

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

News Release

For Release October 10, 2011, 8:00 AM

Nolte, Cornman and Johnson, P.C. today released a report on a special investigation of the Lisbon Community School District. The report covers the period of July 1, 2008 through June 30, 2011. The special investigation was requested by officials of the Lisbon Community School District as a result of concerns regarding improper depositing of Lisbon Early Childhood Care and Education Center revenues.

The special investigation identified \$22,077.65 of undeposited Daycare fund collections at the Lisbon Early Childhood Care and Education Center (Daycare). Ms. Karrie Coon, who was responsible for collecting daycare receipts, recording the collections and depositing, did not include \$22,077.65 in the deposits. The undeposited receipts include \$7,709 for which Ms. Coon gave credit on her own account for a child in the Daycare facility. In addition to undeposited collections, Ms. Coon did not bill three of the daycare workers for the cost of their children in the Daycare. The amount of the unbilled fees is \$2,210.23.

The special investigation reported that the District's procedures allowed Ms. Coon to misappropriate daycare receipts by recording them in the Daycare system for maintaining account balances and not depositing them into the bank. When the collections are recorded in the individual account balances the posting is not integrated into the District's general ledger accounting. Therefore the posting to the individual's account balances do not automatically post to the general ledger. The lack of integration of the individual account balance software and the District's general ledger as well as the ability to collect, post and maintain the Daycare system provided opportunity to misappropriate the funds.

Copies of the report have been filed with the Linn County Attorney's Office, Lisbon Police Department and the Office of Auditor of State. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/index.html>

**REPORT ON SPECIAL INVESTIGATION  
OF THE  
LISBON COMMUNITY SCHOOL DISTRICT**

**FOR THE PERIOD**

**July 1, 2008 to June 30, 2011**

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Investigative Summary: Background and Detailed Findings	2-3
Recommended Control Procedures	3
Exhibits: Exhibit A- Summary of Findings	4
Appendices: Appendix 1 - List of all variances for FY09, FY10 and FY2011	5-7

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

To the Board of Education of the  
Lisbon Community School District:

At the request of District officials and as a result of an alleged misappropriation of funds, we conducted a special investigation of the Lisbon Community School District (District). We have applied certain tests and procedures to selected financial transactions of the District for the period July 1, 2008 through June 30, 2011. Based on discussions with District officials and personnel and a review of relevant information, we performed the following procedures.

- 1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- 2) Reviewed preschool receipts posted to Quickbooks software and reconciled to subsequent deposits and posting to the general ledger accounting system Grantwood.
- 3) Reviewed bank statements to compare receipts to deposits.
- 4) Reviewed the individual account adjustments and the credit adjustments on individual accounts.
- 5) Interviewed District officials and staff to identify any receipts turned in for deposit, which are not subsequently deposited.

These procedures identified \$ 24,287.88 in misappropriated collections which were also not properly recorded in the District's accounting system and unbilled and therefore uncollected revenues.

Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and Exhibit A of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Lisbon Community School District, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Lisbon Police Department, Linn County Attorney's Office, and the State of Iowa Auditor's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Lisbon Community School District during the course of our investigation.

  
Nolte, Cornman & Johnson P.C.

October 10, 2011

## Investigative Summary

### Background Information

Lisbon Community School District (District) serves approximately 700 preschool through 12<sup>th</sup> grade students. The geographic area served includes the city of Lisbon, and the predominate agricultural territory in Linn, Cedar, Jones and Johnson Counties. The District also has an early childhood center which provides daycare for children. The Lisbon Early Childhood Care and Education Center (Daycare) is operated as an enterprise fund of the Lisbon Community School.

The Director of the Daycare, Ms. Jackie Luzum started her job at Lisbon in September 2010. Ms. Luzum, as the director was not responsible for the day to day finances of the Daycare. Ms. Karrie Coon started working for the District September 2005 as an administrative assistant for the Daycare. In August 2010 her job changed to assistant director. Ms. Coon's was responsible for the collections of the Daycare fees as the administrative assistant as well as the assistant director. The Daycare had a fee drop box, which is similar to a US Postal box with the door padlocked closed and a slot in the front door. Ms. Coon was the only one with a key for the padlock. She was responsible for removing the payments from the secure payment box and recording the receipts on Quickbooks accounting software and preparing the deposit slip. In addition she prepared receipts for the parents generated on the Quickbook system. Ms. Coon would provide a spreadsheet to the District Central Office on a monthly basis which would tie to the deposits made. At the end of each month Ms. Laurie Maher, Business Manager, compared the bank statements to the monthly summary sheet submitted to the Central Office by Ms. Coon. The summary sheet which included reported daily collections appeared to match the deposits. This spreadsheet would provide the Central Office with information to post the revenues to the proper revenue accounts. The Central office would enter the information from the spreadsheet into the District's general ledger system; however, the monthly spreadsheets were not compared to the actual collections in the Quickbooks system. The collections were recorded in the individual balances as received, however these collections were not in all cases being deposited. The spreadsheet provided to the Central Office was a spreadsheet which represented the deposits made, not the actual collections.

On April 7, 2011 Ms. Luzum discovered some reporting discrepancies in the Daycare funds and went to Ms. Maher with the differences. They compared and researched reports, bank deposit tickets and Quickbook reports and came to the conclusion that it appeared not all of the cash collections were deposited. They turned this information over to the Superintendent, Mr. Brad Laures. Mr. Laures terminated Ms. Coon as of April 7, 2011.

As a result of these variances, District officials requested our office conduct a special investigation with regard to the Daycare invoicing, receipting, and depositing processes. We performed the procedures detailed in the Independent Auditor's Report.

### Detailed Findings

The special investigation identified \$22,077.65 of undeposited Daycare fund collections. Ms. Karrie Coon, who was responsible for Daycare billing, collecting receipts, recording the collections and depositing, did not include \$22,077.65 in the deposits. In addition to undeposited collections, Ms. Coon did not bill for daycare services provided to some of the daycare employee's children totaling \$2,210.23.

The findings are summarized in Exhibit A and a detailed explanation of each finding follows.

#### UNDEPOSITED RECEIPTS

For the period of time from July 1, 2008 to June 30, 2011 we reprinted the receipts recorded in the Quickbook software and compared the receipts to the deposits. The daily variances are detailed in Appendix 1. The variances are cash or check collections which were not deposited in the amount of \$22,077.65. The receipts identified as cash differences were from a variety of parents including Ms. Coon herself. The receipts to deposit variances identified from checks were all from Ms. Coon for her child's daycare fees. The cash and or check was posted as a receipt, however, we were unable to find that any deposit included these identified questioned receipts. The portion of the undeposited receipts applicable to Ms. Coon's child account is \$7,709. We were unable to

determine if Ms. Coon had made payment and then withdrew the money before deposit, or if the receipt was fraudulently entered to give the appearance that she was making actual payments.

#### UNBILLED DAYCARE FEES FOR EMPLOYEES

As a benefit, the District provides daycare services to the employees who work in the Daycare at 50% of the cost other parents and or guardians pay. We reviewed the Daycare employee's accounts and determined that three employees were not billed for their share of daycare costs. The amount of unbilled daycare services was \$2,210.23. We were unable to determine why some employees were billed and others were not billed. The three staff not billed did not have accounts on the system to even indicate they were being served. We identified the children and the days served by attendance calendars provided by the Director Ms. Luzum. The billing was the responsibility of Ms. Coon and these employees did not receive a billing. As a result, we are including this amount in the amount of uncollected revenue.

#### Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by Lisbon Community School District's Daycare fund receipts. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance that errors and irregularities will be discovered within a reasonable time during the course of normal operations. Based on our findings and observations, the following recommendations are made to strengthen the District's internal controls.

- A) Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposit, and the posting to individual daycare accounts were all done by the same person.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances. The District may also consider utilizing compensating controls which may provide some checks and balances.

- B) Integrated accounting systems - The accounting system used for Daycare billing, and receipting is not integrated into the District general ledger software, Grantwood. Currently, the information must be entered into each system to maintain records. The current internal control procedures do not require the two systems be compared for consistency. The lack of integration of the system provides a weakness in the controls allowing for the individuals to receive credit for payments, but the payments are not in all cases being deposited.

Recommendation - The District should implement reconciliation controls of the general ledger system and the Daycare account balance system.

**EXHIBITS**

Report on Special Investigation of  
Lisbon Community School District

Summary of Findings  
For the Period July 1, 2008 through June 30, 2011

Summary of Findings				
YEAR	Undeposited collections	Unbilled fees		TOTAL
FY09	\$ 7,076.15	815.45	\$	7,891.60
FY10	8,340.00	711.68		9,051.68
FY11	6,661.50	683.10		7,344.60
	\$ 22,077.65	2,210.23	\$	24,287.88

## APPENDICES

Report on Special Investigation of  
Lisbon Community School District

For the Period July 1, 2008 through June 30, 2011

Complete listing of daily variances for FY2009.

Date	Amount on Quickbooks	Amount Deposited	Difference
8/11/2008	\$1,804.00	\$1,779.00	(\$25.00)
9/19/2008	\$3,875.80	\$3,175.80	(\$700.00)
9/22/2008	\$3,382.00	\$3,172.00	(\$210.00)
10/9/2008	\$845.25	\$565.25	(\$280.00)
10/21/2008	\$2,225.00	\$2,015.00	(\$210.00)
11/10/2008	\$1,813.00	\$1,763.00	(\$50.00)
11/20/2008	\$1,412.00	\$1,202.00	(\$210.00)
11/21/2008	\$1,180.00	\$1,080.00	(\$100.00)
11/26/2008	\$746.00	\$536.00	(\$210.00)
12/2/2008	\$547.25	\$442.25	(\$105.00)
12/8/2008	\$2,624.00	\$2,524.00	(\$100.00)
12/12/2008	\$1,251.00	\$1,051.00	(\$200.00)
1/7/2009	\$5,625.25	\$5,525.25	(\$100.00)
1/16/2009	\$4,511.00	\$4,461.00	(\$50.00)
1/22/2009	\$2,293.00	\$2,013.00	(\$280.00)
1/23/2009	\$1,990.00	\$1,785.00	(\$205.00)
1/26/2009	\$2,207.00	\$2,157.00	(\$50.00)
1/30/2009	\$1,994.85	\$1,894.85	(\$100.00)
2/9/2009	\$964.50	\$864.50	(\$100.00)
2/23/2009	\$2,481.00	\$2,201.00	(\$280.00)
3/2/2009	\$5,053.15	\$4,853.15	(\$200.00)
3/13/2009	\$2,760.25	\$2,310.25	(\$450.00)
3/20/2009	\$2,092.00	\$2,057.00	(\$35.00)
4/3/2009	\$1,155.00	\$1,074.00	(\$81.00)
4/6/2009	\$2,752.00	\$2,671.00	(\$81.00)
4/10/2009	\$3,086.50	\$2,926.50	(\$160.00)
4/21/2009	\$1,450.00	\$1,170.00	(\$280.00)
4/24/2009	\$3,863.05	\$3,663.05	(\$200.00)
5/4/2009	\$2,345.00	\$2,240.00	(\$105.00)
5/7/2009	\$2,343.25	\$2,243.25	(\$100.00)
5/8/2009	\$1,515.50	\$1,310.50	(\$205.00)
5/12/2009	\$1,825.50	\$1,775.50	(\$50.00)
5/14/2009	\$1,828.65	\$1,749.00	(\$79.65)
5/15/2009	\$1,005.00	\$785.00	(\$220.00)
5/21/2009	\$1,682.00	\$1,402.00	(\$280.00)
5/22/2009	\$2,032.00	\$1,962.00	(\$70.00)
5/29/2009	\$3,633.65	\$3,521.65	(\$112.00)
6/22/2009	\$6,339.50	\$5,677.00	(\$662.50)
6/30/2009	\$885.00	\$745.00	(\$140.00)
	<u>\$91,418.90</u>	<u>\$84,342.75</u>	<u>(\$7,076.15)</u>

Report on Special Investigation of  
Lisbon Community School District

For the Period July 1, 2008 through June 30, 2011

Complete listing of daily variances for FY2010.

Date	Amount on Quickbooks	Amount Deposited	Difference
7/2/2009	\$1,147.00	\$1,127.00	(\$20.00)
7/6/2009	\$582.00	\$0.00	(\$582.00)
7/7/2009	\$1,796.00	\$1,792.00	(\$4.00)
8/10/2009	\$3,511.00	\$3,324.00	(\$187.00)
8/20/2009	\$1,538.00	\$1,063.00	(\$475.00)
9/8/2009	\$3,246.00	\$3,106.00	(\$140.00)
9/10/2009	\$3,075.25	\$3,050.25	(\$25.00)
9/16/2009	\$1,607.00	\$1,507.00	(\$100.00)
9/23/2009	\$1,219.00	\$1,139.00	(\$80.00)
10/2/2009	\$2,022.00	\$1,982.00	(\$40.00)
10/2/2009	\$1,873.00	\$1,461.00	(\$412.00)
10/21/2009	\$2,601.00	\$2,321.00	(\$280.00)
10/23/2009	\$2,094.00	\$1,844.00	(\$250.00)
10/26/2009	\$2,304.00	\$1,884.00	(\$420.00)
10/30/2009	\$5,350.40	\$5,060.40	(\$290.00)
11/6/2009	\$1,880.00	\$1,780.00	(\$100.00)
11/11/2009	\$3,780.00	\$3,710.00	(\$70.00)
11/23/2009	\$4,764.00	\$4,314.00	(\$450.00)
12/21/2009	\$2,581.00	\$2,301.00	(\$280.00)
1/5/2010	\$5,615.00	\$5,485.00	(\$130.00)
1/25/2010	\$4,890.25	\$4,610.25	(\$280.00)
2/15/2010	\$6,188.10	\$5,978.10	(\$210.00)
2/22/2010	\$1,538.25	\$1,258.25	(\$280.00)
3/1/2010	\$3,156.00	\$2,946.00	(\$210.00)
3/10/2010	\$3,006.00	\$2,656.00	(\$350.00)
3/15/2010	\$3,902.00	\$3,692.00	(\$210.00)
3/22/2010	\$3,494.00	\$3,284.00	(\$210.00)
3/29/2010	\$3,837.50	\$3,627.50	(\$210.00)
4/2/2010	\$1,704.00	\$1,494.00	(\$210.00)
4/12/2010	\$3,517.60	\$3,307.60	(\$210.00)
4/22/2010	\$2,429.50	\$2,149.50	(\$280.00)
4/26/2010	\$3,140.00	\$3,035.00	(\$105.00)
5/3/2010	\$2,808.00	\$2,608.00	(\$200.00)
5/10/2010	\$3,670.60	\$3,560.60	(\$110.00)
5/21/2010	\$350.00	\$0.00	(\$350.00)
5/24/2010	\$1,291.75	\$1,081.75	(\$210.00)
6/2/2010	\$2,975.00	\$2,905.00	(\$70.00)
6/21/2010	\$2,734.00	\$2,574.00	(\$160.00)
6/28/2010	\$2,295.00	\$2,155.00	(\$140.00)
	<u>\$109,513.20</u>	<u>\$101,173.20</u>	<u>(\$8,340.00)</u>

Report on Special Investigation of  
Lisbon Community School District

For the Period July 1, 2008 through June 30, 2011

Complete listing of daily variances for FY2011

Date	Amount on Quickbooks	Amount Deposited	Difference
7/12/2010	\$4,131.50	\$3,865.00	(\$266.50)
7/23/2010	\$2,582.00	\$2,302.00	(\$280.00)
7/26/2010	\$2,918.00	\$2,858.00	(\$60.00)
8/23/2010	\$10,369.15	\$10,344.15	(\$25.00)
9/3/2010	\$6,735.95	\$6,675.95	(\$60.00)
9/10/2010	\$5,974.00	\$5,892.00	(\$82.00)
9/24/2010	\$8,494.50	\$8,334.50	(\$160.00)
10/1/2010	\$3,789.00	\$3,689.00	(\$100.00)
10/11/2010	\$4,024.00	\$3,914.00	(\$110.00)
10/18/2010	\$2,939.00	\$2,829.00	(\$110.00)
10/25/2010	\$4,719.00	\$4,609.00	(\$110.00)
11/1/2010	\$6,399.08	\$6,289.08	(\$110.00)
11/8/2010	\$6,466.00	\$6,356.00	(\$110.00)
11/15/2010	\$2,458.00	\$2,263.00	(\$195.00)
11/22/2010	\$3,861.20	\$3,751.20	(\$110.00)
12/2/2010	\$2,210.80	\$1,740.80	(\$470.00)
12/13/2010	\$2,849.20	\$2,379.20	(\$470.00)
12/16/2010	\$2,778.00	\$2,678.00	(\$100.00)
12/17/2010	\$2,650.50	\$2,130.50	(\$520.00)
12/29/2010	\$3,438.00	\$3,328.00	(\$110.00)
1/3/2011	\$5,594.00	\$5,484.00	(\$110.00)
1/10/2011	\$4,066.00	\$3,956.00	(\$110.00)
1/17/2011	\$2,716.00	\$2,496.00	(\$220.00)
1/31/2011	\$3,813.00	\$3,703.00	(\$110.00)
2/7/2011	\$7,577.05	\$7,467.05	(\$110.00)
2/8/2011	\$2,791.50	\$2,591.50	(\$200.00)
2/9/2011	\$1,756.85	\$1,676.85	(\$80.00)
2/15/2011	\$2,533.00	\$2,423.00	(\$110.00)
2/25/2011	\$413.00	\$0.00	(\$413.00)
2/28/2011	\$3,990.00	\$3,590.00	(\$400.00)
3/1/2011	\$440.00	\$0.00	(\$440.00)
3/4/2011	\$545.00	\$445.00	(\$100.00)
3/7/2011	\$2,318.90	\$2,208.90	(\$110.00)
3/14/2011	\$3,622.25	\$3,512.25	(\$110.00)
3/18/2011	\$1,204.00	\$1,129.00	(\$75.00)
3/21/2011	\$2,084.00	\$1,974.00	(\$110.00)
3/22/2011	\$3,065.58	\$2,990.58	(\$75.00)
3/28/2011	\$1,111.00	\$1,001.00	(\$110.00)
4/4/2011	\$2,210.39	\$2,100.39	(\$110.00)
	<u>\$141,638.40</u>	<u>\$134,976.90</u>	<u>(\$6,661.50)</u>
		Total Amount	<u>(\$22,077.65)</u>