

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

**SPECIAL REPORT
OF
BLUE RIVER SPECIAL EDUCATION COOPERATIVE
SHELBY COUNTY, INDIANA**



FILED
03/21/2013

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
<i>Blue River Special Education Cooperative Officials at time of payment</i>		
Treasurer	Phyllis Jean Zerr	07-01-06 to 04-13-07
	Tara Goode	04-14-07 to 05-31-08
	Phyllis Jean Zerr	06-01-08 to 06-30-10
Director	Keith Turner	07-01-06 to 12-21-07
	Kathleen M. West	12-22-07 to 06-30-10
President of the Board of Managers	Dr. Larry Moore	07-01-06 to 06-30-07
	Dr. Philip Deardorff	07-01-07 to 06-30-08
	Dr. Terry Sargen	07-01-08 to 06-30-09
	David Adams	07-01-09 to 06-30-10
<i>Shelbyville Central Schools Officials current</i>		
Treasurer	Michael Shreves	07-01-10 to 06-30-13
President of the School Board	Michael Vaught	07-01-10 to 06-30-11
	Dennis A. Hearne	07-01-11 to 12-31-13



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF BLUE RIVER SPECIAL EDUCATION
COOPERATIVE AND SHELBYVILLE CENTRAL SCHOOLS:

We have reviewed certain payments of the Blue River Special Education Cooperative on January 5, 2007, and have presented the results in the Findings section of this report.

STATE BOARD OF ACCOUNTS

September 24, 2012

BLUE RIVER SPECIAL EDUCATION COOPERATIVE
SHELBY COUNTY
FINDINGS

COMPENSATION AND BENEFITS

On January 5, 2007, an accumulated vacation payment of \$9,360.36 was paid to Phyllis Jean Zerr, former Cooperative Treasurer. Blue River Special Education Cooperative's vacation leave policy did not allow vacation leave to accumulate year to year, or be paid out upon leave or retirement. The accumulated vacation payments were included in the payroll system and the vacation leave did accumulate and go unused from year to year.

Phyllis Jean Zerr, Treasurer, retired on April 13, 2007, and then subsequently returned to work as Cooperative Treasurer on June 1, 2008, until the Cooperative dissolved on June 30, 2010.

Blue River Special Education Cooperative dissolved as of June 30, 2010. The Cooperative had a cash balance of \$685,358 on that date, which was transferred to Shelbyville Central Schools, where it was held in trust until all final obligations were paid. At that time, the remaining cash balance was divided among the five member school corporations.

In May of 2012, the Indiana Public Retirement System (INPRS), called Shelbyville Central Schools regarding Phyllis Jean Zerr, former Cooperative Treasurer. According to the email provided, an inquiry was made about Zerr's last day of work and why the total wages for the first quarter of 2007 were significantly higher than any other quarters.

The Business office of Shelbyville Central Schools began to review Zerr's payroll for that quarter; and they were able to determine that during January of 2007 she was paid for 53.5 days of accumulated vacation leave in advance of her retirement on April 13, 2007, without the Board of Managers' approval.

Phyllis Jean Zerr, former Cooperative Treasurer, was requested to pay Shelbyville Central Schools on behalf of Blue River Special Education Cooperative \$9,360.36 for vacation payments she received but, according to policy, was not entitled to. (See Summary of Charges, page 7)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, and resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

EXAMINATION COSTS

The State of Indiana incurred additional examination fees in the investigation of improper payments. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$1,196.

Phyllis Jean Zerr reimbursed the \$10,556.36 on March 12, 2013. (See Summary of Charges, page 7)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND INFORMATION

Phyllis Jean Zerr, former Cooperative Treasurer, had a Public Official Bond with Western Surety Company. The bond provided \$85,000 of coverage for the period July 1, 2006 to July 1, 2007.

BLUE RIVER SPECIAL EDUCATION COOPERATIVE
SHELBY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2012, with Michael Shreves, Treasurer. The official concurred with our examination findings.

The contents of this report were discussed on December 19, 2012, with Dr. Larry Moore, former President of the Board of Managers.

The contents of this report were discussed on January 9, 2013, with Phyllis Jean Zerr, former Cooperative Treasurer. The Official Response has been made a part of this report and may be found on page 6.

OFFICIAL RESPONSE

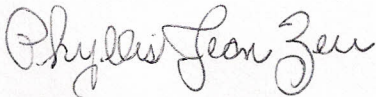
State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204-2765
Attn: Mr. Paul Joyce (Deputy State Examiner)

Dear Sir,

On January 9, 2013, I met with Mr. Eugene West and Ms. Linda Hall regarding payment of my accumulated vacation on January 5, 2007. I was retiring from Blue River Special Education Cooperative on April 13, 2007 and I asked my Director, Mr. Keith Turner, if I could be paid for all of my vacation pay that I had accumulated over the years, and he gave me permission to do so. I never attended the Board meetings so I didn't know that Mr. Turner should have asked the Board of Managers for an exception for me to be paid for my time.

I was unaware of the policy that vacation pay couldn't be paid out in cash otherwise I would never have asked Mr. Turner if I could have them paid. I had always carried a lot of both sick and vacation days over in case of an emergency that would require me to use them.

Sincerely,

A handwritten signature in cursive script that reads "Phyllis Jean Zerr".

Phyllis Jean Zerr
1031 W. McKay Road
Shelbyville, IN 46176
e-mail: fzerr@att.net

BLUE RIVER SPECIAL EDUCATION COOPERATIVE
SHELBY COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Phyllis Jean Zerr, former Cooperative Treasurer:			
Compensation and Benefits, page 4	\$ 9,360.36	\$	\$
Examination Costs, page 4	1,196.00		
Paid on March 12,2013, Receipt 7145		10,556.36	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 10,556.36</u>	<u>\$ 10,556.36</u>	<u>\$ -</u>