted receipt. A photo copy is then made of the preprinted receipt and given to the payee. All copies of the preprinted receipt are then held to receipt the remaining payments. Upon the final payment the payee will then receive the top copy of the triplicate form.

The original copy of Form TBR-2 shall be given to the student if the student pays the fee, which copy serves as a receipt for the rental fees collected from the student. When book lists are used in lieu of itemization on the form, a copy of the appropriate list shall be attached to the student's copy and one copy shall be retained for audit. A TBR-2 should be issued each time a payment is received. TBR-2 forms should not be issued prior to payments being made by parents or students. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

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)

#### PURCHASE ORDER FORMS

The Purchase Order Accounts Payable Voucher (SA-1) was in use at Kahler Middle School; however, it was not properly completed in 94% of the vouchers that were examined. The signature of the person authorized for the purchase was missing.

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)

#### APPROVAL OF FORMS

Kahler Middle School was not using the State Board of Accounts prescribed Summary Collections Forms (SA-8), or Accountable Items Review forms (SA-9). The lack of use of these forms caused difficulties to identify what certain receipts were for, and to verify that items purchased were accounted for. The Accountable Items Review form tracks the inventory purchased and receipts collected to verify that with the inventory on hand they are not taking a loss with their sales. The bookstore appeared to have a loss in the 2007-2008 school year because the inventory on hand at the end of the school year was unknown.

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)

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS

Books of nonprescribed receipt forms are being used at Kahler Middle School. The Extra-Curricular Treasurer passed out books of the nonprescribed receipt forms for use by teachers and sponsors of extra-curricular events. They are to be used when collecting money from students/parents so a receipt is given at the time of collection. The person collecting that money is then to complete a report of collections and turn that over to the treasurer along with the collections. The nonprescribed receipt numbers issued for each report of collections were not recorded or tracked. We could not determine how many of the books of unapproved receipt forms were purchased. The receipt book when completed is turned back in to the Treasurer. No log of these receipt books was found.

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.

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)

TICKET SALES

Kahler Middle School's ticket sales were receipted up to 12 days after the event. A similar comment appeared in the prior report.

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

OLD OUTSTANDING CHECKS

The bank reconcilements as of June 30, 2008, included checks outstanding in excess of two years. A similar comment appeared in the prior report.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 1, 2009, with Dr. John DeVries, President of the School Board; Dr. Gerald Chabot, Superintendent of Schools; Dr. Thomas Dykiel, Director of Business Services; Karen Brownell, Principal of Kahler Middle School; and Linda Isailovich, Interim Extra-Curricular Treasurer of Kahler Middle School. The official response has been made a part of this report and may be found on pages 14 through 18.

The contents of this report were sent by certified mail to Jill Dickerson, former Extra-Curricular Treasurer of Kahler Middle School. Her official response has been made a part of this report and may be found on pages 19 and 20.



# Lake Central

## School Corporation

8260 Wicker Avenue • St. John, IN 46373 • (219) 365-8507 • Fax (219) 365-6406 • www.lcsc.us

April 2, 2009

### BOARD OF SCHOOL TRUSTEES

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### SUPERINTENDENT

Gerald Chabot, Ph.D.

**RE: Lake Central Audit Results & Comments  
For Kahler Middle School July 1, 2006 to December 31, 2008**

Dear Mr. Hartman:

This is our official response to the summary audit plan on prior audit findings for Kahler Middle School audit period of July 1, 2006 to December 31, 2008.

### CABINET

Anthony Arini  
Director of Instruction

Mark Kellogg  
Director of  
Primary Education

Thomas Dykiel, Ed.D.  
Director of  
Business Services

Lawrence Veracco  
Director of Personnel

### Receipts Not Deposited-Textbook Rental Fund

In the 2007-08 school year, three textbook rental receipts were neither posted to the student's account nor deposited to the bank. In the 2008-09 school year, three receipt amounts posted to student accounts and deposited was less than the amount collected per the TBR-2 receipt. When delinquent textbook rental notices went out in January, 2009, six parents provided copies of textbook rental receipts they were issued for the 2008-09 school year. The amounts were not posted on the student accounts, nor receipted to the extra-curricular ledger, nor deposited.

**The bookkeeper has been instructed to follow State Board of Accounts requirement that all receipts are to be deposited in a timely manner. The bookkeeper has been instructed to make sure that all Textbook Rental payments have been posted to the proper student.**

The mission of the Lake Central School Corporation, as a family, community, and school partnership, is to ensure that each student becomes a self-directed learner and a contributing responsible citizen through an instructional delivery system that engages students in achieving their personal best.

### **Non-Prescribed Receipt Books**

Non-prescribed receipt books were issued to teachers and sponsors by the Extra-Curricular Treasurer in both the 2007-08 and 2008-09 school years. A listing of the non-prescribed receipt numbers that make up the official receipt issued by the Extra-Curricular Treasurer was not provided for audit.

**The former bookkeeper brought to the attention of the principal that money was missing from this fund. The former Superintendent and the Business Manager met with the principal, bookkeeper and the teacher/sponsor. The teacher/sponsor explained that at the end of the school year, she just left the memory books out for everyone to have without knowing if the parent paid for it or not. Due to the lack of internal controls, we removed the sponsor from this activity. Therefore, we feel that the \$186 shortage should not be charged to the bookkeeper. We have ordered the prescribed receipt books and will make sure that the Extra-Curricular Treasurer at Kahler Middle School uses them.**

### **Receipts Not Deposited-Athletic Fund**

Receipts from two (2) Athletic Events were not deposited into the Extra-Curricular Fund, one for each year.

**The bookkeeper has been instructed to follow State Board of Accounts requirement that all receipts are to be deposited in a timely manner.**

### **Receipts Not Deposited-Official Receipts**

All official receipts were traced to a bank deposit for both the 2007-08 school year and 2008-09 through December, 2009. All receipts in the 2007-08 school year traced back to a bank statement. In the 2008-09 school year, two (2) receipts were determined deposited in full, but short \$987.

**The bookkeeper has been instructed to follow State Board of Accounts requirement that all receipts are to be deposited in a timely manner and must be accurate.**

### **Collections Remitted to the Extra-Curricular**

For all collections remitted to the Extra-Curricular Treasurer, an internally developed report of collections was completed. From the report of collections, the Treasurer would issue an official receipt and then receipts issued by date were deposited together. Eight completed report of collections were untraceable to receipts or deposits.

**The bookkeeper has been instructed to make daily deposits and make sure that they are posted to the Extra-Curricular records.**

### **Unreceipted Cash**

In the 2008-0 school year, the Extra-Curricular Treasurer took a leave of absence as of November 21, 2008. After a few weeks, the Principal opened the safe and discovered unidentified cash. At that time, the Principal deposited the unidentified cash that was held without posting a receipt since it was unknown as to what fund the collections should have been posted to.

**Kahler Middle School was operating without a bookkeeper from November 21, 2008 until December 1, 2008 when we hired a temporary bookkeeper. The temporary bookkeeper was instructed to receipt this money into the Student Activities Fund since it was unknown as to what fund it should be deposited into.**

### **Petty Cash Fund**

A cash count was performed of the petty cash fund on January 9, 2009. At that time, the cash balance was \$23.49 with no checks or receipts found for reimbursement. A receipt was obtained from Pizza Hut on February 24, 2009 for \$170.50 for pizza that was purchased for students with cash from the petty cash fund by the Principal. This brought the petty cash balance up to \$193.99 out of \$500 starting balance for a shortage of \$306.01.

**Kahler Middle School has been informed that this is the second audit showing loss of Petty Cash Funds. Kahler Middle School and all Extra-Curricular accounts corporation wide will no longer have any Petty Cash Funds.**

### **Bank Account Reconciliations**

As of December, 2008, the last bank reconciliation done was for June of 2008. There were numerous deficiencies identified.

**The bookkeeper has been instructed to reconcile the bank statement on a monthly basis and corrections have been made to the various funds.**

### **Deposits Not Intact**

In the 2007-08 school year, 79% of the deposits composition did not agree with the receipt designation. For July through November, 2008, 70% of the deposit compositions did not agree with the receipt designation.

**The bookkeeper has been instructed to deposit the funds in the same form in which they were received.**

### **Textbook Rental Receipts**

We noted the following concerning controls over the receipting of textbook rental fees:

4. Textbook rental receipts for all schools were preprinted on prenumbered receipts. When payments were received, the student's preprinted receipt was pulled and payment was noted on the receipt. Since receipts are not issued in numerical order, all textbook rental collections could not be accounted for.
5. When full payment is collected, the amount received, payment type, date, and issuing officer's initials are noted on the preprinted receipt. The top copy of the triplicate form is then provided to the payee.
6. When partial payments are collected, the amount received, payment type, date, issuing officer's initials, and remaining balance are noted on the preprinted receipt. A photo copy is then made of the preprinted receipt and given to the payee. All copies of the preprinted receipt are then held to receipt the remaining payments. Upon the final payment the payee will then receive the top copy of the triplicate form.

The original copy of Form TBR-2 shall be given to the student if the student pays the fee, which copy serves as a receipt for the rental fees collected from the student. When book lists are used in lieu of itemization on the form, a copy of the appropriate list shall be attached to the student's copy and one copy shall be retained for audit. A TBR-2 should be issued each time a payment is received. TBR-2 forms should not be issued prior to payments being made by parents or students.

**Response: We will comply with this audit exception.**

### **Purchase Order Forms**

The Purchase Order Accounts Payable Voucher (SA-1) was in use at Kahler Middle School; however it was not properly completed in 94% of the vouchers that were tested. The signature of the person authorized for the purchase was missing.

**The bookkeeper has been instructed to make sure that the SA-1 has the proper signature before payment is made.**

### **Approval of Forms**

Kahler Middle School was not using the State Board of Accounts prescribed Summary Collections Form (SA-8), or Accountable Items Review Form (SA-9). The lack of use of these forms made it difficult to identify what certain receipts were for, and to verify that items purchased were accounted for. The Accountable Items Review form tracks the inventory purchased and receipts collected to verify that with the inventory on hand they are not taking a loss with their sales. The bookstore appeared to have a loss

in the 2007-08 school year because the inventory on hand at the end of the school year was unknown.

**The bookkeeper has been instructed at the end of the school year to perform an inventory in the bookstore.**

**Condition of Records**

Books of unapproved receipt forms are being used at Kahler Middle School. The Extra-Curricular Treasurer passed out books of the unapproved receipt forms for use by teachers and sponsors of extra-curricular events. They are to be used when collecting money from students/parents so a receipt is given at the time of collection. The unapproved receipt numbers issued for each report of collections were not recorded or tracked. It is unknown how many of the books of unapproved receipt forms were purchased. Once the book is completed, it is turned back in to the treasurer. No log of these receipt books was found.

**The bookkeeper has been instructed to use approved receipt only. We have ordered the approved receipt books for Kahler Middle School.**

**Ticket Sales**

Kahler Middle School's ticket sales were receipted up to 12 days after the event. A similar comment appeared in the prior report.

**The bookkeeper has been instructed to receipt and deposit on a daily basis.**

**Old Outstanding Checks**

The bank reconcilements as of June 30, 2008 included checks outstanding in excess of two years. A similar comment appeared in the prior audit.

**The bookkeeper has been instructed to remove all outstanding checks in excess of two years old.**

***The bookkeeper has been terminated from her position at Kahler Middle School as of March 25, 2009 and a new bookkeeper has been hired as of April 6, 2009.***

Sincerely,



Dr. Gerald Chabot  
Superintendent



Dr. Thomas J. Dykiel  
Business Manager



Lori Miskus  
Treasurer

Cc: file-sboapg-44-48

April 14, 2009

Mary Jo Small, C.P.A.  
Field Supervisor  
State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor Room E418  
Indianapolis, IN 46204-2765

Ms. Small:

I received your letter regarding the audit at Kahler Middle School. I read through the items listed and feel there are many inconsistencies with the items listed.

The first item in the letter was regarding Textbook Rental done in 2007. I am not sure what the issue was by what is listed but I entered the book rental myself with out training on how to do this. Textbook rental had never been entered into the RDS computer system at the Kahler School. I did have issues with it but did my best. I feel the errors found are a result of receipts entered either twice or for the wrong amount.

The second item listed was the same a difference of \$94.00 for the 2008/2009 school year. This is obviously just errors on my part when I entered them. You also listed that six parents came in with receipts showing they paid yet they were not entered in the system. All receipts that were brought in to my office were accounted for and entered in to the proper students account. I want to know who took these payments as there were three of us taking payments on registration. We all initialed our receipts. When the cash boxes were brought to my office after each session they were counted for accuracy and entered in the system. I had another employee working the registration sit in my office and help very each cash box so there were to be no errors. If there were these six individuals who brought in receipts showing they paid those receipts were never given to me at registration the cash boxes balanced after every session except on one instance one was off 20.00 and the employee working that cash box corrected it. Everything else was verified by me and the other employee and there were no errors.

I came across several problems with the Memory Book Receipts and money that was brought to me. I brought these issues to my Principal's attention and she handled it with the employee but restitution was never made for the errors. More Memory Books were sold then my office received money for two years in a row. The same teacher handled the Publications and Memory Books.

There is also two athletic events listed. A receipt was given for every deposit brought to my office. If these were supposedly brought to my office why wasn't I contacted by the athletic director and told he never received a receipt for verification of these deposits. These deposits were brought down to my office by all different ways even students would

be sent to the office with them on occasion. If I had been notified that a receipt was never received as they were for all deposits it could have been traced at that time. We had so many issues with the way the Athletic Department handled there cash box at one time the Principal and Assistant Principal went down to the Athletic Department safe and brought the cash box to me to be audited. At that time the cash box was counted with my principal present and it was discovered the there was a couple hundred more dollars in the cash box then their issued \$300.00 cash box at the beginning of the year, The Athletic Director was brought into my office to be questioned on this and he stated that they skim money off the top of other events deposits to have a larger cash box if it is needed for a larger gate. He was told this is not the way to handle this, and the extra money was then deposited.

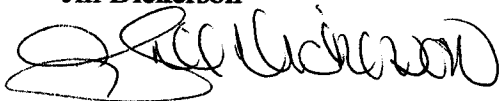
There are several errors listed for the month November this is the month I left on medical leave due to a high risk pregnancy. I was in and out of the office during the two weeks I was there in November with complications. I never went to the bank in the month of November so I never entered receipts for this month. When I was out of the office I told the principal a deposit needed to be made but I don't know who was handling this in my absence.

All receipts were in tact when I was handling the petty cash. There was never an issue with missing money or receipts during my time there as bookkeeper.

I have tried to briefly give my side of the story regarding the issues with this audit. I hope it clears some of the issues up.

Thank you for your time,

Jill Dickerson

A handwritten signature in black ink, appearing to read "Jill Dickerson", written in a cursive style.

KAHLER MIDDLE SCHOOL  
LAKE CENTRAL SCHOOL CORPORATION  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jill Dickerson, former Extra-Curricular Treasurer of Kahler Middle School:			
Receipts Not Deposited, pages 4 through 8	<u>\$ 5,706.53</u>	<u>\$ -</u>	<u>\$ 5,706.53</u>

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AFFIDAVIT

STATE OF INDIANA            )  
  )  
lake COUNTY)

We, Kelly Wenger and Carla Wenger, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Kahler Middle School, Lake Central School Corporation, Lake County, Indiana, for the period from July 1, 2006 to December 31, 2008, is true and correct to the best of our knowledge and belief.

Kelly Wenger  
Carla Wenger  
Field Examiners

Subscribed and sworn to before me this 20<sup>th</sup> day of July, 2009

Eleanor Ingram  
Notary Public

My Commission Expires: 1-3-2015  
County of Residence: Lake