

SPECIAL INVESTIGATION

WEST SIDE SCHOOL CANNON COUNTY SCHOOL SYSTEM JULY 1, 2010, THROUGH APRIL 30, 2012



State of Tennessee

Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

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**Justin P. Wilson
Comptroller of the Treasury**

February 13, 2014

Director of Schools and Members of the
Board of Education
Cannon County School System
301 West Main Street
Woodbury, TN 37190

Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of West Side School, Cannon County School System, which focused on the period July 1, 2010, through April 30, 2012. When warranted, this scope was expanded.

Presented in this report are the findings resulting from this special investigation. Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

L. Rene Brison, CPA, CFE, Assistant Director
Office of the Comptroller of the Treasury

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**SPECIAL INVESTIGATION OF SELECTED RECORDS OF
WEST SIDE SCHOOL
CANNON COUNTY SCHOOL SYSTEM
FOR THE PERIOD JULY 1, 2010, THROUGH APRIL 30, 2012**

CASE SUMMARY

The Comptroller of the Treasury, Special Investigations Unit, conducted a special investigation of selected records maintained to account for the internal school funds of West Side School, Cannon County School System. The investigation focused on the period July 1, 2010, through April 30, 2012. When warranted, this scope was expanded. The special investigation revealed the following:

- The girls' basketball coach misappropriated basketball collections totaling at least \$1,990 from West Side School, depositing school money into an unauthorized bank account and using the funds for her personal benefit. Shortly after school administrators discovered the existence of the unauthorized bank account, the girls' basketball coach turned in cash and checks to school personnel, claiming that a portion of the cash consisted of her personal funds.
- Collections from basketball ticket sales totaling \$936 were not deposited into the school bank account and could not be accounted for.
- The girls' basketball coach admitted to using school funds for her personal use.
- The former principal did not ensure that cash-handling duties were adequately segregated, that funds collected were documented appropriately at the time of collection, and that all school funds were deposited into the school bank account.

We referred these matters to the local district attorney general. On January 24, 2014, the Cannon County Grand Jury indicted the girls' basketball coach on one count of theft over \$1,000.

INVESTIGATIVE FINDINGS

Presented below are the investigative findings resulting from this special investigation of selected records of West Side School, Cannon County School System.

1. **FINDING: Misappropriation totaling at least \$1,990 by girls' basketball coach**

During the period October 2009 through November 2011, the girls' basketball coach misappropriated at least \$1,990 by depositing school funds into an unauthorized bank account and using these funds for her personal benefit. Shortly after school administrators discovered the unauthorized bank account, the girls' basketball coach remitted cash and checks totaling \$3,991 to school personnel. The girls' basketball coach told Comptroller investigators that the cash she remitted included personal funds of \$1,541.

In October 2009, without authorization, the basketball coaches at West Side School agreed to open a bank account for the deposit of basketball collections other than gate receipts. The coaches stated that they opened the unauthorized account because they believed that some collections were not being credited properly to the basketball account.

Beginning with the first deposit in October 2009, the girls' basketball coach commingled personal funds with the basketball collections she deposited into the bank account, which was opened in her name. The girls' basketball coach stated she used the basketball account for personal banking in order to alleviate a personal financial situation. Except for a \$100 deposit on September 27, 2011, made to eliminate a deficit balance in the account, the girls' basketball coach did not deposit any personal money after June 10, 2011. The girls' basketball coach admitted that all disbursements after June 2011, totaling \$1,708, were for her personal benefit. When school administrators discovered the unauthorized account, the girls' basketball coach's personal payments and withdrawals exceeded her personal deposits by at least \$1,990.

As noted above, when school administrators confronted the girls' basketball coach about the unauthorized bank account, she remitted cash and checks totaling \$3,991 to school personnel. The girls' basketball coach asserted that this amount included \$1,541 of her personal funds which she had set aside to make up for the basketball funds she had used for personal purposes. The girls' basketball coach did not indicate why she deposited only \$1,541 of her personal funds.

2. **FINDING: Missing collections from basketball ticket sales totaling \$936**

School officials failed to adequately safeguard school funds totaling at least \$936 collected for basketball games held on November 18, 2010. Although Comptroller Investigators located a record showing the number of tickets sold and the amount of money collected, the school's accounting records did not include a bookkeeper receipt for these collections and the collections were not deposited into the school's bank account.

The bookkeeper stated that she prepared the deposit, as she did after every ballgame, and that she had no idea what happened to the gate money.

OTHER FINDINGS AND RECOMMENDATIONS

Presented below are other findings and recommendations related to internal control and compliance deficiencies noted during the special investigation. School officials indicated that they have corrected each of these deficiencies.

1. **FINDING:** **The former principal did not ensure that financial duties at the school were segregated adequately**

The former principal failed to ensure that incompatible financial duties at the school were segregated adequately. The school bookkeeper received and counted collections, issued and signed checks, prepared bank deposits, maintained and updated the school accounting records, and reconciled the school bank statements. In addition, she was responsible for recording collections and preparing deposits related to basketball games.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4–8, states:

To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records and reconciling bank accounts... Bank reconciliations should be prepared and reviewed at least monthly by someone who is independent of the receiving and recording functions.

Page 5–2 of the manual emphasizes that:

[t]he use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations ... school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties... **WHEN AT ALL POSSIBLE, SOMEONE OTHER THAN THE BOOKKEEPER SHOULD COLLECT MONEY AND WRITE RECEIPTS.**

RECOMMENDATION:

The principal should segregate duties adequately using available resources to help prevent errors and reduce the risk of fraud or abuse. No employee should have complete control over a financial transaction.

2. **FINDING: The former principal did not ensure that some collections were documented appropriately when received**

The former principal did not ensure that some collections were documented appropriately when received. The special investigation revealed that teachers failed to issue receipts or prepare other records for collections related to several field trips. Comptroller investigators also identified five deposits totaling \$3,328 for which the bookkeeper did not prepare receipts.

Page 4-7 of the *Tennessee Internal School Uniform Accounting Policy Manual* states, “[a]t 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, receipts, or signed recorded counts. The collection record should accompany the funds, and a copy should be retained by the responsible school employee. The bookkeeper should prepare and issue a receipt for all school collections remitted to her.

3. **FINDING: Some school basketball collections were deposited into an unauthorized bank account**

In addition to the missing basketball ticket sales of \$936 mentioned in the investigative finding, certain other basketball collections were not deposited into the school’s bank account. Our special investigation revealed that during the period October 2009 through November 2011, sponsor fees collected by coaches and certain other basketball collections totaling nearly \$6,000 were not turned over to the bookkeeper for deposit into the school’s bank account. Instead, these funds were turned over to the girls’ basketball coach for deposit into an unauthorized bank account as discussed in the investigative finding section of this report.

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 5-2, states that “[t]he school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity.” All school money should be deposited into the school’s bank account.

Regarding deposits, page 6-2 of the *Tennessee Internal School Uniform Accounting Policy Manual* requires that

... Collections should be deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next

deposit. **No collections should be withheld from the deposit for any reason....** (Emphasis added.)

RECOMMENDATION:

To account adequately for all school money so the students receive the benefits for which it was collected, and to help ensure that errors or irregularities are detected timely, the principal should ensure that required collection procedures as set forth in the *Tennessee Internal School Uniform Accounting Policy Manual* are established and followed. School personnel should deliver total collections to the cashier/school bookkeeper at least daily for deposit into the school bank account.