



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS
SPECIAL INVESTIGATIONS UNIT**

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Comptroller of the Treasury

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December 3, 2013

Director of Schools and Members of the
Board of Education
Chester County Schools
970 East Main Street
Henderson, TN 38340

Ladies and Gentlemen:

The Comptroller of the Treasury, Division of Investigations, performed an investigative audit of selected records of the Chester County Junior High School, Chester County School System. The audit focused primarily on the period August 1, 2011, through April 30, 2012; however, when warranted, this scope was expanded.

CASE SUMMARY

The investigative audit revealed the following:

- The former bookkeeper of Chester County Junior High School, Jan Knolton, diverted \$1,400 of school collections, repaying the missing money only after questions were raised over seven months later.
- School personnel were unable to account for a camera and memory card purchased from Sam's Club.
- School personnel did not ensure adequate internal controls over athletic event collections.
- The cash handling duties at the school were not adequately segregated.
- Some invoices were not paid timely.
- Not all deposits were made intact and/or within three banking days as required by the *Tennessee Internal School Uniform Accounting Policy Manual*.

- Teachers did not ensure that funds collected were documented appropriately at the time of collection.

INVESTIGATIVE FINDING

The investigative finding resulting from this audit is shown below. This matter was referred to the local district attorney general.

1. **FINDING: Former school bookkeeper diverted \$1,400 of school money for over seven months**

The former school bookkeeper, Jan Knolton, admitted taking \$1,400 of school collections to her home in July 2011, with the stated intention of using the money for her personal benefit. Ms. Knolton did not repay the school until questions about the missing funds were raised in February 2012, more than seven months later. Ms. Knolton repaid the money by making a cash deposit directly into the Chester County Junior High School bank account rather than bringing the money to the principal, as he had requested. Even though she acknowledged telling the principal she used the money to cash personal checks, Ms. Knolton claimed to investigators that the money remained in her bedroom drawer for the entire time it was in her possession.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES FINDINGS AND RECOMMENDATIONS

Presented below are findings related to internal control and compliance deficiencies noted during the investigative audit. The principal has indicated that all of these deficiencies have been corrected.

1. **FINDING: School personnel were unable to account for a camera and memory card purchased with school funds**

School personnel were unable to account for a camera and memory card purchased with school funds. The school's yearbook sponsor requested two cameras and two memory cards be purchased for use by yearbook staff. Former school bookkeeper, Jan Knolton, stated that she purchased an additional camera and memory card for the yearbook sponsor because of the addition of the sixth grade students to the school. The yearbook sponsor told investigators that she already had an additional camera for the sixth grade

students and did not request or need another. Ms. Knolton claimed that she returned the camera and memory card to Sam's Club.

School personnel were unable to locate or otherwise account for the additional camera and memory card. Additionally, our review of the Sam's Club account statements, as well as other school financial records, showed no indication that the camera was returned or that the school received the benefit for its return.

Pages 4-23 and 4-24 of the *Tennessee Internal School Uniform Accounting Policy Manual* set forth procedures for accounting for school equipment and other property purchased with internal school funds, including sensitive minor equipment such as cameras. In addition to establishing and maintaining property inventory records, the manual requires schools to adequately safeguard the property, conduct physical counts and inspections, and to designate persons to be responsible for specific inventory items.

RECOMMENDATION:

To help ensure that all school property is adequately safeguarded against loss or misuse, the principal should ensure that when equipment and other property are purchased, a staff member is immediately assigned responsibility for the item. The principal should also ensure that periodic physical inventory inspections and counts are performed and reconciled to the school's records.

2. **FINDING: Inadequate controls over athletic event collections**

The principal failed to ensure that adequate controls over athletic event collections were established and followed. As a result, the validity of amounts recorded as collected for admissions to athletic events could not be determined. We noted the following deficiencies:

- The former bookkeeper obtained beginning change and prepared the money boxes, collected admissions, and counted the collections, without verification of any amounts by other school officials or personnel.
- The former bookkeeper did not issue tickets to document admissions. She stated that instead, after all admissions had been collected, she would remove the appropriate number of tickets from the ticket roll based on the amount of money she collected at the event.

- The former bookkeeper did not complete a ticket reconciliation or other recorded count of collections, showing beginning change amounts and the amount of admission collections on the night of the event.

The investigation revealed that a financial report for football and basketball games was completed by the cashier on the following school day. The principal stated that he reviewed the related deposit amounts for reasonableness, but did not realize that beginning change amounts were included in these deposit totals.

Pages 5-4 and 5-5 of the *Tennessee Internal School Uniform Accounting Policy Manual* set forth required procedures for admissions to events, including the use of prenumbered tickets, completion of a ticket reconciliation form and assigned responsibility to a separate individual for collecting tickets at the point of entry.

RECOMMENDATION:

To help ensure that all collections are properly accounted for and deposited into a school bank account, the principal should ensure that adequate controls over athletic event collections as set forth in the *Tennessee Internal School Uniform Accounting Policy Manual* are established and followed.

3. **FINDING: Inadequate segregation of cash handling duties**

School administrators failed to segregate incompatible financial duties at the school. The former bookkeeper, Ms. Knolton, was responsible for collecting certain funds, including athletic event admissions as well as vending machines and other snack sale collections. Ms. Knolton was also responsible for depositing and disbursing funds, and for reconciling the bank statements. Although the school had a separate individual designated to count and reconcile amounts collected, the individual stated that Ms. Knolton instructed her as to which collections to prepare for deposit.

Page 4-8 of the *Tennessee Internal School Uniform Accounting Policy Manual* states:

To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records, and reconciling bank accounts. A person who is independent of the receiving, depositing, and recording functions should compare bank deposits

with the prenumbered receipts, collections logs, ticket reconciliation, cash register tapes, etc... Bank reconciliations should be prepared and reviewed at least monthly by someone who is independent of the receiving and recording functions.

RECOMMENDATION:

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

4. **FINDING: Some invoices not paid in a timely manner**

The principal did not ensure that the former bookkeeper paid all invoices timely. Our investigation revealed that during the period June 22, 2011, through December 15, 2011, there were at least 23 instances in which a payment was made more than two months after the date on the original invoice. Several payments were made more than six months after the invoice date.

Page 4-10 of the *Tennessee Internal School Uniform Accounting Policy Manual* states, "Unpaid invoices (or other supporting documentation) for goods or services received should be reviewed at least monthly and approved as required."

RECOMMENDATION:

To avoid unnecessary finance charges, the principal should ensure that all valid invoices are approved and paid in a timely manner.

5. **FINDING: Deposits not made intact and within three banking days**

The principal failed to ensure that deposits were made intact and within three banking days. School records revealed the following instances of noncompliance:

- The school charged admission to volleyball games during the 2011-2012 school year. The school cashier stated that the former bookkeeper, Ms. Knolton, directed her to not deposit the funds collected for admission to volleyball games. Money related to

volleyball admissions was found in the vault when Ms. Knolton left in February. Documentation was insufficient to determine if any volleyball collections were missing.

- Homecoming t-shirt collections were not deposited intact and were not deposited promptly. Records indicate an initial deposit consisting entirely of checks totaling \$940 was made in September 2011. Another deposit consisting of checks totaling \$70 and cash totaling \$1,635 was made approximately one month later. The school cashier stated that the former bookkeeper instructed her to leave the cash in the vault until all collections had been made, in case she needed to make change. Ms. Knolton denied giving these instructions.
- Deposits related to admissions and concessions for football and basketball games were not all made within three banking days as required by the *Tennessee Internal School Uniform Accounting Policy Manual*. For instance, collections for a game on December 12, 2011, were not deposited until January 4, 2012.

Page 4-7 of the *Tennessee Internal School Uniform Accounting Policy Manual* states:

Internal school fund money must be deposited intact (in the form and amount in which collected) in banks within three banking days after the money is received. When possible, school money should be deposited daily. A night deposit should be used as necessary to comply with these provisions.

RECOMMENDATION:

To help safeguard funds, the principal should ensure that all deposits are made intact and within three banking days of receipt. The principal should also periodically compare deposit and collection records, and maintain documentation for any errors or irregularities detected.

6. **FINDING:** **Some collections not documented appropriately by teachers**

For some school collections remitted to teachers by students, the principal failed to ensure that teachers prepared and signed collection logs or other recorded counts prior to turning the collections over to the cashier for receipt. As noted previously, the cashier stated that many of the collections remitted to the office were not documented with

Director of Schools and Members of the
Board of Education
Chester County Schools
December 3, 2013
Page 7

collection logs, signed recorded counts, or other collection records indicating the amount of the funds turned in.

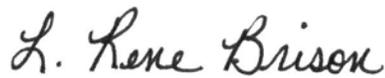
Page 4-7 of the *Tennessee Internal School Uniform Accounting Policy Manual* states, "At the time of collection, individuals collecting money should prepare prenumbered receipts, collection logs, or other appropriate documentation."

RECOMMENDATION:

The principal should ensure that at the time of collection, school personnel count the collections and prepare appropriate documentation, such as collection logs or signed recorded counts. The collection record should accompany the funds, and a copy should be retained by the responsible school employee.

If you have any questions concerning the above, please contact me.

Sincerely,



L. Rene Brison, CPA, CFE, Assistant Director
Division of Investigations
Special Investigations Unit

LRB/RAD