



STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

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Dennis F. Dycus, CPA, CFE, Director
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December 18, 2008

Director of Schools and Members of the
Board of Education
Memphis City School System
2597 Avery Avenue
Memphis, TN 38112

Director of Schools and Board Members:

Presented herewith is the report on our investigative audit of selected records of the activity funds of Macon Elementary School, Memphis City School System. This investigative audit focused on the period July 1, 2005, through June 30, 2006. However, this scope was expanded if warranted.

- **Former financial secretary apparently received unauthorized payments totaling at least \$1,212**

Our investigative audit revealed the former financial secretary prepared and transacted several unauthorized school checks, totaling \$1,212 and retained the proceeds for her personal benefit. There was no documentation to provide any justification for these payments in school files. In addition, for many of these checks, she did not properly record the purpose or payee of the check in the school's accounting records. Finally, the school principal told auditors that her name in the signature line on the face of all but one of those checks was not signed by her. The school principal also stated she had not given anyone else authority or permission to sign her name on checks.

- **Unaccounted for school collections totaling at least \$2,319**

Our investigative audit revealed that during the period July 1, 2005, through June 30, 2006, the former school bookkeeper failed to deposit school collections totaling at least \$2,319. The investigative audit revealed that in some instances, the former bookkeeper failed to deposit receipted collections turned over to her into a school bank account. The former bookkeeper had total control over the collection process once money was turned over to her and was therefore able to manipulate school account transactions which allowed her to conceal collections. The total control over the collection process also

allowed her to conceal the apparent misappropriation from management without being detected.

In addition, teacher receipts were not issued for fundraisers and other school events which made records inadequate to determine any additional unaccounted for collections. Teachers stated that fundraisers, dances, and vending collections would have been turned over to the former bookkeeper without any independent count, receipts, or teacher collection logs.

- **Unaccounted for expected school collections totaling at least \$6,560**

The investigative audit revealed that, based on analysis of various school activities, school personnel could not account for expected collections totaling at least \$6,560. This issue consisted primarily of field trips and a school-wide fundraiser. Although school personnel stated the former bookkeeper never informed field trip sponsors of a shortage in field trip collections, various field trips did not have adequate funds to cover expenses. School personnel stated that each field trip sponsor was required to calculate admission and transportation costs to determine collection amount per student to ensure collections were adequate to cover the cost of the trip.

The school conducted various school-wide fundraisers which normally provide 40–50 percent profit margins for the school. One school-wide fundraiser was approximately \$1,700 short of expected collections. Another fundraiser indicated approximately \$500 short of reported gross sales by the vendor. School personnel operated an in-school store to sell snacks to students. The in-school store was \$863 short of the breakeven point. Teachers indicated that teacher receipts or collections logs were not used for collections related to a school-wide fundraiser. Collections for school-wide fundraisers were turned directly over to the former bookkeeper without independent verification of amount. No fundraiser summary reports or profit analysis were found in school records.

This matter was referred to the district attorney general. During the September 2008 term, the Shelby County Grand Jury returned an indictment of Theft over \$1,000 against the former bookkeeper, Dawn Eley.

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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.

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