

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

SPECIAL INVESTIGATION REPORT
OF

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
JASPER COUNTY, INDIANA

July 1, 2011 to June 30, 2014



FILED

11/06/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
School Officials	2
Transmittal Letter	3
Special Investigation Results and Comments:	
Cash Change Fund Not Redeposited	4
Noncompliance With Extra-Curricular Guidelines	4-6
Disbursements for Game Officials.....	7
Textbook Rental.....	7
Official Bonds.....	7
Exit Conference.....	8
Summary of Charges	9
Affidavit	11

SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Diane Cavinder (Deceased)	07-01-11 to 04-09-12
	(Vacant)	04-10-12 to 04-22-12
	Kerri L. Lauderdale	04-23-12 to 12-21-13
	(Vacant)	12-22-13 to 01-12-14
	Judith Urbano	01-13-14 to 06-30-15
Principal	William Auker	07-01-11 to 06-27-14
	(Vacant)	06-28-14 to 07-27-14
	Michael Cornwell	07-28-14 to 06-30-15
Chief Financial Officer	Carol Deardorff	07-01-11 to 06-30-15
Superintendent of Schools	Glenn Krueger	07-01-10 to 12-31-11
	Sharon Sanelli	01-01-11 to 08-08-14
Interim Superintendent of Schools	Iran G. Floyd	08-11-14 to 06-30-15
President of the School Board	Robert Misch	07-01-11 to 01-12-14
	John M. Jungels, III	01-13-14 to 12-31-15



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 KANKAKEE VALLEY SCHOOL CORPORATION

We have conducted a special investigation of the records of the Kankakee Valley Middle School Extra-Curricular Accounts for the period from July 1, 2011 to June 30, 2014. Our investigation was limited to the following records: cash change funds, receipts and deposits of collections, and a limited review of disbursements. The purpose of our investigation was to determine if the accountability for cash and other assets are satisfactory and that the transactions related thereto are in compliance with the laws and regulations of the State of Indiana. The results of our investigation are fully described in the Special Investigation Results and Comments and Summary of Charges as listed in the Table of Contents. This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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

February 12, 2015

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULTS AND COMMENTS

CASH CHANGE FUND NOT REDEPOSITED

Cash change funds were established each school year for athletic gate admissions and concessions. The checks issued were made out to "Cash" and endorsed by the Extra-Curricular Treasurer. We traced the amounts established for cash change funds for each school year and verified the amounts, subsequently, returned to the Athletic Fund. We determined that the cash change funds for the school years 2012-2013 and 2013-2014 were not redeposited to the Athletic Funds in the amount of \$2,264.05.

We requested Kerri L. Lauderdale, former Extra-Curricular Treasurer, reimburse \$2,264.05 to the Middle School for the cash change funds not redeposited to the Athletic Fund.

A Cash Change Fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such Cash Change Fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the school corporation in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the Cash Change Fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing board shall have authority to increase or decrease such fund and shall require the entire Cash Change Fund to be returned to the General Fund if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund [IC 36-1-8-2].

IC 36-1-8-2 is particularly applicable in school corporations where either a Textbook Rental Fund or School Lunch Fund, or both, are maintained as extra-curricular funds. If a Cash Change Fund is authorized and a check is drawn on the appropriate fund, the check will be recorded as a disbursement in the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

NONCOMPLIANCE WITH EXTRA-CURRICULAR GUIDELINES

Summary Collection Form (SA-8)

Summary of Collection Forms (Form SA-8) were completed by the Extra-Curricular Treasurer for all collections rather than by the sponsors.

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)

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

Receipt and Register of Receipts (SA-3)

Duplicate receipts were written by the Extra-Curricular Treasurer. The original receipt was stapled to the copy of the Summary of Collection Form, and the duplicate was retained in the receipt book.

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 extracurricular 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)

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)

Tickets, Concessions, and Ticket Sales Forms (Form SA-4)

Tickets:

Tickets were sold for athletic events, and various social events; however, ticket stubs were not retained for examination. Therefore, we were unable to substantiate the ticket numbers reported on the ticket sales reports, and verify the collections reported.

We accumulated the ticket numbers indicated as used per the ticket sale reports from July 1, 2011 through February 11, 2015, and the ticket numbers still available for sales. After accumulating these ticket numbers, we could not account for 846 tickets. Based upon the student ticket price, which is the lowest ticket price, the accountability difference for the 846 missing tickets is \$1,692.

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.

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Ticket Sale Reports (Form SA-4):

1. The majority of Ticket Sale Reports were completed by the Extra-Curricular Treasurer at the time the unused tickets, cash collections, and the Cash Change Fund, were remitted by the Athletic Director, Principal, or Sponsor.
2. Ticket Sale Reports were not completed for tickets sold for other social events such as school dances, school plays, etc.

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
SPECIAL INVESTIGATION RESULTS AND COMMENTS
(Continued)

3. During the 2012-2013 school year, we noted two instances where referees/game officials were compensated; however, we did not find any corresponding deposit of gate and concession collections

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Concessions and Concession Sale Reports:

Records were not maintained to document inventories or sales of goods and supplies for concessions.

A Concession Sale Report, a form developed internally by the Middle School, was used to account for the cash change fund, and the cash collections remitted after the event. A calculation was made to determine sales after replenishing the cash change fund. The Concession Sale Reports were completed by the Extra-Curricular Treasurer upon remittance of the collections by the Athletic Director, Principal, or Sponsor.

Occasionally, vendor invoices were attached to the Concession Sale Reports to document supplies purchased with cash collections.

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)

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.

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)

KANKAKEE VALLEY MIDDLE SCHOOL
 KANKAKEE VALLEY SCHOOL CORPORATION
 SPECIAL INVESTIGATION RESULTS AND COMMENTS
 (Continued)

DISBURSEMENTS FOR GAME OFFICIALS

Nonemployee game officials were paid directly from the Extra-Curricular Funds. The accounts payable vouchers did not document the game dates, and there wasn't any supporting documentation attached.

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)

TEXTBOOK RENTAL

Textbook rental fees were collected by the Extra-Curricular Treasurer and were recorded by the Extra-Curricular Treasurer using a computer software program which included an account for each student. The textbook rental fees were remitted directly to the School Corporation Treasurer; however, a receipt was not issued to the Extra-Curricular Treasurer at the time of remittance. The School Corporation had not established requirements for the Extra-Curricular Treasurer to provide a detailed report of students and amounts for the collections being remitted.

The School Corporation had computer software which the Extra-Curricular Treasurer accessed to view amounts students owed and to issue receipts. The Extra-Curricular Treasurer was also responsible for determining student accounts in arrears, and monitoring payment agreements with parents.

The computer software allowed for activities to be deleted and edited without any oversight or review.

When issuing officers other than the treasurer are designated to issue books and collect rental fees, the treasurer shall issue an official receipt to the issuing officer each time the issuing officer transmits the money or submits a certified deposit slip, to cover such fees, to said treasurer. All disbursements for textbook rental purposes shall be made by check drawn by the treasurer of the extra-curricular account. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 4)

OFFICIAL BONDS

The School Corporation had officials' bonds on the former Extra-Curricular Treasurer with terms and coverage as follows:

Treasurer	Insurer	Term	Coverage
Kerri L. Lauderdale	The Ohio Casualty Insurance Company	04-23-12 to Continuous	\$ 20,000
	The Ohio Casualty Insurance Company	04-23-13 to 04-23-14	20,000

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2015, with Carol Deardorff, Chief Financial Officer; Iran G. Floyd, Interim Superintendent of Schools; John M. Jungels III, President of the School Board; Judith Urbano, Extra-Curricular Treasurer; and Michael Cornwell, Principal.

The contents of this report were mailed on March 3, 2015, to Kerri L. Lauderdale, former Extra-Curricular Treasurer.

KANKAKEE VALLEY MIDDLE SCHOOL
KANKAKEE VALLEY SCHOOL CORPORATION
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kerri L. Lauderdale, former Extra-Curricular Treasurer: Cash Change Fund Not Redeposited, page 4	<u>\$ 2,264.05</u>	<u>\$ -</u>	<u>\$ 2,264.05</u>

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

(This page intentionally left blank.)

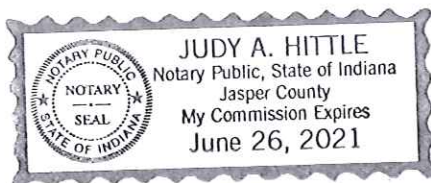
AFFIDAVIT

STATE OF INDIANA)
)
PORTER COUNTY)

I, Michelle M. Janosky, Special Investigator, being duly sworn on my oath, state that the foregoing report based on the official records of the Kankakee Valley Middle School, Jasper County, Indiana, as described in our letter to the officials for the period from July 1, 2011 to June 30, 2014, is true and correct to the best of my knowledge and belief.

Michelle M. Janosky
Special Investigator

Subscribed and sworn to before me this 20 day of Oct, 2015



Judy A. Hittle
Notary Public

My Commission Expires: _____

County of Residence: _____