

# INVESTIGATIVE AUDIT REPORT

HARPETH MIDDLE SCHOOL  
CHEATHAM COUNTY SCHOOL SYSTEM  
JULY 1, 2003, THROUGH MAY 17, 2005



## State of Tennessee



**Comptroller of the Treasury  
Department of Audit  
Division of Municipal Audit**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

**John G. Morgan**  
Comptroller of the Treasury

**SUITE 1600  
JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0271  
PHONE (615) 401-7871  
FAX (615) 741-1551**

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

This report was scheduled for release on July 5, 2006. The report's release was postponed so that additional information regarding judicial proceedings could be provided.

As noted in the Legal Issue, our investigative audit revealed that the former bookkeeper, Diane Beshears, apparently misappropriated school collections totaling at least \$61,065.41. This matter was referred to the local district attorney general. On August 14, 2006, Mrs. Beshears was charged with Theft over \$10,000. Upon her plea of Nolo Contendere, the trial court sentenced her to three years on judicial diversion and ordered her to pay \$60,000 in restitution. During her diversionary period, Mrs. Beshears is prohibited from handling public funds.



STATE OF TENNESSEE

John G. Morgan

COMPTROLLER OF THE TREASURY

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

July 5, 2006

Director of Schools and Members of the  
Board of Education  
Cheatham County School System  
102 Elizabeth Street  
Ashland City, TN 37015

Director of Schools and Board Members:

Presented herewith is the report on our investigative audit of selected records of the activity funds of Harpeth Middle School, Cheatham County School System. This investigative audit focused on the period July 1, 2003, through May 17, 2005. However, this scope was expanded if warranted.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt the *Internal School Uniform Accounting Policy Manual* (prepared and approved as set forth in this code), and to maintain all activity fund books and records in accordance with the requirements of the manual. The purpose of our audit was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

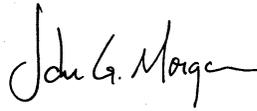
Our investigative audit revealed that the former school bookkeeper, Diane Beshears, apparently misappropriated school collections totaling at least \$61,065.41. This matter has been referred to the local district attorney general.

In addition, findings and recommendations in this report present those conditions that we believe warrant the attention of the school's officials and other responsible individuals. As a result, the responses to each of the findings and recommendations are included in the report.

Director of Schools and Members of the  
Board of Education  
Cheatham County School System  
July 5, 2006

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a prominent initial "J" and a long, sweeping underline.

John G. Morgan  
Comptroller of the Treasury



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

**John G. Morgan**  
Comptroller of the Treasury

SUITE 1600  
JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0271  
PHONE (615) 708-7871  
FAX (615) 741-1551

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

July 5, 2006

Mr. John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, TN 37243

Dear Mr. Morgan:

As part of our on-going process of examining the records of the activity and cafeteria funds of schools, we have completed our investigative audit of selected records of the activity funds of Harpeth Middle School, Cheatham County School System. This investigative audit focused on the period July 1, 2003, through May 17, 2005. However, this scope was expanded if warranted.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. The board of education is responsible for providing reasonable regulations, standards and procedures, and adopting an activity fund accounting manual. The director of schools is responsible for ensuring that laws and rules of the state and of the board of education are faithfully executed. The principal's responsibilities include accounting for the safekeeping and handling of money collected for and raised by student activities and school services and events. State law specifically excludes funds raised by parent-teacher and parent-student support type organizations from accounting and recordkeeping requirements. Therefore, these funds were not included in our audit.

Student activity funds must be accounted for according to the *Internal School Uniform Accounting Policy Manual*. This manual was prepared by the Tennessee Department of Education and approved by the Comptroller of the Treasury and the Commissioner of Finance and Administration, in accordance with Section 49-2-110, *Tennessee Code Annotated*. The purpose of our audit was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

Mr. John G. Morgan  
Comptroller of the Treasury  
July 5, 2006

Our investigative audit revealed that the former school bookkeeper, Diane Beshears, apparently misappropriated school collections totaling at least \$61,065.41. This matter has been referred to the local district attorney general.

Our investigative audit also resulted in findings and recommendations related to the following:

1. Inadequate separation of duties
2. Major deficiencies in former bookkeeper's collection process
3. Major deficiencies in teachers/others collection procedures
4. Failure to obtain required written authorization for some fundraisers, and to prepare profit analyses and fundraiser summary reports for applicable fundraising and other resale activities
5. Deposits not made promptly and intact, and some deposit slips not itemized
6. Computerized accounting system allowed alteration of prenumbered receipts and other school accounting records without detection
7. Inadequate controls over event admissions
8. Inadequate accounting for school event concession operations
9. Inadequate procedures over disbursements
10. Deficit balance in the general fund
11. Student collections used to pay for staff development and other staff benefits
12. No documentation and approval of accounts payable totaling \$17,984.93 and \$19,390.53 at June 30, 2003, and 2004, respectively
13. Supplemental compensation and taxable gifts paid directly to employees
14. School purchased items from the former bookkeeper's business

Mr. John G. Morgan  
Comptroller of the Treasury  
July 5, 2006

Because state law assigns specific responsibilities for school activity funds to the members of the board of education, the director of schools, and the principal, they were asked to respond to each finding. When appropriate, other responsible individuals were also asked to respond. The responses are included in this report.

If after reviewing the report you should have any questions, I will be happy to provide any additional information which you may request.

Sincerely,

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

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

---

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE  
HARPETH MIDDLE SCHOOL  
CHEATHAM COUNTY SCHOOL SYSTEM  
FOR THE PERIOD JULY 1, 2003, THROUGH MAY 17, 2005**

After receiving information regarding unexplained discrepancies in Harpeth Middle School's accounting records, our office began an investigative audit of the school on February 1, 2005. The former bookkeeper, Diane Beshears, submitted her resignation on May 20, 2005, and the former principal, Dana Finch, resigned effective July 31, 2005. The current principal and bookkeeper have been asked to respond to the findings presented in the Findings and Recommendations section of this report.

**LEGAL ISSUE**

1. **ISSUE:      Apparent misappropriation of school collections totaling at least \$61,065.41**

Our investigative audit revealed that during the period July 1, 2003, through May 17, 2005, the former school bookkeeper, Diane Beshears, apparently misappropriated school collections totaling at least \$61,065.41. The investigative audit revealed that in some instances, the former bookkeeper failed to record in the school's accounting records and deposit into a school bank account some school cash collections turned over to her, apparently keeping the cash for her personal benefit. The audit revealed that in other instances, the former bookkeeper intercepted and set aside checks payable to the school, including a \$2,462.79 check donation to the school by a community group to help pay for a new gym floor. She then exchanged these checks for cash obtained from other school collections, apparently keeping the cash for her own use. Since the former bookkeeper controlled which collections were recorded in the school's records, and was able to make alterations in the accounting records, she was able to conceal these schemes from management and other employees. On May 17, 2005, Ms. Beshears told auditors that she had been "borrowing" school money since she became the Harpeth Middle School bookkeeper in 1998.

Because some records were inadequate to determine total collections, the misappropriation total above does not include any possible additional shortage arising from 1,784 unaccounted for discount cards distributed during a spring 2005 fundraiser. The possible shortage in expected card sales based on vendor-provided "normal" amounts of lost or stolen cards totaled \$15,638. We also did not include any possible shortages in collections recorded by the former bookkeeper related to the fifth and sixth grade Harpeth Classic Basketball Tournament, for which it appears that all admission collections for at least two nights of the tournament and concession collections for at least one night are missing. Sponsors and workers stated that all tournament collections were turned directly over to Ms. Beshears without any independent count; they estimated a

possible shortage totaling between \$1,300 and \$2,300. Furthermore, we did not include at least \$2,065.50 of personal checks paid by former bookkeeper Diane Beshears for various school activities, which she never deposited into the school bank account, as outlined in Finding 1.

**Former bookkeeper made false statements related to financial transactions, and falsified, altered, and disposed of school accounting records**

As noted in Finding 1, the former bookkeeper had total control over collections once they reached the school office, and therefore was able to manipulate the school's accounting records and provide false statements of transactions and balances without detection. One coach stated that he borrowed and personally paid \$1,500 to the school because Ms. Beshears told him he had overspent his athletic account. The investigative audit revealed that Ms. Beshears apparently misappropriated a substantial amount of money from this account. We noted numerous instances in which the former bookkeeper falsified and/or altered receipts and other accounting records evidently in an attempt to conceal the apparent misappropriation. For example:

- The former bookkeeper falsified receipts related to collections for girl's basketball camp, yearbook, and the Harpeth Classic Tournament to indicate that the collections were from other sources.
- The former bookkeeper made false accounting entries totaling thousands of dollars in the "bad check" account. Ms. Beshears made a \$6,978.73 adjustment in March 2004 and a \$411.77 adjustment in June 2004 purportedly to "write-off" checks returned for insufficient funds. By May 17, 2005, Ms. Beshears had made entries to the account increasing the balance to \$2,021.97. By comparison, from July 1, 2005, through February 28, 2006, the current bookkeeper stated that she had only one delinquent returned check outstanding totaling \$30. (Refer to Exhibit 3.)
- The "Wee Little Indians" daycare account had a deficit balance of \$1,717 at the end of 2003-2004. It appears that the former bookkeeper, without sponsor approval, made transfers from other accounts, including BEP and teacher supply money, to eliminate that deficit and to conceal the shortage.
- The former bookkeeper altered some receipts in the accounting records by changing the date, amount, account number, etc., sometimes **after** giving the original receipt to school employees. In one instance, the former bookkeeper altered one receipt for vending commission collections at least twice in the accounting records after the receipt was issued. In other instances, the former bookkeeper altered receipts representing commissions from Pepsi for vending and commissions from Classic Designs for ring sales and diverted them to the school-wide fundraiser account apparently to conceal shortages in the account. Auditors also found multiple instances of receipt numbers that appeared to be out of sequence due to altered date information.

- When the collection amounts recorded by the former bookkeeper for the 2004-2005 fall school-wide fundraiser were questioned, the former bookkeeper provided auditors with a list of student names and amounts which she purported represented IOUs for this fundraiser. However, the audit revealed that the list contained the names of many students that had been promoted to high school prior to the 2004-2005 school year. Also, of the \$9,650.50 listed as owed, school records and confirmations with parents and guardians indicated that at least \$5,356.50 had actually been paid and remitted to the former bookkeeper. Confirmation non-respondents and students whose addresses were not located represented an additional \$2,999.50 of possible collections misappropriated by the former bookkeeper.
- On May 18, 2005, auditors found several collection envelopes from the spring 2005 fundraiser in a wastebasket in the former bookkeeper's office, despite explicit instructions by auditors to her to retain all such records.
- The former bookkeeper failed to retain a copy of several collection receipts that she entered into the computerized accounting system during the period covered by our audit. Additionally, we were unable to locate original (or copies of) collection records supporting several deposits to the school's bank account. Among the missing records were ticket reconciliation reports or signed recorded counts for several scheduled athletic contests. School records revealed that the former bookkeeper failed to deposit any money collected at the events that had no corresponding reconciliation.

### **Apparent lack of management supervision over financial and accounting transactions**

The former principal and other school officials apparently failed to provide adequate management supervision related to financial transactions, which resulted in a pervasive lack of internal controls. At least five individuals, including two current employees, told auditors that they voiced concerns to the former principal regarding Ms. Beshears' integrity related to various financial transactions, but no corrective action was taken. Instead, the former principal indicated to auditors that she relied solely on Ms. Beshears' assertions of fundraiser profits and other school collections without question, and allowed Ms. Beshears authority to establish and enforce compliance with collection and disbursement procedures. Resulting critical control deficiencies outlined in the Findings and Recommendations section allowed the misappropriation to occur and not be detected timely.

This matter has been referred to the local district attorney general for consideration of any appropriate further action.

## FINDINGS AND RECOMMENDATIONS

Section 49-2-110(d)(1), *Tennessee Code Annotated*, states that “[t]he 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.”

As noted previously, state law requires local school systems to adopt the *Internal School Uniform Accounting Policy Manual*, and to maintain all activity fund books and records in accordance with the requirements of the manual. However, the former principal and other school officials apparently failed to provide adequate management supervision over financial transactions and accounting records to ensure that the procedures required by law were established and followed. The lack of supervision apparently continued even after several individuals voiced concerns regarding the integrity of the former bookkeeper. This failure to adequately supervise financial and accounting transactions resulted in a pervasive lack of adequate internal controls. The following findings address some of the most critical internal control weaknesses that allowed the misappropriation noted in the Legal Issue to occur and not be detected timely.

1. **FINDING: Inadequate separation of duties**

School administrators failed to separate incompatible financial duties at the school. The former school bookkeeper received and counted cash; prepared bank deposits; maintained and updated the school’s accounting records; requested, prepared and signed checks; and reconciled the school’s bank statements. The former bookkeeper’s complete control over collection transactions once they reached the school office, and a corresponding lack of oversight by the former principal, contributed to the former bookkeeper’s ability to perpetrate and conceal the apparent misappropriation noted in the Legal Issue, allowing it to continue undetected over a period of years.

Because the former bookkeeper handled all aspects of financial transactions, she was able to write personal checks to the school on behalf of her daughters for daycare, fundraisers, etc., and then remove them before the deposit was taken to the bank. The investigative audit revealed that \$2,065.50 of checks, purported to be payments to the school, never cleared the former bookkeeper’s bank account. According to bank records, one of the former bookkeeper’s personal checks that was deposited in the school’s bank account was subsequently returned by her bank for insufficient funds. In some cases, the former bookkeeper prepared inaccurate check listings for deposits purported to include these checks. (Refer to Finding 5 and Exhibit 5.)

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.

Page 5-2 of the manual emphasizes that

The use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations ... school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties ... **WHEN AT ALL POSSIBLE, SOMEONE OTHER THAN THE BOOKKEEPER SHOULD COLLECT MONEY AND WRITE RECEIPTS.**

**RECOMMENDATION:**

To help ensure that all collections are deposited into the school's account, disbursements are appropriate, and errors or irregularities are detected promptly, the principal should require an adequate system of internal controls so that no employee has control over a complete transaction.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We have taken steps to ensure that duties are separated whenever possible.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

2. **FINDING: Major deficiencies in former bookkeeper’s collection process**

The former principal failed to ensure that the former cashier/bookkeeper, Diane Beshears, followed required procedures when collecting and recording school money. We noted significant deficiencies which contributed to Ms. Beshears’ ability to perpetrate and conceal her apparent misappropriation of school collections totaling over \$60,000 (as noted in the Legal Issue) including:

- The former bookkeeper did not always count collections promptly, and give a prenumbered receipt to the individual who remitted the money.
- Auditors observed cash and checks lying in piles on the former bookkeeper’s desk. Current and former school employees, indicated that this condition was not unusual; money often remained there for several days or weeks, sometimes unattended, rather than being locked in a secure area. (Auditor’s Note: The former bookkeeper told auditors that she had always been able to reconcile her collections and that she had never had any missing money.)
- The former bookkeeper often issued prenumbered receipts in the name of an account classification such as “football” or “fundraiser,” rather than to the teacher or other individual who remitted the money. In addition, teachers and other employees stated that when the former bookkeeper actually provided a receipt for collections to them, it was often several days or weeks after they turned in the related collections.
- The former bookkeeper failed to document that she reconciled her cash counts to original collection documents, and that she followed up differences with appropriate individuals. We noted numerous discrepancies between amounts shown as collected by teachers and other staff, and the amount receipted by the former bookkeeper.
- The former bookkeeper failed to record the amount, receipt number, and receipt date on each collection log, and initial the information on the collection log.
- The former bookkeeper’s regular practice was to enter receipts into the computerized accounting system **after** the related deposit had been made. This practice prevented a timely reconciliation of daily collections with the total of all receipts issued and the amount shown on the related deposit slip.
- The former bookkeeper failed to provide cash receipts and disbursement reports to account sponsors, even though several staff members stated that they requested this information.

The *Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by cashiers and/or bookkeepers.

**RECOMMENDATION:**

To adequately account for all school collections so that they benefit the students for which they were raised and to help ensure that errors or irregularities are detected timely, school officials should ensure that required collection procedures as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We have modified our process and are now following collection procedures as set forth in the *Internal School Uniform Accounting Policy Manual*.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

3. **FINDING: Major deficiencies in teachers/others collection procedures**

The former principal failed to ensure that teachers and other staff followed required procedures when collecting school money and turning it over to the former bookkeeper for deposit. Following are some of the significant collection deficiencies that contributed to management's failure to timely detect the apparent misappropriation of over \$60,000 by the former school bookkeeper (noted in the Legal Issue):

- In some instances, teachers and other staff did not count collections or prepare a collection record (prenumbered receipt, collection log, ticket reconciliation, signed recorded count, etc.) prior to turning them over to the former bookkeeper for deposit.
- Teachers and others that prepared collection records did not always record a separate count for each activity to allow profit and other analyses, did not indicate the method of payment (cash or check), and did not always record daily totals.
- Teachers and other staff did not always remit collections to the former bookkeeper promptly.
- Teachers and other staff did not always remit collections to the former bookkeeper intact. The former bookkeeper admitted that she paid herself \$100 from cash collections each time she oversaw a basketball or in-school concession operation.

Another teacher admitted that he used cash from fundraiser collections to purchase equipment and pay for individual student instruction.

- Teachers and other staff often failed to obtain a prenumbered receipt from the former bookkeeper when they remitted collections to her.
- When prenumbered receipts were obtained from the former bookkeeper, some teachers and other staff frequently did not verify that the receipted amounts agreed with the related collection record, and report noted discrepancies to the principal. (*Auditor's Note: At least two teachers stated that they confronted Ms. Beshears with apparent significant discrepancies in the amounts she reported, and when no corrections were made, complained to the principal. Both teachers indicated that the former principal supported Ms. Beshears and told them they must have made an error.*)
- Many teachers and other staff failed to retain copies of collection records. At least one teacher stated she discarded her 2005 school year records even after auditors told her that they must be retained.

The *Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by teachers/others.

**RECOMMENDATION:**

To adequately account for and make certain all school collections benefit the students for which they were raised, and to help ensure that errors or irregularities are detected timely, school officials should ensure that required collection procedures for teachers and others as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We are currently following collection procedures for teachers/others as set forth in the *Internal School Uniform Accounting Policy Manual*.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

4. **FINDING:** **Failure to obtain required written authorization for some fundraisers, and to prepare profit analyses and fundraiser summary reports for applicable fundraising and other resale activities**

The former principal failed to require personnel to complete profit analysis reports for resale activities, failed to require applicable fundraiser summary reports, and also failed to obtain or document written authorization for some school-wide fundraisers. The former principal stated that she relied on the former bookkeeper's word as to fundraiser profits. As noted in the Legal Issue, the former bookkeeper apparently misappropriated thousands of dollars of school collections, including school fundraising and other resale activity collections. Because profit analysis reports were not prepared, verified, and reviewed, the former principal and other school officials and employees did not detect the apparent theft. In addition, because applicable fundraiser summary reports were not prepared, the school could not readily demonstrate that remaining fundraiser profits, if any, were used for the intended purpose. Finally, because the former principal did not comply with school board policy and obtain prior approval for all school fundraisers, school board officials may not have been aware of the number and types of fundraisers occurring within the school.

The *Internal School Uniform Accounting Policy Manual*, Section 4, requires written authorization be obtained and filed, and sets forth detailed procedures for fundraising activities, including completion of profit analysis reports and fundraiser summary reports. Cheatham County Schools policy 6.701, *Student Solicitations/Fundraising Activities*, requires that "All fundraising activities must be approved in writing by the director of schools/superintendent."

**RECOMMENDATION:**

To establish accountability and adequately account for fundraising collections and inventory, and to help ensure that errors or irregularities are detected timely, the principal should establish and ensure compliance with all required procedures related to fundraising and other resale activities set forth in the *Internal School Uniform Accounting Policy Manual*, including obtaining prior authorization, preparing profit analyses, verifying commissions, and preparing fundraiser summary reports.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We have re-emphasized that all schools must obtain written authorization for all fundraising activities per board policy. We will ensure that fundraising collections are accounted for using procedures set forth in the *Internal School Uniform Accounting Policy Manual*.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

5. **FINDING: Deposits not made promptly and intact, and some deposit slips not itemized**

In addition to her failure to deposit some school collections as noted in the Legal Issue, when deposits were prepared and made, school records indicated that the former bookkeeper did not follow required procedures. These significant control deficiencies helped to effectively disguise the nature and extent of the shortages listed in the Legal Issue. The investigative audit revealed that the former bookkeeper failed to

- Deposit school collections within three business days of receipt by a school employee. We noted numerous altered dates on collection logs, apparently in an attempt to conceal the fact that collections were not deposited promptly.
- Deposit school collections intact. School records indicated many instances in which collections purported to be collected on the same day were not deposited together. Collection and deposit records and interviews also documented that the former bookkeeper used school collections to provide change for events and to cash personal and two-party checks.
- Include an itemized check listing in the support documentation for several deposits. In addition, the former bookkeeper falsified payor names or amounts on some of the itemized lists of checks which were located. She apparently used inaccurate check listings to disguise her own untransacted checks. (Refer to Finding 1 and Exhibit 5.)
- Write the receipt numbers comprising the deposit on the deposit slip.

The *Internal School Uniform Accounting Policy Manual*, page 6-2, requires:

Collections should be deposited daily, if possible, but no more than three days after the initial collection.... Collections should be deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason.... All checks should be listed individually on the deposit slip or an attached list, itemizing

the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip.

**RECOMMENDATION:**

To safeguard funds, school personnel should deliver total collections to the bookkeeper at least daily. The principal should ensure that the bookkeeper complies with state law and deposits all school collections intact within three days of initial collection. In addition, to ensure that funds are deposited in the form and amount collected, school personnel should indicate the form of payment as well as the amount on each original collection log or receipt. Checks should be listed individually on the deposit slip or attached list, and the receipt numbers comprising the deposit should be clearly identified.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We have taken steps to ensure that deposits are being made properly.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

6. **FINDING: Computerized accounting system allowed alteration of prenumbered receipts and other school accounting records without detection**

Harpeth Middle School's computerized accounting system had no controls to prevent subsequent alteration of accounting entries, and did not document the occurrence of such alterations. As a result, school officials had no means to recognize that records had been altered after the fact, aside from the availability of a printed copy of account information prior to editing. (Refer to Exhibits 1 and 2.)

The school's computerized accounting system automatically recorded each transaction to the selected account(s) each time the bookkeeper issued a receipt or a check. As noted in the Legal Issue, the audit revealed numerous instances in which the former bookkeeper altered or falsified receipt information and accounting entries, possibly in an effort to conceal the apparent misappropriation.

Section 4 of the *Internal School Uniform Accounting Policy Manual* provides that receipts and disbursements be accurately and promptly recorded in the school's

accounting records. Page 7-3 of the manual provides that the general journal be used to record correction of errors, transfers, etc.

**RECOMMENDATION:**

To ensure that collections benefit the intended students and that school accounting records accurately reflect transactions, school officials should consider adding computer software controls to prevent the alteration of records or to create a history of all modifications. If restrictions cannot be added to the computer system, the bookkeeper should retain copies of ALL receipts and file them in a logical order. The principal should mandate that no changes be made to previously recorded transactions, and that errors be corrected using general journal entries. The principal or his/her designee should monitor recordkeeping to ensure that information from the receipts remains unchanged.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We are currently reviewing new accounting software that will address and correct this issue.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

7. **FINDING: Inadequate controls over event admissions**

The principal failed to ensure that adequate procedures were followed regarding admissions to events. Our investigative audit revealed the following deficiencies:

- Ticket reconciliation forms or other acceptable collection records for several athletic events, dances, and other school events could not be located.
- Most of the reconciliation forms that were located appeared to have been completed by the former bookkeeper. Teachers who worked event gates stated that although they did count the collections, Ms. Beshears instructed them to not complete the collection information on the form prior to signing it. Instead, the count was usually documented on a separate sheet of paper, only one of which was located. (Refer to Exhibit 4.)

- The former bookkeeper issued receipts by account name rather than in the name of the person remitting the money.
- We were unable to locate receipts and deposits for several events, and noted discrepancies between amounts recorded and deposited in others.
- School collections were often used to provide change for the events.

The *Internal School Uniform Accounting Policy Manual*, pages 5-5–6 state:

A ticket reconciliation form is required for all events, such as athletics or entertainment, for which a fee is charged ... All admission tickets should be prenumbered.... The principal is responsible for accounting for all tickets and ensuring the safekeeping of the ticket inventory. Prior to the tickets and ticket reconciliation form being given to the ticket seller, a designated individual other than the ticket seller will record the beginning ticket number and the amount of change to be given to the ticket seller. The ticket seller should initial this information to document verification of the information on the form.... When the event's ticket sales are complete, the ticket seller and the principal or principal's designee should count the cash and complete and sign the ticket reconciliation form. One of the responsible persons will retain a copy of the original ticket reconciliation and the original should accompany the money and unsold tickets. The cashier should issue the official receipt to one of the persons signing the ticket reconciliation. If a discrepancy between the ticket reconciliation and the official receipt exists, the principal should be notified in writing so that the principal may determine necessary action.

Page 5-7 states that “[d]aily collections from any source should never be used for the purpose of providing change for events.”

**RECOMMENDATION:**

To ensure all school event collections are properly accounted for, the principal should establish adequate procedures related to ticket sales as set forth in the *Internal School Uniform Accounting Policy Manual*, Section 5, and ensure that school personnel follow these procedures.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. The school has established adequate procedures related to ticket sales as set forth in the *Internal School Uniform Accounting Policy Manual*.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

8. **FINDING: Inadequate accounting for school event concession operations**

The principal did not require athletic concession operators to adequately account for concession sales and inventory. The former bookkeeper was responsible for concession operations at basketball games and in-school athletic events. Another school employee was responsible for volleyball concessions and a volunteer was responsible for wrestling concessions. The following deficiencies were noted:

- Although concession operators stated that related amounts were turned in, we were unable to locate concession receipts and deposits for at least three volleyball and wrestling events.
- The volleyball and wrestling concession operators stated that they counted the collections prior to turning them over, but did not record the count on the concession reconciliation form, and did not receive a receipt from the bookkeeper for amounts remitted. The volleyball concession operator stated she was told not to complete the reconciliation form prior to signing it. Instead, the former bookkeeper apparently completed all concession count forms that were located.
- Although no documentation was on file, former bookkeeper, Diane Beshears, stated that she paid herself \$100 cash from concession collections for each event she worked. The former principal verified that she had authorized these undocumented payments.
- The former bookkeeper apparently used school collections to provide change for some concession operations, and wrestling concession collections were used to purchase pizza.

- Auditors found no records of inventory, including items sold or given away, and no profit analyses for concession operations.

Because procedures and records were inadequate, we were unable to determine if additional concession collections had been misappropriated.

The *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.” Page 4-27 of the manual states, “For ongoing resale activities such as ... concessions ... profit analysis reports must be completed to document collections, expenses, and any losses of money or product.”

**RECOMMENDATION:**

To provide adequate accountability for concession collections and inventory, the principal should require that

- adequate records are kept of concession items purchased, received, sold, given away, and left on hand after each event;
- inventory is safeguarded and stored in a secured area;
- collections are not used to provide compensation or change, or to make purchases of supplies;
- collections are counted and recorded by two people before being turned over for deposit;
- a profit analysis report is completed by a designated employee to determine if expected collections are being deposited; and
- any variance from expected collections is investigated.

**MANAGEMENT’S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. Steps have been taken to ensure that all issues relating to concession collections and inventory have been addressed.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

9. **FINDING: Inadequate procedures over disbursements**

The former principal failed to require and ensure that adequate disbursement procedures were established and followed, and routinely allowed controls over the checks issuance process to be circumvented. We noted significant deficiencies, including inadequate supporting documentation, invoices missing signatures to indicate receipt of goods or services, altered checks, checks being signed prior to amounts being entered, checks payable to “cash,” and voided checks not properly handled. One of the checks payable to “cash,” ostensibly to provide change for a dance in November 2003, was endorsed by the former bookkeeper and not cashed until January 2004.

The *Internal School Uniform Accounting Policy Manual*, page 5-14 requires that “[t]he **bookkeeper should require and obtain adequate supporting documentation before disbursing any school money.**” Adequate supporting documentation includes documentation that goods and services have been received.

Page 6-3 of the manual states:

All money must be disbursed by prenumbered checks (except for disbursements from petty cash accounts authorized by the board of education). A check must not be altered, erased or destroyed. Should an error be made in preparing a check, the word “VOID” should be written on the face of the check, the signature section should be removed, and the check should be retained on file for future reference and audit purposes. **Checks must not be signed in advance of their preparation and issuance.** Checks must not be made payable to “Cash.” ... Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).

**RECOMMENDATION:**

To safeguard school assets and to ensure that payments are only issued to those having a legitimate claim, the principal should ensure that adequate disbursement procedures as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed.

**MANAGEMENT’S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. The school has modified its processes and is now following disbursement procedures as set forth in the *Internal School Uniform Accounting Policy Manual*.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

10. **FINDING:**    **Deficit balance in the general fund**

According to the June 30, 2004, annual financial report, the Harpeth Middle School general fund had a deficit balance of \$12,614.08 as of June 30, 2004. The *Internal School Uniform Accounting Policy Manual*, page 4-1, states:

Total general fund expenditures (including unpaid obligations as of June 30 each year) must not exceed the beginning fund balance plus current year revenue. A deficit balance in the general fund ... is not allowable. The principal is considered to be the sponsor of the general fund.

Page 5-12 of the manual also states that “... the principal should not authorize payment in any amount for purchases that ... are to be paid out of accounts that do not have sufficient balances.”

**RECOMMENDATION:**

To prevent a deficit general fund balance, the principal should not authorize purchases or sign related checks unless the school has sufficient money to cover the expenditures.

**MANAGEMENT’S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. We are currently taking steps to correct this issue.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

11. **FINDING: Student collections used to pay for staff development and other staff benefits**

In addition to commissions received from the teachers' lounge vending machine, the former bookkeeper recorded some student-accessible vending machine commissions in the restricted entertainment account from which disbursements were made for staff development and staff gifts. Ms. Beshears stated that she estimated teachers' usage of vending machines located in student accessible areas, and allocated the collections between the general fund and restricted entertainment account based on those estimates. Further, the former bookkeeper, with administration approval, issued checks for conference expenses and other staff benefits using general fund money. Allocating student-generated revenues for staff development and other staff expenditures appears to be in accordance with the Cheatham County Board of Education policy. However, the *Internal School Uniform Accounting Policy Manual* makes no provision for any allocation of commissions or other student-generated collections for disbursements not intended to benefit the students or the school. In addition, staff development and compensation are considered to be the responsibility of the local board.

Page 4-1 of the manual states:

The general fund is used to account for all money to be used for the general operation of the school or for the welfare of the student body. This includes, but is not limited to ... school-wide fundraisers.... **All expenditures from the general fund must benefit the school or must contribute to the welfare of the student body, and supplement, and not replace, funds necessary to fulfill the local board's obligation to provide an instructional program, property, equipment, and salaries.**

**RECOMMENDATION:**

To ensure that money generated by students actually benefits the students or the school, the principal should require that vending commission revenue be properly recorded and disbursed. Staff development should never be paid from student activity funds.

**MANAGEMENT’S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. Administrators will be reminded of this policy prior to the start of school. Administrators will be required to sign off on their understanding of and will be held accountable to this policy.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

12. **FINDING:** No documentation and approval of accounts payable totaling \$17,984.93 and \$19,390.53 at June 30, 2003, and 2004, respectively

The former bookkeeper did not include in the school’s records documentation of accounts payable at year end. Therefore, the local board of education had no opportunity to approve the school’s accounts payable, and thereby the subsequent, related expenditures for those payables. Unapproved accounts payable totaled \$17,984.93 and \$19,390.53 at June 30, 2003, and June 30, 2004, respectively. The *Internal School Uniform Accounting Policy Manual*, page 5-16, states, “The local board must approve accounts payable that will not be liquidated during the current fiscal year.”

**RECOMMENDATION:**

To ensure that the board of education is aware of the school’s liabilities, the principal should obtain board approval for the school’s accounts payable at year end.

**MANAGEMENT’S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. Schools will be required to send all accounts payable to the central office at year end for approval.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

13. **FINDING: Supplemental compensation and taxable gifts paid directly to employees**

The former bookkeeper told auditors that with the approval of the former principal, she paid herself \$100 from cash collections for basketball and in-school event concession operations. In addition, our audit revealed that from July 1, 2003, through April 30, 2005, student activity money totaling at least \$12,000 was used to purchase gift cards, meals, etc., for school personnel, including \$200 gift certificates given to office workers for Secretary's Day. The *Internal School Uniform Accounting Policy Manual*, page 5-22, states:

Any supplemental compensation owed to board of education employees for extracurricular activities must be processed through the director of school's office in the same manner as salary and other payroll payments. Board of education employees may not be compensated directly by individual schools from internal school funds.

IRS regulations provide that certain gifts are considered compensation and must be treated accordingly.

**RECOMMENDATION:**

To comply with the requirements of the *Internal School Uniform Accounting Policy Manual*, all supplemental pay and taxable "gifts" to board employees should be processed through the board of education.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. Administrators will be reminded of this policy prior to the start of school. Administrators will be required to sign off on their understanding of and will be held accountable to this policy.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

14. **FINDING: School purchased items from the former bookkeeper's business**

Auditors located at least six disbursements for purchases from and repairs by the former bookkeeper's personal business. We also noted that the former bookkeeper used the school computer in her office to perform duties related to her personal business. Ms. Beshears typed invoices for her embroidering company and printed advertisements, targeting Harpeth Middle School and other Cheatham County Schools' coaches, to solicit for her personal business. The *Cheatham County Board Policy*, 5.601, regarding certified or classified personnel, states:

Employees of the Board will not engage in, or have financial interest in, any activity that raises a reasonable question of conflict of interest with their duties and responsibilities as members of the school staff. This includes but is not limited to the following:

School employees may not purchase for sale to students any goods or equipment or render any service to the school system on a commission basis;

Employees who have patented or copyrighted any device, publication, or other item will not receive royalties for use of such item in the school system;

Employees will not engage in any type of work where the source of information concerning a customer, client, or employer originates from information obtained through the school system;

The Board shall make no purchase of supplies, materials, or equipment from a school system employee; and

Employees shall not solicit for the purpose of selling instructional supplies, equipment and reference books in a territory that includes the parents of the children of the school in which the employee is assigned.

**RECOMMENDATION:**

The Cheatham County School Board should ensure that all board employees are aware of and comply with board policy.

**MANAGEMENT'S RESPONSE:**

**Director of Schools and Members of the Board of Education:**

We concur. Administrators will be reminded of this policy prior to the start of school. Administrators will be required to sign off on their understanding of and will be held accountable to this policy.

**Principal:**

I concur with all findings and agree with the board of education responses.

**Bookkeeper:**

I concur with all findings and agree with the board of education responses.

## **EXHIBITS**

**THIS PAGE LEFT BLANK INTENTIONALLY.**

**Exhibit 1-1:** Pepsi commission check stub

01-000-437565		THE PEPSI BOTTLING				63306349	
FRAN	ORDER NUMBER	DATE	SUPPLIER REF	AMOUNT	DISC	NET AMOUNT	
	127 CDA PAYMENT 2003 C N.BAKER	10-30-03	NASHVLLTN	1,412.00	.00	1,412.00	
<b>TOTALS</b>				<b>1,412.00</b>	<b>.00</b>	<b>1,412.00</b>	

**Exhibit 1-2:** School receipts issued for Pepsi commission check

**RECEIPT** 11084

**HARPETH MIDDLE SCHOOL**  
170 HARPETH VIEW TRAIL  
KINGSTON SPRINGS, TN 37082

Date: 12/02/2003  
\$412.00  
Received From: PEPSI VENDING

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 6912 0	ENTERTAINMENT	PORTION OF VENDING	412.00
<b>TOTAL</b>			<b>\$412.00</b>

SECRETARY *Kiana Baskare*

Receipt # 11084 K= 412.00

**RECEIPT** 11085

**HARPETH MIDDLE SCHOOL**  
170 HARPETH VIEW TRAIL  
KINGSTON SPRINGS, TN 37082

Date: 12/02/2003  
\$1000.00  
Received From: PEPSI VENDING

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 3322 0	RESALE-VENDING	PORTION OF VENDING	1000.00
<b>TOTAL</b>			<b>\$1000.00</b>

SECRETARY *Kiana Baskare*

Receipt # 11085 K= 1000.00

**Exhibit 1-3:** Internal auditor's copy of computer printout dated 3/29/2004. This shows that the school records had been altered—the Pepsi commission check was listed in “donations.”

03/29/2004		Harpeth Middle School		Page: 1	
Sequential List of Receipts					
Receipt No	Date	Received From	Account Name	Amount	Gl Acct
Typ	Pay*Note				
11080	12/02/2003	DARYL TURPIN			
K	SUBWAY CARDS		6602 BOYS BASKETBALL	40.00	11
			Total -> Receipt Number	40.00	
11081	12/02/2003	TENNESSEE AQUARIUM			
K	REFUND OF FIELD TRIP		8100 5TH FT	28.00	11
			Total -> Receipt Number	28.00	
11082	12/02/2003	WANDA ROBERSON			
K	DAYCARE PAYMENTS		6803 WEE LIL INDIANS	1360.00	11
			Total -> Receipt Number	1360.00	
11083	12/02/2003	WANDA ROBERSON			
K	DAYCARE PAYMENTS		6803 WEE LIL INDIANS	150.00	11
			Total -> Receipt Number	150.00	
11084	12/02/2003	PEPSI VENDING			
K	PEPSI AGREEMENT		3340 DONATIONS	412.00	11
			Total -> Receipt Number	412.00	
11085	12/02/2003	PEPSI VENDING			
K	PEPSI AGREEMENT		3340 DONATIONS	1000.00	11
			Total -> Receipt Number	1000.00	
11086	12/03/2003	KAREN CARLTON			
C	FINES, FEES, DUES		8290 CARLTON KAREN	31.65	11
			Total -> Receipt Number	31.65	
11087	12/03/2003	KAREN CARLTON			
C	BOOKSTORE SALES		3320 RESALE -	32.00	11
11084	12/02/2003	PEPSI VENDING			
K	PEPSI AGREEMENT		3340 DONATIONS	412.00	
			Total -> Receipt Number	412.00	
11085	12/02/2003	PEPSI VENDING			
K	PEPSI AGREEMENT		3340 DONATIONS	1000.00	
			Total -> Receipt Number	1000.00	
		K DICKSON CONCESSIONS	6615 BASKETBALL	415.51	11
			Total -> Receipt Number	415.51	
11091	12/03/2003	GIRLS BASKETBALL			
K	DICKSON GATE		6609 GIRLS BASKETBALL	97.24	11
			Total -> Receipt Number	97.24	
11092	12/03/2003	BOYS BASKETBALL			
K	DICKSON GATE		6602 BOYS BASKETBALL	97.24	11
			Total -> Receipt Number	97.24	
11093	12/08/2003	BOOKSTORE			
K	VOCABULARY WORKBOOK		3320 RESALE -	6.50	11
			Total -> Receipt Number	6.50	
11094	12/08/2003	LOCKER FEES			
C	JOHN RUSHING LOCKER FEE		3351 FEES - LOCKERS	4.00	11
			Total -> Receipt Number	4.00	
11095	12/09/2003	WANDA ROBERSON			
K	DAYCARE PAYMENTS		6803 WEE LIL INDIANS	580.00	11
			Total -> Receipt Number	580.00	

**Exhibit 1-4:** End of year "fundraising—schoolwide" printout. School records had again been altered. Pepsi commission now in fundraiser account apparently to compensate for shortage (included in legal issue)

07/30/2004

Page 188

Harpeth Middle School

From: 07/01/2003  
To : 06/30/2004

Reconciliation Report

From Account: 1  
To Account: 999999

Account #: 3330

Advisor:

FUNDRAISING-SCHOOLWIDE

Date	Payee/Source	Invoice	P.O. #	Doc #	Received	Disbursed	Transfer	Balance	Acct
11/11/2003	SCHOOLWIDE			10983	479.34			2683.34	11
	KAYLA KEITH FUNDRAISER PAYMENT								
11/11/2003	SCHOOLWIDE			10984	29.50			2712.84	11
	KAYLA KEITH FUNDRAISER PAYMENT								
11/13/2003	SCHOOLWIDE			11000	7.50			2720.34	11
	KAYLA KEITH FUNDRAISER PAYMENT								
11/25/2003	SCHOOLWIDE			11078	40.00			2760.34	11
	NIGHT OF GIVING WRISTBAND SALES								
12/08/2003	PEPSI VENDING			11084	412.00			3172.34	11
	PEPSI AGREEMENT								
12/08/2003	PEPSI VENDING			11085	1000.00			4172.34	11
	PEPSI AGREEMENT								
12/09/2003	SCHOOLWIDE			11097	5260.79			9433.13	11
	FUNDRAISER PAYMENTS								
12/09/2003	SCHOOLWIDE			11098	85.00			9518.13	11
	TAYLOR SULLIVAN DONATION								
12/10/2003	SCHOOLWIDE			11099	3167.98			12686.11	11
12/08/2003	PEPSI VENDING						11084	412.00	12
	PEPSI AGREEMENT								
12/08/2003	PEPSI VENDING						11085	1000.00	11
	PEPSI AGREEMENT								
	CARRINGTON STULL FUNDRAISER PAYMENT								
12/18/2003	SCHOOLWIDE			11129	52.50			-6471.12	11
	JASON NELSON FUNDRAISER PAYMENT								
12/18/2003	SCHOOLWIDE			11135	79.00			-6392.12	11
	STEPHANIE M SPENCER FUNDRAISER PAYMENT								
12/18/2003	SCHOOLWIDE			11136	74.75			-6317.37	11
	JAKE ANDERSON FUNDRAISER PAYMENT								
12/18/2003	SCHOOLWIDE			11245	43.00			-6274.37	11
	HANNAH GORDON FUNDRAISER PAYMENT								
12/30/2003	SCHOOLWIDE			11231	678.00			-5596.37	11
	SUCKER SALES								
01/07/2004	CIRCLE A	1519	5406	6637		2681.00		-8277.37	12
	LOLLIPOP/SUCKER/CANDY SALES								
01/12/2004	SCHOOLWIDE			11254	41.50			-8235.87	11
	TAYLOR WALKER FUNDRAISER PAYMENT								
01/12/2004	SCHOOLWIDE			11265	753.50			-7482.37	11
	SUCKER SALES								
01/12/2004	SCHOOLWIDE			11267	21.75			-7460.62	11
	LAURA GASSAWAY FUNDRAISER								

**Exhibit 2-1:** School ring commission receipt

**RECEIPT**

**HARPETH MIDDLE SCHOOL**  
170 HARPETH VIEW TRAIL  
KINGSTON SPRINGS, TN 37082

11761

Date: 03/27/2004  
\$392.00

Received From: CLASSIC DESIGNS  
MEMO

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 3328 0	COMM-SCHOOL RINGS	RING COMMISSIONS	392.00
<b>TOTAL</b>			\$392.00

SECRETARY \_\_\_\_\_ **COPY**

Receipt # 11761      K= 392.00

**Exhibit 2-2:** “Comm—School Rings” account from end of year printout. Example of altered accounting records. Based on printout, it would appear that there had been no account activity for entire year.

Account #: 3328      Advisor:

COMM-SCHOOL RINGS

Date	Payee/Source	Invoice	P.O. #	Doc #	Received	Disbursed	Transfer	Balance	Acct
07/01/2003	Beginning Balance							0.00	

07/30/2004      Page 186

Harpeth Middle School

From: 07/01/2003      Reconciliation Report      From Account: 1

To : 06/30/2004                To Account: 999999

<b>TOTALS -&gt;</b>	0.00
	Accounts Payable 0.00
	Working Balance
	Currently Encumbered (PO)

Exhibit 2-3: End of year "fundraising—schoolwide" printout. School ring commission now in schoolwide fundraiser account apparently to compensate for shortage (included in legal issue)

07/30/2004 Page 191  
 Harpeth Middle School  
 From: 07/01/2003 Reconciliation Report From Account: 1  
 To : 06/30/2004 To Account: 999999

Account #: 3330 Advisor:  
 FUNDRAISING-SCHOOLWIDE

Date	Payee/Source	Invoice	P.O. #	Doc #	Received	Disbursed	Transfer	Balance	Acct
03/25/2004	SCHOOLWIDE			11745	320.00			-115.37	11
	MCCULLOUGH-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11746	70.00			-45.37	11
	ALBRITTON-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11747	80.00			34.63	11
	HELM-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11748	250.00			284.63	11
	ROBERTS-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11749	120.00			404.63	11
	JENKINS-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11750	510.00			914.63	11
	ASHBY-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11751	552.00			1466.63	11
	WILSON-COOKIE DOUGH FUNDRAISER								
03/25/2004	SCHOOLWIDE			11752	200.00			1666.63	11
	BESCROFT-COOKIE DOUGH FUNDRAISER								
03/27/2004	CLASSIC DESIGNS			11761	392.00			2058.63	11
	RING COMMISSIONS								
03/28/2004	SCHOOLWIDE			11863	684.00			2742.63	11
	FUNDRAISER PAYMENT								
03/29/2004	FRANK MILLER			1				2742.63	12
	VOIDED CHECK								
03/27/2004	CLASSIC DESIGNS						11761	392.00	
	RING COMMISSIONS								
	TOP SELLER IN FUNDRAISER								
04/13/2004	TARGET		5626	6893		100.00		-2037.52	12
	HIGHEST HOMEROOM AWARDS								
04/15/2004	SCHOOLWIDE			11822	1056.96			-980.56	11
	FALL FUNDRAISER								
04/16/2004	SCHOOLWIDE			11823	1056.95			76.39	11
	FALL FUNDRAISER								
04/26/2004	SCHOOLWIDE			11824	12.55			88.94	11
	SHELLA DODD FUNDRAISER								
04/26/2004	SCHOOLWIDE			11833	136.75			225.69	11
	CASEY MARTIN FUNDRAISER								
04/26/2004	SCHOOLWIDE			11841	65.00			290.69	11
	KOSINSKI FUNDRAISER PAYMENT								
04/29/2004	ROBERTS JENNIFER			11866	20.64			311.33	11
	QUARTERS FOR CANCER								
04/29/2004	LISA GRIMENSTEIN			11867	10.25			321.58	11
	QUARTERS FOR CANCER								

**Exhibit 3:** Example of improperly used receipts and documentation of large dollar amount accumulated in bad checks account. Note negative amounts used to write off bad checks

**RECEIPT** 11804

**HARPETH MIDDLE SCHOOL**  
170 HARPETH VIEW TRAIL  
KINGSTON SPRINGS, TN 37082

Date: 04/15/2004  
\$-6978.73  
Received From: BAD CHECKS

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 3000 0	GENERAL FUND	RE-ENTER INSUFFICIENT CH	-6978.73
<b>TOTAL</b>			\$-6978.73

SECRETARY *W. [Signature]*

Receipt # 11804

**RECEIPT** 12058

**HARPETH MIDDLE SCHOOL**  
170 HARPETH VIEW TRAIL  
KINGSTON SPRINGS, TN 37082

Date: 06/30/2004  
\$-411.77  
Received From: BAD CHECKS

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 3000 0	GENERAL FUND	RE-ENTER INSUFFICIENT CH	-411.77
<b>TOTAL</b>			\$-411.77

SECRETARY \_\_\_\_\_

Receipt # 12058

**Exhibit 4-1:** Blank but signed ticket reconciliation form. Somebody apparently recorded a cash count on the back of this document. No money attributable to this event was receipted or deposited.

## HARPETH MIDDLE SCHOOL TICKET RECONCILIATION

**Date:** 1/15/2004

**Harpeth Middle School GATE**

**Type of event:** BASKETBALL VS CHEATHAM MIDDLE

**Student Tickets**

**Ticket color: RED**

**Sale Price \$3.00**

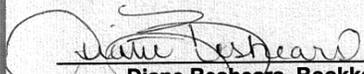
**Roll Beginning/ending numbers:**

**Before sales:** 361444  
**After sales:** \_\_\_\_\_  
**Difference:** \_\_\_\_\_

**BEGINNING CHANGE FUND**

\$20 - TWENTIES			<b>Total</b>	<b>\$</b>
\$10 - TENS	2		<b>Total</b>	<b>\$ 20.00</b>
\$ 5 - FIVES	6		<b>Total</b>	<b>\$ 30.00</b>
\$ 1 - ONES	50		<b>Total</b>	<b>\$ 50.00</b>
\$0.25 - QUARTERS			<b>Total</b>	<b>\$</b>
<b>Total Change Fund</b>				<b>\$ 100.00</b>

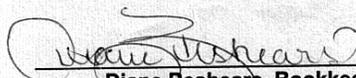
I certify that I checked the ticket color, beginning number, ending number, and the change fund of this ticket seller box and found it to be correct as listed above.

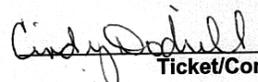
  
 \_\_\_\_\_  
**Diane Beshears, Bookkeeper**

  
 \_\_\_\_\_  
**Jane Caldwell  
 Ticket/Concessions Sellers**

<b>Beginning change fund</b>	<b>\$ 100.00</b>
<b>Total ticket sales</b>	<b>\$ _____</b>
<b>Athletic fund donations received by ticket seller</b>	<b>\$ _____</b>
<b>Total DUE in ticket sales box</b>	<b>\$ _____</b>
<b>Total in ticket sales box</b>	<b>\$ _____</b>
<b>BOX OVER OR SHORT</b>	<b>\$ _____</b>

I certify that I checked the ticket color, beginning number, ending number, and the change fund of this ticket seller box and found it to be correct as listed above.

  
 \_\_\_\_\_  
**Diane Beshears, Bookkeeper**

  
 \_\_\_\_\_  
**Cindy Dodwell  
 Ticket/Concessions Sellers**

**Exhibit 4-2:** This is the back of Exhibit 4-1. This appears to be a recorded cash count that was never receipted or deposited.

50's \$ 100  
20's \$ 040  
10 40  
5's 130  
1 26.10  

---

\$ 936.10

Exhibit 5-1: \$250 (Tony) Diane Beshears daycare receipt

RECEIPT

DATE 9/29/03 No. 750136

FROM Greg & Tony Beshears \$250<sup>00</sup>

Two Hundred Fifty Dollars 00/100 DOLLARS

FOR RENT  
 FOR Kidyan Dayone month of Oct

ACCT.  CASH FROM                      TO CK# 1571

PAID 250<sup>00</sup>  CHECK BY WK Beshears

DUE  MONEY ORDER

1152

Exhibit 5-2: Office receipt \$4,118.86 for school picture commissions

10784

**RECEIPT**

**HARPETH MIDDLE SCHOOL**  
 170 HARPETH VIEW TRAIL  
 KINGSTON SPRINGS, TN 37082

Date: 09/29/2003  
 \$4118.86  
 Received From: LIFETOUCH PHOTOGRAPHY

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
K 3321 0	RESALE-PICTURES	PICTURE COMMISSIONS	4118.86
<b>TOTAL</b>			<b>\$4118.86</b>

SECRETARY \_\_\_\_\_

Receipt # 10784                      K= 4118.86

**Exhibit 5-3:** Deposit check listing. Beshears \$250 is listed with different check number. No check from Lifetouch was listed, but auditors noted that the Barber check amount, combined with the Beshears check amount was \$4118.86—the amount of the Lifetouch check.

**HARPETH MIDDLE SCHOOL DEPOSITS**

DATE: 10/01/2003

CHECK NAME	AMOUNT	CHECK #	CHECK NAME	AMOUNT	CHECK #
GIFFIN	27	1033	COX	27	2777
LEFTWICH	27	7723	NOBES	20	10859
CHRISTY	27	2253	BARCHET	27	2888
CUPP	27	2856	PHILLIPS	15	2014
STUART	20	2087	WILSON	140	3313
MCGAHA	500	801	NORDSTROM	180	717
CARLETON	27	2508	MERRYMAN	27	1580
BAKER	27	649	HUDGINS	27	1576
BUTTREY	27	1002	HURST	27	7649
OFFICER	27	8405	GARRISON	27	1499
MAPLES	35	3536	MARTIN	27	4853
NOBES	27	10860	WLAKER	27	1011
SPARKMAN	100	1069	MCNEELY	27	2588
STUEDEMAN	27	2830	FISHER	27	2024
JOHNSON	7.5	3201	BOYD	7.5	1429
FRONTERA	10	1485	DOTSON	27	6461
BESHEARS	250	1525	GORDON	27	1717
BLACK	27	3028	SAWYERS	27	1888
MILLER	27	8665	LINDER	27	2508
HURST	10	7650	DUNN	27	505
WOODALL	27	6335	SIZEMORE	27	504
CUNNINGHAM	27	7747	WHITE	27	1273
KOSINSKI	27	1308	WILLIAMS	27	1376
KEATON	27	3220	HEDGEPATH	10	4838
BAKER	10	648	SCHLIWA	100	1536
BESHEARS	100	2501	ELLIS	27	7355
LAFEVER	27	2637	LILES	27	7915
MOSS	27	4473	ALBAMONT	27	2171
GASSAWAY	27	1538	ROBERSON	27	10377
MIKOS	27	7138	PACK	27	2945
KIELBASA	8	2962	WILLIAMS	7.5	660
CCBOE	7900	57117	FRANCIS	27	534
BARBER	3868.86				
<b>TOTAL</b>	<b>13359.36</b>		<b>TOTAL</b>	<b>1128</b>	
		<b>GRAND TOTAL</b>			<b>14487.36</b>

111  
-100

**Exhibit 5-4:** Auditors obtained a copy of the deposit contents from the school's bank. According to the bank, the \$250 Beshears check was not included. Note, the Lifetouch check was signed by a "Barber."

