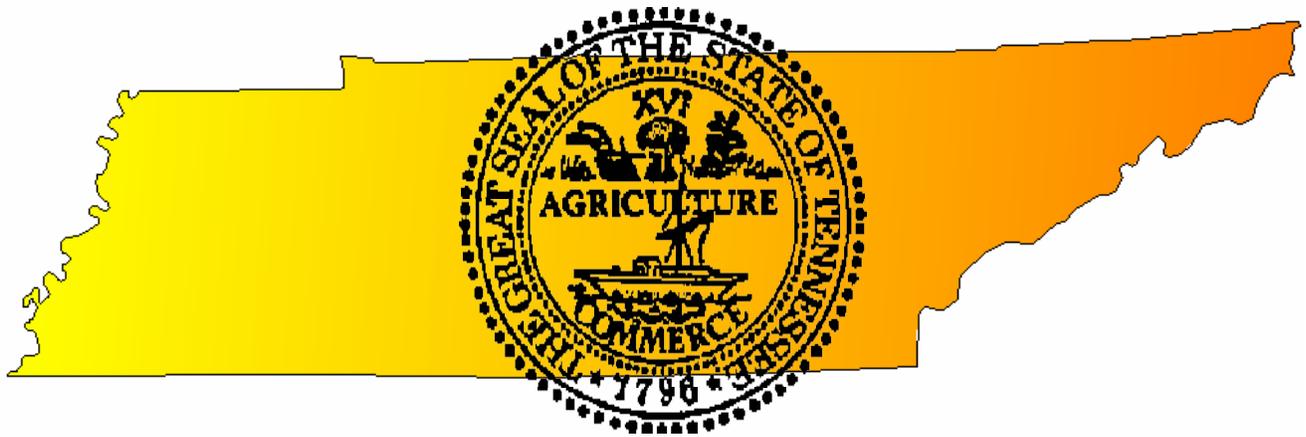


INVESTIGATIVE AUDIT REPORT

MARYVILLE HIGH SCHOOL
MARYVILLE CITY SCHOOL SYSTEM
JULY 1, 2005, THROUGH JUNE 30, 2006



State of Tennessee



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



STATE OF TENNESSEE

John G. Morgan

COMPTROLLER OF THE TREASURY

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

July 10, 2007

Director of Schools and Members of the
Board of Education
Maryville City School System
833 Lawrence Avenue
Maryville, TN 37803

Director of Schools and Board Members:

Presented herewith is the report on our investigative audit of selected records of the activity funds of Maryville High School, Maryville City School System. This investigative audit focused on the period July 1, 2005, through June 30, 2006. 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.

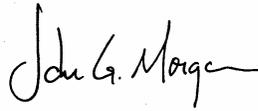
Our investigative audit disclosed an apparent misappropriation of school collections by the former school secretary totaling at least \$62,094.01. In addition, the former secretary apparently altered, falsified, and disposed of school collection and other accounting records. These matters were referred to the local district attorney general. On July 2, 2007, the former secretary, Donna Sloan, was indicted by the Blount County Grand Jury on one count of Theft over \$60,000.

Also, the 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
Maryville City School System
July 10, 2007

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 long horizontal flourish at the end.

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

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

July 10, 2007

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

Dear Mr. Morgan:

As part of our ongoing 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 Maryville High School, Maryville City School System. This investigative audit focused on the period July 1, 2005, through June 30, 2006. 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.

Our investigative audit disclosed an apparent misappropriation of school collections by the former school secretary totaling at least \$62,094.01. In addition, the former secretary apparently altered, falsified, and disposed of school collection and other accounting records.

Mr. John G. Morgan
Comptroller of the Treasury
July 10, 2007

These matters were referred to the local district attorney general. On July 2, 2007, the former secretary, Donna Sloan, was indicted by the Blount County Grand Jury on one count of Theft over \$60,000.

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

1. Inadequate separation of duties
2. Major deficiencies in former secretary's collection and deposit process
3. Major deficiencies in teachers/others collection procedures
4. Inadequate accounting for concession operations and unexplained shortage in expected collections
5. Inadequate controls over event admissions
6. Inadequate accounting and procedures related to school money used as change for concession operations
7. Some school activity funds apparently deposited into athletic booster bank account
8. Computerized accounting system allowed falsification of dates and deletion of prenumbered receipts

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 written in a cursive style with a large, stylized initial "D".

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

**INVESTIGATIVE AUDIT OF SELECTED RECORDS
OF MARYVILLE HIGH SCHOOL
MARYVILLE CITY SCHOOL SYSTEM
FOR THE PERIOD JULY 1, 2005, THROUGH JUNE 30, 2006**

LEGAL ISSUES

1. **ISSUE:** **Apparent misappropriation of school collections totaling at least \$62,094.01**

The investigative audit revealed that during the period May 1, 2005, through June 8, 2006, the former school secretary, Donna Sloan, apparently misappropriated school collections totaling at least \$62,094.01. The investigative audit revealed that the former secretary failed to record in the school's accounting records and deposit into a school bank account some school collections turned over to her, apparently keeping the cash for her personal benefit. Because the principal failed to ensure that duties were properly separated between employees, Ms. Sloan was apparently able to conceal her unauthorized removal of school money by replacing some of this money with subsequent collections she failed to receipt and record into the computerized accounting system. For instance, to document seating order for football season ticket holders, school personnel prepared a chart listing names and whether payment for the tickets had been received. However, the investigative audit revealed that although this chart indicated collections for season tickets totaled \$11,660 prior to Ms. Sloan's departure, receipts for season tickets recorded in the school's computerized accounting system totaled only \$710, leaving a \$10,950 shortage in 2006 football season ticket sales. School bank account information showed that many checks received for season tickets had been deposited into the school bank account on May 18, 2006, and June 1, 2006. However, Ms. Sloan apparently used these checks to conceal shortages in other recorded collections, including those for prom and basketball camp.

Possible additional amounts not included in apparent misappropriation total

As noted below, Ms. Sloan apparently altered, falsified, and disposed of numerous school collection and other accounting records. As noted in Finding 3, the principal failed to ensure that school personnel retained copies of some collection records supporting amounts remitted to the front office. Therefore, the misappropriation total above does not include any possible additional shortage arising from potential falsified amounts shown as collected for athletic events, school plays, concerts, and other events to which admission was charged, and for which collection records had been altered and/or prepared by Ms. Sloan. For instance, although Ms. Sloan did not work the gate at the Knox West football game played on October 7, 2005, one of the related ticket reconciliations located in the school's files appeared to have been prepared by her. The presale ticket reconciliation also appeared to have been prepared by Ms. Sloan. Ms. Sloan

received only \$3,966 in total for the Knox West game. By comparison, the lowest home football gate admission amount recorded in the 2004 season was \$8,546, and the lowest home football gate admission amount recorded for the 2006 season was \$11,615.25. In all three years, the Maryville High School football team won the Tennessee Secondary School Athletic Association (TSSAA) championship.

In addition, numerous in-school concession collection records located in the school's files appeared to have been prepared by Ms. Sloan, even though concession operators stated that they completed and remitted a collection record with all collections. Auditors were unable to identify any collection record or any receipt prepared by Ms. Sloan relating to concession collections from the basketball jamboree which the assistant athletic director estimated at \$1,400 to \$1,800. After reviewing receipted amounts for in-school concession operations, the assistant athletic director estimated that amounts receipted for concession collections by Ms. Sloan might be as much as \$3,200 short. Only \$400 (the final amount remitted by operators) of this possible additional shortage in concession operations has been included in the overall shortage.

Also, the investigative audit revealed that Ms. Sloan apparently disposed of numerous collection records related to school fees, and failed to receipt in the school accounting records and deposit into a school bank account, amounts related to some of these missing records. Again, because school personnel failed to retain copies of all collection records, records were inadequate to effectively identify any possible additional shortages in school fees.

2. **ISSUE: The former secretary apparently falsified, altered, and disposed of school accounting records**

Apparently, in an attempt to conceal the apparent misappropriation noted in Issue 1, the former secretary, Donna Sloan, altered, falsified, and disposed of school collection and accounting records.

The investigative audit revealed numerous instances in which dates on collection records submitted by teachers and other personnel had apparently been altered after being submitted to front office personnel. In addition, although some teachers and other school personnel stated that they completed and remitted collection records with related collections, many collection documents located in the teacher/staff files maintained by front office personnel were apparently prepared by the former secretary, Donna Sloan. School personnel told auditors that they were unaware Ms. Sloan was preparing collection documents to replace those remitted by them, and stated that they did not give Ms. Sloan permission to sign their name on these documents.

The audit revealed that in at least one instance for which original copies were available, Ms. Sloan had revised both dates and amounts on her version of the collection record. In other instances, it appeared that Ms. Sloan had changed only the date, apparently to

conceal the significant amount of time between the date of collection and the date of receipt and related deposit. For instance, ticket reconciliation forms located in the school for many athletic events and drama department productions were apparently prepared by Ms. Sloan. One reconciliation for the spring musical held February 23-26, 2006, indicated the date of the event as April 12, 2006. The receipt and related deposit by the former secretary was also April 12, 2006, 45 days after the event.

Several teachers stated that when they asked questions related to their accounts, the former secretary told them that she was behind in posting their collections.

On June 30, 2006, auditors located in the recycling container in the former secretary's office and in the front office shredder receptacle, several documents supporting collections apparently prepared and/or remitted by school personnel to Ms. Sloan. A review of school files and accounting records revealed that Ms. Sloan had apparently replaced some of these collection documents with documents she prepared. Related deposits were made into the school bank account. However, one of these documents was a payment stub that apparently accompanied a check received from another school for Maryville High School's participation in a softball tournament. The check date indicated it was received at the school after the part-time cashier had left for summer break, and the responsible school employee stated he gave the check to Ms. Sloan. School bank records revealed that the check had been deposited into the school bank account, but the collection was not receipted in the school's accounting records. Ms. Sloan apparently used the check to replace money she had previously taken without authorization.

Auditors were unable to locate original collection records remitted by school personnel for the apparently misappropriated amount noted in Issue 1, although some of the employees had retained copies of the records they turned in. In addition, the former secretary apparently disposed of original collection records which she had rewritten with altered dates and/or amounts. As noted above, auditors located some of these records in the former secretary's recycling receptacle.

These matters were referred to the local district attorney general. On July 2, 2007, the former secretary, Donna Sloan, was indicted by the Blount County Grand Jury on one count of Theft over \$60,000.

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Unless otherwise specified in the report, “former secretary” refers to Ms. Donna Sloan. The current secretary has been asked to respond to applicable findings presented in the Findings and Recommendations section of this report.

FINDINGS AND RECOMMENDATIONS

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

The principal failed to ensure that incompatible financial duties at the school were separated. Although the school had several front office employees, the former secretary assisted with, and was sometimes solely responsible for, counting and reconciling collections. In addition, the former secretary was solely responsible for receipting and recording all school collections in the school’s computerized accounting system. According to school personnel, although the part-time cashier prepared many of the collections for deposit, the former secretary insisted on transporting the deposits to the bank. As noted in the Legal Issues, the former secretary apparently removed cash without authorization for her personal benefit and altered and falsified collection and accounting records to agree with amounts she actually deposited into the school bank account.

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.

RECOMMENDATION:

To help ensure that all school collections are deposited into the school’s bank account, and that 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 and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

2. **FINDING: Major deficiencies in former secretary's collection and deposit process**

The principal failed to ensure that the former secretary, Donna Sloan, followed required procedures when receipting and depositing school money. We noted numerous deficiencies which contributed to Ms. Sloan's ability to perpetrate and conceal her apparent misappropriation of school collections totaling over \$62,000 (as noted in the Legal Issue section), including the following:

- Some staff members stated that the former secretary requested that they remit collection records with no date, apparently to conceal late deposits.
- School personnel stated that in some instances, the former secretary did not give prenumbered receipts to them when they remitted money.
- Teachers and other employees stated that when the former secretary actually provided a receipt for collections to them, it was often several days or weeks after they turned in the related collections. As a result, receipts received from the former secretary were often not reconciled to collections remitted.
- The former secretary apparently altered, falsified, and disposed of numerous collection records.
- The former secretary failed to deposit school collections within three business days of receipt by a school employee. School records revealed that the former secretary apparently altered and falsified dates on numerous collection records, apparently in an attempt to conceal the fact that collections were not deposited promptly.
- The former secretary failed to deposit school collections intact. As noted in the Legal Issue section, the former secretary apparently removed cash without authorization for her personal benefit. She then used cash and checks received in subsequent collections to replace some of the apparently misappropriated collections.
- The former secretary failed to include an itemized listing of checks for some deposits. For other deposits, the payer names and amounts of checks itemized on the list did not agree with the actual make-up of the deposit. Also, the former secretary apparently rewrote at least two deposit slips located in the school's records after the deposit had been made. These deposit slips did not match the deposit slips per bank records.

The *Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by cashiers and bookkeepers. Regarding deposits, page 6-2 of the manual 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.

RECOMMENDATION:

To adequately account for all school money so that it benefits the students for which it was collected, 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. School personnel should deliver total collections to the cashier at least daily. The principal should ensure that school employees comply with state law requiring deposits of all school collections intact within three days of initial collection. Checks should be listed individually on the deposit slip or attached list. In addition, all duplicate deposit slips should be retained and deposit corrections documented separately.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

Secretary:

Response is the same as that of the director of schools and the board of education.

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

The principal failed to ensure that teachers and other staff followed required procedures when collecting school money and turning it over to the cashier. Following are some of the significant collection deficiencies that contributed to management's failure to timely detect the apparent misappropriation of over \$62,000 by the former school secretary (as noted in the Legal Issues):

- Although, according to school personnel, collection records were generally prepared, many teachers and other staff failed to retain copies of collection records.
- Some teachers and others stated that the former secretary instructed them to leave the date off of collection logs, apparently in order to conceal late deposits.
- Teachers and other staff did not always remit collections to the cashier promptly.
- Teachers and other staff did not always remit collections to the cashier intact. School employees responsible for in-school concession operations withheld unrecorded amounts of cash collections from amounts remitted for deposit purportedly to use as change. Collection records also indicated that cash was withheld from football concession collections to provide additional change.
- Teachers and other staff often failed to obtain a prenumbered receipt from the former secretary when they remitted collections.
- When prenumbered receipts were provided to school personnel by the former secretary, they were often several days or several weeks after related money had been remitted. Therefore, some teachers and other staff frequently did not verify that receipts were received for all amounts remitted or that the former secretary's amounts agreed with the related collection record.
- Although account activity reports were periodically provided by the school bookkeeper, school personnel often failed to promptly review the reports for accuracy and to report noted discrepancies to the principal. For instance, the assistant athletic director stated that he noted that the activity report indicated no receipts were issued for in-school concession collections from November 24, 2005, through January 16, 2006, although the concession stand was open for five varsity and JV basketball events, seven 9th grade basketball events, and two wrestling matches, as well as for Saturday youth league basketball games and daily operations during this time period. Because the principal did not ensure that the former secretary issued receipts promptly, the assistant athletic director stated he "assumed" the former secretary was just behind in issuing receipts, and did not take further action.

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 money benefits the students for which it was collected, and to help ensure that errors or irregularities are detected timely, the principal should ensure that required collection procedures for teachers/others as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed. School personnel should be required to maintain copies of collection records, to reconcile receipts received with their copies of collection records, and to sign and return activity reports to indicate completeness and accuracy. Noted discrepancies should be immediately reported to the principal or his designee (someone other than the individuals recording receipts and disbursements in the computerized accounting system).

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

Secretary:

Response is the same as that of the director of schools and the board of education.

AUDITOR'S NOTE: *A comprehensive finding regarding in-school concession operations similar to the one following was included in a previous report by this office related to an investigative audit of Maryville High School for the period July 1, 2001, through February 28, 2002. This investigative audit resulted from the arrest of a former principal for theft. At the time of this investigative audit, none of the issues set forth in the previous report had been corrected.*

4. **FINDING:** **Inadequate accounting for concession operations and unexplained shortage in expected collections**

The principal did not require concession operators to adequately account for concession sales and inventory.

In-school concession operations

Generally, the in-school concession stand was open to students immediately after the end of the school day from fall break through spring break. In addition, the concession stand was operated at basketball, volleyball, and wrestling events. The in-school concession stand also operated most Saturdays in December, January, and February during youth basketball league games, and was open for various other events. Conversation with concession operators revealed that concession collections were not counted and recorded at the close of business activity, and concession collections were not remitted timely. Instead, operators admitted that concession collections were generally held until a large balance had accumulated or until after a varsity game date. In addition, a fixed amount of change was not retained. Instead, collections were used to provide change for successive days' operations. As a result, actual collections were not determined and recorded, and collections were not deposited promptly and intact. Also, adequate records were not maintained of concession items sold or given away.

In-school concession operators failed to retain copies of collection records documenting amounts they remitted for deposit, and failed to verify and/or reconcile receipts received from the former secretary. In addition, concession operators did not prepare a profit analysis to determine if expected collections were deposited. School records revealed that the former secretary failed to record in the accounting records and deposit in the school bank account any collections for in-school concession operations from November 24, 2005, through January 16, 2006, although the concession stand was open for five varsity and JV basketball events, seven 9th grade basketball events, and two wrestling matches, as well as for Saturday youth league basketball games and daily operations. Concession operators stated that concession collections were remitted at least four times during this period and possibly more. The investigative audit revealed that at least six in-school concession collection forms were apparently prepared by the former secretary, who had also apparently signed the names of the concession operators. Concession operators stated that at the very least, the dates had been changed, because three collection forms

were dated the same date. In addition, concession operators stated that dates and amounts of concession receipts issued by the former secretary in January indicated that she was possibly receipting some of the prior unaccounted for collections.

As noted in the Legal Issues, we were unable to identify any receipt prepared by Ms. Sloan relating to concession collections from the basketball jamboree which the assistant athletic director estimated at \$1,400 to \$1,800. In fact, after reviewing receipted amounts for in-school concession operations, the assistant athletic director estimated that amounts receipted for concession collections by Ms. Sloan might be as much as \$3,200 short of amounts expected.

The assistant athletic director stated that concession products were priced to yield at least a 50 percent profit, and some products yielded much more. A profit analysis based solely on inventory purchased from July 1, 2005, through June 30, 2006, indicated that collections receipted by the former secretary were over \$3,700 short of the desired 50 percent gross profit.

Band Concession Operations at Football Games

Concession operations for football games played on the Maryville High School football field were handled by the Maryville High School Band. Review of related records and conversation with the band director revealed that concession collections were counted and recorded at the end of each game. However, the band director did not retain a copy of the collection record. In addition, the band director did not prepare a profit analysis to determine if expected collections were being deposited. The investigative audit revealed that several football concession collection records located in the files maintained by front office personnel appeared to have been prepared by the former secretary who also apparently signed the names of the band director and other applicable individuals.

In addition, although a fixed amount of beginning change was obtained by check, additional change amounts were apparently withheld from collections. As a result, collections were not always remitted intact. Also, as noted in Finding 6, auditors were unable to account for all change amounts.

Because concession operators failed to maintain copies of original concession collection records, and because detailed inventory records were not maintained and reconciled with related sales, auditors were unable to determine and document the total shortage in expected athletic concession collections or whether the shortage in expected revenue was a result of misappropriation.

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 *Internal School Uniform Accounting Policy Manual*, page 5-6, sets forth detailed requirements for recorded counts of collections at the close of business activity, and pages 4-25–28 address requirements for fundraisers, including resale activities. Page 5-7 of the manual states, "**Daily**

collections from any source should never be used for the purpose of providing change for events.”

Page 6-2 of the manual further states:

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.

RECOMMENDATION:

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

- a) a fixed amount of change is retained and the change is accounted for and documented on the recorded count of collections;
- b) adequate records are kept of concession items purchased, received, sold, given away, and left on hand after each event;
- c) inventory is safeguarded and stored in a secured area;
- d) at the close of business, collections are counted by at least two responsible people, and the count is recorded by the persons counting;
- e) collections are deposited promptly and intact and not used for change and/or purchases;
- f) a monthly concession profit analysis report is completed by a designated employee to determine if expected collections are being deposited; and
- g) any variance from expected collections is investigated.

MANAGEMENT’S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

5. **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 could not be located.
- Although school personnel assigned responsibility to work gates stated that they completed ticket reconciliation forms, numerous reconciliation forms, especially from spring athletic events, appeared to have been completed by the former secretary. Others forms were altered, apparently by the former secretary.
- Although receipts for athletic events were issued to the athletic director, the athletic director did not require and obtain copies of original ticket reconciliations from individuals actually responsible for collecting, counting, recording, and reconciling the event admissions. As noted previously, numerous ticket reconciliations appeared to have been altered or completely rewritten by the former secretary.
- Receipts and deposits for several events could not be located, and discrepancies between amounts recorded and deposited were noted in others. A conservative amount of unaccounted for collections from completely missing athletic events is included in the amount apparently misappropriated as noted in the Legal Issue section. However, because copies of original athletic event reconciliations were not retained, we were unable to determine the total amount of collections from school event admissions that could not be accounted for.

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.

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 and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

Secretary:

Response is the same as that of the director of schools and the board of education.

6. **FINDING: Inadequate accounting and procedures related to school money used as change for concession operations**

Our investigative audit revealed that the school did not follow required procedures for handling change used for concession operations. For in-school concession operations, and for some band concession operations, a check for the required change amount was not issued to the responsible individual. Instead, collections were withheld from deposit for use as change. In addition, although school records indicated the former secretary

redeposited into the school bank account some amounts obtained for change, we were unable to account for over \$2,300 of change obtained and withheld for band concession operations. The band director stated that he remitted the \$2,300 change along with the concession collections from the final home football play-off game, as well as a signed, recorded count. However, the related collection record located in the school's records appeared to have been prepared by the former secretary, and did not indicate that any change was included in the deposit. The former secretary also apparently signed the band director's name on the form.

The *Internal School Uniform Accounting Policy Manual*, page 5-7 states:

Daily collections from any source should never be used for the purpose of providing change for events. When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change.... The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit."

RECOMMENDATION:

To establish adequate accountability over school money used as change for school activities, a school check for the required amount of change should be issued to the individual responsible for the change. The exact amount of the change should be redeposited as soon as possible and the deposit slip marked "Redeposit."

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

Secretary:

Response is the same as that of the director of schools and the board of education.

AUDITOR'S NOTE: *State law specifically exempts booster and other support organizations from the recordkeeping, accounting, and auditing requirements related to school activity funds. Coach Thompson stated that Ms. Sloan had no access to the Athletic Booster Club account money or records, and that no unaccounted for school money had been deposited into this account. Because nothing came to our attention to indicate that unaccounted for school money had been deposited into this account and nothing came to our attention to indicate that money being accounted for in the Athletic Booster account was being misappropriated, we did not extend our audit scope to include these bank accounts and related collections and disbursements.*

7. **FINDING:** **Some school activity funds apparently deposited into athletic booster bank account**

Apparently, some school activity funds were separately accounted for and deposited into the athletic booster club bank accounts, rather than being recorded in the school's accounting records and deposited into the school bank account.

According to school personnel, several years ago, Maryville High School had several athletic booster organizations. The bank accounts were separate from the school's accounts and records were kept by participants. There was no accountability by some of the organizations and concerns were raised regarding how the money was being used. Because of the concerns, the school required that all athletic booster organization records and bank accounts be maintained by school board employees. Based on our review of certain athletic booster receipt records, several fundraisers, including a girl's soccer car wash and a boy's soccer candy sale, appeared to be handled by coaches acting in their official capacities and related team members. The fundraisers were accounted for and deposited in the booster organization bank accounts, rather than the school's bank account.

The *Internal School Uniform Accounting Policy Manual*, pages 5-2-3, state:

Money within an individual school may be obtained from many sources including athletics.... Most often, this money may be handled by one or more persons before it is recorded in the cash receipts journal by the designated school employee. The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity.

RECOMMENDATION:

The principal should ensure that all school activity money is recorded in the school accounting records and deposited into the school bank account as required by the *Internal School Uniform Accounting Policy Manual*.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will take the necessary steps to ensure that proper procedures are implemented and internal auditing procedures are in place to ensure future compliance.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.

8. **FINDING:** **Computerized accounting system allowed falsification of dates and deletion of prenumbered receipts**

Maryville High School's computerized accounting system had no controls to prevent the deletion and alteration of receipts, and did not document the occurrence of such accounting entries. As a result, school officials had no means to recognize that records had been altered or deleted after the fact, aside from the availability of a printed copy of account information prior to editing.

The school's computerized accounting system automatically recorded each transaction to the selected account(s) each time the former secretary issued a receipt. We noted several instances in which the former secretary deleted and altered receipt information, possibly in an effort to conceal the apparent misappropriation. Section 4 of the *Internal School Uniform Accounting Policy Manual* provides that receipts 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, 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 that prevent the alteration of records or that would create a history of all modifications. 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 remain unchanged.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the Board of Education:

We concur and will pursue software improvements that will eliminate these issues.

Principal:

Response is the same as that of the director of schools and the board of education.

Bookkeeper:

Response is the same as that of the director of schools and the board of education.