

**SUMMARY OF FINANCIAL IRREGULARITIES  
THAT HAVE OCCURRED AT INDIVIDUAL SCHOOLS  
DURING THE PAST SEVERAL YEARS**

The following is a summary of incidents of financial improprieties that have occurred at individual schools in the State during the past several years. The names of the individuals involved or the schools where the incidents occurred are not mentioned, however, the names of the school districts are presented to provide a reference for those who would like to have more detailed information concerning any of the incidents discussed.

This information is provided to make chief school business officials and independent auditors aware that, although rare, incidents of financial improprieties have occurred at the individual schools in the State in the past and can easily occur in the future. This knowledge should prove helpful in designing internal control procedures and audit tests that will discourage incidents such as these from occurring, or if they do occur, in detecting and stopping them quickly.

**BERKELEY COUNTY SCHOOLS:**

**§ Failure to receipt and deposit all monies collected:**

**School funds / School secretary** - The business office received a call in mid-July that all financial records at a school had been stolen, including the computer disk on which the records were saved. A few weeks later, an anonymous letter was received stating that the principal had written two scholarship checks for his stepson and was using a computer purchased with school funds at home. Subsequently, the school secretary called the superintendent and admitted that she had been embezzling funds from the school, but stated that Ashe was not going to go down alone. A She repeated the allegations about the principal mentioned in the anonymous letter.

Investigation by the business office confirmed that the principal was not paying attention to the finances and the secretary had total control of all records. The secretary apparently had been shorting receipts and not depositing all funds received over the past two years. A certified public accounting firm was engaged to ascertain the amount of the shortage which amounted to \$27,030.

The secretary resigned her position, pled guilty in circuit court and agreed to pay restitution. A possible 10 year prison term was suspended after she gave the court a check for the entire amount.

**§ Unauthorized use of school property and expenditures for personal gain:**

**School property and funds / School principal** - An anonymous letter was received stating that the principal had written two scholarship checks for his stepson and was using a computer purchased with school funds at home. A few weeks later, the school secretary called the superintendent and admitted that she had been embezzling funds from the school (discussed above), but stated that Ashe was not going to go down alone. She repeated the allegations about the principal discussed in the letter. The principal admitted the allegations against him. He had written two "scholarship" checks for his stepson, who did not even attend the school.

The principal returned the computer, made restitution for the two checks, and resigned his position.

**BRAXTON COUNTY SCHOOLS:**

**§ Nonpayment of fundraiser invoices/Forgery of Signature:**

**PTO proceeds from fund-raisers / PTO Treasurer** - The new principal of an elementary school received a phone call before the start of the 2004-05 school year from a collection agency concerning the nonpayment of invoices by the School's PTO to a company that provided the materials for a fundraiser. Upon calling the PTO treasurer, she stated that the bill had been paid, and that she had sent the company

a copy of the canceled check to prove payment. Later that fall, the school received a FAX containing a payment schedule for the same debt. The school did not have access to the PTO's financial records, since they were maintained by the PTO.

Throughout the 2004-05 school year, the school repeatedly requested profit/loss statements for the PTO's fundraisers, but little or no documentation was ever provided. In September 2005, new PTO officers were elected. The out-going PTO treasurer was contacted to hand over the records to the new treasurer. She eventually provided a small portion of the records, and indicated that she would provide the rest when she located them. No other records were ever provided. The partial records were delivered to the Board business office for review.

Upon investigation, it was determined that other fundraisers and the proceeds from the yearbook had not been paid for, and that the PTO treasurer had forged the president's signature on 29 different checks, some made payable to cash.

The PTO treasurer was prosecuted by the prosecuting attorney, found guilty of embezzlement and forgery, and required to pay restitution in the amount of \$9,500. She was sentenced to probation and community service.

§ **Failure to remit all funds collected from a fund-raiser:**

**PTA proceeds from fund-raisers / Teacher** - A teacher volunteered to collect all funds received from a PTA sponsored fund-raiser, and initially, all funds received were remitted to the PTA. As the fund-raiser progressed, however, PTA officials noticed a slowdown in the amount of funds being remitted. Upon investigation, it was determined that \$1,032 in funds had been collected but not remitted to the PTA. These results were discussed with the school principal and the county superintendent. When confronted with the evidence, the teacher stated that the amount seemed excessive, but admitted to having collected funds which had not been remitted. The teacher agreed to make restitution and was given a ten day suspension without pay. Neither the superintendent nor the PTA wanted the teacher to be prosecuted.

The teacher repaid the amount and served the ten day suspension without pay. Upon application for a renewed teaching certificate, the Department of Education denied the application and suspended the teacher's teaching certificate for three years.

**FAYETTE COUNTY SCHOOLS:**

§ **Checks made payable to cash and failure to deposit all of the proceeds from fund-raisers:**

**PTA proceeds from fund-raisers / PTA president** - An audit of the books of an elementary parent teacher association found that \$25,475 was missing. The president of the association resigned after the improprieties were brought to light. According to the complaint filed by the State Police, the president wrote ten checks to cash totaling \$5,780 on the group's account, then purchased money orders at the bank to pay personal bills. The balance of the missing funds was unreceipted cash proceeds from various fund-raisers. The bookkeeper also resigned but denied any wrongdoing. She told the State Police that the president had control over the group's checkbook for the entire school year. Incidentally, the president had previously had ten worthless check charges filed against her.

The president pled guilty to embezzlement, was sentenced to 20 consecutive weekends in jail, was required to perform 400 hours of community service, and to pay \$10,000 in restitution.

**HARRISON COUNTY SCHOOLS:**

§ **Failure to receipt and deposit all moneys collected:**

**School fund-raisers / School secretary** - An amount was entered in the school's computerized accounting system as deposits in transit that could not be traced to the subsequent bank statements. The

school secretary apparently just plugged numbers into the deposit in transit field to balance her bank statement each month. There were several months in which no deposits were made.

An accounting firm was engaged to conduct an audit. The auditors reviewed the Teacher Cash Summary Reports and traced back the collections to bank deposits. All of the teacher cash summary reports were not available from the secretary, but the auditor's were able to obtain copies from individual teachers. Those copies did not match the deposits by the amounts of cash listed, which were omitted from the bank deposits. The auditors also reviewed the profit and loss statements for each fund raiser. It was determined that there were losses on various fund raisers that should have made a profit. The auditors were able to determine that at least \$13,000 in cash received by the secretary which was not receipted nor deposited in the school's bank account.

When the secretary realized that she was being monitored, she began transferring funds between accounts trying to cover up the lack of funds in some of the accounts. She subsequently resigned her position and the state police are currently conducting an investigation.

### **JACKSON COUNTY SCHOOLS:**

#### **§ Failure to receipt and deposit all moneys collected:**

**School funds and fund raisers / School secretary** – While the financial secretary was on vacation in July 2008, an envelope of past due invoices was discovered when another secretary was looking for a student's diploma. Upon investigation of the past due invoices, it was determined that the invoices were not paid because the financial secretary had been embezzling funds. There was no real segregation of duties, and no one else was involved in the financial operations of the school.

It was subsequently determined by an external audit of the school's records that approximately \$52,000 was embezzled during the 2007-08 school year. Basically, some of the cash being turned in to the secretary was not being receipted or deposited. About half of the funds embezzled were gate proceeds from athletic events which were either not receipted/deposited in total or only a portion was being receipted/deposited. Likewise, cash being turned in for fund raising activities was not always receipted/deposited. Funds that were being receipted were not always being entered to the proper accounts because she was attempting to cover when invoices were due or sponsors were demanding statements.

The financial secretary denied any wrongdoing when questioned upon her return from vacation, but resigned immediately. After completion of the audit, she was charged with one count of embezzlement to which she entered a guilty plea. She is currently in custody for a sixty day evaluation pending sentencing.

### **JEFFERSON COUNTY SCHOOLS:**

#### **§ Failure to receipt and deposit all moneys collected:**

**School fund-raisers and grant monies / School secretary** - The school principal noted that the proceeds from a fund-raiser were less than the previous year and asked the secretary about it. She responded that the reason was because she had to pay for the school's yearbooks. Realizing that the secretary should have been able to pay for the yearbooks from the proceeds from the sale of the yearbooks, the principal contacted the chief school business official. A subsequent audit disclosed that at least \$11,000 in school funds could not be accounted for from various fund-raisers and grant monies received by the school directly from outside organizations. In addition, it was determined that the secretary had been forging the principal's signature on purchase orders and time sheets, and had received in excess of \$30,000 in unauthorized overtime pay. Incidentally, the secretary is the sister of the secretary discussed in the following incident.

The individual was dismissed by the school district, was indicted by a grand jury, and plead to one felony count of grand larceny. She was sentenced to five years in the state penitentiary, but the judge

suspended sentence and placed her on five years of probation.

**§ Payment of personal expenditures from an unauthorized school account:**

**Fund-raiser / School secretary** - A school secretary, who is a sister to the employee discussed in the preceding incident, had opened an unauthorized bank account using the school's name several years earlier for a fund-raiser. She was the only signatory authority on the account. The account had not been used for years and the current principal did not know of its existence. Over a period of five weeks, she began depositing the school's general fund collections into this unauthorized account. She then started paying her personal bills from this account. The bank noticed this activity and notified the school system.

The employee resigned, was indicted, and pled guilty to a misdemeanor embezzlement charge. She received probation in return for agreeing to pay restitution in the amount of \$10,894, of which \$2,800 was for reimbursement of the audit costs incurred by the school district.

**§ Failure to receipt and deposit all monies collected:**

**Fund-raisers / School secretary** - A school secretary was writing the receipts from the bank deposit rather than when the funds were actually received in the office. Deposits, of course, agreed with receipts on every audit. She was able to skim off a large amount of cash before the deposits were made. The school was not posting to a general ledger as is required. When the business office corrected this bookkeeping procedure, it was discovered that most of the fund-raisers at the school were losing money.

The employee was fired, however, the prosecuting attorney failed to obtain an indictment.

**§ Unauthorized checks made payable to oneself:**

**Faculty senate funds / Faculty senate treasurer** - A faculty senate treasurer was writing checks payable to herself. She was obtaining the principal's signature by taking several checks to the principal at once for him to sign, and catching him when he was busy. Over a period of several months, she wrote 42 checks to herself. The bank noticed this activity and notified the principal.

The employee resigned, was prosecuted and was convicted.

**§ Reimbursement of travel expenses from two sources and sale of property purchased by a booster group for personal gain:**

**Booster group and school funds / Band director** - A band director who was closely tied to a financially successful booster group was submitting mileage reimbursement vouchers to both the booster group and the board of education. He and family members were also making long distance calling card calls and charging the calls to a school phone number. He also diverted school equipment for personal use by family members and in at least two instances, he sold school equipment without authorization. The proceeds from one of the sales were deposited in the booster group account but an accounting has not been provided of what happened to the proceeds from the other sale.

The employee resigned, was indicted by a grand jury, and was found guilty. He paid restitution and, in turn, received a suspended sentence.

**§ Failure to receipt all child nutrition funds collected:**

**Child nutrition funds / Cafeteria manager** - A cafeteria manager who ran the cafeteria line, collected monies from patrons during both the breakfast and lunch service. After the meals were

served, she substituted the names of students who were eligible for free lunches for those who actually paid. She also failed to record all of the adults from whom she collected funds. The principal became suspicious, observed the number of adults who actually participated in the lunch program for a week, and compared the number to the number the cafeteria reported. The subsequent investigation disclosed that some of the students eligible for free meals whom had been reported as having eaten in the cafeteria on particular days were actually absent from school.

The employee resigned. No charges were filed.

## **KANAWHA COUNTY SCHOOLS:**

### **§ Issuance of checks to cash:**

**Parent Teacher Organization / Treasurer** - During the school year, a teacher who was also a member of the PTO, complained to the principal that members of the PTO were having difficulties obtaining checks from the treasurer to pay for expenses incurred in connection with an approved PTO fund-raiser. Upon investigation, the principal found that several of the organization's checks had been returned by the bank for insufficient funds. There were also several canceled checks missing from the records. The principal notified central office administrators and the police. A review of the records disclosed that several checks had been issued to cash, and no supporting documentation could be produced to support these disbursements.

The PTO elected new officers immediately. The county sheriff's office conducted an investigation but felt there was insufficient evidence to charge her with a crime.

### **§ Failure to receipt and deposit all child nutrition funds collected:**

**Child nutrition funds / School secretary** - Suspicions of fraud at a secondary school first arose when cooks reported to the principal that the amount of food service collections reported in an internal school document was ten cents less than the amount they had turned in to the school office for that particular day. The principal was aware that the food service fund had an extremely low cash balance, which seemed odd because student participation in the program was excellent.

Central office staff investigated the shortages by multiplying the meal counts by the appropriate meal rates to ascertain the total meal sales for the period. They then compared this total with the bank deposit for the same period and found consistent shortages in even dollar amounts. In order to determine the cause of the shortages, the office staff visited the school without the knowledge of the cooks or the school secretary. They arranged for the food service monies for that day to be counted by a teacher before it was turned in to the office. After the receipt was written by the school secretary and the bank deposit prepared, the staff compared the deposit amount with the amount counted by the teacher. Again there was a shortage of an even dollar amount.

The school secretary would not admit to embezzling the funds when confronted with the evidence, but she was convicted of the charges in circuit court.

### **§ Use of an unofficial receipt book:**

**Fund-raiser / School secretary** - A parent of a secondary student tipped off central office staff to a potential fraud problem at the school. The parent was one of several parent volunteers who worked with the school athletic team. Part of their work included conducting fund-raisers for team uniforms. The money collected at these fund-raisers was turned in to the school office where a receipt ticket was written and a copy of the receipt ticket was given to the parent who turned it in. The money was accounted for in an activity account of the school's General Fund.

After several fund-raisers had been conducted, the parent volunteers requested that the school order the new uniforms. According to the records that the parents had kept, sufficient funds had been raised to cover the cost of the uniforms. They were advised, however, by the school that there was

not sufficient money in the activity account to order the uniforms. One of the parents requested a list of all receipts for the activity account from the school. When the parent compared the school's list with the actual receipts that the parents had been given, several receipt amounts were different.

Central office staff requested that the parent volunteers submit their original receipts to the central office for audit inspection. The school was notified to submit their receipt book for the same time period. Comparison of the receipt books disclosed differences. It was noted that on all of the receipts where differences were noted, they were signed by the same individual. Further investigation disclosed that the employee was keeping two sets of receipt books, an unofficial book which she was using to receipt the funds turned in to the school by the volunteers and one which she used to record the monies being deposited.

The secretary resigned, pled guilty in circuit court and offered to pay restitution. The school system received a check for approximately \$14,000 from the circuit court.

### **MARION COUNTY SCHOOLS:**

#### **§ Personal loan from PTO contributions:**

**PTO contributions / School secretary** - The PTO at an elementary school made a \$1,000 contribution to the school by a check made payable to the school just before the end of the school year. The secretary did not write a receipt for the contribution and did not deposit it in the school bank account. She took the check to the bank, cashed it and kept the cash. The bank tellers knew the secretary and apparently cashed the check thinking that the funds were to be used as starting cash for a school event. The principal was unaware that the check had been received and when the school's records were audited, the receipts agreed to the amount deposited, so nothing seemed amiss. The secretary had apparently planned to borrow the funds over the summer and repay them before school resumed in the fall. She decided, however, to take a position at a high school the following year. At the beginning of the school year, she borrowed \$1,000 from the Credit Union and deposited the funds in the elementary school's bank account.

When the new secretary at the elementary school assumed her job, she noticed the \$1,000 unreceipted deposit on the bank statement. She notified the principal who called the bank and advised them of an apparent mistake, since the money did not belong to the school. The bank found, after reviewing the photocopies of the transaction, that the check was from the Credit Union made payable to the previous school secretary. This revealed the crime. Had she cashed the check and made a cash deposit, the deed may have gone undetected, especially had she been able to either write a receipt or convince the new secretary to write a receipt to cover the deposit. It was later discovered that the secretary had been transferring funds from the school's General Fund to cover other discrepancies.

The secretary submitted her resignation but did not admit any wrongdoing. The state police conducted an investigation but felt there was insufficient evidence to charge her with a crime.

### **MINGO COUNTY SCHOOLS:**

#### **§ Forgery of principal's name and alteration of check amounts:**

**School funds / School secretary** - During the school's annual audit, the school system's internal auditor noted that several canceled checks were missing. In addition, she noted that several (too many) checks were written to the school secretary for supplies. These were red flags for the auditor. Copies of all missing checks were obtained from the bank. After the checks were received, it was determined that the principal's signature had been forged on several of the checks, and others had been altered.

The school secretary had signed the signature of the principal on many of the checks that she had made payable to herself. On the check stub, she would record the name of a legitimate company. In

other instances, she would change the amount on the checks made payable to herself after the principal had signed the check. For example, she would present the check to the principal for signature with the amount being \$20.00, but with blank space to the left. After the principal had signed the check, the secretary would then alter the amount to \$220.00. The secretary would open all bank statements when received from the bank and remove these checks before forwarding the statements to the principal for review. The principal admitted that the secretary did all of the record keeping and she would even work during the summer.

When confronted with the evidence, the school secretary resigned her position. She eventually was charged with embezzlement, pled guilty, and agreed to make restitution of \$13,675, plus reimburse the board for \$5,000 of the audit cost.

**§ Failure to receipt and deposit all child nutrition funds collected:**

**Child nutrition funds / School secretary** - The regular school secretary was absent from work due to a medical condition. Afterwards, the principal noticed that the amount of money collected in the food service program during this period was much greater than when the secretary was at work. The principal notified the county's food service director and the chief school business official.

Upon investigation, it was noted that the monthly computerized reports of participants in the program did not match the daily logs. It was subsequently determined that the school secretary was adjusting the monthly reports to agree with the amounts receipted, but did not change the daily reports which showed the actual meals served.

A teacher collected the meal payments on the line. She would turn the collections in to the school secretary without counting the money; the secretary would not issue the teacher a receipt. The secretary would then work up a bank deposit and have the principal take the funds to the bank. Upon return, the secretary would write the principal a receipt from the bank deposit slip. Obviously, the bank deposits would always agree with the receipts written.

An audit of the irregularities of the child nutrition funds was conducted by the Department of Education, Office of Child Nutrition, and as a result, Mingo County Schools was required to repay the Department \$13,675. A federal grand jury has issued an indictment against the school secretary and the matter is being pursued by the U.S. Attorney General's Office, since federal funds are involved.

**NICHOLAS COUNTY SCHOOLS:**

**§ Failure to use tickets at athletic events:**

**Gate receipts / School principal** - Prior to the implementation of the current accounting procedures manual, a school was admitting fans to football games by having one individual at each gate collect cash from the fans. No tickets were issued and no ticket reconciliation schedules were completed. Prior to the end of the game, the principal would go around to each gate and pick-up the money pouches without allowing the individuals to count the collections. He would take the collections home over the weekend and turn them over to the school secretary on Monday morning. The practice raised suspicions and concerns regarding the amount of funds actually collected and the amount that was being remitted to the school for deposit.

The board was in the process of having the concerns investigated when the principal accepted early retirement.

**PRESTON COUNTY SCHOOLS:**

**§ Unauthorized Salary Payments:**

**County funds / business office clerk** - Bank officials mentioned to the treasurer that he should review the payroll account, because certain amounts appeared to be suspect. Upon review, it was

noted that the employee in the business office who processed the payroll direct deposit data was manipulating the data and increasing the amount of the deposit to herself. She was doing this by opening the file attached to the email transmission to the bank and making the adjustment in that file, not on the WVEIS payroll file. She was also the individual who was assigned the task of reconciling cash, so she was able to cover the additional transfer. The actual cash account was never reconciled. Because of this, the embezzlement went undetected for several months.

Along with the embezzlement, the employee was taking on more and more responsibilities, but those responsibilities were not being carried out. After a replacement was hired, it was determined that many tasks had never been completed. For example, checks issued by the board were found in drawers that had not been mailed to the vendor; reports had not been filed; changes/corrections to payroll deductions had not been processed.

The case was turned over to the prosecuting attorney, and since it involved direct deposits, the federal government conducted its own investigation. The employee was indicted by a federal grand jury in April 2004.

### **PUTNAM COUNTY SCHOOLS:**

#### **§ Opening of a separate bank account and writing checks to cash:**

**Yearbook advertising proceeds / Yearbook sponsor** - A yearbook sponsor had opened a bank account in the school name with herself as the only signature authority on the account. She had also opened a post office box to receive her mail directly. Upon investigation, it was determined that she was receiving and depositing yearbook funds into this account. She had also written several large checks to herself, which she had cashed. She was not able to produce sufficient documentation to substantiate the cash disbursements.

The case was turned over to the prosecuting attorney, but no action was taken.

#### **§ Forgery of Principal's Signature:**

**Playground equipment funds and fundraiser proceeds / PTO president** - In May 2007, the school principal notified the central business office that he had noted several PTO checks amounting to several thousand dollars which had been forged with his signature and several were made payable to the PTO president for activities/events that he knew had not occurred. The principal obtained the accounting records and asked the central finance office to review the records and recommend action.

Through a review of the bank statements, bank reconciliations, and the checkbook, the finance office identified 22 checks totaling approximately \$10,000 that had been written to the board president which appeared to contain forged signatures. The finance office attempted to contact the president regarding the review, but instead received a call from an attorney retained by the president. Upon discussion of the matter, the attorney stated that the president was trying to gather the remaining records. Limited information was subsequently provided, but the information was not sufficient to explain the forgeries. The matter was turned over to the prosecuting attorney's office and a sheriff's deputy was assigned to investigate the matter.

The president pleaded guilty to embezzling \$10,338.09 from the accounts for playground equipment and a school carnival and agreed to pay back the funds. She wrote a check for \$3,000 at the hearing and agreed to pay the remainder within the next few months. She was given a suspended sentence, placed on three years' probation, required to serve 4 months in the regional jail, required to reimburse all court costs, and ordered to perform 150 of community service.

### **RANDOLPH COUNTY SCHOOLS:**

#### **§ Forgery of an athletic boosters club president's signature on checks, issuance of checks made payable to the boosters club, and failure to account for all collections:**

**Athletic Boosters Club / Treasurer** - The CSBO was contacted by a high school in May after having received complaints from a vendor that the school's athletic boosters club was seriously delinquent in paying its invoices for athletic equipment. The CSBO contacted the club treasurer who insisted that the invoices had been paid. A short period later, the school informed the CSBO that the club treasurer was out selling and collecting money for the following year's football programs, which was much earlier than normal. The CSBO requested that the club's accounting records be brought in to him for inspection.

Upon review, the CSBO noted the following: the president's signature appeared to be different on many of the checks; two of the club's checks for over \$2,000 each had been returned by the bank for insufficient funds; a majority of checks were made payable to the club and cashed for cash; and the dates on consecutively numbered receipts were out of sequence. In addition, the club had conducted numerous fund-raisers during the year, for which very little revenues were recorded. The treasurer explained they had broken even on these fund-raisers. After the club president reviewed the cashed checks, it was determined that the president's signature was forged on all checks issued after the first month the president was in office. These checks amounted to over \$6,000. In addition, only \$8,000 in revenues had been receipted, compared to over \$18,000 the preceding year.

An audit was completed by a CPA firm and the results were presented to the county prosecutor's office and the State Police, who conducted an investigation, but no charges were filed.

#### **WAYNE COUNTY SCHOOLS:**

##### **§ Failure to enter all financial transactions into the school's accounting records:**

**Cheerleading squad collections / Cheerleading sponsor** - In response to repeated complaints from a mother of one of the girls on the cheerleading squad, an audit was performed of the funds collected and disbursed by the squad over a three year period. The parent was aware of the fund-raising activities the girls had participated in, but the transactions were not being recorded in the school's accounting records and the sponsor could not provide a satisfactory accounting of the financial activities. Incidentally, the parent was an accountant who had worked for a public accounting firm in the past.

The audit disclosed that: fund-raising events occurred whereby the proceeds were not booked in the accounting records in their entirety; jackets and shoes were purchased from the proceeds for the sponsor and her assistant; several purchases were made without purchase orders; in several instances, invoices were not available to support expenditures; the school could not provide adequate support to substantiate \$2,000 in travel reimbursements during one of the years; total lack of documentation to support payments made to the trainers, the amount to be paid and by whom; the receipts journal entry descriptions were not adequate to determine the source of the revenue received; and sales tax was paid on certain purchases. The auditors, however, did not find any evidence of actual misappropriation of funds.

##### **§ Forgery on checks issued and withdrawal of funds from a savings account without documenting the withdrawals in the school's accounting records at two schools:**

**School funds / School principal** - Auditors conducting the annual audit of the board noted irregularities in the school's accounting records at one of the schools that was visited. Certain expenditures were of a questionable nature and several checks had been issued with forged signatures. The auditors brought these findings to the board's attention and a separate firm was engaged to conduct an audit. The principal at the school had recently transferred from another school, so it was decided to have the audit cover both schools.

At one school, the auditors determined 31 instances where checks totaling approximately \$4,200 had been issued with the signature of the secretary forged; 80 withdrawals totaling approximately \$23,650 were made by the principal from the school's savings account without being recorded in the school's

accounting records; 37 checks totaling approximately \$5,350 were issued for items of a personal nature; and during the audit, the school had unpaid bills from at least five vendors, which included merchandise totaling approximately \$6,000 which appeared to be of a personal nature.

At the other school, the auditors noted six instances where checks totaling approximately \$430 had been issued with a forged signature; and 38 checks totaling approximately \$ 4,600 were issued for items of a personal nature.

The audit report was used to convict the principal and she was ordered to pay restitution in the amount of \$20,975 in monthly installments of \$100. The county filed a claim with the Board of Risk and Insurance Management (BRIM) and recovered the full amount less a deductible of \$1,000. The individual is now making the monthly payments to BRIM.

#### **WYOMING COUNTY SCHOOLS:**

##### **§ Failure to adhere to prescribed accounting procedures:**

**School funds / School principal** - It was determined from the audit of a secondary school that at least \$11,811 in school funds were missing, consisting of \$1,050 in locker rental fees, \$7,618 from ticket sales, \$1,000 from fund-raisers, \$1,650 in miscellaneous amounts collected but not deposited, a \$283 difference between the amount collected and receipted, \$210 in returned personal checks issued by the principal, and unknown amounts from vending machines and concession sales. It was also noted that many collections were deposited into the school's bank account weeks and sometimes months after the collections were made. Numerous accounting procedures were ignored or violated.

The principal resigned, the matter was investigated by the State Police, but no charges were filed.

#### **MULTI-COUNTY VOCATIONAL CENTER:**

##### **§ Losses noted after a new employee was hired:**

**School funds / school secretary** - Differences started appearing in cash collections after a new employee was hired at the beginning of the school year. On one occasion, there was a shortage of \$325 and on another, there was an overage of \$87.31. Prior to the employment of this new employee, differences were insignificant. School officials became suspicious when the shortage totaled approximately \$500 and notified the State Police and the prosecuting attorney. Soon after that, the employee brought in a \$100 bill that she said she had found in the back of her desk drawer and 20 minutes later, 25 - one dollar bills.

She was questioned over the next three weeks by three different State Troopers who all agreed to her obvious guilt, but she never confessed. She agreed to take a lie detector test, which she failed badly. All evidence was circumstantial, so the school offered her three weeks termination pay if she would resign immediately, which she accepted.

## **RECOMMENDATIONS FOR DETERRING INCIDENTS OF IMPROPRIETIES FROM OCCURRING**

The following accounting practices and audit procedures are recommended to deter incidents such as those discussed in the preceding pages from occurring in the future, or if they do, to detect them quickly:

1. Require that a cash collection report be completed anytime funds are collected from students, either by a teacher, coach, or **club sponsor**, and require that a copy be turned into the school secretary to support all collections. Monies should never be turned over to the principal or school secretary without an accounting being provided at that time.
2. Require that a receipt be issued for all collections and that the receipt be written at the time the money changes hands. This is especially true whenever funds are turned over to the principal or secretary for deposit. Receipts should never be written to the principal, unless the collections originated with the principal. When monies are turned over to the principal by someone else, the receipt should be issued to the individual who turned the monies over.
3. Require that all collections by team or club sponsors (cheerleaders, majorettes, yearbook) be deposited in the schools bank account, **that all checks for collection be made payable to the school**, and that all disbursements be made by a school check.
4. Require that all canceled paid checks be maintained in a manner that makes it easy to spot missing checks. This can be done either by requiring that all canceled checks be taped into the check book or by requiring that they be filed in numeric order. Schools should not be allowed to file checks with the monthly bank statements. All incidents of missing checks should be investigated thoroughly.
5. Eliminate as much of the cash operations as possible at the schools. Contract with vendors to service all vending machines. Implement a centralized billing program at the board office for the child nutrition program.
6. Make periodic unannounced visits to the schools to ensure that all internal control procedures are being followed.

### **WHEN CONDUCTING THE SCHOOL'S AUDIT:**

1. Obtain a list of all of the groups that the county board has authorized to conduct fund-raisers at the school for the year and ascertain whether collections from those groups have been recorded in the school's accounting records.
2. Obtain from the school principal copies of the schedules of all athletic teams at the school and a list of all fund-raisers conducted by the school, and ascertain that collections from these activities are recorded in the school's accounting records.
3. Obtain from the school principal a list of all student clubs at the school, ascertain whether each club has a sub-account listed in the school financial statements, and ascertain whether any clubs collect monies for any activities that are not deposited in the school's bank account (ex: ski trips by the Ski Club).
4. Perform a comparison of the school's collections for the year with those of the previous year; investigate any substantial differences.
5. Ensure that all paid checks are accounted for. If any are missing, obtain a copy from the bank to ascertain who the actual payee was.
6. Ensure that tickets are used for all school events where an admission fee is charged, that at least two individuals are involved in the selling and collection of tickets, and that ticket reconciliation reports are completed for every event.
7. Ensure that a profit/loss statement is completed for every fund-raising activity, whether sponsored by the school or by a school support organization.

8. Send confirmation letters to a selected number of sponsors of fund-raisers stating that as a routine part of the school's audit it is requested that they confirm the amounts recorded as received in the school's accounting records.

School Irregularities (Updated 201105)