



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

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Division of Municipal Audit

October 18, 2005

Director of Schools and
Members of the Board of Education
Morgan County School System
136 Flat Fork Road
Wartburg, TN 37887

Director of Schools and Board Members:

We have completed our investigative audit of the records of the Morgan County Voc-Tech Center, Morgan County School System. The examination focused on the period July 1, 2003, through June 30, 2004. However, when the examination warranted, we expanded the scope. The audit was limited to an examination of collection and disbursement records.

Our investigative audit revealed that the former school bookkeeper failed to deposit at least \$1,743 in cash collections turned over to her by teachers. She apparently concealed this shortage by replacing the misappropriated cash removed from the bank deposit with unrecorded checks payable to the school.

Our investigative audit also revealed several purchases made by the former bookkeeper that did not appear to be for school purposes.

This matter was referred to the local district attorney. In September 2005, the Morgan County Grand Jury indicted Stephanie Gwyn Massengill on one count of Theft over \$1,000.

Our examination also revealed the following internal control weaknesses:

1. The former bookkeeper did not deposit school collections within three banking days. In fact, the bookkeeper held some collections for over six weeks before deposit. The *Internal School Uniform Accounting Policy Manual*, Page 5-3, requires teachers to remit total collections to the cashier daily or more frequently,

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if necessary. Page 6-2, states, "Collections should be deposited daily, if possible, but no more than three days after the initial collection."

2. Although the former bookkeeper prepared receipts for collections, in several instances, she did not count the money or issue the receipt at the time collections were turned over to her. The *Internal School Uniform Accounting Policy Manual*, Page 5-7, states, "The cashier must count the money and issue a prenumbered receipt at the time money is remitted."
3. The principal did not require school employees to adequately document fundraising activities. Collections for a fruit sale fundraiser held during the year should have been \$4,139.50; however, related collections receipted and deposited by the former bookkeeper were only \$3,397.55.

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*, Section 4, sets forth detailed procedures for fundraising activities, which include completion of a profit analysis and fundraiser summary report.

The principal should require and ensure corrective action regarding the above weaknesses. If you have any questions concerning the above, please contact me.

Sincerely,



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