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DIVISION OF MUNICIPAL AUDIT

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June 18, 2009

Director of Schools and Members  
of the Board of Education  
Metropolitan Nashville Public Schools  
2601 Bransford Avenue  
Nashville, TN 37204

Ladies and Gentlemen:

We have completed our investigative audit of McGavock High School, Metropolitan Nashville Public Schools. This investigative audit focused on the period July 1, 2007, through June 30, 2008. However, when the examination warranted, this scope was expanded. The investigative audit was limited to a review of athletic fundraising and concession operations.

The investigative audit revealed that there was not adequate accountability over several athletic fundraisers or concessions. Specifically, we noted the following issues:

**Football and basketball concessions**

An internal audit of disbursements and receipts, conducted by Metropolitan Nashville Public Schools Division of Internal Audit [Internal Audit], revealed that from July 1, 2007, to June 30, 2008, collections for football and basketball concessions were \$37,185 short of expected collections.<sup>1</sup> Two school employees operated the McGavock concessions stand at football and basketball games during the school year ended June 30, 2008. Our investigative audit revealed the following weaknesses:

- The athletic concession operators did not maintain an inventory record of products and supplies on hand
- A profit analysis was not prepared for the athletic concession operation
- Cash was not counted by the athletic concession operators at the conclusion of the event

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<sup>1</sup> Due to the lack of adequate records, Internal Audit was forced to make certain assumptions for these calculations.

- “Recorded count of collections” forms were not prepared at the conclusion of the event
- At the former principal’s specific request, collections were turned over to him at the conclusion of the sporting event without any recorded count.

One of the concession operators told state auditors that they counted their collections and prepared a count sheet the first time they operated the concession stand at an athletic event several years ago. However, the former principal specifically instructed the concession operators not to count the collections after that. Both concession operators stated that the former principal would come to the concession stand after every event and take the money. They also indicated that, on at least one occasion, the former principal told them that he took the money home to count.

The former principal admitted to state auditors that he had instructed the concession operators not to count the collections before turning the money over to him. He insisted that he put the collections in his safe at the school and denied ever taking concession collections home with him. He stated he turned all of the collections over to the school bookkeeper for deposit into the school bank account.

### **Summer school concessions**

Our investigative audit revealed that as much as \$4,550 in collections from summer school concessions were unaccounted for. Two coaches operated an in-school concession stand during the six-week summer school for the year ended June 30, 2008. Our investigative audit revealed the following weakness in the summer school concession operations:

- The summer school concession operators did not maintain an inventory record of products and supplies on hand
- A profit analysis was not prepared for the summer school concession operation
- “Recorded count of collections” forms were not prepared each day
- Operators used their own cash to provide the initial inventory, and then reimbursed themselves out of the subsequent cash collections
- Cash collections were used to resupply the inventory

→ Collections were turned over to the former principal without any recorded count.

Both coaches told state auditors that, in accordance with the former principal's instructions, they used their personal money to buy the initial inventory each summer. They reimbursed themselves for this start-up money from subsequent cash concession collections. Whenever they needed to restock inventory, they used the cash collections. Both coaches indicated that, at his instruction, they turned the collections over to the former principal. They both estimated that they had turned over between \$1,550 and \$4,550 during the 2008 summer school. However, according to school records, no summer school concession collections were receipted or deposited into a school bank account.

The former principal acknowledged to state auditors that he received summer school concession collections from the coaches. However, he estimated that he only received between \$540 and \$2,700. He also acknowledged instructing the coaches to use their own money for start-up costs and to use collections to purchase additional inventory. The former principal insisted that he turned the collections over to the bookkeeper. However, the bookkeeper stated that she never received 2008 summer school concession collections from anyone, including the former principal.

### **Principal's failure to establish financial integrity**

In both cases cited above, the former principal instructed his staff not only to violate state and school system policy, but also to remove all accountability of the cash over which he obtained sole possession. Recordkeeping was neither consistent nor reliable. The former principal created an atmosphere which, at the very least, greatly increased the risk of fraud waste or abuse.

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 5-3, 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. Few of these individuals are trained bookkeepers, yet many must collect and

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account for field trips, fees, fundraisers, etc. At the beginning of each school year, the *principal should ensure* that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures. [Emphasis added.]

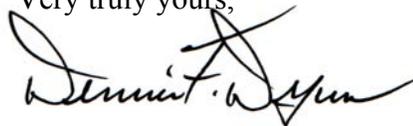
The *Internal School Uniform Accounting Policy Manual*, page 5-6, states:

Some activities, such as bake sales, car washes and concessions, preclude remitting money to the cashier directly following the close of an event and do not lend themselves to the use of a collection log or prenumbered receipt. The collection record for these activities may consist of only a recorded count signed by two responsible individuals at the close of the activity. The form used for the recorded count should include the date, purpose and amount of collection. In addition, the form should include a statement that ‘the money collected for this fundraiser was counted by the parties who have signed below’ followed by the signatures of the two responsible persons. One of the responsible persons will retain the original recorded count and a duplicate or copy should accompany the money. The cashier should issue the official receipt to one of the persons signing the recorded count.

The *Internal School Uniform Accounting Policy Manual*, page 5-3, states that “Prior to authorizing or requiring any collections, the principal must evaluate the ability of school personnel to provide the required accountability.... The principal should never authorize or require any collection which cannot be adequately accounted for.”

The director of schools should take immediate action to correct these deficiencies. Deliberate circumvention of both state and local internal control requirements should not be tolerated.

Very truly yours,

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