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DIVISION OF MUNICIPAL AUDIT

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December 16, 2004

Dr. Charles Q. Lindsey, Superintendent
and Members of the Board of Education
Knox County School System
912 South Gay Street
Knoxville, TN 37901

Ladies and Gentlemen:

We have completed our investigative audit of selected records of South Doyle High School. The audit focused on the period July 1, 2002, through March 31, 2004. However, when warranted, we expanded the scope. The audit was limited to an examination of collection and disbursement transactions related to Family, Career and Community Leaders of America (FCCLA) sponsor and consumer living teacher Joanna Lochen.

Our investigative audit revealed that FCCLA fundraiser collections totaling \$317.50 that students stated they gave to Ms. Lochen could not be traced to receipt in the school's office or deposit into the school's bank account. School officials stated that after they became aware of concerns, they met with several students involved in the fundraiser who stated that they remitted specified collections to Ms. Lochen. Ms. Lochen's receipt book did not include receipts for some of these collections students stated they gave her. In addition, these collections not receipted were apparently never remitted to the school office for deposit into a school bank account. Ms. Lochen told auditors it was possible that school collections became mixed with her personal money—that anything was possible. Otherwise, Ms. Lochen was unable to explain why students stated they gave her money that she did not receipt or remit to the office for deposit, although she denied that she took any school money intentionally.

Our review of Ms. Lochen's receipt records revealed that Ms. Lochen did write receipts for some of the collections students stated they gave her. However, school office records indicate that Ms. Lochen failed to remit the majority of this money to school office personnel until after concerns regarding the fundraiser were raised. Ms. Lochen's receipt book indicated that she had received some of this money **a month or more before** the students gave their statements to

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school officials. Ms. Lochen told auditors that she generally turned in her collections daily. Ms. Lochen was unable to explain why she apparently held these fundraiser collections for over a month, stating that the money may have slipped under her desk. In addition, Ms. Lochen could not explain why one student's collection of \$60, which she receipted, was never received by school office personnel and deposited into a school bank account.

Records related to the FCCLA fundraiser were incomplete and did not include adequate records of refunds related to individual orders. In addition, both sponsors indicated that students sometimes shared product, but stated that records detailing product "sharing" or "swaps" were not maintained. Our analysis of available records indicated that recorded fundraiser collections were short of expected collections by **at least \$207.39**.

Our investigative audit also revealed the following related to disbursements made by Ms. Lochen with school funds:

1. For several items purchased, we were unable to determine if the items were used for school purposes. Board and school officials questioned the validity of many of these items, including sets of matching bath towels, toilet lid cover and bath rugs, a romance novel, a mystery novel, a children's book, five winter scarves, etc. For these and other items purchased, school personnel were unable to locate the items at the school. Ms. Lochen admitted to auditors that some items were at her house. Per the request of board officials and our office, Ms. Lochen returned everything she said that she had at home except for a Christmas tree and Christmas decorations. Several items were never located. School records indicated that Ms. Lochen had previously been instructed by school officials that she should not take school items home without notification.
2. In two instances, Ms. Lochen charged to the school the purchase of various items from two companies that sold cheerleading items. Ms. Lochen was not the cheerleader sponsor at the time of these purchases. In addition, in one of the instances, the clothing purchased was in a color different from the school's colors. Ms. Lochen admitted that these were personal purchases that she charged to the school, but stated that she had obtained permission from the school's bookkeeper. The school bookkeeper adamantly denied giving Ms. Lochen permission to charge personal purchases to the school, stating that school policy prohibited this practice. The school bookkeeper stated she was unaware of the charges until the school received the bills in the mail. One of the purchases made on December 13, 2002, remained unpaid by Ms. Lochen for nearly two years. Board officials stated that Ms.

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Lochen brought a check to board officials on November 19, 2004, for the amount of this charge.

Our investigative audit also revealed the following weaknesses:

1. For several purchases made by Ms. Lochen, there was inadequate supporting documentation on file in the office. According to school personnel, Ms. Lochen failed to submit documentation of these purchases to the office. Because of inadequate documentation, in some instances, we could not determine what items or services were purchased and if they were for a school purpose. The *Tennessee Internal School Uniform Accounting Policy Manual*, Page 5-14, requires adequate supporting documentation to be obtained before disbursing any school money.
2. For most purchases made by Ms. Lochen, either a purchase order was not obtained or the purchase order was approved by the principal after the purchase was made. The teacher handbook for South Doyle High School states that a purchase order should be obtained and signed by the principal in advance of placing any order.

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

Sincerely,

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

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