



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

Justin P. Wilson
Comptroller of the Treasury

**BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499**

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

August 28, 2009

President and Board Members
Jack Anderson Elementary School PTO
103 Ten Oaks Drive East
Hendersonville, TN 37075

President and Board Members:

We have completed our investigative audit of selected records of Jack Anderson Elementary Parent/Teacher Organization [PTO]. The audit focused on the period July 1, 2007, through December 31, 2007. The audit was primarily limited to an examination of records related to cash withdrawals. However, when warranted we expanded the scope.

Our investigative audit revealed that on multiple occasions, the former PTO treasurer withdrew cash totaling over \$11,000 from the PTO bank account to make change for various fund raisers. However, we found that this cash was usually not redeposited timely and the amounts redeposited did not always match the amounts withdrawn. The overall poor condition of the PTO's financial records hampered the auditors' efforts to determine the cause of these discrepancies. As a result, we were unable to determine that all change was redeposited.

The former PTO treasurer operated her own bookkeeping service. Our investigation revealed that in one instance, the former PTO treasurer mistakenly deposited \$2,500 of PTO cash into one of her business client's bank accounts. The treasurer told state auditors that she discovered this mistake about a month later and reimbursed the PTO account with her own personal funds. In another instance, PTO records indicate that in October 2007, the former PTO treasurer withdrew \$800 in cash from the PTO bank account to reimburse herself for an expense. However, she told state auditors that in November 2007, she mistakenly withdrew another \$800 in cash to reimburse herself for the same expenses. This second \$800 withdrawal was discovered by PTO officers who then requested an explanation from the former PTO treasurer. Consequently, the former PTO treasurer repaid the \$800 to the PTO bank account with her own personal check.

The former PTO treasurer told state auditors that she had not taken her assignment seriously. She acknowledged that she had been negligent in her duties as PTO treasurer.

1. The former PTO treasurer prepared and signed checks, counted and recorded collections, prepared and made deposits, and reconciled the bank statements. This lack of an adequate separation of duties allowed the former PTO treasurer's misplacement of \$2,500 noted above to go undetected by the board.

The *Model Financial Policy for School Support Organizations*, page 3, states:

Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization's finances. Periodic review of bank statements and other documentation by other officers or members helps detect errors and enhances the integrity of financial information.

To decrease the risk of undetected errors and irregularities, the board should review the officers' responsibilities to ensure that no officer has control over a complete transaction.

2. The PTO checking account used checks which required only one authorized signature. To help prevent the misuse of PTO funds, the board should implement the use of two signature checks and the treasurer should ensure that PTO checks are not issued unless signed by two authorized individuals. The board should make arrangements with the bank so that checks will not be processed unless they include two of the authorized signatures listed with the bank.

The *Model Financial Policy for School Support Organizations*, page 2, states, "For disbursements, prenumbered bank checks should be used that require two signatures."

3. The former PTO treasurer did not prepare and issue receipts each time cash was turned over to or collected by her. As a result, auditors could not independently establish actual collections and therefore could not determine if all collections had been recorded in the PTO's financial records and deposited into the PTO bank account.

The *Model Financial Policy for School Support Organizations*, page 2, states:

A receipt should be issued any time and at the time, cash is turned over to or collected by the treasurer ... The receipts should be prenumbered and kept in a bound book. One copy should be maintained in the receipt book.

4. The PTO files did not contain adequate supporting documentation for all PTO purchases.

The *Model Financial Policy for School Support Organizations*, page 2, states:

Each check written should have a receipt or invoice filed by check number. The treasurer should write the check number and date paid on the invoice or receipt. When a receipt or invoice is not available, a written document, signed by the treasurer, describing the expenditure and explaining why no other documentation is provided, should be created and filed.

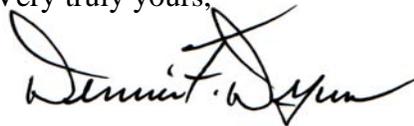
5. The PTO officers had not adopted a written policy regarding accounting for and safeguarding PTO funds.

Section 49-2-604(e), *Tennessee Code Annotated*, states:

A school support organization's officers shall ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. The organization shall adopt and maintain a written policy that specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it.

The president and board members should take immediate corrective action to resolve these issues. If you have any questions or need additional information, please contact me.

Very truly yours,



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



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

Justin P. Wilson
Comptroller of the Treasury

BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499

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

August 28, 2009

Dr. Nancy Glover, Principal
Jack Anderson Elementary School
250 Shutes Lane
Hendersonville, TN 37075

Dear Dr. Glover:

We have completed our investigative audit of selected records of Jack Anderson Elementary Parent/Teacher Organization [PTO]. The audit focused on the period July 1, 2007, through December 31, 2007. The audit was primarily limited to an examination of records related to cash withdrawals from the PTO bank account. However, when warranted we expanded the scope.

Our investigative audit revealed that Jack Anderson Elementary School personnel collected funds, disbursed cash, and forwarded funds to the PTO for various PTO activities. These funds were not recorded in the school records.

The *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.

You should take immediate corrective action to resolve this issue. If you have any questions or need additional information, please contact me.

Very truly yours,

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