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DIVISION OF MUNICIPAL AUDIT

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April 30, 2009

Director of Schools and Members of the
Board of Education
Lebanon Special School District
701 Coles Ferry Pike
Lebanon, TN 37090

Ladies and Gentlemen:

As part of our ongoing process of examining the records of the activity and other internal funds of schools, we have completed our investigative audit of selected records of the Coles Ferry Elementary School, Lebanon Special School District. This investigative audit focused on the period July 1, 2007, through October 31, 2007. However, this scope was expanded if warranted.

Apparent misappropriation of school collections totaling at least \$7,118.51

Our investigative audit revealed that during the period July 1, 2007, through October 31, 2007, the former school bookkeeper, Angela Trice, apparently misappropriated school collections totaling at least \$7,118.51. Teachers at the school maintained classroom payment rosters documenting collections from students for class fees, field trips, and some fundraisers. However, Ms. Trice apparently did not provide receipts to the teachers when those collections were turned over for deposit. Since teachers were not provided receipts for collections turned over for deposit, Ms. Trice was able to under-record the collections turned over to her. Ms. Trice acknowledged to state auditors that she had taken school cash to pay her personal bills. In addition, Ms. Trice acknowledged taking approximately \$300 from student picture envelopes. However, she stated she repaid the picture funds prior to resigning from her position.

This matter was referred to the local district attorney general. In April 2009, the Wilson County Grand Jury indicted Angela Trice, former Coles Ferry Elementary School bookkeeper, on one count of Theft over \$1,000.

Our investigative audit revealed several weaknesses in the school's collection process that directly contributed to the undetected misappropriation:

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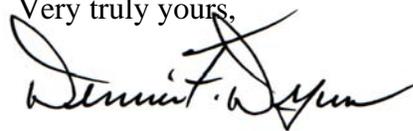
1. The former bookkeeper was responsible for counting and receipting collections, preparing checks, preparing bank deposits, maintaining and updating the school's accounting records, and reconciling the school's bank statements. The *Internal School Uniform Accounting Policy Manual*, page 4-6, states:

To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records and reconciling bank accounts.... Bank reconciliations should be prepared and reviewed at least monthly by someone who is independent of the receiving and recording functions

2. As noted above, teachers' failed to obtain receipts when collections were turned over to the former bookkeeper for deposit. The *Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by teachers/others, and requires school personnel to retain copies of required collection records and reconcile receipts from the bookkeeper with these records.
3. The principal failed to require personnel to complete profit analysis reports for fundraising and other resale activities. The *Internal School Uniform Accounting Policy Manual*, Section 4, sets forth detailed procedures for fundraising and other resale activities, including completion of profit analysis reports and fundraiser summary reports.

The principal and director of schools should take immediate action to correct these deficiencies.

Very truly yours,



Dennis F. Dycus, CPA, CFE, Director
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