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DIVISION OF MUNICIPAL AUDIT**

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July 19, 2011

Donnie Poston, Director of Schools
and Members of the Board of Education
Campbell County School System
P. O. Box 445
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Director and Members of the Board of Education:

We have concluded our investigative audit of selected records of the Caryville Elementary School, Campbell County School System. The investigative audit was initiated after Central Office personnel discovered several irregularities related to the school's cheerleading account. Therefore, the investigation was primarily limited to a review of cheerleading collections and disbursements. The investigative audit focused on the period July 1, 2009, through June 30, 2010. However, when warranted, this scope was expanded.

Failure to properly handle public funds

Our investigative audit noted that, for the fiscal year ended June 30, 2010, funds for the Caryville Elementary School cheerleading account were mishandled by the former sponsor. According to school records, the former sponsor incurred cheerleading expenses without first providing the bookkeeper with sufficient collections to cover the costs. Only after an inquiry into the discrepancy by Central Office officials did the former sponsor deliver money to the school bookkeeper to fund the cheerleading expenses.

Our investigative audit revealed several areas in which the former cheerleading sponsor failed to adhere to state and county policies. In an interview with state auditors, the former cheerleader sponsor acknowledged:

- cashing checks made payable to the school or asking parents to make their checks for cheerleading expenses payable to her personally and cashing those checks;¹
- holding school collections at her home; and

¹ These collections were not recorded in the school's financial records or promptly deposited into a school bank account.

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→ making cash payments for cheerleading-related expenses using unreceipted, unrecorded and undeposited collections.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 1-6, states,

Money or property received by a school official, employee, or volunteer, acting in his or her official capacity, becomes public money or property. The money is the property of the respective school. Such money must be appropriately managed and safeguarded by the school.

The *Manual* requires that all collections be recorded in the school's financial records and deposited promptly into a school bank account. The *Manual* also strictly prohibits employees from taking school money home or making cash purchases using collections.

Additional oversight by school officials

In an interview with state auditors, the former cheerleading sponsor claimed she was unaware of the requirements for properly handling and accounting for school collections. State law mandates that the principal is directly responsible for the financial management of the local school. Section 49-2-110(d)(1), *Tennessee Code Annotated*, states, "The principal shall be liable to account for the safekeeping and handling of all funds of every character raised by student activities, school services and school events, irrespective of the sources of such funds, or the purpose for which they were raised." The principal is also responsible for ensuring that school staff understand the proper handling of school collections. The *Tennessee Internal School Uniform Accounting Policy Manual*, page 5-3, states:

Teachers, assistants, volunteers, and support staff who handle money should be made aware of the requirement for maintaining accurate and systematic records of all cash collected.... At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures.

Finally, prior to authorizing *any* collections, the principal is obligated to determine if school staff are able to adequately account for the collections. The *Tennessee Internal School Uniform Accounting Policy Manual*, pages 5-2-3, states:

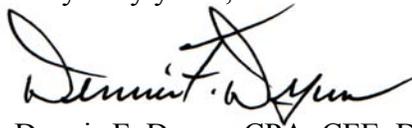
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Prior to authorizing or requiring any collections, the principal must evaluate the ability of school personnel to provide the required accountability.... The principal should never authorize or require any collection which cannot be adequately accounted for.

Auditors noted that several of the deficiencies had already been addressed by school officials. However, the principal, director of schools, and members of the board of education should take immediate action to ensure that any unresolved deficiencies are corrected.

If you have any questions concerning the above matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large, stylized initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

DFD/RAD