

SPECIAL PURPOSE EXAMINATION

WAYNESBORO MIDDLE SCHOOL

WAYNE COUNTY SCHOOL SYSTEM

JULY 1, 1999, THROUGH NOVEMBER 30, 2000



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
Department of Audit
Division of Municipal Audit**



STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

John G. Morgan

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

August 2, 2001

Superintendent and Members of the
Board of Education
Wayne County School System
P. O. Box 658
Waynesboro, TN 38485

Superintendent and Board Members:

Presented herewith is the report on our special purpose examination of the records of the activity funds of the Waynesboro Middle School, Wayne County School System. This examination focused on the period July 1, 1999, through November 30, 2000. However, this scope was expanded if the examination warranted.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt the *Internal School Uniform Accounting Policy Manual* (prepared and approved as set forth in this code), and to maintain all activity fund books and records in accordance with the requirements of the manual. The purpose of our examination was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

The findings and recommendations presented in this report present those conditions that we believe warrant the attention of the school's officials and other responsible individuals. As a result, the responses to each of the findings and recommendations are included in the report.

Superintendent and Members of the
Board of Education
Wayne County School System
August 2, 2001

Copies of this report are being forwarded to Governor Don Sundquist, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

John G. Morgan
Comptroller of the Treasury

Very truly yours,



John G. Morgan
Comptroller of the Treasury

Mr. John
Comptroller
State Capital
Nashville,

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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John G. Morgan
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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

August 2, 2001

Mr. John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, TN 37243

Dear Mr. Morgan:

As part of our on-going process of examining the records of the activity and cafeteria funds of schools, we have completed our special purpose examination of the records of the activity funds of Waynesboro Middle School, Wayne County School System. This examination focused on the period July 1, 1999, through November 30, 2000. However, this scope was expanded if the examination warranted.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. The board of education is responsible for providing reasonable regulations, standards and procedures, and adopting an activity fund accounting manual. The superintendent is responsible for ensuring that laws and rules of the state and of the board of education are faithfully executed. The principal's responsibilities include accounting for the safekeeping and handling of money collected for and raised by student activities and school services and events. State law specifically excludes funds raised by parent-teacher and parent-student support type organizations from accounting and recordkeeping requirements. Therefore, these funds were not included in our examination.

Mr. John G. Morgan
Comptroller of the Treasury
August 2, 2001

Student activity funds must be accounted for according to the *Internal School Uniform Accounting Policy Manual*. This manual was prepared by the Tennessee Department of Education and approved by the Comptroller of the Treasury and the Commissioner of Finance and Administration, in accordance with Section 49-2-110, *Tennessee Code Annotated*. The purpose of our examination was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

Our examination resulted in findings and recommendations related to the following:

1. Change of at least \$1,795 not accounted for
2. Deposits not made promptly or intact
3. Inadequate separation of duties
4. Inadequate controls over admissions to events
5. Collections not counted when remitted
6. Inadequate accounting for concession operations
7. Inadequate accounting for fundraising activities
8. Lack of control over bookstore collections
9. Purchase authorization forms not properly used
10. Inadequate supporting documentation
11. Invoices not properly canceled
12. No documentation that receipt of goods or services was verified
13. Documentation of quotes not in school's files

Mr. John G. Morgan
Comptroller of the Treasury
August 2, 2001

14. Student receipt listings not properly used
15. Inadequate controls over rental of school facilities
16. Inadequate controls over vending operations
17. Profit from picture sales not verified
18. No documentation that the board of education approved year-end accounts payable
19. Inadequate property records

Because state law assigns specific responsibilities for school activity funds to the members of the board of education, the superintendent, and the principal, they were asked to respond to each finding. When appropriate, other responsible individuals were also asked to respond. The responses are included in this report.

If after reviewing the report you should have any questions, I will be happy to provide any additional information which you may request.

Sincerely,



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

**SPECIAL PURPOSE EXAMINATION OF THE RECORDS
OF THE ACTIVITY FUNDS OF WAYNESBORO MIDDLE SCHOOL
WAYNE COUNTY SCHOOL SYSTEM
FOR THE PERIOD JULY 1, 1999, THROUGH NOVEMBER 30, 2000**

The former bookkeeper, Jacque Reatherford, resigned on November 30, 2000. Subsequently, the school hired a new bookkeeper who has been required to implement many of our recommendations. Therefore, we have asked her to respond to certain findings.

FINDINGS AND RECOMMENDATIONS

1. **FINDING: Change of at least \$1,795 not accounted for**

Change of at least \$1,795 which was obtained by the former bookkeeper for admissions and concessions at various events, could not be accounted for. Neither the deposit slips nor the school's records provided any documentation that the money was redeposited. The *Internal School Uniform Accounting Policy Manual*, Page 5-7, states:

When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. . . . The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit."

RECOMMENDATION:

To correctly account for change, a check should be written to the individual responsible for the change for each event. The exact amount of the change should be redeposited as soon as feasible, and the deposit slip clearly marked "redeposit."

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. We are implementing recommendation.

Principal:

I concur. Already implemented.

Current Bookkeeper:

I concur. Already implemented.

2. **FINDING: Deposits not made promptly or intact**

The former bookkeeper held several deposits for more than three days. In several instances, she deposited collections **a month** after they were turned over to her. On October 27, 2000, after a break-in at the school, \$8,668.41 was determined to be missing. Of this amount, \$1,482.55 had been collected at a ballgame on October 12, 2000. In addition, on the Monday after the weekend break-in, the former bookkeeper delivered to the principal a large deposit consisting of collections received as early as October 5. In several instances, collections were not deposited intact because personal checks were cashed using school collections.

The *Internal School Uniform Accounting Policy Manual*, Page 6-2, states:

Collections should be deposited daily, if possible, but no more than three days after the initial collection. Night deposits may be necessary to avoid large sums of cash being on hand overnight. . . . 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.

Page 5-8 of the manual states, "Using daily collections for cashing checks or making purchases is prohibited."

RECOMMENDATION:

To safeguard funds, school personnel should deliver total collections to the cashier/bookkeeper at least daily, and the collections should be deposited intact within three banking days of initial collection. For no reason should collections be withheld from a deposit. In addition, the principal should prohibit school personnel from cashing checks for any purpose through the school's collections.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. We are implementing recommendation.

Principal:

I concur. Already implemented.

Current Bookkeeper:

I concur. Already implemented.

3. **FINDING: Inadequate separation of duties**

The former bookkeeper, who was responsible for preparing and making deposits and reconciling bank statements, was also responsible for receipting and recording collections. As noted in Finding 4, the former bookkeeper also had complete control over admissions to certain events. The *Internal School Uniform Accounting Policy Manual*, Pages 4-6—7, states:

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. A person who is

Principal:

I concur. Have implemented A,C, D; will implement B.

Current Bookkeeper:

I concur. Already implemented.

5. **FINDING: Collections not counted when remitted**

According to the former bookkeeper and other school personnel, collections were not counted and a receipt issued when collections were remitted to the office. In fact, some collections were simply left on the former bookkeeper's desk. Although most teachers stated they received a receipt, it was issued later by the former bookkeeper. In addition, the former bookkeeper would sometimes issue receipts to events or would leave the "received from" line blank. Furthermore, original receipts were not maintained when receipts were voided.

The *Internal School Uniform Accounting Policy Manual*, Page 5-7, states, "The principal should prohibit teachers/others from turning money over (leaving money on the cashier's desk) without receiving a receipt. . . . The cashier must count the money and issue a prenumbered receipt at the time money is remitted."

RECOMMENDATION:

To provide records for documenting that all collections are recorded and deposited, the cashier should recount collections in the presence of the person remitting them and issue a prenumbered receipt, **at the time the collections are received**. The bookkeeper should record all receipts in the school's accounting records. The prenumbered receipts should be completed with the name of the payer, the amount remitted, and date. If the receipt itself does not identify the purpose(s) of the collection and corresponding amount(s), other supporting documentation must be attached to permit the bookkeeper to record the transaction.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. We are implementing recommendation.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

6. **FINDING: Inadequate accounting for concession operations**

The principal did not require concession operators to adequately account for concession sales and inventory, or change obtained for sales. As noted in Finding 1, a total of \$1,795 which was obtained for change could not be accounted for. Of this total, \$550 was obtained for change for concession sales. 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." Page 4-27 of the same manual states, "For ongoing resale activities such as . . . concessions, . . . profit analysis reports must be completed to document collections, expenses, and any losses of money or product."

RECOMMENDATION:

To provide adequate accountability for concession collections and inventory, the principal should require that

- a) adequate records are kept of concession items purchased, received, sold, given away, and left on hand after each event;
- b) inventory is safeguarded and stored in a secured area;
- c) collections are counted and recorded by two people before being turned over for deposit;
- d) an expected collection report is completed after each game by a designated employee to determine if expected collections are being deposited; and
- e) any variance from expected collections is investigated.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Have implemented A, B, C; will implement D and E.

Current Bookkeeper:

I concur. Already implemented.

7. **FINDING: Inadequate accounting for fundraising activities**

School employees did not adequately account for fundraisers. For some school-wide fundraisers, authorization was not obtained from the superintendent. In addition, for many fundraisers involving resale activities, independent reconciliations were not performed to determine if expected collections were receipted and deposited. For other fundraisers not involving product resale, such as car washes and collection of monetary votes for homecoming queen, a cash count signed by two people was not completed. For fundraisers for which an admission of more than a \$1 was charged,

prenumbered tickets were not used. In addition, teachers did not maintain necessary documentation of their fundraisers, and some expenses were paid from collections before turning them in to the office. Also, disbursements from accounts of organizations were not always approved by the student membership. In addition, sales tax was not paid on yearbooks.

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, Title 8, sets forth detailed procedures for fundraising activities, which include completion of a profit analysis and fundraiser summary report as well as the payment of sales tax on all resale items. In addition, Page 5-6 of the same manual describes the use of a cash count record in other fundraising situations.

RECOMMENDATION:

To establish accountability and adequately account for fundraising collections and inventory, the principal should require that

- a) written authorization is obtained and filed;
- b) sponsors keep adequate records of the amounts owed by and received from each person;
- c) sponsors follow up amounts owed to the school at the end of the fundraising activity;
- d) sponsors keep adequate records of items distributed to each seller, items given away or damaged, and inventory on hand;
- e) sponsors give copies of their records to the bookkeeper when the fundraising event is completed;
- f) for fundraisers involving resale activities, a designated employee (not involved in collecting or recordkeeping) prepares an analysis to determine if expected collections were received, reports results in writing to the principal and ensures that any variance is investigated;

- g) for fundraisers not involving resale activities, a cash count record should be completed and signed by two individuals;
- h) for fundraisers in which an admission is charged, prenumbered tickets should be used and a ticket reconciliation form prepared after the event;
- i) the school remits sales tax to the vendor or use tax to the Tennessee Department of Revenue for applicable purchases of products and services to be resold; and
- j) a fundraiser summary report is prepared to document that profits were expended for the purpose(s) for which they were raised.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

8. **FINDING: Lack of control over bookstore collections**

The principal did not require the bookstore operator to adequately account for bookstore sales. In addition, bookstore collections were used to make petty cash disbursements. The *Internal School Uniform Accounting Policy Manual*, Pages 5-3—5, states, “Teachers, assistants, volunteers, and support staff who handle money should be aware of the requirement for maintaining accurate and systematic records of all cash collected. . . . All collections should be turned in to the cashier daily. . . .” Page 4-27 of the manual requires that “For ongoing resale activities such as bookstores . . . profit analysis reports must be completed to document collections, expenses, and

any losses of money or product.” Page 5-8 of the manual states, “Using daily collections for . . . making purchases is prohibited.”

RECOMMENDATION:

To document the amount of bookstore collections that should be deposited, an established amount of change should be maintained and a reconciliation of expected sales to actual collections should be periodically prepared by an independent person. Collections should not be used as a petty cash fund.

MANAGEMENT’S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. We are implementing recommendations.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

9. **FINDING: Purchase authorization forms not properly used**

School personnel did not correctly use purchase requisition/purchase order authorization forms for some purchases. In many instances, a purchase requisition was not obtained for purchases of \$100 or less and, if obtained, was not signed by the bookkeeper to document that the balance in the account was sufficient to allow the purchase. In addition, purchase requisition/purchase order forms for purchases over \$100 were not always signed as required by both the bookkeeper to verify sufficient balance and the principal to document her approval. In some instances, the forms were completed after the purchase was made or not completed at all. The *Internal School Uniform Accounting Policy Manual*, Page 5-17, states, “Students or school employees are not permitted to make purchases in the name of the

school without proper written authorization.” Pages 5-12—13 of the manual states:

To initiate a purchase . . . a prenumbered purchase requisition should be completed. . . . The prenumbered purchase requisition is given to the bookkeeper. When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and, if the purchase is over \$100, forward it to the principal for approval. After the prenumbered purchase requisition form is signed by the principal, it becomes a **purchase authorization**. This form also can be used as a **purchase order**. . . .

Pages 5-12—15 of the manual set forth other detailed procedures for the use and retention of school purchase requisitions/authorizations/orders.

RECOMMENDATION:

To better control expenditures and help prevent deficit fund or account balances, school personnel should correctly and consistently use and file a purchase requisition/purchase order for all purchases, obtaining the principal’s approval for purchases over \$100.

MANAGEMENT’S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. Recommendations are being implemented.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

10. **FINDING: Inadequate supporting documentation**

The former bookkeeper did not always include adequate supporting documentation for disbursements. For several disbursements, the files contained no documentation or contained only summarized statements or copies of invoices. In addition, she did not match purchase requisition/purchase order authorization forms with invoices. As a result, some disbursements were paid twice and finance charges were incurred on some unpaid bills. The *Internal School Uniform Accounting Policy Manual*, Page 5-14, states:

The bookkeeper should require and obtain adequate supporting documentation before disbursing any school money. Periodic statements from vendors and copies of invoices are not adequate documentation to support disbursements. If a copy of an invoice must be used rather than the original, the bookkeeper should include a written explanation on the invoice stating the reason. When items/services are purchased for which vendors do not provide formal invoices (e.g., commencement speakers, officials for athletic contests etc.), the school should prepare a document and have it signed by the vendor. When a vendor invoice or other invoice documentation is received, the bookkeeper should match the related purchase authorization and accompanying receiving report/delivery receipt with the invoice to verify that the items/services shown on invoice were actually ordered and received. . . . Payment should be made in time to take advantage of any discounts allowed for early payment.

RECOMMENDATION:

To document that each disbursement was for a valid school purpose, the principal should ensure that adequate documentation is maintained in the school's files. Before signing a check, authorized individuals should review adequate supporting documentation to determine that the disbursement is for a valid school purpose.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. Recommendations are being implemented.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

11. **FINDING: Invoices not properly canceled**

Although the former bookkeeper canceled purchase requisition/purchase order authorization forms, she did not usually cancel paid invoices. The *Internal School Uniform Accounting Policy Manual*, Pages 5-14—15, states:

After payment is made, each page of the invoice and attached documentation, including the purchase authorization and receiving report/delivery receipt, should be stamped "Paid" or canceled in some manner to prevent duplicate payment. If duplicates or copies of checks are not attached to the supporting documents, the check number, date, and amount paid should be clearly marked on each purchase authorization and paid invoice.

RECOMMENDATION:

To help prevent duplicate payment, authorized persons should sign school checks only after determining that the bookkeeper has canceled each page of the supporting documentation.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. Recommendations are being implemented.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

12. **FINDING: No documentation that receipt of goods or services was verified**

School personnel did not document, by signing and dating the delivery receipt or invoice, that goods or services purchased by the school were received as ordered. In addition, although the yearbook sponsor signed the invoice noting she had received the yearbooks, she did not indicate that additional free yearbooks, not listed on the invoice, were received. The *Internal School Uniform Accounting Policy Manual*, Page 5-13, states:

If receiving reports and/or delivery receipts are used, they should be signed and dated by a designated individual to indicate that the items listed were received and accepted, and the report/receipt should be filed with other documentation. If receiving reports and/or delivery receipts are not used, the invoice should be signed and dated by the designated individual who received and accepted the items. When authorized services have been completed, a designated individual should sign and date the invoice . . . to indicate that the service was completed properly and accepted.

Page 4-29 of the manual states:

A responsible school employee should verify the receipt of all incoming items for resale by comparing the items received to the invoiced amounts and descriptions, noting any discrepancies on the invoice, and signing the invoice.

RECOMMENDATION:

To document that the school received the items and services for which it is paying, the employee responsible for the items or services or another employee designated by the principal should sign or initial the invoice or receiving report to document that the school received all goods or services listed.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. Recommendations are being implemented.

Principal:

I concur. Have implemented.

Current Bookkeeper:

I concur. Already implemented.

13. **FINDING: Documentation of quotes not in school's files**

The school's files did not appear to include any documentation that the required bidding procedures were followed for purchases of \$5,000 or less. The *Internal School Uniform Accounting Policy Manual*, Page 5-15, states, "Each board of education should establish bid policies and procedures for student activity and other internal school funds within its jurisdiction. . . ."

The Wayne County Board of Education's policy states, "All purchases of five thousand dollars (\$5,000) or less, including those of individual schools, . . . shall, whenever possible, be based on at least three (3) competitive bids."

RECOMMENDATION:

To obtain the best price, the school should follow the board's policy for purchases of \$5,000 or less.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur. A clarification of local board policy has been issued to require documented quotes for purchases of more than \$500 but less than \$5,000.

Principal:

I concur. Superintendent will clarify policy which will be implemented.

Current Bookkeeper:

I concur. Already implemented.

14. **FINDING: Student receipt listings not properly used**

Although teachers used student receipt listings to record collections from students, they did not always total collections for the day, in several instances they omitted the date of the collection, and some teachers combined collections from several students together and entered one total on the receipt listing. In addition, teachers did not promptly turn collections over to the cashier in several instances. Furthermore, student receipt listings which were prenumbered were not accounted for.

The *Internal School Uniform Accounting Policy Manual*, Pages 5-3—5, states:

Teachers/others who collect money should prepare a collection record (prenumbered receipt, collection log, ticket reconciliation, signed recorded count, etc.) for each separate activity. All collections by teachers/others should be remitted to the cashier daily or more frequently, if necessary. . . . The log documents the name of the school, the purpose of the collection, the name of the teacher/other or club/class, the payers, the date(s) of collection, and the daily total. When daily collections are completed, the collections should be counted by the teacher/other and reconciled with the daily total on the collection log. Noted errors should be corrected and unexplained differences should be documented. . . . Teachers are encouraged to retain these logs for at least three years in the event of audit questions.

Page 5-4 of the manual also describes procedures for issuing and accounting for prenumbered receipts.

Page 1-4 of the manual also states, "Each school must maintain adequate records and follow acceptable procedures to properly account for all internal school funds."

RECOMMENDATION:

To document all collections, teachers and others who collect and handle money at the school should record all individual student collections on records prescribed by the principal. The documentation should specify the teacher's name, the name of each student paying, the amount collected from each student, the date of the collection, and the purpose of the collection. Teachers should correctly total the receipt listing or the listing entries applicable to the current turn-in before turning their collections over to the cashier. Teachers should retain a copy of their receipt listings along with the respective receipt issued by the cashier. The completed student receipt listing should be maintained in the school office for audit purposes. The cashier should require and ensure that all collections remitted by school personnel are accompanied by correct and complete records. The bookkeeper should retain these records to support the collections for receipts issued by the cashier. In addition, a designated individual should maintain

control of the prenumbered student receipt listings, issuing and accounting for all receipts as described in the *Internal School Uniform Accounting Policy Manual*.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Will implement at beginning of school year.

Current Bookkeeper:

I concur. Will be implemented at beginning of school year.

15. **FINDING: Inadequate controls over rental of school facilities**

Organizations and individuals renting the school facilities were not required to sign an agreement. In addition, it appeared that the school incorrectly applied the board's rental fee policy in several instances.

The *Internal School Uniform Accounting Policy Manual*, Page 4-24, states:

Prior to the commencement of a noncooperative activity, a written agreement must be made setting forth the fee, if any, to be charged as well as other pertinent information in accordance with the board of education's policy. . . . Rental fees derived from noncooperative activities should be properly receipted and used in accordance with board policies.

RECOMMENDATION:

The principal should ensure that each organization or individual sign a written agreement setting forth the fee established by the board. In addition,

the principal should ensure that school personnel understand and correctly apply the board's policy.

Superintendent and Members of the Board of Education:

We concur. A rental agreement will be developed for use by all schools.

Principal:

I concur. Superintendent will prepare rental agreement which will be implemented.

16. **FINDING: Inadequate controls over vending operations**

The school had no written agreement on file with the snack vending company and the school's agreement with the beverage vending company was not dated. Furthermore, the school did not verify that the correct amount of commission was received from either vendor. The *Internal School Uniform Accounting Policy Manual*, Page 4-23, states:

A cooperative activity is one in which the school shares directly in the proceeds. . . . Prior to the commencement of a cooperative activity, a written agreement concerning each party's responsibilities and the division of expenses and profits should be made between the outside group and the school in accordance with the board of education's policy. . . . If proceeds are collected by the outside group, a designated individual from the school should verify that the division of the collections was based on the written agreement and a prenumbered receipt should be issued for the school's share.

RECOMMENDATION:

The principal should obtain an adequate written vending agreement which should include a complete beginning date and the rate of commission the school is to receive. In addition, the principal should require a designated

employee to verify that the school receives the correct amount of vending commission from the vendor.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Will implement at beginning of school year.

17. **FINDING: Profit from picture sales not verified**

The principal did not require school personnel to verify that the school received the correct amount of profit from the photographer. The *Internal School Uniform Accounting Policy Manual*, Page 4-27, states:

If the fundraiser involves an outside vendor (such as school pictures), the school should obtain a written agreement. The agreement should set forth the division of profits that result from the activity, payment of sales tax, delivery date(s), package prices or other charges, scheduled date(s) of service, etc. . . . If an outside vendor makes the collections, the school must independently verify total sales and total collections to ensure proper division of profits. The documentation used to verify the school's percentage must be internally generated, not received from an outside party (the vendor).

RECOMMENDATION:

To determine that the commission is correct, the principal should require a designated individual from the school to verify that the correct amount of profit is received from the photographer.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Will implement at beginning of school year.

18. **FINDING: No documentation that the board of education approved year-end accounts payable**

The school's records did not indicate that the local board of education or the board's designee approved accounts payable at June 30, 2000, and the subsequent related expenditures. The *Internal School Uniform Accounting Policy Manual*, Page 5-16, states, "The local board must approve accounts payable that will not be liquidated during the current fiscal year."

RECOMMENDATION:

For the board of education to be aware of the school's financial circumstances, the principal should get board approval for accounts payable at year end and for the subsequent related disbursements.

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Have implemented.

19. **FINDING: Inadequate property records**

The school did not maintain complete, up-to-date inventory records of property purchased. Serial number, date of purchase, and cost were not always recorded in the property records. Many property items were not permanently marked or tagged.

The *Internal School Uniform Accounting Policy Manual*, Page 4-19, states, "It is essential to account for property (whether donated or purchased with individual school money) and to establish and maintain adequate internal controls for such property. . . ." Pages 4-18—20, outline the school's responsibility for controlling property, which includes maintaining up-to-date inventory records, permanently marking each piece of equipment, conducting periodic inventories of recorded property, obtaining written approval of specific items removed from school property, and ensuring all removals are for official use only.

RECOMMENDATION:

To better account for and control school property, the principal should ensure complete property inventory records are maintained and that applicable property is permanently marked or tagged. All relevant inventory information, including the serial number, date of purchase, and cost of the item, should be included in the inventory record **at the time property is received.**

MANAGEMENT'S RESPONSE:

Superintendent and Members of the Board of Education:

We concur and will implement recommendations.

Principal:

I concur. Will implement at beginning of school year.