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DIVISION OF MUNICIPAL AUDIT**

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July 6, 2010

President and Board Members
Parents Are Leaders in our Schools
5017 Market Place
Mt. Juliet, TN 37122

President and Board Members:

We have completed our investigative audit of selected records of W.A. Wright Elementary School Parents Are Leaders in our Schools [PALS]. The audit focused on the period July 1, 2008, through August 31, 2009. However, when warranted we expanded the scope.

Our investigative audit revealed that Robin Hall, the former PALS treasurer, issued an organization check totaling \$4,200 to pay for her personal mortgage. Our review also revealed that the former PALS treasurer made false and misleading entries in the organizations records in an apparent attempt to conceal her actions from other organization officers and members. Ms Hall told state auditors that she paid her mortgage with PALS funds because she was several months behind on her payments. She has since repaid the total amount.

This matter was turned over to the local district attorney general. On June 14, 2010, the Wilson County Grand Jury indicted Robin Hall on one count of Theft over \$1,000 and one count of Forgery.

Our investigative audit also identified discrepancies related to fundraising activities. However, the overall poor condition of the PALS financial records hampered the auditors' efforts of determining the cause of these discrepancies.

Our investigative audit disclosed several deficiencies in the organizations internal controls that allowed the activities noted above to occur and not be detected timely. Those deficiencies include:

1. The former PALS treasurer prepared and signed checks, counted and recorded collections, prepared and made deposits, and reconciled the bank statements. This lack of an adequate separation of duties allowed the former PALS treasurer's misappropriation noted above to go undetected by the board.

The *Model Financial Policy for School Support Organizations*, page 3, states:

Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization's finances. Periodic review of bank statements and other documentation by other officers or members helps detect errors and enhances the integrity of financial information.

To decrease the risk of undetected errors and irregularities, the board should review the officers' responsibilities to ensure that no officer has control over a complete transaction.

2. The former treasurer prepared and transacted a change fund check for \$450. However, she recorded this check in the organization's records as a \$200 payment. Officials with PALS indicated that \$200 was the customary amount for change funds. The \$250 balance could not be accounted for.

The *Model Financial Policy for School Support Organizations*, page 3, states, "Bank accounts should be reconciled promptly. A copy of the bank statement and imaged checks should be included in the minutes."

3. On at least two occasions, the PALS president apparently signed organization checks that were blank or were not completely filled out. This allowed the former PALS treasurer to divert organization funds.

The *Model Financial Policy for School Support Organizations*, page 2, states that "[p]resigning blank checks should be prohibited."

4. The former PALS treasurer did not prepare and maintain count sheets, signed by two individuals, for fundraising activity.

The *Model Financial Policy for School Support Organizations*, pages 2–3, states:

For certain events or mass collections (e.g., concession, parking, car wash, candy sale), a record of the total collections each day must be created. Two individuals should count the collections and prepare a count sheet, signed by both counters. When the collections are turned over to the treasurer, he/she and the individuals should

recount the collections. The treasurer should then immediately issue a receipt to the individuals. The count sheet should be filed by the treasurer.

5. The former PALS treasurer did not prepare and issue receipts each time cash was turned over to or collected by her. As a result, auditors could not independently establish actual collections and therefore, could not determine if all collections had been recorded in the PALS financial records and deposited into the PALS bank account.

The *Model Financial Policy for School Support Organizations*, page 2, states that “[a] receipt should be issued any time and at the time, cash is turned over to or collected by the treasurer ... The receipts should be prenumbered and kept in a bound book. One copy should be maintained in the receipt book.”

6. The PALS officers had not adopted a written policy regarding accounting for and safeguarding PALS funds.

Section 49-2-604(e), *Tennessee Code Annotated*, states:

A school support organization's officers shall ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. The organization shall adopt and maintain a written policy that specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it.

Auditors noted that several of these deficiencies have already been addressed by the president and treasurer. However, board members should take immediate corrective action to resolve any remaining issues. If you have any questions or need additional information, please contact me.

Very truly yours,



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