

INVESTIGATIVE AUDIT

SELECTED RECORDS OF THE
TENNESSEE ATTENDANCE SUPERVISORS STEERING
COMMITTEE, EAST TENNESSEE ATTENDANCE
SUPERVISORS ASSOCIATION, AND ALCOA CITY SCHOOL
DISTRICT
FOR THE PERIOD JULY 1, 2007, THROUGH MAY 16, 2013



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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March 3, 2014

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Ladies and Gentlemen:

At the request of the District Attorney General for the 9th Judicial District, our office, in conjunction with the Tennessee Bureau of Investigation, performed an investigative audit of suspected financial irregularities by the former treasurer of the Tennessee Attendance Supervisors Steering Committee. During the course of our audit, we discovered that the former treasurer had also served as the former federal projects administrative assistant for the Alcoa City School District and as the former treasurer for the East Tennessee Attendance Supervisors Association. The scope of our audit was expanded to include transactions that involved these entities, and it covered the period from July 1, 2007, through May 16, 2013; however, we expanded our scope where necessary. Our audit revealed a cash shortage of at least \$428,076.94, as well as questionable disbursements of at least \$161,652.91.

Presented in this report are the findings resulting from our investigative audit. Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorneys General for the 5th and 9th Judicial Districts, the United States Attorney for the Eastern

District of Tennessee, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke.

Justin P. Wilson, Comptroller of the Treasury

KBH/

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE
TENNESSEE ATTENDANCE SUPERVISORS STEERING
COMMITTEE, EAST TENNESSEE ATTENDANCE SUPERVISORS
ASSOCIATION, AND ALCOA CITY SCHOOL DISTRICT
FOR THE PERIOD JULY 1, 2007, THROUGH MAY 16, 2013**

Case Summary

We performed an investigative audit, in conjunction with the Tennessee Bureau of Investigation, of suspected financial irregularities by the former treasurer of the Tennessee Attendance Supervisors Steering Committee (TASSC). During our investigative audit of the TASSC, we discovered the former treasurer's duties also included serving as the former federal projects administrative assistant for the Alcoa City School District, and as the former treasurer for the East Tennessee Attendance Supervisors Association (ETASA). As a result of this discovery, the scope of our investigation was expanded to include certain payment requests made to the City of Alcoa from the Alcoa City School District, and certain transactions initiated by her for ETASA. Our investigative audit covered the period July 1, 2007, through May 16, 2013; however, the scope of the investigation was expanded when necessary. Our investigative audit revealed a cash shortage of at least \$428,076.94 from the three organizations noted above, and questionable disbursements of at least \$161,652.91 from TASSC and ETASA. Based on the condition of the records and the availability of bank account information, the shortage could be greater. The investigative audit revealed the following:

- A. The former federal projects administrative assistant submitted falsified invoices from the Alcoa City School District's federal projects grants program totaling \$270,344.14 to the City of Alcoa for payment. Once the funds were received from the City of Alcoa, she then diverted these funds into the TASSC (\$157,454.14) and ETASA (\$112,890) bank accounts, which she controlled. She then used the funds in these two accounts for personal purposes. In order to facilitate this scheme, she forged the federal projects director's signature on both the invoices and purchase orders to indicate approval by the federal projects director.
- B. In addition to the funds diverted into the TASSC bank account from the Alcoa City School District, the TASSC bank account also contained \$75,530.19 in fees collected during the period examined from participants in the organization. The former treasurer withdrew these funds from the TASSC bank account for personal use. The majority of these withdrawals were from

ATM machines, checks written to “cash,” and checks written to herself. In addition, she wrote checks on the account to vendors for personal expenses, such as her home mortgage, food, jewelry, clothing, iTunes, and an investment in a local gym.

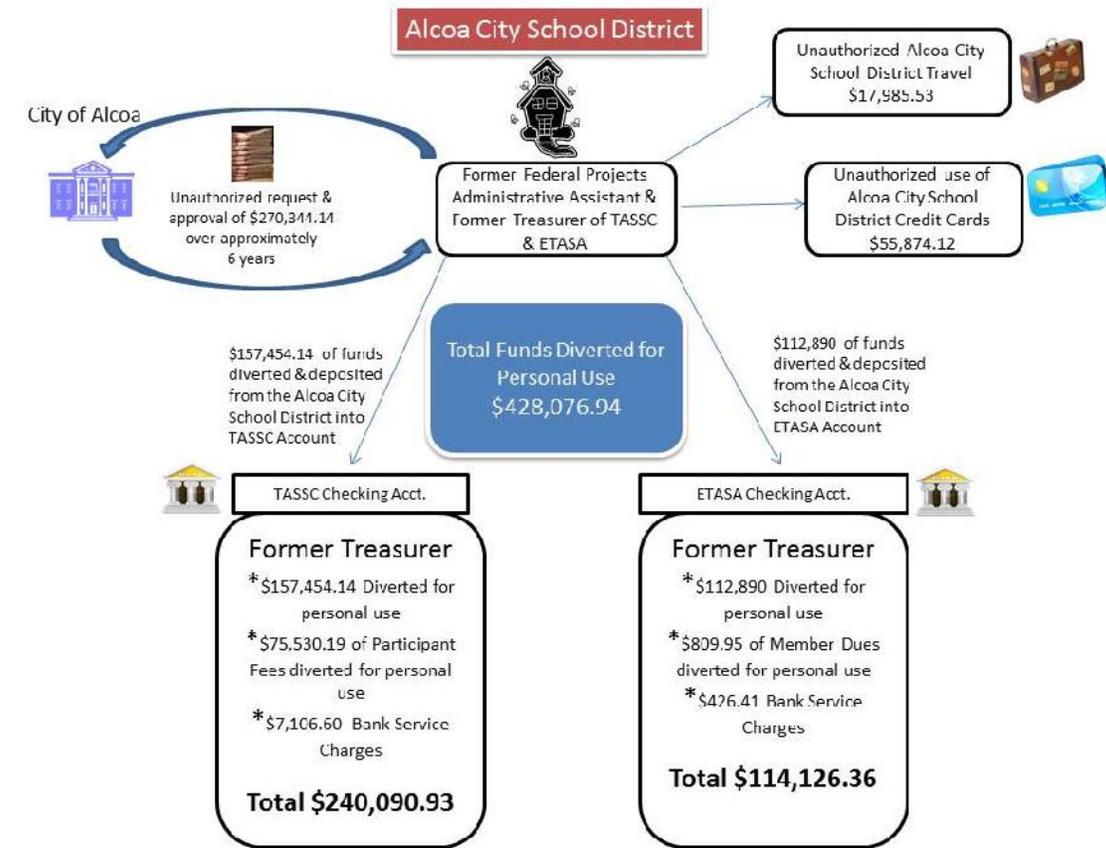
- C. In addition to the funds diverted into the ETASA bank account from the Alcoa City School District, the ETASA bank account also contained \$809.95 in dues collected during the period examined from members of the organization. The former treasurer withdrew these funds from the ETASA bank account for personal purposes.
- D. Our investigative audit of the Alcoa City School District’s credit card transactions disclosed that the former federal projects administrative assistant improperly charged \$55,874.12 to the district for personal use. She used three credit cards exclusively: MasterCard Business, Walmart, and Staples. She was able to conceal these transactions by forging the federal projects director’s signature on billing statements to indicate approval and submitting these statements to the City of Alcoa for payment.
- E. The former federal projects administrative assistant for the Alcoa City School District submitted \$17,985.53 in unauthorized travel expenses to the City of Alcoa for reimbursement. She forged school officials’ signatures on travel claims to indicate approval in order to receive these unauthorized reimbursements. We expanded our scope for these selected travel reimbursement transactions to the period of March 28, 2003, through May 16, 2013.
- F. During our investigative audit of both the TASSC and ETASA bank accounts, we noted numerous bank charges totaling \$7,106.60 and \$426.41, respectively, that had been assessed to these accounts. These charges were mainly associated with fees by the banks for ATM withdrawals and account overdrafts.
- G. Our investigative audit noted \$161,652.91 in questionable disbursements from the TASSC (\$160,730.27) and ETASA (\$922.64) bank accounts. No documentation was presented to support the validity of these disbursements, and we could not ascertain whether these disbursements were related to the operations of the organizations.

During an interview with our auditors and the Tennessee Bureau of Investigation, the former federal projects administrative assistant/former treasurer of the TASSC and ETASA admitted to improperly submitting falsified invoices from the Alcoa City School District to the City of Alcoa. She advised these payments were received by her and then diverted to either the TASSC or the ETASA bank accounts and used for personal gain. She further admitted to forging the federal projects director's signature on documents to indicate approval for payment from the Alcoa City School District to City of Alcoa authorities. In a subsequent interview, she admitted to improperly using the school district's credit cards for personal gain by forging the federal projects director's signature on documents to indicate approval of payment, and filing falsified travel claims. These transactions were also initiated with the forged signature of the federal projects director.

The following schedule and diagram summarizes the diverted funds:

Summary by Entity of Diverted Funds for Personal Use

Alcoa City School District:	
A. Funds Diverted and Deposited into TASSC Account	\$ 157,454.14
A. Funds Diverted and Deposited into ETASA Account	112,890.00
D. Unauthorized Credit Card Usage	55,874.12
E. Unauthorized Travel	<u>17,985.53</u>
Total Alcoa City School District Funds Diverted for Personal Use	<u>\$ 344,203.79</u>
TASSC Account:	
B. Participant Fees Diverted for Personal Use	\$ 75,530.19
F. Bank Charges (Overdraft Fees, ATM Fees, Service Charges)	<u>7,106.60</u>
Total TASSC Funds Diverted for Personal Use	<u>\$ 82,636.79</u>
ETASA Account:	
C. Member Dues Diverted for Personal Use	\$ 809.95
F. Bank Charges (ATM Fees, Service Charges)	<u>426.41</u>
Total ETASA Funds Diverted for Personal Use	<u>\$ 1,236.36</u>
Total Funds Diverted for Personal Use	<u><u>\$ 428,076.94</u></u>



Background

Tennessee Attendance Supervisors Steering Committee

According to its bylaws, the primary purpose of the Tennessee Attendance Supervisors Steering Committee (TASSC) is to provide training and information that will aid attendance personnel to improve their professional competencies in performing their responsibilities. The State Department of Education is the sponsoring agency of the TASSC, and the committee membership includes all attendance personnel in the state. The steering committee is the basic policy-making body. It is the duty of the steering committee to prepare and effectively administer a program from ideas of interest assembled from the members. The steering committee is composed of a chairperson, two members from each study region (who are elected by the membership of that region), the immediate past chairperson, and the executive secretary. The steering committee appoints from its membership a vice-chairperson, a secretary, and a treasurer. The steering committee represents the three grand divisions of the state: East, Middle, and West. The chairperson is elected by the council for a one-year term and may serve a maximum of three consecutive terms. Steering committee members serve a three year-term and are elected on a rotating basis according to region. The

majority of funding for the organization's mission comes from fees assessed individual school districts for training attendees.

East Tennessee Attendance Supervisors Association

According to its constitution, the primary purpose of the East Tennessee Attendance Supervisors Association (ETASA) is to provide opportunity for a continuous study of the problems of attendance; to foster good fellowship; promote professional attitude among its members; establish cooperation between school personnel, parent, and child; and to promote better attendance in the state. The association is made up of roughly 30 to 40 members who meet for a monthly luncheon at a local restaurant in Knoxville, Tennessee. Funding for the association comes from assessing each member \$10 annually to supplement the monthly luncheon expenses.

Alcoa City School District

The Alcoa City School District is a school district that is located in Alcoa, Tennessee, which is part of the Blount County community. The school district is governed by a five-member school board. Alcoa City School District operates one high school, one middle school, and one elementary school with a total student enrollment of approximately 1,740 students. The City of Alcoa maintains the funds of the school district. These funds are requested when needed by the school district from the city, and the city then remits the funds.

INVESTIGATIVE FINDINGS BY ENTITY

Presented below are findings and recommendations resulting from our investigative audit of the Tennessee Attendance Supervisors Steering Committee, East Tennessee Attendance Supervisors Association, and the Alcoa City School District for the period July 1, 2007, through May 16, 2013; however, the scope of our investigation was expanded when necessary. These findings and recommendations have been reviewed with management to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the appropriate district attorneys general and United States Attorney for the Eastern District of Tennessee.

TENNESSEE ATTENDANCE SUPERVISORS
STEERING COMMITTEE

FINDING 1 **THE TENNESSEE ATTENDANCE SUPERVISORS
STEERING COMMITTEE HAD A CASH SHORTAGE
OF \$82,636.79 ON MAY 16, 2013**

A cash shortage of \$82,636.79 existed in the Tennessee Attendance Supervisors Steering Committee (TASSC) on May 16, 2013. This cash shortage resulted from the following:

- A. The TASSC bank account received fees during the period examined from participants of the organization. The former treasurer withdrew \$75,530.19 of these funds from the TASSC bank account for personal use. The majority of these withdrawals were from ATM machines, checks written to “cash,” and checks written to herself. In addition, she wrote checks on the account to vendors for personal expenses, such as her home mortgage, food, jewelry, clothing, iTunes, and an investment in a local gym.

- B. The TASSC bank account incurred charges of \$7,106.60. Our review of bank statements noted overdraft fees of \$6,454 and ATM fees of \$652.60. These fees resulted from the improper activities of the former treasurer.

RECOMMENDATION

The steering committee should take immediate steps to recover the \$82,636.79 cash shortage.

MANAGEMENT’S RESPONSE

A change in the leadership of the committee led to questions about the balance of funds. After many attempts by the previous committee chair to secure a current financial report, suspicions of issues with funds arose. A change in the treasurer’s position was made and a request for the fund balance to be transferred. Upon transfer of the remaining funds, the new officer committee determined that an investigation into the balance should be conducted.

FINDING 2 THERE WERE \$160,730.27 IN QUESTIONABLE DISBURSEMENTS FROM THE TASSC BANK ACCOUNT

Our investigative audit noted \$160,730.27 in questionable disbursements from the TASSC bank account. No documentation was presented to support the validity of these disbursements, and we could not ascertain whether these disbursements were related to the operations of the organization.

RECOMMENDATION

The steering committee should determine if these questionable disbursements are proper. If the questionable disbursements are determined to be improper, steps should be taken to recover the funds. Disbursements should be made only for authorized expenditures, and adequate documentation should be maintained for all expenditures.

MANAGEMENT'S RESPONSE

The steering committee has made many procedural changes to ensure that issues of this nature do not arise again. Changes include two authorized signatures, copies of the bank statements submitted with the financial statement, receipts for door prizes and all purchases, quarterly financial statements, annual external audit, and the committee is currently investigating a blanket bond to cover the officer team.

FINDING 3 THE STEERING COMMITTEE DID NOT ASSUME OVERSIGHT RESPONSIBILITY

The steering committee did not assume oversight responsibility over the organization's operations. The minutes of committee meetings infrequently reflected discussions of the financial operations, purchases or acquisitions, and personnel policies. Management should, to the extent possible, exercise greater oversight of the organization's operations. Such committee oversight should include a review of monthly bank statements, a listing and description of monthly expenditures, and bank reconciliations.

RECOMMENDATION

The steering committee should meet regularly to approve and review the organization's operations. Minutes of these meetings should clearly document the actions of the committee.

MANAGEMENT'S RESPONSE

While many attempts were made to secure accurate financial statements and minutes, those attempts did not provide the committee with needed information. In addition to the aforementioned procedural changes, the committee also voted to amend the bylaws to make sure that the Chair and the Treasurer are from the same geographic region to make it more convenient to have two people on the checking account. This will allow an opportunity for at least two members to have unlimited access to financial information and no longer allow one person sole access.

FINDING 4 **THE TASSC HAD ADMINISTRATIVE DEFICIENCIES**

We reviewed various records and assessed the internal controls of the TASSC and noted the following internal control weaknesses and deficiencies. These internal control weaknesses and deficiencies created an atmosphere, which permitted the former treasurer to perpetrate and conceal the misappropriation of funds.

- A. Duties were not segregated adequately within the steering committee. The person responsible for maintaining accounting records was also involved in disbursements, receipting, and bank deposits. Accounting standards dictate that internal controls should be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties increases the risk of unauthorized transactions.
- B. Our examination of checks issued from the TASSC bank account disclosed that some disbursements did not have documentation to support the transactions. The former treasurer was able to disburse funds as a result of the committee only requiring one signature on checks issued and not having adequate oversight in reviewing bank transactions.
- C. The TASSC did not issue official receipts for collections. Therefore, we were unable to determine if all monies received by the former treasurer were properly receipted and deposited into the TASSC bank account.
- D. The former treasurer was allowed to serve a term of eight years on the steering committee. TASSC bylaws provide that each

representative shall serve for a three-year term and may serve six years of any nine-year period.

RECOMMENDATION

The steering committee should segregate duties to the extent possible using available resources. The committee should require proper documentation for all purchases for goods and/or services received. A minimum of two signatures should be required on all checks issued. Official prenumbered receipts should be issued for all collections. The committee should comply with the bylaws adopted for term limits.

MANAGEMENT'S RESPONSE

In addition to the basic organizational changes, several procedural changes have been implemented to deter a repeat of these findings. The registration paperwork and payment have been divided into two jobs. This allows for a continual check and balance of the income. All checks written on the account or debit transactions have receipts that are kept on file. All conference attendees receive official receipts for the registration they paid. The committee also keeps a copy of those receipts. Term limits are enforced for committee members. Even though some areas may not currently have committee representation because no one else will serve, term limits are enforced.

EAST TENNESSEE ATTENDANCE SUPERVISORS ASSOCIATION

FINDING 5 THE EAST TENNESSEE ATTENDANCE SUPERVISORS ASSOCIATION HAD A CASH SHORTAGE OF \$1,236.36 ON MAY 16, 2013

A cash shortage of \$1,236.36 existed in the East Tennessee Attendance Supervisors Association (ETASA) on May 16, 2013. The cash shortage resulted from the following:

- A. The ETASA bank account received dues during the period examined from members of the organization. The former treasurer withdrew \$809.95 of these funds from the ETASA bank account for personal purposes.

- B. The ETASA bank account incurred charges of \$426.41. Our review of bank statements noted overdraft fees of \$244 and ATM fees of \$146.41. These fees resulted from the improper activities of the former treasurer.

RECOMMENDATION

The association should take immediate steps to recover the \$1,236.36 cash shortage.

MANAGEMENT'S RESPONSE

Former Chairperson

I concur with both the finding and the recommendation. I do not know what steps the association can take at this point to recover the cash involved; however, the recommendation is sound.

Current Chairperson

I concur. There was a cash shortage on May 16, 2013. Due to the relatively minor nature of our losses, we will wait until everything is resolved before attempting to recover the cash involved.

FINDING 6 THERE WERE \$922.64 IN QUESTIONABLE DISBURSEMENTS FROM THE ETASA BANK ACCOUNT

Our investigative audit noted \$922.64 in questionable disbursements from the ETASA bank account. No documentation was presented to support the validity of these disbursements, and we could not ascertain whether these disbursements were related to the operations of the organization.

RECOMMENDATION

The association should determine if these questionable disbursements are proper. If the questionable disbursements are determined to be improper, steps should be taken to recover the funds. Disbursements should be made only for authorized expenditures, and adequate documentation should be maintained for all expenditures.

MANAGEMENT'S RESPONSE

Former Chairperson

I concur with both the finding and the recommendation. I agree that disbursements should be adequately documented, and that the association should take steps to ensure that future disbursements are both appropriate and adequately documented.

Current Chairperson

I concur.

FINDING 7 THE SUPERVISORS ASSOCIATION DID NOT ASSUME OVERSIGHT RESPONSIBILITY

The supervisors association did not assume oversight responsibility over the organization's operations. The minutes of committee meetings infrequently reflected discussions of the financial operations, purchases or acquisitions, and personnel policies. Management should, to the extent possible, exercise greater oversight of the organization's operations. Such association oversight should include a review of monthly bank statements, a listing and description of monthly expenditures, and bank reconciliations.

RECOMMENDATION

The supervisors association should meet regularly to approve and review the organization's operations. Minutes of these meetings should clearly document the actions of the association.

MANAGEMENT'S RESPONSE

Former Chairperson

I concur with both the finding and the recommendation. In retrospect, I see how more accountability should have been required of the treasurer, and subsequent investigation should have occurred when information was not forthcoming after repeated requests.

Current Chairperson

I concur. Though I would say that there was some very limited oversight in the form of treasurer's reports, but no verifiable documents such as bank statements were produced. I do appreciate the expert suggestions and hopefully we can implement most of them.

**FINDING 8 SOME CHECKS WERE ISSUED WITHOUT
SUPPORTING DOCUMENTATION**

Our examination of checks issued from the association's bank account disclosed that some disbursements did not have documentation to support the transactions.

RECOMMENDATION

Documentation should be on file to support all purchases of goods and/or services received.

MANAGEMENT'S RESPONSE

Former Chairperson

I concur with both the finding and the recommendation. I agree that the association should take steps to ensure that checks issued are appropriate disbursements and adequately documented. The past practice of checks being disbursed by the treasurer without the examination of bank statements by the membership should be addressed.

Current Chairperson

I concur. Most of these checks were probably issued unilaterally by the treasurer.

ALCOA CITY SCHOOL DISTRICT

FINDING 9 THE ALCOA CITY SCHOOL DISTRICT HAD A CASH SHORTAGE OF \$344,203.79 ON MAY 16, 2013

A cash shortage of \$344,203.79 existed in the Alcoa City School District on May 16, 2013. The cash shortage resulted from the following:

- A. The former federal projects administrative assistant submitted falsified invoices from TASSC and ETASA totaling \$283,844.14 to the City of Alcoa. She forged the federal projects director's signature on both the invoice and purchase order to indicate approval. The city remitted checks made payable to TASSC and ETASA totaling \$270,344.14¹ to the former federal projects administrative assistant, who diverted these funds to the TASSC (\$157,454.14) and the ETASA (\$112,890) bank accounts, which she controlled. She then used these funds for personal purposes. After this scheme was discovered by auditors, the remaining \$13,500 of checks written to these organizations were voided.

- B. We determined from our examination of the school district's credit card transactions that the former federal projects administrative assistant charged approximately \$55,874.12² to the district's credit card for personal gain. The credit cards used were a MasterCard Business, Walmart, and Staples card. She was able to conceal these transactions by forging the federal projects director's signature on billing statements to indicate approval and submitting these statements to the City of Alcoa for payment.

- C. The former federal projects administrative assistant submitted travel claims to the City of Alcoa for reimbursement totaling \$17,985.53 for unauthorized travel expenses. The former federal projects administrative assistant forged school officials' signatures on travel claims to indicate approval in order to receive the fraudulent expense reimbursements.

¹ Local-\$121,060, Title I Stimulus-\$2,550, Title III-\$290, Title I-\$81,081, Title II, Part A-\$46,603.14, Title IV, Part A-\$900, Title V-\$900, IDEA-\$16,960

² Local-\$18,222.14, Title I Stimulus-\$502.57, IDEA, Part B ARRA-\$127, Title I, Carryover-\$14,073.79, Title I, Part A-\$9,898.80, Title II, Part A-\$4,912.48, IDEA, Preschool-\$468.84, IDEA, Part B-\$7,668.50

RECOMMENDATION

School officials should take immediate steps to recover the \$344,203.79 cash shortage.

MANAGEMENT'S RESPONSE

We concur with the recommendation. We appreciate the work of the Comptroller's Office in this investigation. We have and will continue to fully cooperate with the investigation through prosecution. The Alcoa City School District will seek restitution through the court system to recover the funds taken from the Special Education and other programs. School officials are seeking reimbursement from the district's insurer.

FINDING 10 THE ALCOA CITY SCHOOL DISTRICT HAD PURCHASING DEFICIENCIES

Our investigation revealed the following purchasing deficiencies. These deficiencies can be attributed to a lack of management oversight.

- A. The director of schools did not approve any purchase orders during the period examined. The school district's purchasing policy provides that the director of schools shall serve as purchasing agent for the district-wide purchasing. All purchases made by the school district greater than or equal to \$100 shall be by purchase order or formal contract, and no purchase shall be made nor payment approved unless covered by an approved purchase order. Purchase orders will include the signature of the purchasing agent (director of schools). Additionally, the director of schools was also required to approve all payments for travel reimbursements.
- B. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the school district and to document purchasing commitments.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the director of schools should follow the school district's purchasing policy of approving all purchase orders and travel

reimbursements, and the office should issue purchase orders for all applicable purchases before purchases are made.

MANAGEMENT'S RESPONSE

We concur with the recommendation. The Alcoa School District has already strengthened its procedures and practices for purchasing requests. Travel claims have additional approval and oversight procedures. The new procedures are summarized as follows:

Alcoa City Schools has implemented new written procedures for purchasing and documentation of purchasing commitments. In summary, all purchases require pre-approval with documentation provided with a *Purchase Request* signed by an appropriate department head. *Purchase Orders* of \$1,000 or more will require the signature/approval of the Director of Schools, regardless of the source of the funds. For *Purchase Orders* under \$1,000 the Director will delegate the signature/approval to the Director of Finance and the Director of Federal Projects.

Alcoa City Schools has implemented new procedures for travel reimbursements. In summary, all travel must be pre-approved and documented with a *Pre-Travel Request* form. Reimbursements require the completion of a *Post Travel Reimbursement* form. Time away from school requires the completion of a *Leave Request* form. Procedures are in place to verify the proper completion of each form with signatures obtained from the employee, the appropriate department head, Director of Federal Projects and/or Director of Finance. *Leave Requests*, will be approved or disapproved in writing by the Director of Schools.

FINDING 11 WRITTEN GUIDELINES GOVERNING THE USE OF CREDIT CARDS HAD NOT BEEN ADOPTED

Written guidelines governing the use of credit cards had not been adopted. The Alcoa City School District had credit cards available for employees to use for certain purchases. Sound business practices dictate that management should provide written guidance by identifying those who are entitled to use the credit cards and the purposes for which the credit cards can be used. Without a formal credit card policy, employees have no limitations on their credit card purchases.

RECOMMENDATION

The district's Board of Education should adopt written guidelines governing the use of credit cards and implement controls to ensure the policy is followed. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

MANAGEMENT'S RESPONSE

We concur with the recommendation. Since this investigation has begun, additional procedures are in place to limit the use of cards, require additional approvals and add activity reviews. Some of the procedures in place include:

Alcoa City Schools has developed written guidelines for the use of credit cards. Staff members of Alcoa City Schools are permitted to use the school credit cards permitted a *Purchase Request*, and if applicable a *Purchase Order*, has/have been completed with the proper approval signatures obtained. The cards are maintained on file in the office and will be distributed to the staff member when the signed *Purchase Request* is presented to the Accounts Payable Department. Staff members will "sign" for the card when the card is issued and will "sign" when the card is returned. Appropriate receipts, etc. will be presented to Accounts Payable, when the card is returned. Accounts Payable will reconcile the card statements each month to verify the expenses on the card. The Director of Finance will review the monthly statements of the credit cards and sign the accounting codes assigned by Accounts Payable to verify the proper cost center distribution.

FINDING 12 THE FORMER FEDERAL PROJECTS ADMINISTRATIVE ASSISTANT DID NOT COMPLY WITH THE DISTRICT TRAVEL POLICY

The former federal projects administrative assistant was reimbursed for travel in 70 instances, as previously mentioned, for a total of \$17,985.53³, for the period March 28, 2003, through May 16, 2013, without the approval of the director of schools. The school district's policy requires the advance authorization of reimbursements for travel expenses by the director of schools. However, the director of schools failed to pre-approve the travel expense reimbursements of the former employee. In every instance, the former federal projects administrative assistant forged the federal projects director's signature to indicate approval of these travel reimbursements. The

³ Local-\$3,993.86, IDEA, Part B ARRA-\$50, Title III, Part A-\$296, Title I, Carryover-\$5,261.29, Title I, Part A-\$342, Title II, Part A-\$7,721.88, IDEA, Part B-\$320.50

failure of management to adequately monitor and review travel claims allowed the former employee to file these falsified travel claims without being detected.

RECOMMENDATION

The school district should follow its adopted travel policy that requires advance authorization of reimbursements for travel expenses by the director of schools. Management should routinely monitor and review travel claims.

MANAGEMENT'S RESPONSE

We concur with the recommendation. Since this investigation has begun, additional procedures are in place to ensure approvals are made for travel and additional monitoring of travel is being performed. Among the improvements to procedures Alcoa City Schools has implemented include:

All travel must be pre-approved and documented with a *Pre-Travel Request* form signed by the appropriate department head. The Director of Finance and/or the Director of Federal Projects will verify, by signature, the appropriate account coding for the impending expense. Also, requests from staff for time-away from school, will require the completion of the *Leave Request* by the staff member, to be approved or denied by the Director of Schools. At the completion of the approved travel, staff members must complete a *Post-Travel Request* form in order to receive the pre-approved reimbursements. These requests require the signature of the Director of Finance for General Purpose Funds, and the signature of the Director of Federal Projects and the Director of Finance for Federal Funds and/or Special Education Funds.