

Tennessee State University

**Overpayment to Metropolitan Nashville Police Officers
for Security Services,
Misappropriation of \$2,000 From Bank Deposits, and
Misappropriation of \$19,474 From Cash to Card
Vending Machines**

May 2000

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John G. Morgan
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May 30, 2000

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Dr. James A. Hefner
Tennessee State University
Nashville, Tennessee 37209

Ladies and Gentlemen:

Transmitted herewith is a special report on the review of overpayments by Tennessee State University (TSU) to Metropolitan Nashville Police (metro police) officers for security services and also misappropriations of TSU funds from bank deposits and Debittek Cash to Card vending machines. These reviews were conducted jointly by the Division of State Audit and TSU internal audit staff.

In October 1998, the Division of State Audit received information that metro police officers had billed TSU for private security services that they had not actually rendered during the period August 1997 through August 1998. On May 5, 1999, the Division of State Audit was contacted by Ms. Lisa M. Hall, Assistant Director of Systemwide Financial Accounting, Tennessee Board of Regents (TBR), regarding the potential theft of \$1,000 from bank deposits from the TSU Bursar's office. Ms. Hall notified the Division of State Audit on May 12, 1999, of the potential theft of \$13,775 from the seven Debittek Cash to Card vending machines located on TSU's main and Williams campuses in Nashville. On May 17, 1999, Ms. Hall contacted the Division of State Audit regarding the potential theft of an additional \$1,000 from university bank deposits.

With regard to the overpayments to metro police officers, the auditors interviewed TSU staff, TSU Police Department staff, and the metro police officers involved. The auditors also compared invoices and related listings of metro police officers' activities at TSU with metro police department work logs and other time and attendance records for the metro police officers involved.

According to the TSU Police Department Director, Mr. Henry Lawson, TSU arranges with metro police officers to provide security for basketball and football games, special events, campus parties, registration, and off-campus housing complexes. He stated that a supervising metro police officer, Officer Henry Perry, was his contact at the metro police department and that all his arrangements for acquiring the services of metro police officers were made through Officer Perry.

The review disclosed several internal control weaknesses. First, TSU did not place the supervising metro police officer or the other metro police officers under formal written contracts. Second, the TSU requisition-for-services did not specify the names of the metro police officers, the dates of service, or the hours of work required. Third, the invoices, submitted to the university business office for payment, did not record the date, time in, time out, and total hours for each day of work for each metro police officer. Instead, the invoices reported total hours for a time period for each metro police officer. Fourth, TSU did not require the metro officers to sign in on a log when they arrived at work or to sign out when they left work. Fifth, no TSU employee was assigned responsibility for ensuring that the metro police officers were actually at work or for monitoring their performance. Because of the lack of information as to the exact times when the metro police officers were present and working for TSU and the lack of effective monitoring, it was impossible to ascertain whether all the hours reported as worked were in fact worked.

As a result of the internal control weaknesses described above, based on presently available information, Officer Perry was actually on duty with the metro police department during 16.4 hours he reported that he was working at TSU. All the questioned hours were during the daytime, when Officer Perry was paid to provide security to TSU during registration periods. The overlaps in time occurred on 12 different instances and resulted in an overpayment by TSU to him of \$329.68. Although Officer Perry's regular work schedule as a metro police officer was a night shift, he was required to make court appearances on occasion during the day. During these court appearances, Officer Perry's in and out times were recorded by means of a time clock. The determination of the overlap was developed by comparing these in and out times with the hours Officer Perry reported he had worked at TSU.

This review further revealed that the in-court times of three other metro police officers, Clarence Thompson, Tony Turner, and Benedict Cook, overlapped with the hours they reportedly

worked at TSU registrations. The resulting overpayment for these three officers totaled about four hours, with a total cost of \$82.54. The three officers stated that Officer Perry had told them he would take care of properly recording their time. In addition, the three officers stated that they were unaware that their TSU checks included payment for their in-court time because they did not receive their TSU checks until several months after they performed their TSU security work and they did not correlate their hours to their pay.

Metro police department records further showed that Officer Perry was on duty with the metro police department during 31.5 hours he reported that he was working at TSU off-campus housing complexes. Officer Perry stated that he was actually at TSU and not working his regular shift with the metro police department on the eight occasions in question. Officer Perry stated that to compensate for unpaid training hours, which metro police officers had completed while off duty, the officers were allowed to take hours off during their normally scheduled shift. He explained that use of such "compensatory" hours would not be reflected on the officer's time cards and thus the metro payroll department would not be aware of their use. Officer Perry's supervisor confirmed this arrangement. Because of the absence of effective internal controls, discussed above, we could not determine whether Officer Perry had in fact worked at TSU during the 31.5 hours he claimed.

On October 6, 1999, the Office of the District Attorney General, Twentieth Judicial District (Davidson County), was notified of the findings pursuant to the activities of the four metro police officers and that office determined not to pursue the matter further.

With regard to the thefts from bank deposits, our review determined that on February 1, 1999, and on March 8, 1999, the amount deposited for monies collected by cashiers in the Bursar's office did not match the amount actually collected by the cashiers. The auditors determined that the cashier supervisor, Ms. Dianne Eaton, received the amounts collected by the cashiers, but she inaccurately prepared the deposit slips for the deposits. All checks collected by the two cashiers were deposited, but the cash amounts deposited for each cashier were \$1,000 less than the cash amounts given to Ms. Eaton for deposit. The university incurred a total loss of \$2,000.

In interviews, Ms. Eaton admitted that at the close of the business day on January 29, 1999, and on March 5, 1999, she received the amounts collected by the cashiers but she inaccurately prepared the deposit slips for the deposits. In both instances, Ms. Eaton admitted that she had understated the deposit by \$1,000. Ms. Eaton denied taking the \$2,000 and suggested that either a Bursar's office employee or the depositing teller at the bank noticed her errors on the deposit slips and took the money. The auditors interviewed all of the Bursar's office employees with access to the vault interior. The auditors also contacted the bank's security department and requested that security staff interview the bank teller who handled the transactions. All of those interviewed denied taking the \$2,000.

Our review also revealed weaknesses in internal controls over university deposits. At the time of the shortages, the method of monitoring and restricting the issuance of the Bursar's vault combination and the issuance of keys to the Bursar's office and the cashier's office did not properly control access to the Bursar's office vault. Also, the vault was not properly protected by the security alarm system.

Ms. Eaton did not perform the required daily reconciliation of deposits. Consequently, the losses were not detected until over a month later when a financial analyst in the Bursar's office reconciled bank statements to prior months' collections and provided a list of "discrepancies" to Ms. Eaton to resolve. Ms. Eaton informed Ms. Thomas of the March 8 shortage on April 26, and she informed Ms. Thomas of the February 1 shortage on May 12.

With regard to the Cash to Card machine shortages, our review revealed that during the time period September 28, 1998, through May 4, 1999, the Cash to Card machines accepted a total of \$102,425 for the sale of cards, and credits. However, during this same period, cashiers from the Bursar's office removed only \$82,951 from the machines during their normal collection processes. The shortfall was \$19,474. The Cash to Card machines are used by students, faculty, and staff to credit cash to their campus identification cards or to visitor cards dispensed by the machines. The credited cards are used in vending machines, laundry machines, and copiers located on TSU's campuses.

Weaknesses in internal controls allowed an unidentified person or persons to obtain a key to the Cash to Card machines and to improperly remove \$19,474 from them. Additional internal control weaknesses allowed the thefts to remain undetected for approximately ten weeks. TSU management did not require the rekeying or replacement of the standard Cash to Card machine locks provided with the machines. These standard locks could be opened with the same key provided to all Debitex customers. For example, the keys shipped with a Cash to Card machine sold in Florida would unlock TSU's Cash to Card machines. Also, TSU management did not properly inventory and secure the Cash to Card machine keys when the machines were received. After receiving the machines, TSU management did not monitor or restrict access to the Cash to Card machine keys. As a result, TSU management did not know how many keys were shipped with the machines, if any keys were missing, or who could have taken any missing keys.

The theft of the Cash to Card funds continued undetected for a period of approximately ten weeks because the cashier supervisor, Ms. Dianne Eaton, did not follow or enforce TSU's written policy and the established procedures for collecting and reconciling the Cash to Card revenues.

TSU's written policy and established procedures for collecting and reconciling the Debittek cash revenues did not require the Bursar's office staff to immediately reconcile the collections independently from the computerized sales report reconciliation. The Bursar's office did not have a reconciliation process, independent from the cashier supervisor, that matched the sales amount shown by the sales reports to the amount of cash actually collected from the machines and recorded on the collection reports. In addition, the Bursar, Ms. Jocelyn Thomas, did not require the cashiers to record the names of TSU personnel involved in the cash collections; thus, the auditors were unable to determine who made the collections on the days of the shortages.

The auditors determined that after being informed of the Cash to Card collection discrepancies in the first week of March 1999, the Director of Finance and Accounting, Ms. Cynthia Brooks, performed her own reconciliation of the collection amounts and the sales reports. According to Ms. Brooks' reconciliation performed on March 3, the February collections were \$7,892 short. Ms. Brooks then contacted the Debittek Company and was told that the counting mechanisms of the Cash to Card machines were infallible. However, during the week of March 8, Ms. Brooks decided that there was no shortage. In interviews, she stated that she attributed the discrepancies to malfunctions of the Cash to Card machines and allowed the machines to remain in operation with no changes in procedure until April 30, 1999. Subsequently, because of her failure to exercise appropriate due diligence, the initial losses increased \$6,754.

The auditors also determined that Ms. Brooks, Ms. Thomas, and Ms. Eaton had interpreted the sales reports inaccurately and that the February collections were approximately \$9,498 short rather than \$7,892. In addition, the auditors determined that the first shortage in the Cash to Card machine collections actually occurred on December 9, 1998, and the total shortage from December 9, 1998, through April 30, 1999, was \$19,474.

The Bursar and the Director of Finance and Accounting did not notify TSU's internal audit staff of the discrepancies until April 29, 1999, and the Division of State Audit was not notified of the losses until May 12, 1999. The failure on the part of the TSU fiscal staff responsible for safeguarding assets to promptly report these losses had a significant negative effect on the ability of the auditors to identify the person responsible for the losses. *Tennessee Code Annotated*, Section 8-19-501, requires all state agencies to report all such losses immediately to the Comptroller of the Treasury.

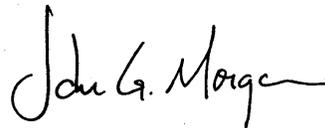
Six of the seven Cash to Card machines were removed from service on April 30, 1999. The seventh machine remained in service because it was only accessible Monday through Friday

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from 8:00 a.m. until 4:00 p.m., and was closely monitored during those hours by university staff. Also, the seventh machine had not suffered substantial losses of funds. The locks on all seven Cash to Card machines were replaced on June 9, 1999, and the machines were returned to service on June 15, 1999. In a letter dated June 2, 1999, Dr. James Hefner, TSU President, terminated Ms. Eaton's employment with the university effective July 1, 1999. In a letter dated February 14, 2000, President Hefner detailed TSU's implementation of additional internal controls to prevent losses in the areas discussed above.

On March 7, 2000, the findings regarding the misappropriations of funds were submitted to the Office of the District Attorney General, Twentieth Judicial District (Davidson County).

Sincerely,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Special Report

Tennessee State University

**Overpayment to Metropolitan Nashville Police Officers for Security Services,
Misappropriation of \$2,000 From Bank Deposits, and
Misappropriation of \$19,474 From Cash to Card Vending Machines**

May 2000

REVIEW OBJECTIVES

The objectives of the review were to determine the nature and extent of the overpayment to Metropolitan Nashville Police (metro police) officers; to evaluate the internal controls over payments for outside security services to determine whether they were adequate; to determine the nature and extent of the misappropriation of bank deposit funds and Debitex Cash to Card machine funds; to determine who had access to the funds through conducting interviews and reviewing cashiers' work schedules, attendance records, daily cashier balancing reports, and bank deposit forms; to evaluate the internal controls over collected funds to determine whether they were adequate; to evaluate the physical controls over funds to determine whether they were adequate; to refer any findings to TSU management and the Tennessee Board of Regents; and to refer the results of our review, if appropriate, to the Office of the State Attorney General and the Office of the District Attorney General, Twentieth Judicial District (Davidson County).

RESULTS OF THE REVIEW

According to the TSU Police Department Director, Mr. Henry Lawson, TSU arranges with metro police officers to provide security for basketball and football games, special events, campus parties, registration, and off-campus housing complexes. He stated that a supervising metro police officer, Officer Henry Perry, was his contact at the metro police department and that all his arrangements for acquiring the services of metro police officers were made through Officer Perry.

The review disclosed several internal control weaknesses. First, TSU did not place the supervising metro police officer or the other metro police officers under formal written contracts. Second, the TSU requisition-for-services did not specify the names of the metro police officers, the dates of service, or the hours of work required. Third, the invoices, submitted to the

university business office for payment, did not record the date, time in, time out, and total hours for each day of work for each metro police officer. Instead, the invoices reported total hours for a time period for each metro police officer. Fourth, TSU did not require the metro officers to sign in on a log when they arrived at work or to sign out when they left work. Fifth, no TSU employee was assigned responsibility for ensuring that the metro police officers were actually at work or for monitoring their performance. Because of the lack of information as to the exact times when the metro police officers were present and working for TSU and the lack of effective monitoring, it was impossible to ascertain whether all the hours reported as worked were in fact worked.

As a result of the internal control weaknesses described above, based on presently available information, Officer Perry was actually on duty with the metro police department during 16.4 hours he reported that he was working at TSU. All the questioned hours were during the daytime, when Officer Perry was paid to provide security to TSU during registration periods. The overlaps in time occurred on 12 different instances and resulted in an overpayment by TSU to him of \$329.68.

This review further revealed that the in-court times of three other metro police officers, Clarence Thompson, Tony Turner, and Benedict Cook, overlapped with the hours they reportedly worked at TSU registrations. The resulting overpayment for these three officers totaled approximately four hours, with a total cost of \$82.54. The three officers stated that Officer Perry had told them he would take care of properly recording their time. In addition, the three officers stated that they were unaware that their TSU checks included payment for their in-court time because they did not receive their TSU checks until several months after they performed their TSU security work and they did not correlate their hours to their pay.

On October 6, 1999, the Office of the District Attorney General, Twentieth Judicial District (Davidson County), was notified of the findings pursuant to the activities of the four metro police officers and that office determined not to pursue the matter further.

With regard to TSU bank deposits, the TSU Bursar's office accepts cash, check, and credit card payments from TSU students, faculty, and staff for tuition, housing fees, parking permits, transcript copies, library fines, parking fines, housing fines, and exam fees. The TSU Bursar's office also collects and reconciles the cash collected by the Cash to Card machines.

Our review determined that on February 1, 1999, and on March 8, 1999, the amount deposited for monies collected by cashiers in the Bursar's office did not match the amount actually collected by the cashiers. The cashier supervisor, Ms. Dianne Eaton, acknowledged that she received the amounts collected by the cashiers but that she inaccurately prepared the deposit slips for the deposits. All checks collected by the two cashiers were deposited, but the cash amounts deposited for each cashier were \$1,000 less than the cash amounts given to Ms. Eaton for deposit. The university incurred a total loss of \$2,000. Ms. Eaton denied taking the \$2,000.

Our review also revealed weaknesses in internal controls over university deposits. At the time of the shortages, the method of monitoring and restricting the issuance of the Bursar's vault combination and the issuance of keys to the Bursar's office and the cashier's office did not properly control access to the Bursar's office vault. Also, the vault was not properly protected by the security alarm system.

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Our review of the Cash to Card machine shortages revealed that during the time period September 28, 1998, through May 4, 1999, the Cash to Card machines accepted a total of \$102,425 for the sale of cards and credits. However, during this same period, cashiers from the Bursar's office removed only \$82,951 from the machines during their normal collection processes. The shortfall was \$19,474. The Cash to Card machines are used by students, faculty, and staff to credit cash to their campus identification cards or to visitor cards dispensed by the machines. The credited cards are used in vending machines, laundry machines, and copiers located on TSU's campuses.

Six of the seven Cash to Card machines were removed from service on April 30, 1999. The seventh machine remained in service because it was only accessible Monday through Friday from 8:00 a.m. until 4:00 p.m., and was closely monitored during those hours by university staff. Also, the seventh machine had not suffered substantial losses of funds. The locks on all seven Cash to Card machines were replaced on June 9, 1999, and the machines were returned to service on June 15, 1999.

Weaknesses in internal controls allowed an unidentified person or persons to obtain a key to the Cash to Card machines and to improperly remove \$19,474 from them. Additional internal control weaknesses allowed the thefts to remain undetected for approximately ten weeks. The Director of Finance and Accounting, Ms. Cynthia Brooks, was notified during the first week of March 1999 of discrepancies in the February 1999 collections from the machines. Although Ms. Brooks' reconciliation of the February collections indicated a \$7,892 shortage, she decided that there was no shortage. In interviews, she stated that she attributed the discrepancies to malfunctions of the Cash to Card machines and allowed the machines to remain in operation with no changes in procedure until April 30, 1999. Subsequently, the initial losses increased \$6,754.

The auditors also determined that Ms. Eaton; Ms. Brooks; and Ms. Jocelyn Thomas, the Bursar, had interpreted the sales reports inaccurately and that the February collections were \$9,498 short rather than \$7,892. Also, the first shortage in the Cash to Card machine collections actually occurred on December 9, 1998, and the total shortage from December 9, 1998, through April 30, 1999, was \$19,474.

In a letter dated June 2, 1999, Dr. James Hefner, TSU President, terminated Ms. Eaton's employment with the university effective July 1, 1999. In a letter dated February 14, 2000, President Hefner detailed TSU's implementation of additional internal controls to prevent losses in the areas discussed above.

On March 7, 2000, we submitted our findings regarding the misappropriation of university funds to the Office of the District Attorney General, Twentieth Judicial District (Davidson County).

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

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Tennessee State University
Overpayment to Metropolitan Nashville Police Officers for Security Services,
Misappropriation of \$2,000 From Bank Deposits, and
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Tennessee State University
Overpayment to Metropolitan Nashville Police Officers for Security Services,
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Misappropriation of \$19,474 From Cash to Card Vending Machines
May 2000

INTRODUCTION

ORIGIN OF THE REVIEW

In October 1998, the Division of State Audit received information that Metropolitan Nashville Police (metro police) officers had billed Tennessee State University (TSU) for private security services that they had not actually rendered during the period August 1997 through August 1998. On May 5, 1999, the Division of State Audit was contacted by Ms. Lisa M. Hall, Assistant Director of Systemwide Financial Accounting, Tennessee Board of Regents (TBR), regarding the potential theft of \$1,000 from bank deposits from TSU's Bursar's office. Ms. Hall notified the Division of State Audit on May 12, 1999, of the potential theft of \$13,775 from the seven Debitex Cash to Card vending machines located on TSU's main and Williams campuses, located in Nashville. On May 17, 1999, Ms. Hall contacted the Division of State Audit regarding the potential theft of an additional \$1,000 from university bank deposits. The Division of State Audit, in collaboration with TSU's internal audit section, initiated a review of the matter.

OBJECTIVES OF THE REVIEW

The objectives of the review were

1. to determine the nature and extent of the overpayment to metro police officers;
2. to evaluate the internal controls over payments for outside security services to determine whether they were adequate;
3. to determine the nature and extent of the misappropriation of bank deposit funds and Debitex Cash to Card machine funds;
4. to determine who had access to the funds through conducting interviews and reviewing cashiers' work schedules, attendance records, daily cashier balancing reports, and bank deposit forms;
5. to evaluate the internal controls over collected funds to determine whether they were adequate;

6. to evaluate the physical controls over funds to determine whether they were adequate;
7. to refer any findings to TSU management and the Tennessee Board of Regents; and
8. to refer the results of our review, if appropriate, to the Office of the State Attorney General and the Office of the District Attorney General, Twentieth Judicial District (Davidson County).

SCOPE OF THE REVIEW

Division of State Audit and TSU Internal Audit staff interviewed members of the TSU staff, the TSU Police Department, various metro police officers, and employees of Debittek, Inc., the manufacturer of the Cash to Card machines. Our review included a detailed examination of employee attendance reports, daily cashier balancing reports, bank deposit forms, police communication logs, police daily activity reports, Cash to Card machine collection reports, and bank reconciliation reports for the period September 1998 through May 1999. We reviewed relevant purchase orders, TSU's cashier balancing policy, TSU's cash receipting policy, TSU's depositing funds policy, and TSU's Debittek machine policy. We also compared invoices and related listings of metro police officers' activities at TSU to police department work logs and other time and attendance records for the metro police officers involved.

BACKGROUND

Outside Security Services

TSU arranges with metro police officers to provide additional security for basketball and football games, special events, campus parties, and registrations. In the past two years, metro police officers also provided security at off-campus housing complexes.

TSU Bursar's Office

The TSU Bursar's office accepts cash, check, and credit card payments from TSU students, faculty, and staff for tuition, housing fees, parking permits, transcript copies, library fines, parking fines, housing fines, and exam fees. The TSU Bursar's office also collects and reconciles the cash collected by the Cash to Card machines. The Bursar's office is located in the administration building on TSU's main campus in Nashville, Tennessee.

Debittek Cash to Card Machines

In July 1997, TSU management implemented the use of Cash to Card machines to simplify TSU's financial accounting system and to provide a convenience to TSU students, faculty, and staff by reducing their need to carry cash. During the 15-month period from June 26, 1997, through August 10, 1998, TSU purchased a total of seven Cash to Card machines and installed

them on the TSU main campus and the TSU Williams campus, both located in Nashville, Tennessee.

The Cash to Card machines are used by students, faculty, and staff to credit cash to their campus identification cards or to visitor cards dispensed by the machines. The credited cards are used in vending machines, laundry machines, and copiers located on TSU's campuses. The Cash to Card machines accepted one, five, ten, and twenty-dollar bills. The Bursar's office cashiers remove the cash from the Cash to Card machines at least once per week. The Bursar's office is also responsible for reconciling and depositing the collected money.

DETAILS OF THE REVIEW

I. OVERPAYMENT TO METROPOLITAN NASHVILLE POLICE OFFICERS FOR SECURITY SERVICES

During the period August 1997 through August 1998, a total of 16.4 hours overlapped between the work schedules at TSU and the police department for the supervising metro police officer, Henry Perry, resulting in a total overpayment by the university to Officer Perry of \$329.68. The time records for three other police officers, Clarence Thompson, Tony Turner, and Benedict Cook, during this period indicated isolated incidents of overlaps. These additional overlaps, apparently a result of Officer Perry's inaccurate reporting of the three officers' attendance at TSU registrations, resulted in a total overpayment by the university to these officers of \$82.54. The total overpayment by the university for security services not rendered was \$412.22.

Background

According to Mr. Arthur Lawson, Director, TSU Police Department, Officer Perry was TSU's contact at the Metropolitan Police Department and all arrangements for acquiring the services of police officers were made through Officer Perry. Officer Perry also acted as the supervising officer for the police officers that provided outside security services to TSU. Mr. Lawson stated that no formal written contracts were prepared.

As described by Mr. Lawson, the system he used in the monitoring and subsequent approval of payments for these services was based on trust. He stated that he would call Officer Perry and inform him of the number of uniformed officers needed for a specific event. The TSU requisition forms for those events in question were prepared and submitted to the business office by either Mr. Lawson or Mr. William Hytche, Director of Off-Campus Housing. After the event or a week of service, Officer Perry would submit a list of officers and their reported hours of security service and a corresponding invoice to Mr. Lawson. Mr. Lawson would then approve the invoice and submit it to the business office for payment.

Overlap of Hours During TSU Registration Periods

Based on our review, it appears that Officer Perry was actually on duty with the Metropolitan Police Department during 16.4 hours he reported that he was working at TSU. All the questioned hours were during the daytime, when Officer Perry was paid to provide security to TSU during registration periods, and occurred during the period August 1997 through August 1998. The overlaps in time occurred on 12 different instances and amounted to an overpayment of \$329.68 to Officer Perry. Although Officer Perry's regular work schedule as a metro police officer is a night shift, he was required to make court appearances on occasion during the day. During these court appearances, Officer Perry's in and out times were recorded by means of a time clock. The determination of the overlap was developed by comparing these in and out times with the hours Officer Perry reported he had worked at TSU.

Interview of Officer Henry Perry

Auditors interviewed Officer Perry on February 19, 1999. When we addressed specific instances in which an overlap occurred, Officer Perry acknowledged he was absent from TSU for court appearances and stated that he traded time that he would normally be off during lunch hours from the contract work with TSU. Officer Perry stated that he understood that he was allowed one hour for lunch while working for TSU. He contends that on occasion he would forego taking his one-hour lunch, which he would trade for time off on a later date. According to Officer Perry, he did not keep records of the days on which he did not take a lunch break. He also acknowledged that he had not mentioned this trading of lunch hours with Mr. Lawson. Mr. Perry was asked why he had not written the actual hours on the listings he submitted to TSU. He explained that listing the specific times was tedious and resulted in too much paperwork. He stated that ultimately, the total number of hours billed to TSU was accurate despite any inaccuracies in the identification of the actual hours worked. He added that there were numerous meetings he attended in regard to the TSU security work which he did not record and for which he was not compensated.

Interview of Mr. Arthur Lawson, Director of the TSU Police Department

Auditors interviewed Mr. Lawson on several occasions. Mr. Lawson admitted that he did not document absences or scrutinize the invoices for Officer Perry's shifts. He stated that, because he trusted Officer Perry, the invoices were accepted and approved on an honor system involving little or no review. In regard to lunch breaks, Mr. Lawson stated that officers working at registration are given a one-hour lunch break in order to have an opportunity to leave their post. However, Mr. Lawson stated that Officer Perry was never authorized to trade lunches for absences, nor did Mr. Lawson have any knowledge that such a practice may have taken place. According to Mr. Lawson, he recalls only one occasion when Officer Perry notified him that he had a court appearance and would be late for his shift at TSU.

Mr. Lawson stated that he was not aware that Officer Perry was absent from TSU registration shifts other than that one occasion. Mr. Lawson stated that he thought his TSU officers were monitoring the security over registrations; however, none of his TSU officers notified him of these absences. In interviews, TSU officers stated that they were never requested by Mr. Lawson to monitor the metro police officers and that they were never privy to the numbers of hours charged or the schedules of the metro police officers.

Additional Overlap of Hours During TSU Registration Periods

Our review also revealed that three other metro police officers' in-court times overlapped with the hours they reportedly worked at TSU registrations. The resulting overpayment to these three police officers totaled \$82.54. The officers did not submit any direct documentation of their time worked. As coordinator of the outside security, Officer Perry was responsible for submitting the schedule of hours worked for all the metro police officers performing services for TSU. Officer Perry did not accurately reflect these three officers' absences due to their court appearances on this schedule. On August 24, 1998, Officer Clarence Thompson's in-court time overlapped approximately two hours with the schedule submitted by Officer Perry. The inaccurate schedule resulted in a TSU payment of \$48.20 to Officer Thompson to which he was not entitled. On August 18, 1997, Officer Tony Turner's in-court time overlapped approximately one hour with the schedule and resulted in a TSU payment to Officer Turner of \$23.80 to which he was not entitled. On July 8 and July 15, 1998, Officer Benedict Cook's in-court times overlapped a total of one-half hour with the schedule and resulted in a TSU payment to Officer Cook of \$10.54 to which he was not entitled. All three police officers stated that Officer Perry had told them he would take care of properly recording their time missed. In addition, the three police officers stated that they were unaware that the TSU check included their time in court because the payment included other registration work and usually was not received until two months after the security work was performed.

Actions Taken by the Metropolitan Police Department

The Metropolitan Police Internal Investigations Department conducted separate interviews with the officers involved in performing security services at TSU. Their comparison of university documents to metro police records corroborated this office's findings. We have been advised by Internal Investigations staff that some disciplinary actions have been taken and others are still pending. The disciplinary actions were based on the failure of the police officers to obtain permission for their work at TSU in violation of outside work restrictions and other general misconduct relating to this matter. Officer Henry Perry received a 30-day suspension without pay.

Additional Overlap of Hours Involving Off-Campus Security

The metro police records also indicated that Officer Perry was on duty with the metro police department during 31.5 hours he reported that he was working at TSU off-campus housing

complexes during the period August 1997 through August 1998. Officer Perry stated that he was actually at TSU and not working his regular shift with the police department on the eight occasions in question. Officer Perry stated that to compensate for unpaid training hours, which metro police officers completed while off duty, they were allowed to take hours off during their normally scheduled shift. He explained that use of such unofficial “compensatory” hours would not be reflected on officers’ time cards and that the payroll department would not be aware of their use. Officer Perry’s metro police supervisor, Officer Ben Cook, confirmed that he allowed Officer Perry and several other police officers to take advantage of this arrangement, but indicated that it was not a policy he knew to exist department-wide.

Based on presently available information, it could not be determined whether Officer Perry had in fact worked at TSU during the 31.5 hours he claimed. Through interviews with TSU officers working the night shift and Mr. Bill Hytche, the TSU Director of Off-Campus Housing, it appeared that Officer Perry was not present at the housing complexes on several occasions during the period in question. However, the individuals interviewed could not provide specific dates. In addition, the communications logs kept by the TSU Police Dispatcher recorded that Officer Perry had reported to work on the dates in question. However, Officer Perry’s departure time was not recorded and no incidents occurred that would have documented Officer Perry’s presence at the housing complexes.

Internal Control Weaknesses Over Outside Security Services

The review disclosed several internal control weaknesses. First, TSU did not place the supervising metro police officer or the other metro police officers under formal written contracts. Second, the TSU requisition-for-services did not specify the names of the metro police officers, the dates of service, or the hours of work required. Third, the invoices, submitted to the university business office for payment, did not record the date, time in, time out, and total hours for each day of work for each metro police officer. Instead, the invoices reported total hours for a time period for each metro police officer. Fourth, TSU did not require the metro officers to sign in on a log when they arrived at work or to sign out when they left work. Fifth, no TSU employee was assigned responsibility for ensuring that the metro police officers were actually at work or for monitoring their performance. Because of the lack of information as to the exact times when the metro police officers were present and working for TSU and the lack of effective monitoring, it was impossible to ascertain whether all the hours reported as worked were in fact worked.

Referral of the Matter

On October 6, 1999, the Office of the District Attorney General, Twentieth Judicial District (Davidson County), was notified of the findings pursuant to the activities of the four metro police officers and that office determined not to pursue the matter further.

II. MISAPPROPRIATION OF \$2,000 FROM FEBRUARY 1 AND MARCH 8 DEPOSITS

On two occasions, the amount deposited for monies collected by cashiers in the Bursar's office did not match the amount actually collected by the cashiers. We determined that the cashier supervisor received the amounts collected by the cashiers but she inaccurately prepared the deposit slips for the deposits. All checks collected by the two cashiers were deposited, but the cash amounts deposited for each cashier were \$1,000 less than the cash amounts given to the cashier supervisor for deposit. The university incurred a total loss of \$2,000.

January 29, 1999, and March 5, 1999, Payment Transactions

On Friday, January 29, 1999, Ms. Teresa Brown, a TSU cashier, accepted \$5,855.54 in cash payments. Similarly, on Friday, March 5, 1999, Ms. Edythe Carrethers, another TSU cashier, accepted \$3,168.93 in cash payments.

In separate interviews, Ms. Brown and Ms. Carrethers stated that at the close of the business day, January 29 in Ms. Brown's case and March 5 in Ms. Carrethers' case, they counted their collected cash and checks and recorded the totals on their respective Daily Cashier Balancing Reports. Ms. Brown and Ms. Carrethers also stated that their collected cash and check totals matched the amounts displayed on the Cash Receipts System, TSU's computerized accounting system. This system provided totals for cash, check, and credit card payments transacted by each cashier. Both further stated that they signed their Daily Cashier Balancing Reports and then gave the cash, checks, and the completed Daily Cashier Balancing Reports to the cashier supervisor, Ms. Dianne Eaton. (See Exhibits 1 and 2.)

Ms. Eaton told the auditors that she counted the cash and checks and verified that the cash amounts recorded by each cashier on the Daily Cashier Balancing Report matched her cash counts. Ms. Eaton signed each Daily Cashier Balancing Report. According to Ms. Eaton, she prepared a separate bank deposit slip for each cashier's collected monies (see Exhibits 3 and 4) and locked the deposits inside a file cabinet inside the Bursar's office vault.

February 1, 1999, and March 8, 1999, Bank Deposits

On the next business days, Monday, February 1, 1999, and Monday, March 8, 1999, respectively, a Bursar's office cashier deposited the collected monies. On both occasions, the cash and check amount collected by the cashiers and previously given to Ms. Eaton for deposit did not match the amount later deposited for that cashier's cash and check collections. Both deposited amounts were exactly \$1,000 short. (See Exhibits 5 and 6.)

Bank Deposit Reconciliation Procedures

TSU's cashier balancing policy required Ms. Eaton to verify, on the day of each deposit, that the amounts deposited for each cashier matched the amounts collected by each cashier. This process involved comparing the deposit amount on each cashier's bank deposit receipt to the collection amount on each Cashier's Daily Balancing Report and the amount shown for each cashier by the Cash Receipts System.

In addition to the procedures in place for daily reconciliations by Ms. Eaton, a financial analyst in the Bursar's office, Ms. Lottie Greer, was responsible for reconciling the deposit amounts to the collection amounts. She compared each day's deposit total shown on the previous month's bank statement to the respective total cash and check collection amount shown by the Cash Receipts System. This procedure was performed each month, when the bank statements were received from the respective financial institutions.

Discovery of Deposit Discrepancies by the Financial Analyst

After receiving the February bank statement during the first week of March, Ms. Greer, through normal reconciliation procedures, determined that the amount deposited for monies collected on January 29, 1999, did not match the amount shown to be collected on that date by the university's computerized accounting system. Within a week of receiving the bank statement, Ms. Greer, as she did every month, provided a listing of this and all other discrepancies she identified in the February bank deposits to Ms. Eaton and to Ms. Eaton's supervisor, Ms. Jocelyn Thomas, the Bursar. Like every list, this list was cumulative and contained all outstanding discrepancies identified by Ms. Greer. In this case, there were unreconciled items dating back to July 1998. On the list, Ms. Greer highlighted those discrepancies that Ms. Eaton was responsible for reconciling. Delays in the transfer of funds from wire transfers and personal checks were normally the cause of these discrepancies.

Ms. Eaton did not reconcile all of the discrepancies on the list of February discrepancies. Although Ms. Thomas received the list of February discrepancies during the first week of March, she did not require Ms. Eaton to reconcile all of the February discrepancies until May 1999, after the March 1999 deposit shortage noted below was discovered.

After receiving the March bank statement during the first week of April, Ms. Greer, through normal reconciliation procedures, determined that the amount deposited for monies collected on March 5, 1999, did not match the amount shown to be collected on that date by the university's computerized accounting system. Ms. Greer provided a listing of this and all other discrepancies she identified in the March bank deposits to Ms. Eaton and Ms. Thomas. This list also contained all discrepancies previously identified by Ms. Greer that had not been reconciled. On the list, Ms. Greer highlighted those discrepancies that Ms. Eaton was responsible for reconciling.

Deposit Discrepancies Identified as Shortages by the Cashier Supervisor

Ms. Eaton reviewed the relevant deposit documents and reconciled all of the March 8 items except for the \$1,000 shortage. By memorandum to Ms. Thomas, dated April 26, 1999, Ms. Eaton reported that she had discovered a \$1,000 shortage in the March 8 deposit of the monies collected on March 5, 1999, by Ms. Carrethers.

During interviews, Ms. Eaton stated that at the close of the business day on March 5, 1999, she had mistakenly written the incorrect lesser amount on the currency line of the deposit slip and the lesser amount had been deposited.

Ms. Thomas notified Ms. Brooks of the loss by memorandum dated April 29, 1999. Ms. Brooks notified the TSU Vice President of Business and Finance, the TSU Director of Internal Audit, and TBR staff. On May 5, TBR staff notified the Division of State Audit.

Following the discovery of the March 8 loss, Ms. Thomas determined that Ms. Eaton had not resolved all of the discrepancies in January's and February's deposits that Ms. Greer had earlier brought to her attention. In a May 6, 1999, memorandum, Ms. Thomas directed Ms. Eaton to resolve all remaining discrepancies on the list by May 13, 1999.

On May 12, Ms. Eaton notified Ms. Thomas that she had also discovered a \$1,000 shortage from the February 1, 1999, deposit. Again, Ms. Eaton stated in interviews that at the close of the business day on January 29, 1999, she had mistakenly written the incorrect lesser amount on the currency line of the deposit slip and the lesser amount had been deposited.

On May 12, Ms. Thomas verbally informed Ms. Brooks, who then, by memorandum dated May 13, informed the Vice President of Business and Finance and TBR staff. The Director of Internal Audit was also notified. By memorandum dated May 17, TBR staff notified the Division of State Audit. Ms. Eaton was placed on administrative leave with pay on May 13, 1999.

Interview of Ms. Dianne Eaton, Cashier Supervisor

In interviews, Ms. Eaton admitted that at the close of the business day on January 29, 1999, she received from Ms. Brown \$5,855.54 in currency to be deposited. She stated that she mistakenly wrote \$4,855.54 on the bank deposit slip, a \$1,000 discrepancy. Similarly, Ms. Eaton admitted that at the close of the business day on March 5, 1999, she received from Ms. Carrethers \$3,168.93 in currency to be deposited. She stated that she mistakenly wrote \$2,168.93 on the bank deposit slip, another \$1,000 discrepancy. Ms. Eaton denied taking the \$2,000 and suggested that either a Bursar's office employee or the depositing teller at the bank noticed her errors on the deposit slips and took the money. We interviewed all of the Bursar's office employees with access to the vault interior. We also contacted the bank's security department and requested that security staff interview the bank teller who handled the transactions. All of those interviewed denied taking the \$2,000.

In addition, Ms. Eaton acknowledged that she did not perform the required deposit reconciliation procedure for either deposit. Rather than perform this comparison on the day of the deposit, as required, Ms. Eaton stated that she usually waited several days. According to Ms. Eaton, for some deposits she never compared the deposit amounts to the collection amounts. Ms. Eaton stated that she did not perform this comparison on the two deposits that were \$1,000 short. Ms. Thomas had failed to require Ms. Eaton to perform this comparison. Furthermore, because Ms. Thomas had not established a process to ensure that this procedure was performed and documented, she was not even aware that Ms. Eaton had not been making the comparisons. Consequently, the February shortage was not detected until the second week of May, and the March shortage was not detected until the last week of April.

Polygraph of Ms. Dianne Eaton

At the request of TSU management, Ms. Eaton voluntarily submitted to a polygraph administered by a licensed polygraph examiner on May 24, 1999. In a report to TSU management, the polygraph examiner stated that during the polygraph Ms. Eaton had been deceptive when she denied having any knowledge or involvement in the \$2,000 cash shortage in the February 1, 1999, and the March 8, 1999, deposits.

Weaknesses in Internal Controls Over Daily Deposits

At the time of the shortages, the method of monitoring and restricting the issuance of the Bursar's vault combination and the issuance of keys to the Bursar's office and the cashier's office did not properly control access to the Bursar's office vault. Also, the vault was not properly protected by the security alarm system. The shortages were not promptly detected because Ms. Eaton did not perform the required daily bank deposit reconciliation procedures and because Ms. Eaton did not promptly resolve "discrepancies" identified by the financial analyst.

Failure to Control Access to the Bursar's Office Vault

At the time of the review, we requested from Ms. Brooks a written listing of Bursar's office staff who knew or had been issued the Bursar's vault combination. She stated that she did not have documentation of which staff members possessed the vault combination, but she did recall from memory which Bursar's office staffers knew the vault combination.

We also requested from Ms. Brooks a written listing of TSU personnel who had been issued keys to the Bursar's office and the cashiers' office. Ms. Brooks stated that she did not have documentation of which personnel had been issued the keys, but she did recall from memory which Bursar's office staffers had the keys. We contacted TSU's Facilities Management Department and requested a listing of TSU personnel that had been issued keys to the Bursar's office and the cashiers' office. The Facilities Management locksmith provided the list to the auditors; however, the list contained a disclaimer stating that the list may not be accurate and that some former TSU employees may still possess the keys to these areas.

Additionally, the vault was not properly protected by the security alarm system, in that when the building's entry door alarm was disarmed, the vault interior alarm was disarmed as well. Thus, if a TSU employee wanted to work after hours or over the weekend in his or her office in the Administration Building, TSU security officers disarmed the security alarm and unlocked the exterior entry doors permitting the employee access to the building. Consequently, the alarm system's protection of the vault's interior, where the two deposits were placed on Friday until taken to the bank on Monday, could have been disarmed over both weekends. As a result, the deposit funds inside the vault were accessible to anyone with a key to the cashiers' office and the Bursar's office, and the combination to the vault. Since TSU did not monitor or document access to the Administration Building after hours or over the weekends, we could not determine if anyone entered the building and could have accessed the vault.

Also, the alarm system had the capability to record and save the times, dates, and access codes used for each arming and disarming of the alarm system. However, the alarm system was not programmed to do so. Thus we could not determine if the vault had been improperly opened over the two weekends in question.

Failure to Follow TSU Policies and Procedures

Ms. Eaton's failure to perform the required reconciliation procedures and Ms. Brooks' failure to require Ms. Eaton to perform the reconciliation procedures allowed the February and March shortages to escape detection for at least a month after the shortages occurred.

Moreover, Ms. Eaton failed to reconcile all of the discrepancies subsequently identified by Ms. Greer in a timely manner. Ms. Thomas' failure to require Ms. Eaton to perform the reconciliation procedures in a timely manner allowed the February shortage to remain unidentified until May 12, and the March shortage to remain unidentified until April 26.

III. MISAPPROPRIATION OF \$19,474 FROM CASH TO CARD VENDING MACHINES

During the period September 28, 1998, through May 4, 1999, the Cash to Card machines accepted a total of \$102,425 for the sale of cards and credits. However, during this same period, cashiers from the Bursar's office removed only \$82,951 from the machines during their normal collection processes. Weaknesses in internal controls allowed an unidentified person or persons to obtain a key to the Cash to Card machines and to improperly remove \$19,474 of university revenues from the machines.

Cash to Card Machine Collection Procedures

Once per week, a Bursar's office cashier removed the collected cash from the machines. The cashiers took turns making the collections and were escorted by armed university security officers. At the time of the collection, the cashier downloaded the sales information, recorded by each machine's on-board computer, into a handheld Debitek Data Collector. This information

included the totals for card and credit sales amounts, and the number of one, five, ten, and twenty-dollar bills accepted by each machine since the previous collection. The downloading process also reset each machine's card and credit sales counters. In addition, each machine recorded a separate cumulative total for card and credit sales from the time the machine was installed until the most recent collection. This total could not be reset. After completing the collections, the cashier returned to the Bursar's office and gave the collected cash to another cashier and the Data Collector to the cashier supervisor, Ms. Eaton.

The second cashier counted the cash and recorded the total collection amount and the number of one, five, ten, and twenty-dollar bills accepted by each machine on separate Cash to Card collection reports. (See Exhibit 7.) The second cashier separately entered each machine's collection amount into TSU's computerized accounting system, which generated a separate printed numbered receipt for each machine. She recorded the receipt numbers on the respective collection reports and signed the collection reports. She then gave the cash, the receipts, and the collection reports to Ms. Eaton.

Ms. Eaton downloaded each machine's sales data from the Data Collector into a personal computer in her office. The computer generated a sales report detailing the totals for card and credit sales, and the number of one, five, ten, and twenty-dollar bills received by each machine. (See Exhibit 8.) Ms. Eaton counted the cash and compared her cash count totals to the amounts recorded on the collection reports, the amounts on the receipts, and the amounts on each sales report.

After reconciling the Cash to Card collection reports, the receipts, the sales reports, and her cash counts, Ms. Eaton prepared a separate bank deposit slip for each machine's collected cash. She placed the collection reports, the receipts, and the sales reports in a file in her office and locked the money and the deposit slips in the Bursar's office vault.

On the following business day, the cashier making the normal daily deposit separately deposited the money collected from each machine in the bank and received from the bank teller a separate computer generated receipt for each machine's deposit. After returning to the Bursar's office, the cashier gave the deposit receipts to Ms. Eaton. Ms. Eaton placed the deposit receipts in the file containing that day's balancing reports for each cashier.

Discovery of Shortages in February Collections From the Cash to Card Machines

According to Ms. Eaton, sometime in February 1999 while performing the reconciliation procedures for cash collected by the Cash to Card machines, she determined that the collection amount reported by the machines' computers for the most recent collection and the amount of cash actually collected from the machines during the normal collection process did not balance. She could not recall the specifics of when she noticed the problem. She spent some undeterminable period of time trying to figure out what had happened with the collections. She eventually determined that the deposits for February 2, 8, 12 and 22 were out of balance. When she finally decided to refer the matter to her supervisor, Bursar Jocelyn Thomas, at the first of

March, Ms. Thomas was out of the office. The cashier supervisor notified the Bursar's supervisor, Ms. Cynthia Brooks, the Director of Finance and Accounting, of the discrepancy.

Ms. Brooks reviewed the sales reports and the cash collection reports for the February 2, 8, 12, and 22 Cash to Card machine collections. On March 3, she determined that the cashiers removed \$7,879 from the machines during their normal collection process on these dates, but according to the sales reports the machines actually took in \$15,771, a \$7,892 difference. According to Ms. Brooks, she contacted Debittek, the manufacturer of the Cash to Card machines, and was told that the machine's counting mechanism was infallible and that the sales report totals could not be incorrect. Ms. Brooks instructed Ms. Eaton to inform Ms. Thomas of the discrepancies on Ms. Thomas's return to the office on March 8, 1999, and the Cash to Card machines remained in operation.

During the week of March 8, Ms. Brooks met with Ms. Thomas and Ms. Eaton concerning the shortages. Following this meeting, Ms. Brooks decided that there was no shortage. In interviews, she stated that she attributed the discrepancies to malfunctions of the Cash to Card machines and allowed the machines to remain in operation. She also instructed Ms. Thomas to arrange a meeting with representatives from the manufacturer of the machine to resolve the perceived machine malfunctions.

Cash to Card Collection Shortages Identified as Theft

Due to scheduling conflicts, Ms. Eaton, Ms. Thomas, and Ms. Brooks did not meet with the Debittek representative until April 29, 1999. During the meeting, the Debittek representative explained that the Cash to Card machines' counting and recording mechanisms could not be tampered with and that power outages or power surges could not affect the machines' sales recording ability. Immediately following this meeting, the Debittek representative accompanied Ms. Thomas and Ms. Eaton on a collection of the Debittek funds. The Debittek representative determined that the collection method was appropriate and suggested to Ms. Brooks that theft was the cause of the discrepancies.

That same day, Ms. Brooks notified the Vice President of Business and Finance that the Debittek machine revenues since February 2, 1999, were \$13,775 short. Six of the seven Cash to Card machines were removed from service on April 30, 1999. The seventh machine remained in service because it was only accessible Monday through Friday from 8:00 a.m. until 4:00 p.m., and was closely monitored during those hours by university staff. Also, the seventh machine had not suffered substantial losses of funds.

On May 11, the Vice President of Business and Finance notified TBR staff of the loss and on May 12 TBR staff forwarded this information to the Division of State Audit. We determined that Ms. Brooks, Ms. Thomas, and Ms. Eaton had interpreted the sales reports inaccurately and that the February collections were \$9,498 short rather than \$7,892. Also, the first shortage in the Cash to Card machine collections actually occurred on December 9, 1998, and the total shortage from December 9, 1998, through April 30, 1999, was \$19,474.

Weaknesses in Internal Controls Over Debitek Funds

The auditors determined that weaknesses in internal controls noted below allowed an unidentified person or persons to obtain a key to the Cash to Card machines and to improperly remove a portion of the money accepted by the machines. Additional internal control weaknesses, also noted below, allowed the thefts to remain undetected for over four months.

Failure to Rekey or Replace the Cash to Card Machines' Locks

TSU management did not require the rekeying or replacing of the standard Cash to Card machine locks provided with the machines. These standard locks could be opened with the same key provided to all Debitek customers. For example, the keys shipped with a Cash to Card machine sold in Florida would unlock TSU's Cash to Card machines.

In interviews, Debitek representatives stated that they instructed the Bursar's office staff, as they did all Cash to Card purchasers, to rekey or replace the locks immediately following installation of the machines. According to TSU's Director of Purchasing, Debitek did not notify him of the need to rekey or replace the locks. He also pointed out that as an additional cost of operating the machine, the cost of rekeying or replacing the locks should have been included on the bid that Debitek submitted to TSU. The Bursar's office staff also denied that Debitek representatives had ever instructed them to rekey or replace the locks.

Notwithstanding whether Debitek representatives advised TSU officials to rekey or replace the locks on the machines, prudent business practices would require the Bursar's office to take such measures to ensure the security of the accepted money.

Failure to Secure Keys

TSU management did not know how many keys were shipped with the machines, if any keys were missing, or who could have taken any missing keys.

According to Debitek officials, the company normally shipped two identical keys with each machine. TSU received five Cash to Card machines and ten keys in July 1997. According to Ms. Brooks, she instructed Debitek not to ship additional keys with the two Cash to Card machines received in March and August 1998, but Debitek had no record of this request. Although Debitek normally would have included a total of four keys with the two machines, they had no record of how many keys were actually shipped. The auditors verified that the Bursar's office had only nine keys to the Cash to Card machines and the Bursar's office staff could not account for or locate the tenth key. Based upon this information, we determined that at least one key was missing, and possibly as many as five keys were missing.

For each shipment of Cash to Card machines, TSU personnel in the central receiving department did not inventory or secure the keys that unlocked the machines and provided access to the accepted cash. The keys were left in the boxes with the machines.

The machines were transferred to the purchasing department to await installation. In all three instances, for an undetermined period of time, access to the keys was not restricted while the machines were stored in a hallway of the Purchasing department.

TSU plant maintenance personnel installed the Cash to Card machines and also had unrestricted access to the keys. They needed the keys to open the machines to complete the installations. In interviews, plant maintenance personnel stated that the keys were in the boxes with the machines at the time of installation. They stated that following each installation, the keys were taken to the office of the Director of Purchasing.

The Director of Purchasing told us that he always counted the keys he received for any machines but could not recollect how many keys he actually received for the Cash to Card machines. He also could not recollect if he received any keys for the two machines received in March and August 1998. He said that he gave the keys he did receive to the Director of Finance and Accounting. The Director of Purchasing did not document his receipt of keys or his transmittal of those keys to the Director of Finance and Accounting.

Ms. Brooks, the Director of Finance and Accounting, stated that she did not count the keys she received from the Director of Purchasing following the installation of the first five Cash to Card machines and she did not know how many keys she actually received. She further stated that she gave the keys to Ms. Thomas. In addition, she stated that she received no additional keys following the installation of the two machines in March and August 1998. Ms. Brooks did not document her receipt of these keys from the Director of Purchasing or her transmittal of those keys to Ms. Thomas.

Failure to Follow TSU Policies and Procedures

The theft of the Cash to Card funds continued undetected for a period of approximately ten weeks because Ms. Eaton did not follow or enforce TSU's written policy or the established procedures for collecting and reconciling the Cash to Card revenues. We determined in interviews with Ms. Brooks and her staff that in addition to the written policy, the Bursar's office had established additional procedures for collecting and reconciling the Cash to Card revenues. Although these procedures were not written, they provided additional internal controls and Ms. Brooks told the auditors that she expected the procedures to be followed by Ms. Eaton and the cashiers.

TSU's written Debitex procedures required the head cashier to perform the cashier supervisor's reconciliation duties in her absence. But the head cashier had not been trained and could not download the data from the Data Collector and could not print the sales reports. Thus, she could not reconcile the sales reports' amounts to the collection reports' amounts. Also, Ms. Eaton did not require the cashiers to download the sales data into the Data Collector on the days she was absent, although the Data Collector had the capability to record and save the sales data, which would allow her to print the reports upon her return. As a consequence, when Ms. Eaton was absent on the day of the collections, the sales reports and the collection reports were not reconciled.

The unwritten procedures for reconciling the Cash to Card machine collections used by the Bursar's office required the cashiers to completely fill out and sign the collection reports after counting the money. Ms. Eaton did not require the cashiers to completely fill out and sign the collection reports. As a result, the second cashier did not always sign the report and usually recorded only the total amounts collected and did not record the numbers of each denomination collected by each machine. Without this information, Ms. Eaton could not compare the number of each denomination collected from each machine to the number of each denomination shown on the sales report.

The unwritten procedures also required the cashier supervisor to verify that the amounts of cash actually collected matched the amounts recorded on the collection reports and the sales amounts on the sales reports. Ms. Eaton stated that she always counted the cash but she did not always verify that her cash counts matched the amounts recorded on the collection reports by the second cashier. Ms. Eaton also admitted that she did not always compare the collection report amounts to the sales report amounts. Had she done so, the shortages would have been detected immediately.

Inadequate Procedures

TSU's written policy and established procedures for collecting and reconciling the Debitex cash revenues did not require the Bursar's office staff to record, at the time the cash was collected, the sales amount shown by the machine's mechanical counter. This counter, located inside the machine and similar to an automobile odometer, maintained a cumulative total for all sales since the machine was manufactured. By subtracting the meter sales reading, recorded during the previous collection, from the current collection's reading, the total sales amount for the current collection could be immediately determined.

It should be noted that Debitex representatives informed us that they had instructed the Bursar's office staff to record at the time of the collection the sales amounts shown by the mechanical counter. Debitex representatives said that they had instructed the Bursar's office staff to compare the mechanical counter amounts to the amounts of cash collected for an immediate reconciliation of the collections that was independent from the sales report reconciliation.

The Bursar's office did not have a reconciliation process, independent from the cashier supervisor, that matched the sales amount shown by the sales reports to the amount of cash actually collected from the machines and recorded on the collection reports.

In addition, the Bursar did not require the cashiers to record the names of the cashiers and the security officers involved in the cash collections; thus, we were unable to determine who made the collections on the days of the shortages.

Failure to React Promptly

The auditors also determined that although Ms. Thomas and Ms. Brooks were notified of the discrepancies during the first week of March 1999, the Cash to Card machines were allowed to remain in operation until April 30, 1999. Subsequently, the initial losses increased \$6,754.

Additionally, Ms. Thomas and Ms. Brooks did not notify TSU's internal audit staff of the discrepancies until April 29, 1999, and the Division of State Audit was not notified of the losses until May 12, 1999.

Referral of the Matter

On March 7, 2000, we submitted our findings pertaining to these matters to the Office of the State Attorney General and the Office of the District Attorney General, Twentieth Judicial District (Davidson County).

IV. TSU'S CORRECTIVE ACTIONS

According to TSU's management response to audit findings and recommendations, dated February 14, 2000, in the area of monitoring metro police officers and monetary losses from the Bursar's office, TSU implemented additional internal controls. The letter stated that the TSU Police Department will require individual contracts with outside police officers who work for TSU and the officers will be contacted in advance to gain a commitment to work designated dates and times. Furthermore, a purchase requisition will then be completed in advance that includes the officers' names and other appropriate detailed information. The letter also stated that the outside police officers working at TSU will be required to sign in and out, and the officers' work will be monitored by the Director of Security and/or his designee. Moreover, at the end of the assignment, detailed invoices will be completed and signed by the officer; the assistant chief and/or secretary will reconcile the contract, the purchase requisition, the in and out log, and the invoice. The letter further stated that a written policy addressing many of these issues was prepared by the TSU Police Department and became effective July 26, 1999. These new policies and procedures were confirmed by TSU officials. A second policy statement was drafted for the outstanding issues and became effective April 10, 2000. TSU has received payments of \$329.68 and \$10.54 from two of the outside police officers and will again request payments from the other two officers.

Regarding the theft from bank deposits, the letter stated that the Bursar's office has employed a temporary Account Clerk III to ensure that TSU's bank deposits are properly reconciled on a daily basis until the Financial Analyst II position is filled. The letter stated that the reconciliation requires the daily matching of computerized university receipts, reports, and bank deposit slips, in addition to requiring that the bank deposit slips be prepared by the lead cashier, not the cashier supervisor. Furthermore, the Bursar is properly supervising the Account Clerk III to ensure that reconciliations are prepared in a timely manner and that issuance of keys in the Bursar's office will be monitored and documented so that only authorized personnel can gain access. The keys will also be retrieved from all employees who leave TSU, and this retrieval will be documented. The letter further stated that the vault combination has always been restricted to the lead cashier, cashier supervisor, and Bursar and that the combination is changed whenever employees in these positions leave TSU. However, no one on the Bursar's office staff has access to building alarm codes at this time. The letter noted that the Vice President for Business and

Finance would research obtaining a security alarm system that protects the vault interior as an area separate from the rest of the building. The alarm system should provide the date, time, and codes used for each arming and disarming of the vault interior, and this information will be periodically reviewed by internal audit.

With reference to the theft from the Debittek vending machines, the letter stated that management has restricted access to TSU Debittek vending machine keys to authorized personnel only and all keys have been accounted for and locked in the Bursar's locked bank bag in the vault, with the exception of one key in the cashier's locked bag in the vault, which is used by the cashiers to open the machines. This restricted access has been documented, and locks on all machines were rekeyed in June 1999. The letter further stated that a new machine installed in the library was rekeyed in October 1999, prior to its activation. Furthermore, the Bursar's office staff will adhere to all policies and procedures regarding prompt downloading of information and reconciliation of reports. According to the letter, the Debittek policies and procedures have been revised to include (1) recording the time, date, and names of personnel involved in each collection; (2) recording the machines' mechanical sales readings at the time of each collection and, on the same day, matching the readings to the cash collected; (3) requiring the cashiers to completely fill out and sign the collection reports; and (4) reconciling collections independently of the cashier supervisor by matching the sales amounts shown on the downloaded reports and the mechanical counters to the amounts of cash actually collected from the machines. The letter also stated that the Bursar, through the Director of Finance and Accounting, would immediately contact the Vice President for Business and Finance and internal audit when discrepancies regarding TSU funds are suspected or discovered.

With the required 30 days' notice, TSU's president terminated Ms. Eaton's employment on July 1, 1999. (See Exhibit 9.) The rekeying of the Debittek Cash to Card machines and the revised TSU policy relating to these machines are shown by Exhibits 10 and 11, respectively.

RECOMMENDATIONS

The review resulted in the following recommendations:

1. University officials should require independent contracts with each individual police officer and should confirm that each officer has received the appropriate approval for secondary employment from the Metro Police Department.
2. University officials should require outside security personnel to document their presence at work through the use of sign in/out logs.
3. University officials should monitor the presence and performance of outside security personnel.
4. University officials should require both requisitions requesting outside security officers and invoices requesting payment be detailed with regard to dates, times, and personnel.
5. University officials should require that a designated TSU employee, independent of requisitioning outside security services, monitoring performance, and approving payments, should reconcile recorded times per the logs to recorded times per the invoices.
6. University officials should develop, document, and disseminate policies and procedures regarding the employment, monitoring, documentation of work, and payment of outside security officers.
7. University officials should consider whether disciplinary action would be appropriate.
8. University and metro police officials should coordinate their efforts to obtain full repayment to TSU from the four officers involved.
9. Management should require the cashier supervisor, or other designated employee, to properly reconcile the university's bank deposits on the day of the deposit and to reconcile any discrepancies identified by the financial analyst in a timely manner. This reconciliation should be documented, and the documentation should be retained for internal control and audit purposes.
10. Management should require the Bursar to properly supervise the cashier function to ensure that the required reconciliations are performed in a timely manner.
11. Management should ensure that the university's bank deposits are properly reconciled, independently of the cashier supervisor, on a daily basis by the financial analyst. This reconciliation should include daily matching of computerized university receipt reports

and bank deposit receipts. This reconciliation should be documented and the documentation should be retained for internal control and audit purposes.

12. Management should monitor the issuance of keys, the vault combination, and alarm access codes that provide access to the Bursar's office, the cashier's office, and the Bursar's office vault, and should ensure that they are only issued to authorized personnel. Management should also ensure that the vault combination and the alarm access codes are kept confidential. To this end, management should obtain a written receipt from each employer, signed and dated by the employer, for each key, vault combination, and alarm code. The receipt document should contain a statement to the effect that the employer acknowledges receipt and the obligation to properly secure the key and keep confidential the vault combination and alarm code.
13. Management should ensure that the security alarm system protects the vault interior as an area separate from the rest of the building that can only be armed or disarmed by individual access codes. The alarm system for the vault should also be programmed to record the date, time, and individual code used for each arming and disarming of the vault interior alarm, thereby providing a record of each entry to the vault. This record should be reviewed periodically to identify any improper or unauthorized entries into the vault. TSU management personnel who do not have an alarm access code, the vault combination, or keys to the Bursar's office and the cashier's office should perform this review.
14. Management should restrict access to university vending machine keys to authorized personnel only and this access should be documented.
15. Management should rekey or replace the locks on all university vending machines currently in service or purchased in the future if the machines are fitted with standard locks by the vendor.
16. Management should require the Bursar's office staff to adhere to the university's Debitex collection and reconciliation policies and procedures.
17. Management should revise the university's written Debitex collection and reconciliation policy to include (1) recording the time, date, and names of personnel involved in each Debitex collection; (2) recording the Debitex machines' mechanical sales reading at the time of each collection and, on that same day, matching this reading to the amount of cash collected; (3) requiring the cashiers to completely fill out and sign the collection reports; (4) reconciling the collections, independently from the cashier supervisor, by matching the sales amount shown by the sales reports and the mechanical counters to the amount of cash actually collected from the machines.
18. TSU staff should immediately contact TSU management, TSU's internal audit staff, and the Comptroller of the Treasury when discrepancies regarding university funds are discovered.

Exhibit 1

Daily Cashier Balancing Report, (1) dated January 29, 1999, showing (2) the total collections reported by cashier Teresa Brown, including (3) total cash collections of \$5,855.54, and (4) the receipt of that cash amount by cashier supervisor Dianne Eaton.

①

TENNESSEE STATE UNIVERSITY
DAILY CASHIER BALANCING REPORT

DATE: 1-29-99
 CASHIER CODE: T. Brown
 CASHIER NAME: Teresa Brown
 RECEIPT NUMBERS: 848548 TO: 849631
 MISSING OR VOID RECEIPT NUMBERS: _____

	CASHIER'S CASH/RECEIPT COUNT		Total Collections	Head Cashier's CASH/RECEIPT COUNT	Cash Receipt Cashier Balanc Rept BBX101-2
	Posted to Student Accts	Posted to Other Accts			
Petty Cash			500.00	500.00	
Cash	1362.42	4493.12	5855.54	5855.54	5855.54
Checks	6729.04	1845.00	8574.04	8574.04	8574.04
Visa	708.00	74.00	782.00	782.00	782.00
MasterCard	0				
Total Credit Cards					
Gross total	8799.46	6412.12	15211.58	15211.58	Gross Total 15,211.58
Less Disbursements:					
Cash Trans					
Ck. Trans					
Total Deposit	8799.46	6412.12	15211.58	15211.58	Deposit To: 15,211.58
Student Receipts					8,799.46
Other Receipts					6,412.12
Total Receipts	8799.46	6412.12	15211.58	15211.58	Receipt Total 15,211.58
Over/Short					Over/Short

Comments: _____

Reviewed and Approved: _____
 Head Cashier: Dianne Eaton

Prepared by: Teresa Brown

SOURCE: TSU Bursar

Exhibit 2

Daily Cashier Balancing Report, (1) dated March 5, 1999, showing (2) the total collections reported by cashier Edythe Carrethers, including (3) total cash collections of \$3,168.93, and (4) the receipt of that cash amount by cashier supervisor Dianne Eaton.

**TENNESSEE STATE UNIVERSITY
DAILY CASHIER BALANCING REPORT**

DATE: 3/5/99
 CASHIER CODE: D
 CASHIER NAME: E. Carrethers
 RECEIPT NUMBERS: 63722 TO: D63766
 MISSING OR VOID RECEIPT NUMBERS: _____

	CASHIER'S CASH/RECEIPT COUNT		(2) Total Collections	(3) Head Cashier's CASH/RECEIPT COUNT	(4) Cash Receipts Sys Cashier Balance Rept BBX101-2
	Posted to Student Accts	Posted to Other Accts			
Petty Cash			500.00	500.00	
Cash	2,732.58	436.35	3,168.93	3,168.93	3,168.93
Checks	17,672.57	6,080.00	19,672.57	17,672.57	17,672.57
Visa	25.00	25.00	50.00	50.00	50.00
MasterCard					
Total Credit Card:					Total C/C _____
Gross Total	16,430.15	6,491.35	22,891.50	22,891.50	Gross Total: 22,891.50
Less Disbursements:					
Cash Trans					
Ck. Trans					
Total Deposit	16,430.15	6,491.35	22,891.50	22,891.50	Deposit Total: 22,891.50
Student Receipts					16,430.15
Other Receipts					6,491.55
Total Receipts	16,430.15	6,491.35	22,891.50	22,891.50	Receipt Total: 22,891.50
Over/Short					Over/Short _____

Comments: _____

Reviewed and Approved: Dianne Eaton E. Carrethers
 Head Cashier: _____

SOURCE: TSU Bursar

Exhibit 3

Deposit slip dated January 29, 1999, and prepared by Ms. Dianne Eaton for the deposit of monies collected by Ms. Teresa Brown, showing (1) \$4,844.54 in currency, which actually totaled \$5,844.54, as noted on Exhibit 1.

DEPOSIT TICKET

DATE 1-29-99

	DOLLARS	CENTS
CURRENCY	4844	54
COINS		
CHECKS NET EACH		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
TOTAL	5844	54

PLEASE REENTER TOTAL HERE

PLEASE BE SURE ALL ITEMS ARE PROPERLY ENDORSED

TSU STATE & FEDERAL FUNDS
OPERATING ACCOUNT
3540 JOHN A. HERRITT BLVD.
NASHVILLE, TN 37209-1561

First American
First American National Bank
3410 NASHVILLE, TENNESSEE

X 115 DRG Deposit A 13/9 10958
2300A18508 29 0 09:27:15 JHE
1001152956
\$13,429.58

99999999 588888880011
1001152956

28120563

1

SOURCE: TSU Bursar

Exhibit 4

Deposit slip dated March 5, 1999, and prepared by Ms. Dianne Eaton for the deposit of monies collected by Ms. Edythe Carrethers, showing (1) \$2,168.93 in currency, which actually totaled \$3,168.93, as noted on Exhibit 2.

DEPOSIT TICKET

DATE 3-5-99

	DOLLARS	CENTS
CURRENCY	2168	93
COINS		
CHECKS		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
TOTAL	2168	93

PLEASE BE SURE ALL ITEMS ARE PROPERLY ENDORSED.

TSU STATE & FEDERAL FUNDS
OPERATING ACCOUNT
3501 JOHN A. MERRITT BLVD.
NASHVILLE TN 37209-1581

First American
First American National Bank
NASHVILLE, TENNESSEE 370

X 115 DDA Deposit A 117
2300A180628 9 0 09:01:12
1001152956
\$21,841.50

99999999 588800011 1001152956

1967257

1

TOTAL ITEMS

ONE DOLLAR AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT AND WILL BE CREDITED TO THE ACCOUNT. ONLY COINS ON ANY DEPOSIT WILL BE COLLECTED AND RETURNED TO THE DEPOSITOR. ALL OTHER ITEMS WILL BE RETURNED TO THE DEPOSITOR WITH THE DEPOSIT SLIP.

X8120553

SOURCE: TSU Bursar

Exhibit 5

Deposit receipt dated February 1, 1999, (1) in the total amount of \$13,429.58, representing the deposit of \$8,574.04 in checks, and \$4,855.54 in cash, from the daily collection of Teresa Brown noted on Exhibit 3.

First American National Bank

PLEASE RETAIN THIS RECEIPT FOR YOUR RECORDS. ALL ITEMS ARE CREDITED SUBJECT TO PAYMENT.

TRANSACTION RECEIPT

Ask about our SELECT REWARDS program...A more rewarding way to bank.

Member F. D. I. C.

X 115 DEA Deposit A-13
2306A12058 29 0 09:23:15 01FEB1999
1001152956
\$13,429.58
Balance: \$0.00



SOURCE: TSU Bursar

Exhibit 6

Deposit receipt dated March 8, 1999, (1) in the total amount of \$21,841.50, representing the deposit of \$19,672.57 in checks, and \$2,168.93 in cash, from the daily collection of Edythe Carrethers noted on Exhibit 4.

First American National Bank

PLEASE RETAIN THIS RECEIPT FOR YOUR RECORDS. ALL ITEMS ARE CREDITED SUBJECT TO PAYMENT.

TRANSACTION RECEIPT

Ask about our SELECT REWARDS program...A more rewarding way to bank.

member F. D. I. C.

X 115 DDA Deposit A 13
2300A18058 9 0 09:01:12 08MAR1999

1001152956

\$21,841.50

Balance:

\$0.00



SOURCE: TSU Bursar

Exhibit 7

Example of a TSU Cash to Card collection report, showing (1) the location of the machine, (2) the date of the collection, (3) the total amount collected from the machine, and (4) a breakdown of currency collected.

IT SHOULD BE NOTED that these forms were not filled out by the cashier actually removing the cash from the machine. There were no controls in place to document who removed the cash from the machines. See also Exhibit 8 for how the (3) total amount collected should have been compared with the relevant machine readings.

DEBITEK
TENNESSEE STATE UNIVERSITY
CASH TO CARD REPORT
VISITOR CARD

① → Site: Floyd Payne Ctr. Date: 2/25/99
CCI/Acct. No. 012045250 VC/Acct. No.: _____

1. Number of Transactions: _____ Beginning Inventory: _____
2. Machine Reading: _____ Cards Issued: _____
3. Amount Received: _____
4. Overage/Shortage: _____

③ → Total Amount Collected: 627.00 Ending Inventory: _____

For Deposit:
Currency: \$ 627.00

④ → Ones: 262
Fives: 61
Tens: 6
Twenties: _____

Business Office
Receipt Number: B49389
Date: 2-25-99
Cashier: Linda Brown [Signature]
Cashier Supervisor

SOURCE: TSU Bursar

Exhibit 8

Example of a TSU Cash to Card sales report, showing: (1) the location of the machine, (2) date of the collection, (3) the total amount accepted by the machine at the time of the collection since the previous collection, and (4) a breakdown of currency accepted by the machine at the time of the collection. This sales report indicates that since the previous collection, (5) a total of 33 cards were sold (6) at the price of \$1.00 each; (7) a total of 594 credits were sold at the price of \$1.00 each, (8) a total of 644 cards had been sold at the price of \$1.00 each since the machine was placed in service, and (9) a total of 37,874 credits had been sold at the price of \$1.00 each since the machine was placed in service.

IT SHOULD BE NOTED: The numbers presented on this report are machine generated. A proper reconciliation between the currency collected and currency deposited would have merely involved comparing (3) the total money received by the machine for the collection period, with the total amount collected on the corresponding Cash to Card Collection Report filled out by the cashier—In this case, item (3) on Exhibit 7. If this had been done in a timely and consistent manner, shortages would have been detected promptly.

2 → Date: 1/2/25/99 Time: 12:41 Version: 3.09.66 Model: Cash/Card-1 + Disp
1 → Location: FLOYD-PAYNE CENTER Asset #: 232637
 Transaction Count: 329

Site	DL	Sales	Credits	Site	DL	Sales	Credits
1554	1	\$ 33.00	\$ 0.00	1552	1	\$ 0.00	\$ 154.00
1553	1	\$ 0.00	\$ 440.00	1551	1	\$ 0.00	\$ 0.00
1550	1	\$ 0.00	\$ 0.00	1549	1	\$ 0.00	\$ 0.00
1548	1	\$ 0.00	\$ 0.00				

Price	Value	Total	Level	\$	Total
1	\$ 1.00	\$ 33.00	Discount 1	0	\$ 0.00
2		\$ 0.00	Discount 2	0	\$ 0.00
3		\$ 0.00	Discount 3	0	\$ 0.00
4		\$ 0.00	Discount 4	0	\$ 0.00
5	\$ 1.00	\$ 229.00	Special 1	0	\$ 0.00
6	\$ 5.00	\$ 305.00	Special 2	0	\$ 0.00
7	\$ 10.00	\$ 60.00	Special 3	0	\$ 0.00
8	\$ 20.00	\$ 0.00	Special 4	0	\$ 0.00
9	\$ 0.00	\$ 0.00			
10	\$ 0.30	\$ 0.00			
11					

Specials

Special 1: Inactive
 Special 2: Inactive
 Special 3: Inactive
 Special 4: Inactive

Totals	
Price Total: \$	627.00
Discount Total: \$	0.00
Gross Sales: \$	33.00
Total Taxes: \$	0.00
Total Credits: \$	594.00
Grand Total Sales: \$	644.00
Grand Total Credits: \$	37874.00
Grand Total Discounts: \$	0.00

3 → Price Total: \$ 627.00
5 → Gross Sales: \$ 33.00
7 → Total Credits: \$ 594.00
8 → Grand Total Sales: \$ 644.00
9 → Grand Total Credits: \$ 37874.00

SOURCE: TSU Bursar

Exhibit 9

Termination of employment letter to Ms. Dianne Eaton dated June 2, 1999, effective July 1, 1999.



Office of the President
Tennessee State University
3500 John A. Merritt Blvd.
Nashville, TN 37209-1561

June 2, 1999

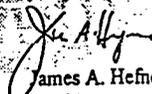
Ms. Dianne Eaton
611 Country Club Lane
Nashville, TN 37205

Dear Ms. Eaton:

Under the terms of your contract, your services with Tennessee State University will terminate effective July 1, 1999.

Please contact the Office of Human Resources for information related to continuation of benefits.

Sincerely,


James A. Hefner
President

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

SOURCE: TSU Bursar

Exhibit 10

Memorandum dated June 9, 1999, from the Director of Finance and Accounting to the Vice President for Business and Finance, (1) (2) (3) detailing the replacement of the Cash to Card machine locks, and (4) (5) (6) the control exercised over access to the new keys.



Office of Business and Finance
Tennessee State University
3500 John A. Merritt Blvd.
Nashville, TN 37209-1561.

Finance and Accounting
Office of the Director

MEMORANDUM

TO: H. Clay Harkleroad
Vice President for Business and Finance

FROM: Cynthia B. Brooks *CBB*
Director of Finance and Accounting

SUBJECT: Re-Keying of Debitek Machines

DATE: June 9, 1999

Mr. Nathan Hansen, a representative from Lankford Hardware, re-keyed all seven of the Debitek machines today. Following is a chronology of events:

- ① → ● Mr. Frank Battle brought Mr. Hansen to my office around 9:00 a.m. I signed the University's receiving report for seven locks and fourteen keys. In turn, I had Mr. Hansen sign to check-out one of these keys so that he could proceed with the installation.
 - ② → ● Ms. Edythe Carrethers and Officer Bumpus accompanied Mr. Hansen to the Copy Center location, since that is the only area that has an operational machine and the only machine that could have had money inside. Ms. Carrethers followed her regular procedure and then allowed Mr. Hansen to change the lock. The funds were returned to the Cashier's Office.
 - ③ → ● Ms. Carrethers escorted Mr. Hansen to the other machine locations to open each one. She did not activate the machines or remove the "out of order" signs. Ms. Carrethers and Mr. Hansen returned the key to me at 11:45 a.m., and I signed Lankford's delivery ticket.
 - ⑤ → ● I immediately gave all fourteen keys to Ms. Jocelyn Thomas and had her sign for them. She was instructed to put thirteen in a location where only she had access, and to put one in the Debitek collection bag in the vault.
 - ⑥ → ● Ms. Thomas will contact Debitek immediately to get clear instructions before reactivating the machines. (She recommends reactivating them on Monday to give her time to get in contact with them.) At the point that they are reactivated, she will take a reading of all machines, including the one in the Copy Center again. (A reading was taken today on that machine immediately before it was re-keyed.)
- ④ → ● Ms. Thomas will contact Mr. Battle and the Key Shop tomorrow to destroy ten of the new keys and a certificate of destruction will be prepared. At that point, Ms. Thomas will have three of the remaining keys in her possession and one in the bank bag.
- Eight of the nine original keys will be given to Internal Audit, per the request of Mr. Mike Hill. He will be responsible for destroying them after completion of his audit. Ms. Thomas will keep the one remaining key in the vault, as well as the seven original cylinders. Mr. Hansen recommended these be kept, along with the part number, in case re-keying is ever needed in the future.

Signatures are attached for your information and review. Please advise if you have any questions.

/cbb
attachments

c: Ms. Jocelyn Thomas
Mr. Michael Hill ✓

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER M/F

SOURCE: TSU Bursar

Exhibit 11

Revised TSU Debitek (Cash to Card) Machine Transactions policy issued on June 30, 1999, (1) providing for fund collections as needed, (2) comparison of collection amounts to machine reports' amounts by a Financial Analyst II, (3) recording the name of the campus Police Officer escorting the collecting cashier in a log, (4) the collecting cashier to sign for the Cash to Card machine key and Data Collector, (5) requiring the collecting cashier to record the digital readings from the mechanical counter at the time of the collection, (6) requiring the collecting cashier, the counting cashier, and the Financial Analyst II to sign the reconciliation form, (7) the forwarding of the reconciliation form and the report to the Assistant Bursar or the Bursar for final approval.

Function	Debit Card	Date Issued	06/30/99
Title	Debitek Machine Transactions	Issued Number	1
Procedure No.	5.06.00.0	Page	1 of 3

PURPOSE

The purpose of this policy and procedure is to establish guidelines for collecting and reconciling funds received from the Debitek debit card machines (also referred to as One-Card machines).

POLICY

Debit cards are either Tennessee State University identification cards issued by the Department of Communication and Information Technologies to students, faculty, and staff, or visitor cards issued by the One-Card machines to anyone wishing to purchase them. Credits may be entered onto the cards by buying them in \$1.00 denominations at the One-Card machines. A Cashier will collect the funds in the machines once a week or as needed, and the Financial Analyst II will compare those collections to the One-Card machine reports. Certain errors with a potential for detrimental impact on the University must be communicated immediately to the Bursar or the Director of Finance and Accounting to be resolved.

The Lead Cashier is responsible for minor maintenance associated with the One-Card machines, such as clearing money jams and reactivating machines. Communication and Information Technologies is responsible for encoding the card's stripe and providing technical or mechanical assistance as requested by the Lead Cashier. Purchasing and Business Services is responsible for reordering visitor cards and contacting Debitek for maintenance beyond the scope of the Lead Cashier or the Communication and Information Technologies staff. The Lead Cashier will act as backup to the Financial Analyst II in all matters related to this policy and procedure.

PROCEDURE

A Cashier will be escorted by a campus Police Officer once a week or as needed to collect funds and retrieve the data stored in all the One-Card machines. The name of the officer will be maintained in a log. The Financial Analyst II will obtain the locked bank bag containing the Debitek key and data collector from the vault and have the Cashier sign it out. The Cashier will be responsible for emptying the machines, separating the funds by site, downloading the information from the machines to the hand-held data collector, and recording the digital readings on the machines. Upon returning to the office, the Cashier will log the bag with the key and reader back in with the Financial Analyst II. The cash bag will be given to a second Cashier to count the funds and prepare cash receipts. A separate receipt will be prepared for each site. The Financial Analyst II will download

SOURCE: TSU Bursar

Exhibit 11 (continued)

Function	Debit Card	Date Issued 06/30/99
Title	Debitck Machine Transactions	Issued Number 1
Procedure No.	5.06.00.0	Page 2 of 3

the information on the reader onto a personal computer (PC) and compare each site's report to its cash receipt amount to ensure they are equal. Both Cashiers and the Financial Analyst II will sign a reconciliation form and the Financial Analyst II will forward the reconciliation and report to the Assistant Bursar or the Bursar for final approval. The Financial Analyst II will bring any reconciling item immediately to the attention of the Bursar for appropriate corrective action.

7

For the first \$1.00 collected for the purchase of a new visitor card, the portion related to the charge for the card (\$.50) will be receipted to Miscellaneous Revenue account #1-16990 and that portion related to the value automatically added to the card (\$.50) will be receipted to Vending Payable account # 01-12045. Funds collected for the value added to existing ID or visitor cards, or to new visitor cards after the first \$1.00, will be receipted to account #0-12045.

The Director of Finance and Accounting will approve all payments to external vendors who accept One-Card transactions. Account #0-12045 will be debited. If University commissions are deducted from payments, the Director of Finance and Accounting will instruct General Accounting to prepare a journal entry crediting account #3-31705. Purchasing and Business Services will be notified of the entry by the Director of Finance and Accounting, as that office is responsible for vending commission revenues. Internal vendors who accept the cards, such as Duplicating, will present supporting documentation to General Accounting for a journal entry to be processed to debit account #0-12045 and credit their appropriate revenue or recovery account.

A value-added adjustment (not a refund) will be processed if the amount collected from a machine exceeds the amount on the computer report for a machine and the adjustment is requested by the cardholder. The Financial Analyst II will initiate a request for Purchasing and Business Services to add value to the patron's card in the amount of the documented overage, and the request will be approved by the Bursar and Director of Finance and Accounting. Refunds will not be issued when a person leaves the University and has a credit balance on his/her card unless an exception is made by the Director of Finance and Accounting.

6

Exhibit 11 (continued)

Function	Debit Card	Date Issued	06/30/99
Title	Debitek Machine Transactions	Issued Number	1
Procedure No.	5.06.00.0	Page	3 of 3

REFERENCES

Debitek Reconciliation Form
Debitek Debit Card System User's Manual
Value-Added Form

APPROVAL:

Director of Finance and Accounting

Date

Vice President for Business and Finance

Date

President

Date