

SPECIAL INVESTIGATION

**WHITWELL HIGH SCHOOL
MARION COUNTY SCHOOL SYSTEM
JULY 1, 2009, THROUGH OCTOBER 31, 2010**



State of Tennessee

Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

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Comptroller of the Treasury

June 10, 2014

Director of Schools and Members of
the School Board
Marion County School System
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Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Whitwell High School, Marion County School System, which focused on the period July 1, 2009, through October 31, 2010. When warranted, this scope was expanded.

Presented in this report are the findings resulting from this special investigation. Copies of this report are being forwarded to Governor Bill Haslam, 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 and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

Stephanie S. Maxwell, Deputy General Counsel
Office of the Comptroller of the Treasury

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**SPECIAL INVESTIGATION OF SELECTED RECORDS OF
WHITWELL HIGH SCHOOL
MARION COUNTY SCHOOL SYSTEM
FOR THE PERIOD JULY 1, 2009, THROUGH OCTOBER 31, 2010**

SUMMARY

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of Whitwell High School, Marion County School System. The investigation focused primarily on the period from July 1, 2009, through October 31, 2010. When necessary, this scope was expanded. The investigation revealed the following:

- Former school bookkeeper Lois Vandergriff misappropriated school cash collections totaling at least \$35,332. Ms. Vandergriff did not record these collections in the school's accounting records or deposit them into the school's bank account. Ms. Vandergriff was responsible for collecting money, issuing receipts for collections, recording collections, preparing deposit slips, making deposits, and reconciling bank statements.
- Ms. Vandergriff concealed the misappropriation by depositing unreceipted checks to replace some of the misappropriated cash collections and by providing false account information to teachers, administrators, and auditors.

This matter was referred to the local district attorney general. On April 7, 2014, the Marion County Grand Jury indicted Lois Vandergriff on one count of Theft over \$10,000 and one count of Vandalism.

INVESTIGATIVE FINDING

Presented below is the investigative finding resulting from our special investigation of Whitwell High School.

1. **FINDING: Former school bookkeeper misappropriated school cash collections totaling at least \$35,332**

Our special investigation revealed that during the period July 1, 2009, through October 31, 2010, the former bookkeeper, Lois Vandergriff, misappropriated school cash collections totaling at least \$35,332. Investigators identified these collections, received for school activities, using school and bank records. School staff stated that they gave the collections to Ms. Vandergriff. Ms. Vandergriff retained the collections for her personal benefit rather than depositing them into the school's bank account. During this time, Ms. Vandergriff was responsible for collecting money from staff members, issuing receipts for those collections, recording collections in the school's accounting records, preparing deposit slips, delivering deposits to the bank, and reconciling bank statements. She told comptroller investigators that she had no explanation as to why the total amount collected did not match the total amount deposited.

Ms. Vandergriff used several methods to conceal the misappropriation. Investigators determined that Ms. Vandergriff exchanged checks collected for school activities totaling at least \$16,636 for some of the misappropriated cash. Although she deposited the checks into the school's bank account, she did not record them as collections in the school's accounting records. Ms. Vandergriff also provided false and inconsistent account information to staff, administrators, and auditors. Additionally, most of the collection records documenting and accompanying the amounts of money turned over to Ms. Vandergriff could not be located following her departure.

OTHER FINDINGS AND RECOMMENDATIONS

Presented below are findings and recommendations related to internal control and compliance deficiencies noted during the special investigation. In the accompanying responses, management has indicated they have corrected or intend to correct each of these deficiencies.

1. **FINDING: Failure to separate incompatible financial duties**

School administrators failed to separate incompatible financial duties at the school. The former bookkeeper received collections, signed checks, prepared and delivered deposits to the bank, reconciled bank statements, and maintained and updated the school's accounting records. The former bookkeeper also had administrative access to computer records which allowed her to alter account balances.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4–8, 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.... Bank reconciliations should be prepared and reviewed at least monthly by someone who is independent of the receiving and recording functions.

Page 5–2 of the manual emphasizes that

[t]he use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations ... school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties.... **WHEN AT ALL POSSIBLE, SOMEONE OTHER THAN THE BOOKKEEPER SHOULD COLLECT MONEY AND WRITE RECEIPTS.**

RECOMMENDATION:

To help ensure that all school collections are deposited into the school’s bank account and those errors or irregularities are detected promptly, the principal should require an adequate system of internal controls so that no employee has complete control over a financial transaction.

MANAGEMENT’S RESPONSE:

Director of Schools and Members of the School Board:

We concur. The bookkeeper no longer collects money for fundraisers, games, or special events. The sponsors collect the money and deposit the money to the bookkeeper. The money is counted with two signatures before deposit. Receipts are collected for every deposit as written by the bookkeeper.

Principal:

Response is the same as that of the director of schools and members of the school board.

Bookkeeper:

Response is the same as that of the director of schools and members of the school board.

2. **FINDING: Major deficiencies in the former bookkeeper's collection procedures**

The principal failed to ensure that the former bookkeeper followed required procedures when collecting, recording, and depositing school money. We noted numerous deficiencies which contributed to the former school bookkeeper's ability to perpetrate and conceal her misappropriation of school collections, including the following:

- On numerous occasions when money was remitted to her, the former bookkeeper failed to issue prenumbered receipts to teachers or other personnel.
- The former bookkeeper failed to record in the school's accounting records certain collections remitted to her. In addition, investigators were unable to locate complete records of collections, including receipts and staff collection records, for the scope of the examination.
- The former bookkeeper failed to comply with state law requiring school collections to be deposited within three business days of initial receipt. As noted in the Investigative Finding, over \$35,000 of school collections was never deposited into the school's bank account.
- The former bookkeeper failed to provide periodic account transaction reports showing the collections, disbursements, and balances of accounts to responsible staff members. Some school personnel stated that the former bookkeeper did not provide these reports even when specifically requested, although she would occasionally provide them with manually written balances. As a result, teachers and other employees were unable to verify and reconcile amounts recorded by the former bookkeeper in the school's computerized accounting system with amounts they collected and remitted.

The *Tennessee Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by cashiers and bookkeepers, including a requirement that money be counted and a prenumbered receipt issued at the time money is remitted, with the first copy going to the payer.

Regarding deposits, page 6-2 of the manual requires that

[c]ollections 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.... All checks should be listed individually on the deposit slip or an attached list, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip.

RECOMMENDATION:

To account for and to make certain all school money benefits the students for whom it was collected and to help ensure that errors or irregularities are detected timely, the principal should require that collection procedures as set forth in the *Tennessee Internal School Uniform Accounting Policy Manual* are established and followed. The principal should ensure that the cashier/bookkeeper issues and provides prenumbered receipts promptly to individuals remitting money or to the individual responsible for making sure that the information on the receipt is accurate. The principal should also ensure that school employees comply with state law requiring intact deposits of all school collections within three days of initial collection, and that the bookkeeper distributes periodic account transaction reports to responsible personnel for review and reconciliation.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the School Board:

We concur. The principal is the chief auditor and checks the bank statements each month and compares the statements to the software used in the school system. All reconciliation reports are given to the sponsors of sports and clubs to check for inaccuracies. Reports are also emailed to the director of schools for review.

Principal:

Response is the same as that of the director of schools and members of the school board.

Bookkeeper:

Response is the same as that of the director of schools and members of the school board.

3. **FINDING: Significant deficiencies in faculty members' collection procedures**

The principal failed to ensure that faculty members followed required procedures when collecting and remitting school money to the former bookkeeper. Following are some of the significant deficiencies that contributed to management's failure to detect timely the misappropriation of collections totaling at least \$35,332 by the former bookkeeper:

- Many faculty members receiving collections failed to retain copies of collection documentation when they remitted collections and corresponding records to the former bookkeeper.
- Faculty members failed to ensure that they received an accurate prenumbered receipt from the former bookkeeper for all collections turned over for deposit. Since they failed to obtain any receipt of the collections they turned over for deposit, faculty members could not verify the accuracy of the amounts documented as received from

them by the former bookkeeper, allowing her misappropriation of school collections to continue undetected for an extended time.

The *Tennessee Internal School Uniform Accounting Policy Manual*, Section 5, sets forth required procedures for collection of school money by teachers/others.

RECOMMENDATION:

To account for and to make certain all school money benefits the students for whom it was collected and to help ensure that errors or irregularities are detected timely, the principal should require that collection procedures for faculty members as set forth in the *Tennessee Internal School Uniform Accounting Policy Manual* are established and followed. School personnel should be required to count all collections and complete a record for those collections, noting the method of payment, prior to turning them over to the bookkeeper. In addition, teachers and other staff members should remit collections to the bookkeeper daily and reconcile related prenumbered school receipts received from the bookkeeper with their copies of collection logs and other collection records.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the School Board:

We concur. The principal has set forth procedures for ensuring that a paper trail is left from the collector to the bookkeeper. The paper trail includes prenumbered receipts and collection logs. Teachers also keep copies of all funds distributed and disbursed for their safety and peace of mind.

Principal:

Response is the same as that of the director of schools and members of the school board.

4. **FINDING: Failure to maintain invoices and other adequate supporting documentation to verify that disbursements were proper and benefited the school**

The school's files did not contain adequate supporting documentation for some disbursements. For example, bank records indicated that during the period covered by the special investigation, Ms. Vandergriff issued school checks totaling over \$5,977 to herself, ostensibly for reimbursement for purchases made on behalf of the school. No supporting documentation was located in the school's records for \$3,277 of this amount, and the remainder of the supporting documentation was inadequate to determine that the school received the benefit of the related purchases. Investigators noted that one purchase for which Ms. Vandergriff was reimbursed included dog food and dog treats. We also noted reimbursement for the purchase of cigarettes and soft drinks. Notations indicated

that the purchases of the cigarettes and soft drinks had been made for inmates working at the school.

Ms. Vandergriff also issued \$902.42 in school checks to her son. Documentation for some of the checks indicated they were payments for yard work and for reimbursement for school purchases. Investigators were unable to find any supporting documentation for \$155 of those disbursements. For certain other disbursements, including purchases for the school store, supporting documentation was inadequate to determine if the school received the benefit of the purchase.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 5–12, requires that “[t]he bookkeeper should require and obtain adequate supporting documentation before disbursing any school money.” Page 5–13 of the manual states that “[s]upporting documents (copy of check, invoice, purchase authorization, receiving report/delivery receipt, etc.) should be filed together or in such a way that they can be easily reassembled.”

RECOMMENDATION:

To better document and to ensure that disbursements are for allowable purposes, the principal should require the bookkeeper to obtain and file adequate supporting documentation for every disbursement.

MANAGEMENT’S RESPONSE:

Director of Schools and Members of the School Board:

We concur. The principal has set precedence in filing each document no matter how minute it may seem. Supporting documents are in the bookkeeping office for audits by the principal.

Principal:

Response is the same as that of the director of schools and members of the school board.

Bookkeeper:

Response is the same as that of the director of schools and members of the school board.

5. **FINDING: Failure to document authorization for fundraisers, prepare profit analyses and fundraiser summary reports, and maintain adequate documentation for fundraising and other resale activities**

School personnel failed to comply with requirements of the *Tennessee Internal School Uniform Accounting Policy Manual* and with local board policies related to fundraising and resale activities. Investigators were unable to locate documentation that certain fundraisers were properly authorized. In addition, the principal failed to ensure that applicable personnel maintained adequate records of fundraiser purchases, sales, and inventory, and that they analyzed recorded collections to determine if expected collection amounts were receipted and deposited. As noted previously, the former bookkeeper failed to deposit into the school's bank account over \$35,000 collected for fundraisers and other school activities. Because adequate fundraising and collection records were not maintained, this misappropriation was not detected timely by other school employees. Additionally, investigators found no documentation that fundraiser summary reports were prepared to show that proceeds were used for the intended purposes of the fundraisers.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4–32, requires that

[t]he principal must obtain written approval from the director of schools or designee for all fundraising activities that involve participation of the general student population in the marketing process of the fundraising effort. All other fundraising activities must have written approval from the principal. Authorizations should include the following information:

1. a list of the proposed fundraising activities;
2. purpose of the fundraising activity;
3. proposed uses of funds raised; and
4. expected student involvement in fundraising activity (school-wide or individual class or club).

Page 5–3 of the manual 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.... At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures.

Related to all resale activities, pages 4–30 through 4–32 of the manual further state that

... profit analysis reports must be completed to document collections, expenses, and any losses of money or product.... The school must maintain detailed records to support all amounts recorded on these forms. If the profit analysis report indicates a shortage, an explanation must be given for the shortage.... To document that profits from fundraising activities conducted for designated purposes were expended for the purposes for which they were raised, a designated employee should prepare a fundraiser summary report. This report would include a summary of the expenditures showing how the profit was used.

RECOMMENDATION:

To help ensure accountability for fundraising and resale activities, the principal should ensure that required authorization is obtained prior to any fundraisers being conducted. In addition, the principal should require and ensure that adequate records of all fundraising and resale activities, such as collection records, are prepared and retained in the school's files. Sponsors should keep records of items given away or damaged and of inventory on hand. A profit analysis of each resale activity should be prepared comparing expected collections to actual collections, and any difference should be immediately followed up and explained. Amounts on profit analyses and other reports should be verified by someone other than the individual receiving the collections. For fundraisers conducted for designated purposes, a fundraiser summary report should also be prepared to show that the fundraiser profits were used for intended purposes.

MANAGEMENT'S RESPONSE:

Director of Schools and Members of the School Board:

We concur. The principal ensures that all fundraisers have the correct signatures and that all profit analysis reports are complete to his satisfaction. Profit analyses are verified by two people in an open setting to protect both the sponsor/collector and the bookkeeper.

Principal:

Response is the same as that of the director of schools and members of the school board.