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DIVISION OF MUNICIPAL AUDIT

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April 25, 2012

Director of Schools and Members of the  
Board of Education  
Greene County School System  
910 Sumner Street  
Greeneville, TN 37743

Director of Schools and Board Members:

We have completed our investigative audit of selected records of Nolachuckey Elementary School, Greene County School System. The audit was initiated after school administrators reported certain financial discrepancies. The audit focused on the period July 1, 2010, through November 30, 2010. However, when warranted, we expanded the scope.

**Documented collections not deposited to school bank account**

Our investigative audit revealed that during the period of our review, the former bookkeeper of Nolachuckey Elementary School, Buffi Gray, failed to deposit at least \$2,484 in cash collections.

Description	Amount
Fun Day (School Carnival)	\$ 399.00
Basketball Fundraiser	400.00
Athletic Ticket Sales	1,690.00
Book Fair (Overage)	<u>(5.00)</u>
Total	<u>\$2,484.00</u>

On at least one occasion, it appears that Ms. Gray attempted to conceal that she had not deposited athletic ticket sale collections that were remitted to her by substituting a check from another Greene County elementary school.

This matter was referred to the local district attorney general. On March 26, 2012, the Greene County Grand Jury indicted Buffi Gray on one count of Theft over \$1,000.

### **Internal Control Weaknesses**

#### **1. Inadequate segregation of duties**

The principal failed to ensure that incompatible financial duties at the school were separated. The former bookkeeper was solely responsible for counting, reconciling, receipting, and recording all school collections. The majority of the ticket reconciliations for athletic events between August and November 2010 were apparently prepared by the former bookkeeper. Documentation was insufficient to determine if amounts she recorded were correct.

In addition to her roles in collecting money, the former bookkeeper also prepared and issued school checks and reconciled the school's bank account. As detailed in Finding 6, the former bookkeeper issued several checks with only her signature.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4-8, specifies:

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.

#### **2. Bookkeeper failed to issue receipts on multiple occasions that money was remitted to her**

Records located at the school related to the book fair, basketball fundraiser, and Fun Day all indicated that the former bookkeeper received money for collections on several different days. However, on each occasion she prepared a single receipt, as if she had received the entire amount at one time.

According to the *Tennessee Internal School Uniform Accounting Policy Manual*, page 5-7, "The cashier must count the money and issue a prenumbered receipt at the time money is remitted."

#### **3. Bookkeeper failed to make timely deposits**

School and bank records indicated that the former bookkeeper failed to deposit all collections within three business days of collections. The school's records document that

the former bookkeeper failed to deposit money received from the basketball fundraiser for more than one month and failed to deposit any of the money collected for Fun Day ticket sales<sup>1</sup>.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 6-2, recommends daily deposits and requires deposits within three days of the initial collection.

4. **Bookkeeper failed to make intact deposits**

As explained in Finding 3, the former bookkeeper often withheld collections from the deposits that she prepared and remitted to the bank.

Regarding intact deposits, the *Tennessee Internal School Uniform Accounting Policy Manual*, page 6-2, 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.**” (Emphasis added.)

5. **Missing cash receipts and collection logs<sup>2</sup>**

The school’s employees were unable to locate any copy of certain records that the state’s auditor requested. The unaccounted for records included one day’s Fun Day collection logs and one, three-part receipt that a teacher may have issued during the fall 2010 semester<sup>3</sup>. The missing Fun Day records *could* be indicative of an additional shortage.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4-26, mandates a minimum five-year retention period for all prenumbered cash receipts and collection logs.

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<sup>1</sup> Fun Day was on October 29, 2010. The former bookkeeper issued a receipt for the ticket sales on November 8, 2010. The former bookkeeper admitted to the director of schools and to the principal that she had taken the money home instead of making a deposit. On November 29, 2010, after being confronted about unaccounted for funds, she returned a sum of money that was \$399 less than the amount that she had recorded on the receipt.

<sup>2</sup> The principal and faculty members used the term “**transmittal**.” Within the context of this letter, the reader should consider the terms “collection log” and “transmittal” to be synonymous.

<sup>3</sup> The receipts are prenumbered; the missing receipt is within the range of used receipt numbers.

6. **Bookkeeper issued checks with only her signature and failed to timely reconcile bank statements**

The former bookkeeper issued six checks with only her signature. The principal, who is supposed to be the second signer, stated that none of the bank statements that contained these checks had been reconciled by the former bookkeeper.

Regarding signatures on checks, the *Tennessee Internal School Uniform Accounting Policy Manual*, page 6-3, mandates: “Two signatures are required for all checks. In most cases, the principal or the principal’s designee together with at least one other person must be authorized as cosigners of checks of all internal school fund accounts.”

7. **No support for over \$700 of credit purchases**

The former bookkeeper issued a check for \$1,221 to Staples Credit without obtaining the principal’s signature. The billing statement indicated that the total included an unsupported beginning balance of \$789<sup>4</sup>.

Section 5, Title 3 of the *Tennessee Internal School Uniform Accounting Policy Manual* describes the purchasing cycle in detail. This title includes a requirement that the bookkeeper must obtain adequate supporting documentation before issuing a disbursement. A billing statement alone is **NOT** adequate support.

8. **Late Payments**

Our audit revealed that school staff failed to issue timely payments to multiple vendors. Our audit identified 13 such instances during the six months between July 1, 2010, and December 31, 2010.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 5-13, states that “[p]ayment should be made in time to take advantage of any discounts allowed for early payment.”

Late payments may result in finance charges, late fees, and less favorable purchasing terms from vendors.

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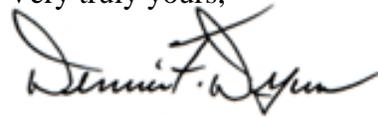
<sup>4</sup> The vendor provided state auditors with documentation of this beginning balance; the auditor found nothing that indicated the order was not used for appropriate school purposes.

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School officials should take immediate action to correct the noted deficiencies and instances of noncompliance at Nolachuckey Elementary School. In addition, officials should determine if other schools in the Greene County School System have similar deficiencies and if so, take needed corrective action.

If you have any further questions concerning the above, please contact me.

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