

**Nashville State Technical Institute  
Theft of \$4,679.61**

**October 1999**

**Arthur A. Hayes, Jr., CPA, JD,**  
**CFE**  
Director

**Glen McKay, CIA**  
Assistant Director

**Chas Taplin, CPA, CFE**  
Audit Manager

**Amy Smith**  
Audit Investigator

**Amy Brack**  
Editor

October 22, 1999

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. George H. Van Allen, President  
Nashville State Technical Institute  
120 White Bridge Road  
Nashville, Tennessee 37209

Ladies and Gentlemen:

Transmitted herewith is a special report on our review of the theft of \$4,679.61 from Nashville State Technical Institute. On July 10, 1998, Tennessee Board of Regents staff notified the Division of State Audit that a blank check had been stolen from the technical institute, filled out for \$4,679.61, and negotiated on May 28, 1998, by an unknown individual at an Allegiant Bank in St. Louis, Missouri. The review was conducted in conjunction with the technical institute's internal auditor.

The auditors were not able to determine who took the blank check, filled it out for \$4,679.61, and negotiated it. The review disclosed that the stolen check was one of a group of checks that should have been shredded in October and November 1997. However, the shredding activity was not appropriately structured or controlled by the technical institute's business office staff. As of October 15, 1999, no other check had been inappropriately negotiated.

The report contains recommendations relating to developing, implementing, and monitoring policies and procedures for the storage, transport, and disposal of blank check stock. Other recommendations pertain to researching the entire criminal record of a known felon and carefully considering the appropriate position for such an individual, as well as to investigating

October 22, 1999  
Page Two

and resolving any indications that employees have provided material misinformation. The report recommends the more timely reconciling of authorized checks with negotiated checks. The report also recommends that key control logs be appropriately maintained and secured and that access to keys to sensitive areas be appropriately restricted.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/gmk/ms

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Special Report  
**Nashville State Technical Institute**  
**Theft of \$4,679.61**  
October 1999

---

## ORIGIN OF REVIEW

On July 10, 1998, Tennessee Board of Regents staff notified the Division of State Audit that a blank check had been stolen from Nashville State Technical Institute, filled out for \$4,679.61, and negotiated on May 28, 1998, by an unknown individual at an Allegiant Bank in St. Louis, Missouri. The review was conducted in conjunction with the technical institute's internal auditor.

## REVIEW OBJECTIVES

The objectives of the review were to determine the nature and extent of the loss relating to the theft of blank checks; to identify, if possible, the individual or individuals who obtained and negotiated the stolen check in question and others that might be identified during the review; to examine the technical institute's internal controls relating to transporting, securing, and disposing of blank check stock; to review the technical institute's process for reconciling authorized checks with negotiated checks; to report our findings to the technical institute and the Tennessee Board of Regents; and to refer the results of our review to the Office of the State Attorney General and, if appropriate, to the relevant Office of the District Attorney General.

## RESULTS OF THE REVIEW

The auditors were not able to determine who took the blank check, filled it out for \$4,679.61, and negotiated it. The review disclosed that the stolen check was one of a group of checks that should have been shredded in October and November 1997. However, the shredding activity was not appropriately structured or controlled by the technical institute's business office staff. As of October 15, 1999, no other check had been inappropriately negotiated.

The auditors interviewed all current business office staff and security office staff, several former employees, and a work study student who worked in the business office. Each person interviewed denied that he or she had taken the blank check, negotiated it, or shared in any way in

the proceeds from the check. Each person also denied having any knowledge of who had taken the check, negotiated it, or obtained its proceeds.

The review disclosed other weaknesses in internal controls and operations as detailed below.

- The business office did not promptly dispose of unneeded blank check stock; instead, the business office stored blank check stock for over two years, from the summer of 1995 to October 1997.
- The business office did not properly document the movement of blank check stock from storage room to storage room at the technical institute.
- The business office did not appropriately structure or control the shredding of blank check stock in October and November 1997 because staff did not inventory the checks to be shredded, record the beginning and ending numbers of the checks that were shredded, or monitor the shredding activity.
- The business office did not perform a timely reconciliation of authorized checks with negotiated checks for the month of May 1998.
- Seven business office staff acknowledged that they had participated in shredding blank check stock in October 1997. Two additional business office staff stated that they had observed some of the shredding taking place. However, their shredding activities were not structured or controlled.
- A temporary employee, who worked in the institute's security office as a dispatcher, was hired in November 1997 to shred the blank checks. However, he was not provided any guidance, instruction, or directions regarding how he should document the destruction of the checks or secure them from misappropriation during his shredding activities. Because the temporary employee received no direction, and because he did not himself establish any controls, none of the basic controls relating to the destruction of sensitive documents were in place.
- The president and the security director prior to the temporary employee's hire in December 1996 knew that he had a felony conviction. Although both knew of his felony conviction, neither initiated a detailed review of his entire criminal record.
- The president and the security director displayed a lack of judgment in placing an individual with a known criminal record in the institute's security office.
- The security director in October 1997 recommended the temporary employee for the job of shredding checks to the vice president for finance and administrative services. However, the security director did not tell the vice president of the temporary employee's conviction because he assumed that the vice president had read about the conviction in the newspaper. The vice president told the auditors that had she known

about the temporary employee's conviction, she would never have hired him to shred blank checks.

- In February 1998, the security director did inform the vice president about the temporary employee's conviction, three months after the employee had shredded the technical institute's blank checks. However, this information did not result in a formal review of the employee's personnel file. A review of the employee's personnel file by the auditors in July 1998 disclosed that he had provided a false answer to the question, "Have you ever been convicted, forfeited bond, or are you currently on probation for any felony in a court of law or general court-martial?"
- Both the president and the security director stated that they did not know until the auditors showed them the temporary employee's application that the employee had falsified his application. When asked about the import of the falsification, the president stated that it would not have mattered to him because he already knew about the employee's conviction. This response suggests a failure on the part of the president to appreciate the seriousness of falsifying an employment application. *Tennessee Code Annotated*, Section 39-16-504, states that it is unlawful for any person to knowingly make a false entry in, or false alteration of, a governmental record. The penalty is a class A misdemeanor.
- As a result of the theft, the business office and security office staff developed additional internal controls over the storage and disposal of blank check stock. In July 1998, upon discovery of the theft, the business office promptly sent forgery affidavits to the Allegiant Bank in St. Louis, Missouri, and also promptly notified First American National Bank in Nashville to stop payment for the checks that should have been shredded. Institute management reassigned the temporary employee, effective July 30, 1998, and the employee's last date of employment at the technical institute was November 30, 1998. The employee was required to correct his employment application on July 30, 1998.

The report contains recommendations relating to developing, implementing, and monitoring policies and procedures for the storage, transport, and disposal of blank check stock. Other recommendations pertain to researching the entire criminal record of a known felon and carefully considering the appropriate position for such an individual, as well as to investigating and resolving any indications that employees have provided material misinformation. The report recommends the more timely reconciling of authorized checks with negotiated checks. The report also recommends that key control logs be appropriately maintained and secured and that access to keys to sensitive areas be appropriately restricted.

---

"Audit Highlights" is a summary of the special report. To obtain the complete special report, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

---

**Nashville State Technical Institute  
Theft of \$4,679.61  
October 1999**

---

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Origin of the Review	1
Objectives of the Review	2
Scope of the Review	2
<b>DETAILS OF THE REVIEW</b>	2
Blank Check Stock	2
Results of Interviews with Business Office and Security Office Staff	3
Falsified Employment Application	6
Subsequent Actions by the Institute	9
<b>RECOMMENDATIONS</b>	9

**Nashville State Technical Institute**  
**Theft of \$4,679.61**  
**October 1999**

---

**INTRODUCTION**

---

**ORIGIN OF THE REVIEW**

On July 10, 1998, Tennessee Board of Regents staff notified the Division of State Audit that a blank check had been stolen from Nashville State Technical Institute (hereinafter called the institute), filled in, and later negotiated by an unknown individual at a bank in St. Louis, Missouri.

Examination of the front and back of the check disclosed that on May 28, 1998, an institute payroll check for \$4,679.61 had been negotiated at an Allegiant Bank in Saint Louis. The check, number 181205, dated May 24, 1998, was drawn on the institute's active payroll account at First American National Bank in Nashville, Tennessee. The check was made out to a Robinson Ovide at 10028 Manchester Road, #206, Glendale, Missouri 63122. The face of the check appeared to contain the handwritten signatures of George H. Van Allen, the institute's president, and Debra Bauer, the institute's vice president for finance and administrative services. The back of the check had the name "Robinson Ovide" as an endorsement.

Institute business office staff discovered the stolen check on July 10, 1998, through the process of reconciling authorized checks with negotiated checks. Because this check had not been authorized, the reconciliation process identified it as an exception item. Institute business office staff then researched their financial records for the basis of the exception.

Based on an examination of the check and the institute's financial records, there were several unmistakable indicators that funds had been misappropriated. The check had not been authorized by the institute's business office. The face of the check contained original handwritten signatures, not the signatures imprinted by the institute's authorized signature plate. The signatures on the check did not match those of George H. Van Allen, the institute's president, or Debra Bauer, the institute's vice president for finance and administrative services. The president's last name was misspelled.

Also, the dollar amounts, name, and address on the check appeared to be typed, not computer generated, as are virtually all authorized payroll checks. Moreover, Robinson Ovide was not currently, and never had been, an employee of the institute. There was no record of a Robinson Ovide in the institute's employee information system.

There also was no record of a Robinson Ovide as a student at the institute. Finally, the \$4,679.61 amount was an unusual payroll amount.

Division of State Audit staff, in collaboration with the institute's internal auditor, immediately initiated a review of the theft.

## **OBJECTIVES OF THE REVIEW**

The objectives of the review were

1. to determine the nature and extent of the loss relating to the theft of blank checks;
2. to identify, if possible, the individual or individuals who obtained and negotiated the check;
3. to examine the institute's internal controls relating to transporting, securing, and disposing of blank check stock;
4. to review the institute's process for reconciling negotiated checks with authorized checks;
5. to report our findings to Nashville State Technical Institute and the Tennessee Board of Regents; and
6. to refer the results of our review to the Office of the State Attorney General and, if appropriate, to the relevant Office of the District Attorney General.

## **SCOPE OF THE REVIEW**

Our review included interviews with relevant staff of the institute's business and security offices and the institute's president. We examined the institute's internal controls and procedures relating to transporting, securing, and disposing of blank check stock, and reconciling authorized checks with negotiated checks.

---

## **DETAILS OF THE REVIEW**

---

### **BLANK CHECK STOCK**

Based on our interviews with the institute's business office staff, we determined that, effective July 1, 1995, the institute had changed banks from the South Trust Bank of Middle Tennessee, located in Nashville, Tennessee, to the First American National Bank, also in Nashville.

After changing banks, the institute ordered blank check stock for First American National Bank from Check Printers, a check printing company in Nashville. However, after the institute received its first order of First American blank check stock, business office staff noted an error in the printing. The institution name on each blank check stub was Nashville Area Vocational School instead of Nashville State Technical Institute. The business office requested that the check stock be reprinted with the corrected institution name on the check stubs.

In the interval between the discovery of the printing error and the receipt of the reprinted blank check stock, the institute's business office used part of the original order of blank check stock to issue payroll checks to meet current obligations. Because the institute's original order was reprinted in its entirety, the reprinted blank checks contained the same number sequence as the original blank checks. Consequently, business office staff set aside for disposal the reprinted blank checks with numbers matching those of the original checks already used. The remaining original check stock was returned to Check Printers. The First American blank checks that had been set aside for disposal were later stored in the same room with blank checks left over when the institute closed its bank account at SouthTrust Bank.

Prudent business practice would entail the prompt destruction of unneeded blank check stock, particularly blank check stock associated with an active account, to prevent theft and misappropriation. However, contrary to this principle, the institute stored the First American and SouthTrust blank checks for over two years, from the summer of 1995 to October 1997.

## **RESULTS OF INTERVIEWS WITH BUSINESS OFFICE AND SECURITY OFFICE STAFF**

We were not able to determine who took the blank check and negotiated it. As of October 15, 1999, no other check had been inappropriately negotiated.

### ***Business and Security Staff Deny Taking Check***

Overall, 32 individuals were interviewed. We interviewed all 20 current staff in the institute's business office, two former business office employees, and a work-study student who worked in the business office during the period in question. We also interviewed all seven current staff in the institute's security office, as well as two former security guards. Our interviews included the vice president for finance and administrative services and the director of facilities and security.

Each person interviewed denied that he or she had taken the blank check, negotiated the check, or shared in any way in the proceeds from the check. Each person also denied having any knowledge of who had taken the check, negotiated it, or obtained its proceeds.

### ***Shredding Blank Check Stock***

Seven business office staff acknowledged that they had participated in shredding blank check stock in October 1997. Two additional business office staff stated that they had observed some of the shredding taking place.

The various statements by the business office staff presented the following chain of events. Before late October 1997, unneeded blank check stock was originally stored in storage areas in both the E building and the W building. Because of a need for faculty office space, the business office decided to convert the storage room in the W building to a faculty office. Thus, the material in storage room W-81, including some blank check stock, was moved down the hall to another storage room, W-86, in late October 1997. At the same time, unneeded blank check stock (the First American blank check stock) stored in the E building was also moved to W-86.

W-86 was crowded with materials. In addition to the blank check stock, there were boxes of letterhead, old personnel files, personnel information brochures, leave records, leave request forms, and contracts. The secretary to the vice president for finance and administrative services (hereinafter called the vice president) proposed to the vice president that the blank check stock be discarded because it was not needed and it was taking up space. The vice president agreed with her secretary's suggestion and told her to obtain a shredder from the institute's print shop.

The secretary then made arrangements for a shredder to be delivered to W-86. After the shredder was installed in W-86 in late October 1997, the secretary and two other business office staff began shredding the blank checks. This initial shredding operation took one to two hours. During the course of that time, four other business office staff assisted with the shredding, and another two business office staff intentionally stopped by for brief periods of time to observe the shredding activity. The business office staff did not inventory the checks to be shredded or record the beginning and ending numbers of the checks that were shredded.

The secretary said that, after spending between one and two hours shredding blank check stock, she may have mentioned to the vice president that business office staff did not have the time to shred the blank checks. The vice president said that the issue of shredding blank checks was raised in one of her managers' meetings. The notes of a participant in that meeting record that it occurred on October 27, 1997. According to the vice president, she told her managers that a business office or security office employee would be a proper person to shred checks.

Shortly thereafter, Mr. Ben McHenry, the director of facilities and security (hereinafter called the security director), came to the vice president with the name of the dispatcher in the security office, at that time an institute employee on a six-month contract.

The vice president then placed the dispatcher on a short-term contract for the period October 31, 1997, through December 31, 1997. The contract classified the position as temporary in the finance and administrative services department at the hourly salary of \$6.50. The dispatcher signed the contract October 31, 1997.

The employee's time and attendance records show that he worked seven days shredding the checks during the period November 1, 1997, through November 15, 1997. He was paid \$217.56 for 33.47 hours of work.

### ***Lack of Appropriate Internal Controls***

The employee hired to shred checks stated that he did not receive any guidance, instruction, or direction regarding how he should document his shredding of the blank checks or how he should secure them. Because he received no direction, and because he did not himself establish any controls for his shredding activities, none of the basic controls relating to the shredding of sensitive documents were in place. No one developed an inventory of the blank checks to be shredded, nor was a log kept of the work performed. His shredding activity was not witnessed by any other institute employee or even monitored by a supervisor.

Moreover, according to the employee, he occasionally took breaks from his shredding work to get a soft drink, visit the restroom, or visit the security office. He said that when he left W-86, he would pull the door closed but left the door unlocked. Also, the employee stated that most of the boxes of blank check stock had already been opened before he became involved in shredding. In addition, he stated that he did not shred all the blank check stock before he stopped his shredding activities. He said that he had left four to five boxes of blank checks unshredded. According to incomplete check inventory records, there had been approximately 25 boxes of blank check stock to shred.

When asked why he stopped shredding before all the blank check stock had been destroyed, the employee replied that he had just gotten tired of shredding and decided to stop. He explained that he told the secretary that he was "through with the checks," but he acknowledged that he did not tell her that he had not completed his shredding job.

During our interviews with current and former security office staff, one former security officer stated that while making his rounds he had observed the employee shredding checks in W-86.

The absence of basic controls and appropriate documentation means that we could not determine the exact number and identity of boxes of blank check stock stored in W-86 or the amount and identity of blank check stock shredded by either the business office staff or the employee hired to shred checks. Consequently, the blank check in question could have been taken at a number of different points: (a) before the blank check stock was moved to W-86, (b) during the time the blank check stock was stored in W-86 before shredding began, (c) during the shredding process before the temporary employee was

hired, (d) during the shredding process conducted by the temporary employee, or (e) after the temporary employee stopped shredding. It is also possible that more than one blank check was taken. As of October 15, 1999, no other check had been improperly negotiated.

Our review disclosed that on July 10, 1998, one partially filled box of First American blank check stock in W-86 remained to be shredded. That box contained 355 blank checks. The institute held those checks for the duration of our review and then destroyed them on March 8, 1999.

## **FALSIFIED EMPLOYMENT APPLICATION**

Our review initially focused on the temporary employee because the vice president had identified him as the individual responsible for shredding the blank check stock in November 1997. In November 1997, he was employed as a dispatcher in the institute's security office. As a dispatcher, he had access to keys to virtually all the institute's rooms and offices, detailed information on the location of the institute's security cameras, and knowledge of the schedules and work activities of the security officers.

The temporary employee directly denied taking the blank check, negotiating it, or receiving any of the improper proceeds. He further denied having any direct or indirect knowledge of who had done so. Initially, he agreed to take a polygraph examination, but later, on advice of his legal counsel, he declined to take the examination.

During our review of the temporary employee's shredding activities, the vice president told us that in February 1998 she had been informed by the security director that the temporary employee was on probation. This information led us to review the temporary employee's criminal record and his personnel file.

### ***The Temporary Employee's Criminal Record***

Although the temporary employee's employment file did not indicate a criminal history, we determined that he had a criminal record and that he had falsified his employment application.

His criminal record included a July 1995 conviction of three counts of knowingly selling cocaine, for which he was sentenced to serve a term of ten years under the supervision of the Department of Correction, starting with a period of confinement at a Corrections Corporation of America (CCA) jail and then assignment to the Davidson County (Nashville) Community Corrections Program for five years. He also was fined \$2,000 and directed to pay \$6,398 in court costs. According to the temporary employee's probation officer, he spent 15½ months in a CCA jail, was placed with community corrections for 18 months, and then was transferred to the state probation program in February 1998.

In February 1992, the temporary employee was convicted of malicious mischief and vandalism for breaking into a Coca-Cola vending machine. In April 1992, he received a misdemeanor citation for climbing under a fence at the Farmers Market in Nashville. In June 1995, he was convicted of a misdemeanor for passing a worthless check for \$27.76 at a Kroger's grocery store in Nashville. He also received four class B and three class C misdemeanor citations for driving on a suspended license or without a driver's license.

### ***The Temporary Employee's False Answer to Employment Application Question***

On his employment application he had checked "No" to the question, "Have you ever been convicted, forfeited bond, or are you currently on probation for any felony in a court of law or general court-martial?" The temporary employee signed his application and dated it December 3, 1996. According to the temporary employee, he had been released from the CCA jail but was in a community corrections program for his felony conviction when he signed his application.

He acknowledged that he had intentionally checked the wrong box on his employment application. He explained that he did not check the proper box on his employment application because the individuals responsible for hiring him, the institute's president and security director, knew of his felony conviction. He said that since the people who hired him knew, he figured filling out the application was only a formality. He further explained that he did not check the right box because he was embarrassed about his felony conviction and did not want other institute employees to know about it. He said that his thinking was that if it became known that he had a criminal record, every time something came up missing, he would automatically be the suspect.

### ***The Temporary Employee's Felony Conviction Known to President and Security Director Prior to His Hire***

Our review determined that both the president and security director knew, prior to the temporary employee's hire, that he had been convicted of a felony. Although the president and the security director knew that he had a criminal record, neither ensured an appropriate review was conducted to discern the nature and extent of his criminal record.

According to the security director, he placed the temporary employee in the dispatcher position because he thought the temporary employee deserved a second chance. He said that he had had success helping troubled individuals get back on track. The security director said that another consideration was that he would be around other individuals (security officers) who would help him stay straight.

The institute's president stated that he thought the temporary employee had been hired initially to work in the recycling area and that he had been aware that the temporary employee had been working as a dispatcher in the security office for about a year. He further stated that he did not know the employee had access to keys or was involved in shredding blank checks.

The president and the security director displayed a lack of judgment in placing an individual with a known criminal record in the institute's security office. The security director further erred in recommending the temporary employee to the vice president for the task of shredding blank checks and not informing anyone in the business office that he had a criminal record. The institute's vice president told us that had she known the temporary employee had a felony conviction, she would never have agreed to hire him to shred blank checks.

***Neither President nor Security Director Knew about the Temporary Employee's Falsified Application***

We asked both the president and the security director if they knew the temporary employee had falsified his application. Both stated that they did not know until the auditors in the course of this review showed them his application.

When asked about the import of the falsification, the president stated that it would not have mattered to him because he already knew that the temporary employee had been convicted of possession and distribution of drugs. This response suggests a failure on the part of the president to appreciate the seriousness of falsifying an employment application. *Tennessee Code Annotated*, Section 39-16-504, states that it is unlawful for any person to knowingly make a false entry in, or false alteration of, a governmental record. The penalty is a class A misdemeanor.

In response to the same question, the security director stated that the falsification "slipped by him" because he failed to review the temporary employee's application when he was hired. The security director explained that after he made the decision to hire the temporary employee, he sent him to the institute's personnel office to complete the necessary paperwork. He said that if he had observed the false information on the temporary employee's application, he would have immediately required him to correct his application.

During our interview with the president, we asked him what would be the consequences for the temporary employee now that it was clear he had falsified his application. The president said that he was discussing the issue with the Tennessee Board of Regents' legal office. Later, the institute's personnel office required the temporary employee to complete a corrected application. He corrected his application on July 30, 1998.

It should be noted that the vice president received information from the security director in February 1998, three months after the temporary employee had been employed to shred blank check stock, that he was on probation. Although this information clearly indicated that the temporary employee had a criminal record, the vice president did not initiate a prompt and thorough review of the temporary employee's criminal record or his

personnel file. If the vice president had instituted such a review, she would have determined at that time that he had falsified his employment application.

## **SUBSEQUENT ACTIONS BY THE INSTITUTE**

As a result of the theft of \$4,679.61, the institute's business office and security office staff developed additional internal controls over the storage and disposal of blank check stock. These revised controls included specifying key control measures, assigning responsibilities to specific staff, increasing security relating to the storage areas, and implementing stronger documentation requirements.

The institute's business office promptly sent forgery affidavits to the Allegiant Bank in St. Louis and promptly notified First American in Nashville to stop payment for the First American blank checks that should have been shredded. The institute's communications with Allegiant and First American occurred on July 10, 1998.

Institute management also reassigned the temporary employee, effective July 30, 1998. He was initially assigned to the admissions office; later, he was assigned to the library. His last date of employment at the institute was November 30, 1998. The institute did not renew his contract. As noted above, the temporary employee was required to correct his employment application on July 30, 1998.

---

## **RECOMMENDATIONS**

---

The review resulted in the following recommendations:

1. Institute management should develop appropriate policies and procedures for the storage, transport, and disposal of blank check stock. Disposal should occur promptly and under appropriate security precautions. Institute management should monitor the controls for compliance and revise them, if necessary.
2. The institute's president and security director knew that the temporary employee had a criminal record when they hired him. Although a criminal record should not necessarily be a bar to employment, the following should be considered: First, the criminal record of an individual with a felony conviction should be thoroughly researched and assessed before any decision to hire. Second, an individual with a criminal record should not be exposed to, employed in, or temporarily assigned to high-risk areas, particularly a security office. Third, an individual with a criminal record should not be exposed to, employed in, or temporarily assigned to high-risk activities, particularly the disposal of valuable and extremely negotiable items, such as blank check stock.

Exceptions to these basic principles, when made, should be based on thorough research and careful assessment. Any exceptions should be formally approved and officially documented.

3. The business office, specifically the personnel section, should be alert to indications that employees have provided material misinformation and should promptly investigate such information. That review should be thorough and should be documented. If the review discloses that an institute employee has materially falsified his or her application or other employee-provided information, the vice president for finance and administrative services should promptly notify institute management and should initiate appropriate action to resolve the issue.
4. The review disclosed that authorized checks were not always reconciled with negotiated checks in a timely manner. The stolen check was negotiated in May 1998 but was not detected until July 10, 1998. The proper reconciliation should have occurred in early June 1998. The business office should ensure more timely reconciliations.
5. During the course of the review, it was determined that the security office's key control logs for the period November 1, 1997, through March 3, 1998, were missing. The security director indicated that the logs were either misplaced through neglect or deliberately taken and destroyed. The lack of the relevant key control log pages made it impossible to determine who had signed out the key to W-86. The security director should ensure that the key control logs are appropriately maintained and secured. Moreover, access to keys to sensitive areas should be appropriately restricted.