

INVESTIGATIVE AUDIT REPORT

TREZEVANT HIGH SCHOOL

MEMPHIS CITY SCHOOL SYSTEM

NOVEMBER 13, 2008, THROUGH SEPTEMBER 4, 2009



State of Tennessee



**Comptroller of the Treasury
Department of Audit
Division of Municipal Audit**



STATE OF TENNESSEE

Justin P. Wilson
Comptroller

C O M P T R O L L E R O F T H E T R E A S U R Y

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-9034

PHONE (615) 741-2501

April 4, 2011

Superintendent and Members of the
Board of Education
Memphis City School System
2597 Avery Avenue
Memphis, TN 38112

Superintendent and Board Members:

Presented herewith is the report on our investigative audit of selected records of the activity funds of Trezevant High School, Memphis City School System. This investigative audit focused on the period November 13, 2008, through September 4, 2009. However, this scope was expanded if 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 audit was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

Our investigative audit revealed that during the period November 13, 2008, through September 4, 2009, the former school financial secretary, Cassandra Howard, apparently misappropriated school collections totaling at least \$11,877.

This matter was referred to the local district attorney general. On January 27, 2011, the Shelby County Grand Jury returned an indictment against Cassandra Howard on one count of Theft of Property Over \$10,000.

Superintendent and Members of the
Board of Education
Memphis City School System
April 4, 2011

The findings and recommendations in this report also present those conditions that we believe warrant the attention of the school's officials and other responsible individuals.

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.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", with a stylized flourish at the end.

Justin P. Wilson
Comptroller of the Treasury



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

Justin P. Wilson
Comptroller of the Treasury

BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499

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

April 4, 2011

Mr. Justin P. Wilson
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-9034

Dear Mr. Wilson:

As part of our ongoing process of examining the records of the activity and other internal funds of schools, we have completed our investigative audit of selected records of Trezevant High School, Memphis City School System. This investigative audit focused on the period November 13, 2008, through September 4, 2009. However, this scope was expanded if warranted.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity and other internal 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 director of schools 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

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 audit was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

Our investigative audit revealed that during the period November 13, 2008, through September 4, 2009, the former school financial secretary, Cassandra Howard, apparently misappropriated school collections totaling at least \$11,877.

This matter was referred to the local district attorney general. On January 27, 2011, the Shelby County Grand Jury returned an indictment against Cassandra Howard on one count of Theft of Property Over \$10,000.

Mr. Justin P. Wilson
Comptroller of the Treasury
April 4, 2011

Our investigative audit also resulted in findings and recommendations related to the following:

1. Inadequate separation of duties
2. Major deficiencies in former financial secretary's collection and deposit procedures
3. Major deficiencies in teachers/others collection procedures
4. Failure to document fundraiser authorization, prepare profit analyses and fundraiser summary reports, and maintain adequate documentation for fundraising and other resale activities
5. Failure to reconcile and adequately document travel and other cash advances
6. Failure to maintain invoices and other adequate supporting documentation to determine that disbursements were proper and benefited the school
7. Inadequate accounting for school event concession operations
8. Inadequate procedures for receipts and deposits by current financial secretary

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

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF
TREZEVANT HIGH SCHOOL – MEMPHIS CITY SCHOOL SYSTEM
FOR THE PERIOD NOVEMBER 13, 2008, THROUGH SEPTEMBER 4, 2009**

NOTE TO READER: Unless otherwise noted, former financial secretary refers to Ms. Cassandra Howard. Ms. Howard was the financial secretary at Trezevant High School from November 13, 2008, through September 4, 2009. Current financial secretary refers to Ms. Brenda Crutcher, who was the financial secretary for most of the remainder of the 2009-2010 school year. It should be noted that a new financial secretary and principal for Trezevant High School were hired for the 2011 school year.

LEGAL ISSUE

1. **ISSUE: Apparent misappropriation of school collections totaling at least \$11,877**

Our investigative audit revealed that during the period November 13, 2008, through September 4, 2009, the former school financial secretary, Cassandra Howard, apparently misappropriated school collections totaling at least \$11,877. Ms. Howard apparently used at least two schemes to obtain these collections.

In some instances, Ms. Howard failed to record school cash collections in the school's computerized accounting system. The former financial secretary did not deposit this cash in the school bank account, apparently keeping the cash for her personal benefit. For instance, Ms. Howard failed to record any collections for a school dance and a basketball game. Auditors located ticket reconciliations for these events which had been falsified, apparently in an effort to conceal these missing amounts. Ms. Howard also prepared other false documentation to further conceal her actions.

In other instances, Ms. Howard intercepted and set aside checks payable to the school from the Memphis City School System as well as from several vendors and individuals. The former financial secretary did not receipt or record these checks in the school's computerized accounting system. Instead, she exchanged these checks for cash obtained from other school collections, apparently keeping the cash for her personal use.

Because Ms. Howard had total control over school collections, once they reached the school office, she was able to manipulate the school's computerized accounting records. This total control allowed her to conceal the apparent misappropriation from the principal and other employees for an extended period of time.

The misappropriated amount above does not include unaccounted for collections for basketball concessions estimated at over \$1,400 related to concession operations at one regular season game and one night of the regional basketball tournament held at Trezevant High School. No documentation was located for these sales, even though school administrators and other personnel stated that concessions were operated and the collections were turned over to the former financial secretary. We determined estimated amounts missing using the average amounts collected as a percentage of ticket collections for other regular season games and tournaments.

In addition, the misappropriated amount above does not include unaccounted for collections related to a concession stand operated in the school at the end of the school day. Operators stated these collections were turned over to the former financial secretary or a school administrator. Concession operators documented some daily collections, of which \$469 could not be accounted for.

Including these amounts would increase the amount of apparent misappropriation to \$13,703 as noted in the summary below.

Source of Missing Amounts	Amount
Missing cash for which unreceipted checks from Memphis City Schools were exchanged	\$ 7,552
Missing cash for which other unreceipted checks were exchanged	1,842
Missing cash collections by teachers/others remitted to former financial secretary	1,015
Christmas dance ticket sales unaccounted for	720
Basketball game ticket sales unaccounted for	525
Majorette fundraising collections unaccounted for	291
Less: Unidentified amounts deposited in excess of amounts receipted	(100)
Less: Unidentified receipt	(23)
<i>Total amount apparently misappropriated not including estimated missing concession collections</i>	<u>\$11,822</u>
Estimated missing basketball concession collections	1,412
Documented shortage in amounts of daily concessions	<u>469</u>
<i>Total amount apparently misappropriated</i>	<u>\$13,703</u>

This matter was referred to the local district attorney general. On January 27, 2011, the Shelby County Grand Jury returned an indictment against Ms. Cassandra Howard on one count of Theft of Property Over \$10,000.

FINDINGS AND RECOMMENDATIONS

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

School administrators failed to separate incompatible financial duties at the school. The former financial secretary received the mail, received and counted collections, prepared bank deposits, maintained and updated the school's accounting records, and reconciled the school's bank statements. The former financial secretary's complete control over collection transactions, once they reached the school office, contributed to her ability to perpetrate and conceal the apparent misappropriation noted in the Legal Issue. This also allowed the misappropriation to continue undetected during the school year.

The *Internal School Uniform Accounting Policy Manual*, page 4–6, 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 that errors or irregularities are detected promptly, the principal should require an adequate system of internal controls so that no employee has control over a complete transaction.

2. **FINDING: Major deficiencies in former financial secretary's collection and deposit procedures**

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

- As noted in the Legal Issue, the former financial secretary failed to issue prenumbered receipts for, record in the school accounting records, and deposit in the school bank account some collections remitted to her.
- The former financial secretary failed to deposit school collections intact. As noted in the Legal Issue, she apparently removed cash for her personal use before making some deposits. She also substituted unreceipted checks for school cash collections she apparently removed for her personal benefit. In other instances, the makeup of the deposit (cash and/or check mix) did not agree with related receipts, with no explanatory documentation.
- In some instances, dates and amounts of deposits were not consistent with dates and amounts on the related receipts recorded in the school's accounting records by the former financial secretary. In one instance, some collections receipted by the former financial secretary on March 23, 2009, were not shown as being deposited until June 29, 2009. Also, numerous collections recorded as being received by the former financial secretary on August 3, 2009, were shown as being deposited as late as August 28, 2009.
- In some instances, dates on receipts issued by the former financial secretary were inconsistent with dates on related receipts issued by teachers. Documentation was insufficient to determine if this was due to the failure of teacher/others to remit collections promptly, or if the former financial secretary merely did not count and receipt the collections promptly. In at least one instance, the former financial secretary apparently failed to enter a manual receipt she had prepared into the computerized accounting system for over a month. School records indicate collections for prom totaling \$2,100 were turned over to the former financial secretary on April 17, 2009. However, this amount was not shown in the computerized accounting system until May 20, 2009.
- The former financial secretary failed to periodically provide account transaction reports to the responsible staff members. As a result, teachers and others were unable to verify and reconcile amounts recorded by the former financial secretary in the school's computerized accounting system, with amounts they collected and remitted, and used through authorized disbursements.

- We noted numerous instances in which collections and disbursements were recorded in the wrong account, or improper “correcting entries” were made. These improper entries were apparently made in an attempt to conceal shortages in cash collections, or possibly in an attempt to conceal purchases that were authorized without sufficient fund balances. For instance, a large disbursement for cheerleading supplies was charged to the baseball account – the cheerleading account had inadequate money with which to pay the bill. Also, at least two school-wide field trips were accounted for in the athletic account.

The *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 of the receipt given to the payer. Regarding deposits, page 6–2 of the manual requires that

[c]ollections should be deposited daily, if possible, but no more than three days after the initial collection.... 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.... 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 adequately account for all school money so that it benefits the students for which it was collected, and to help ensure that errors or irregularities are detected timely, school officials should ensure that required collection procedures as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed. School personnel should deliver total collections to the cashier/financial secretary at least daily. The principal should assign responsibility for reconciling amounts recorded in manual receipt books with amounts recorded in the school’s accounting records. The principal should ensure that the cashier/financial secretary issues and provides prenumbered receipts promptly to the individual remitting the money or the individual responsible for ensuring that the information on the receipt is accurate.

In addition, the principal should ensure that school employees comply with state law requiring deposits of all school collections intact within three days of initial collection. In addition, all duplicate deposit slips should be retained and deposit corrections documented separately. The principal should require account transaction reports to be provided periodically to responsible individuals and should require responsible teachers/others to verify the amounts on the report are correct. School cash collections should not be used to make purchases.

3. **FINDING: Major deficiencies in teachers/others collection procedures**

The principal failed to ensure that teachers and other staff members followed required procedures when collecting school money and turning it over to the financial secretary. Following are some of the significant collection deficiencies that contributed to management's failure to timely detect the apparent misappropriation of over \$13,700 by the former school financial secretary (as noted in the Legal Issue):

- Teachers/others failed to document a count of some school collections prior to remitting the money to the former financial secretary. This included collections received for football and basketball concessions, tea shop sales, and admissions for concerts, pageants, and other similar events. As a result, we could not determine if amounts recorded by the former financial secretary were correct. As noted in the Legal Issue section, the former financial secretary failed to record in the school's accounting records, or deposit into the school's bank account, some of these collections.
- Many teachers did not ensure that they received a receipt for all collections, and stated they did not always check to see if the receipt provided by the former financial secretary agreed with the amount of money they remitted.
- Concession operators failed to remit some concession collections intact when the collections were turned over to the former financial secretary for deposit. Instead, some collections were withheld and used for change.
- Teachers generally did not indicate method of payment, (cash or check) on receipts or other collection documentation.

The *Internal School Uniform Accounting Policy Manual*, Section 5, pages 1-7, sets forth required procedures for collection of school money by teachers/others.

RECOMMENDATION:

To adequately account for and make certain all school money benefits the students for which it was collected, and to help ensure that errors or irregularities are detected timely, the principal should ensure that required collection procedures for teachers/others as set forth in the *Internal School Uniform Accounting Policy Manual* are established and followed. School personnel should be required to count and complete a collection record for all collections, noting the method of payment, prior to turning them over to the school financial secretary. In addition, teachers and other staff members should reconcile receipts received from the financial secretary with their copies of receipts and other collection records. For accounts for which they sponsor or have responsibility, teachers/others should periodically review activity reports showing transactions recorded in the accounting system. Noted discrepancies in either receipts or in activity reports should be immediately reported to the principal or his designee (someone other than the individual recording receipts and disbursements in the computerized accounting system).

4. **FINDING: Failure to document fundraiser authorization, 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 *Internal School Uniform Accounting Policy Manual* and with local board policies related to fundraising and resale activities, resulting in an unexplained loss for at least one fundraiser and unexplained shortages in expected collections in others.

We were unable to locate documentation that some fundraisers were properly authorized, including a coupon book sale for the benefit of the football team. In addition, the principal failed to ensure that applicable personnel maintained adequate records of purchases, sales and inventory, and analyzed recorded collections to determine if expected amounts were receipted and deposited. Also, we saw no documentation that fundraiser summary reports were prepared to show that proceeds were used for the intended purpose.

Amounts recorded in the school's accounting records revealed a \$360 loss for a coupon book fundraiser for the football team, when a \$1,460 profit was expected. The fundraiser's sponsor was unaware the school had lost money on the fundraiser, stating he understood the football team had made an approximate \$700 profit. We were unable to locate the receipt book used by the sponsor to receipt fundraiser collections. As a result, we could not determine if all collections receipted by the sponsor were receipted by the former financial secretary.

The investigative audit revealed that recorded collections for concession sales during July 2008 through September 2009 reflected less than 20 percent profit related to concession operations. Based on our experience with similar schools, at which profit margins usually ran between 30–50 percent, the profit margin was significantly lower than expected. One teacher kept personal records of daily sales when he operated concessions and, as noted in the Legal Issue, collections of at least \$469 he stated were turned in were not receipted into the school's accounting system. Because profit analyses were not performed, school officials were unaware of the loss and shortage in expected collections related to some of the fundraisers.

The *Internal School Uniform Accounting Policy Manual*, page 4–26, requires:

The 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;
- (4) expected student involvement in fundraising activity (school-wide or individual class or club).

The policy adopted by Memphis City Schools requires the superintendent's approval prior to the beginning of **any** resale or fundraising activity.

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.... 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, page 4–27 of the manual further states 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 ensure compliance with the manual and to establish 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 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 making the

collections. For fundraisers conducted for designated purposes, a fundraiser summary report should also be prepared.

5. **FINDING: Failure to reconcile and adequately document travel and other cash advances**

The principal failed to ensure that teachers and others submitted timely travel authorization requests, that travel advances were reconciled promptly, and reimbursement amounts owed by applicable personnel who traveled were paid to the school in a reasonable time. As a result, the school could not determine if all applicable amounts had been reimbursed to the school, and several reimbursements that were received were paid to the school months after the trip took place. Related records were in such disarray that the current financial secretary asked state auditors for help in determining the status of cash advances and related reimbursements due the school.

Numerous travel advances and some deposits for hotels related to travel to be paid from federal grant proceeds were paid directly by Trezevant High School rather than by Memphis City Schools. Apparently, this happened because school personnel failed to remit timely travel authorization requests to the central office. However, related travel and expense claims and accompanying invoices were forwarded to personnel at Memphis City Schools. Some reimbursements were made to Trezevant High School by Memphis City Schools. However, because the school did not retain adequate records and failed to reconcile the advances, documentation at the school was insufficient to determine if all applicable amounts had been reimbursed either by Memphis City Schools or by the traveler. The investigative audit revealed that some travelers failed to repay amounts from travel advances owed for several months after returning from trips – some amounts were not paid until an audit was conducted by staff at Memphis City Schools. As of June 2010, amounts from trips taken in March 2008 totaling over \$300 remained outstanding.

The principal also failed to ensure that cash advances related to school activities had been reconciled. Although documentation located at the school was generally better than the grant-related advances, documentation was still insufficient to determine if all applicable amounts had been reimbursed to the school. The school apparently had no regular or standard process for reconciling the advances.

According to the *Internal School Uniform Accounting Policy Manual*, pages 5–19 through 5–20:

Boards of education are responsible for establishing travel policies pertaining to school personnel.... Advances given to school personnel for authorized school activities (such as to teachers for class or club trips) must be made by a check payable to and given directly to the responsible individual. When possible, payment should be made directly to vendors, rather than advances being

made to individuals.... Within three days after returning from the trip, a travel expense claim should be completed and submitted to the bookkeeper, along with invoices and other supporting documentation. Unexpended balances of advances and unused traveler's checks should be remitted to the cashier for receipt when the travel expense claim is submitted to the bookkeeper. The bookkeeper should reconcile all travel advances with the related travel claim and prenumbered receipts to ensure that all school money has been properly accounted for.

Memphis Board of Education travel regulations related to out-of-town travel state: "An advance draw request, not to exceed estimated travel costs, should be submitted at least thirty (30) days prior to travel."

RECOMMENDATION:

For better control over expenditures, the principal should ensure that adequate supporting documentation is provided and filed for all travel advances. The principal should also ensure that travel advances are promptly reconciled, and applicable amounts returned immediately. To comply with the school system's travel policy, and alleviate the need for the school to issue system-related travel advances, the principal should ensure that cash advance requests are submitted to the Memphis City School System at least 30 days prior to travel.

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

The school's files did not include any supporting documentation for some disbursements. For other disbursements, supporting documentation was inadequate to determine if the school received the benefit of the purchase. Following are other noted deficiencies related to disbursements:

- Some disbursements were charged to the wrong account, apparently in an attempt to conceal the apparent misappropriation noted in the Legal Issue. This could also have been to conceal the fact that disbursements were authorized from accounts without adequate balances to pay for the purchases.
- The school wrote checks in advance to Sam's Club, which were taken to Sam's by staff members and used to purchase concession supplies. Because the check amounts were estimated, related employees stated they often received change in the form of cash. They stated they remitted this cash to the former financial secretary. The principal failed to ensure that all such payments were reconciled and that applicable

amounts were remitted to the financial secretary, receipted in the school's accounting records, and deposited in the school bank account.

The *Internal School Uniform Accounting Policy Manual*, page 5–13, requires that “**The bookkeeper should require and obtain adequate supporting documentation before disbursing any school money.**” Page 6–3 states: “Before signing checks, each signatory should review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.)” Page 5–14 states: “Supporting 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.”

Page 5–13 of the manual, states, “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.”

RECOMMENDATION:

To better control disbursements and document that they are allowable, the financial secretary should require, obtain, and file adequate supporting documentation for every disbursement. Disbursements should be charged to the correct and appropriate account. Checks to vendors should be written for the exact amount of the purchase and NOT for estimated amounts. The principal should establish and ensure personnel follow a written policy which includes a reconciliation of invoices to payment amounts for cash advances or in the event that change in the form of cash is received from school checks issued to vendors.

7. **FINDING: Inadequate accounting for school event concession operations**

The principal did not require concession operators to adequately account for concession sales and inventory. The following deficiencies were noted:

- As noted in the Legal Issue, although the athletic director and various in-school concession operators stated that related amounts were turned in, the former financial secretary failed to receipt and deposit some concession collections. This happened for at least one basketball game, one night of the regional basketball tournament, and several days of in-school concession operations.
- For athletic events, concession operators did not count or prepare a documented count of concession collections prior to turning them over to an administrator for safekeeping. The athletic director stated she counted the collections prior to turning them over to the former financial secretary, but did not prepare a record of the count.
- Concession collections were retained for change.

- Although the former athletic director said she received some receipts from the former financial secretary for concession collections, she did not ensure that receipts were received for every event or that the receipted amount agreed with the amount she counted.
- Concession operators did not maintain any records of inventory, including items purchased, sold, and/or given away.
- The principal failed to assign responsibility to ensure a profit analysis was prepared and discrepancies in expected collections immediately followed up.

Because procedures and records were inadequate, we were unable to determine if additional concession collections had been misappropriated.

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 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:

- Adequate records are kept of concession items purchased, received, sold, given away, and left on hand after each event;
- Inventory is safeguarded and stored in a secured area;
- Collections are not used to provide beginning change amounts. Instead, a fixed amount of change should be retained and the change should be accounted for and documented on the recorded count of collections;
- At the close of business, collections are counted and recorded by two people before being turned over for deposit;
- For each event, the financial secretary provides a prenumbered receipt to a designated employee who compares the receipt with the related recorded count of collections;
- A profit analysis report is completed by a designated employee to determine if expected collections are being deposited;
- Any variance from expected collections is immediately investigated.

8. **FINDING: Inadequate procedures for receipts and deposits by current financial secretary**

The principal failed to ensure that the current financial secretary followed required procedures when receipting and depositing school money. Our investigative audit revealed the following:

- The current financial secretary failed to record some collections in the school’s computerized accounting system, although she had issued manual receipts to the applicable teacher, and deposited the collections into the school’s bank account. As a result, the amounts in the school’s accounting system did not agree with amounts in the school’s bank account.
- The current financial secretary failed to deposit some reimbursements and other money within three days as required by state law. She stated that she had held these cash amounts in her desk until she had time to reconcile them. (The current financial secretary stated that \$40 of the money held in her desk was from an unknown source collected in December or January – either the collection record was not prepared and turned in or it had been misplaced. In June 2010, it was brought to the current financial secretary’s attention that \$50 collected by a teacher in December was unaccounted for. Therefore, she stated she would “assume” this money was from that collection. She could not explain the \$10 discrepancy.)
- The current financial secretary failed to reconcile the school’s bank account for the entire 2009–2010 school year. As noted above, amounts in the school’s accounting system did not agree with amount in the school’s bank account because the current financial secretary failed to enter some school collections into the school’s accounting system. The current financial secretary apparently was unable to reconcile due to this deficiency and the failure to properly correct known errors. Because bank statements were not reconciled or sometimes not even reviewed, the current financial secretary did not become aware of unknown errors or discrepancies for months, including improper/incorrect withdrawals totaling over \$23,000 from the account in April 2010, due to bank errors. The current financial secretary indicated that because the standard time limit for customers to discover errors had passed, the bank initially indicated the error might not be corrected.
- The *Internal School Uniform Accounting Policy Manual*, Section 5 requires that all collections be recorded in the cash receipts journal. Page 6–2 of the manual requires that

[c]ollections should be deposited daily, if possible, but no more than three days after the initial collection.... 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 6-5 states that “[b]ank statements must be reconciled with the cash balances presented in the accounting records (general ledger) as of the end of the each month. Bank reconciliations should be prepared within 30 days after the bank statements are received from the bank.”

RECOMMENDATION:

To adequately account for all school money so that it benefits the students for which it was collected, and to help ensure that errors or irregularities are detected timely, the principal should ensure that all collections are recorded in the school’s accounting records and deposited in the next deposit, and that bank statements are reconciled with the school accounting records promptly.