

**WASHINGTON PARISH SCHOOL BOARD
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

WESLEY RAY ELEMENTARY SCHOOL

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Washington Parish School Board
Franklinton, LA

We have performed the procedures listed below, which were agreed upon by the School Board and Superintendent. These procedures were performed solely to assist the school board office with respect to compliance with policy and procedures concerning individual school activity accounts and school property inventory. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our initial procedures included:

1. Testing the fixed asset inventory list for identification of items on the list and verification that items at the school were on the list. Wesley Ray Elementary School's fixed asset inventory appears to be properly accounted for and without significant variances. Of the items tested, less than 5% were not tagged and all items were located.
2. Examining cash disbursements for proper documentation and compliance with school board policy. Our procedures disclosed that over 50% of cash disbursements were not supported by proper documentation, that is, a properly issued purchase order, requisition and accompanying invoice were not found. Blank check stubs were in the checkbook. The Principal orders, writes checks, signs checks, and often picks up the items purchased.
3. We computed the gross profit (sales receipts less purchases) from concession operations for the period beginning July 1, 1997 through April 30, 1998 to be \$673, or 5.54%. We also computed the gross profit that should have been recognized (purchases plus markup) for the same time period to be \$6275, or 39%. This represents a shortfall of \$5,700. Concession sales are not being receipted or deposited daily. The Principal sells at the canteen, takes the money to the office and often burns without being counted or receipted daily. We also discovered concession invoices that were delinquent greater than 90 days when paid.

4. We counted the cash on hand in the office on May 7, 1995. During this count we discovered numerous checks dated the end of March and first of April, upon inquiry we were told these were checks from a T-shirt sale. All shirts were prepared before ordering. The checks discovered totaled \$372., however, the invoice for the shirts was for \$444., the difference, cash of \$572. had not been deposited as of the date we completed our field work at the school.

These findings were much the same as we found when we examined Wesley Ray Elementary School for the year ended 6/30/95, therefore, we discussed these findings with the Superintendent and agreed to extend our engagement to include the following procedures:

1. Interview school teachers and support personnel.
2. Extend our sample size regarding cash receipts and disbursements testing to include a larger sample with the possibility of examining all transactions, at our discretion.
3. Confirmation of payments and balances from vendors.
4. Examination of the concession account for each year since June 30, 1993, the last time the activity accounts were examined.

Our findings from the above procedures are as follows:

1. The majority of personnel at the school, that we interviewed, were disgusted with the present situation and have lost interest in doing fund raisers or collecting money that would be turned in to the office. On several occasions the personnel related to us that money, previously counted, would be turned in to the principal, not deposited for several days and when receipted and deposited it would be for a lesser amount. They felt that money turned in to the school office was not being accounted for properly, and on several instances witnessed items purchased with school funds being taken from the school by the Principal. Several successful fund raisers have been held with the proceeds being used for purposes (normally to pay concession bills) other than the stated purpose of the fund raiser.

From our interviews with school personnel, we targeted particular areas to focus our examination and in each case their observations proved to be correct. For example there were three school checks totaling \$192. to an individual to purchase shirts, the purchase order was marked "Faculty", however, not one of the employees remembered being served a shirts dinner at the school or at a school function. There were \$847. worth of flowers and plants purchased with school checks during this school year and the personnel did not receive or remember any plants being used at the school other than mums during the fall. It is obvious by observation of the school grounds that these items were not received by the school. There were over \$450. of items bought from Ace Hardware, Sears, Stragner Feed Mill and Circle T Fertilizer for seed, gates, wire, lumber, mower blades and belts (the school does not have a workable mower) that the janitors and other personnel said had not been used at the school. At Christmas this year, over \$250. of school funds were spent on cheese trays, cakes and Christmas lights, however, personnel of the school could not recall any of these items being at the school.

2. We extended our procedures to include examining all transactions for cash receipts and disbursements for the 1997/1998 school year. We examined all cash receipts, traced them to deposit tickets, to the bank statement and to the school activity ledger. We found that concession and other sources of funds were not receipted or deposited daily. Receipts did not always total to a deposit, deposit slips were changed, personal checks were included with concession deposits and a second, unnumbered receipt book was maintained, but not balanced with deposits slips. In applying our procedures and through interviews with personnel we discovered the following specific cash receipt discrepancies that occurred during the current school year:

- a. Troil Book orders with accompanying money are turned in to the office and a check is written to Troil from the school account, we could not find a receipt of deposit for 8 Troil book orders totaling \$242.
- b. We obtained a list from each teacher of the money turned in to the office for workbooks and supplies for the year and compared it to the amount deposited and receipted. The amount deposited was short \$158. In comparison to the amount reported from the teachers records. There was \$2750. collected by the teachers from students for workbooks and supplies for this school year, however, the school did not pay for, nor does it owe for, any workbooks as of the present time. Supplies amounting to \$608. was purchased by the teachers and reimbursed out of this money.
- c. In the Spring of this school year, the principal asked the faculty to have a fund raiser to pay a workbook bill amounting to \$1300.00. A candy sale fund raiser was held and was very successful. All money was turned in to the teacher in charge was properly receipted and accounted for, except for \$90. that was turned in to the Principal by a teacher. The day after this \$90. was given to the Principal, the two teachers were discussing the money and the teacher in charge of the fund raiser stated that she did not receive the money. When they questioned the Principal he replied that he could not remember what he did with the money and could not locate it. This money was not deposited as of the last day of our field work, May 25, 1998.

3. We extended our examination of concession operations to cover the years beginning July 1991 through the current school year. We discovered the same pattern of concession leases and practice of paying concession purchases on a delinquent basis. We calculated the amount of revenues that concession operators should have generated in these years based on purchases and a 25% gross profit. The difference in the amount calculated and the amount deposited over these years amounts to approximately \$41,000. During this time it should be noted that the Principal was using fund raiser profits, profits from school pictures, and requisitioning the Arnie Property tax money to pay concession purchases. In the school year 1994/95, the school faculty and community, jointly, sponsored a Karate tournament fund raiser. The fund raiser was very successful and the school cleared approximately \$4000. The net proceeds from this fund raiser was to be used for much needed classroom maintenance, however, the money was used to cover concession purchases. After our last examination in December 1998 and upon our recommendation, the school changed its cokes machine operations to "full service" by McCains Coca-Cola Bottling Co. With a "full service" contract, Coca-Cola takes full

change of the drink machines, collecting all money and filling with drinks, consequently, they send the school a "commission check". The school continued allowing Coke to service their drink machines until June 1997, when the principal ended this contract and the school returned to servicing the drink machines. For the school year 1997-1998 the school made 3 deposits from its drink machines, one in January, April, and May 1998. We also noted that after our last examination, they were making daily and semi-weekly deposits, however by the beginning of the following year they were back to depositing weekly.

4. In May 1997, Linda Gray Photography took graduation pictures on a "proof" basis, which means the children pay the photographer and she sends a commission to the school. When the school secretary did not receive the check she called the photography studio and Ms. Gray told her that the check had been mailed, however, the check was not received by the secretary or deposited in the school account. We examined all deposit tickets for May and June 1997 and did not find evidence that this check was deposited. We contacted Ms. Gray and asked if the commission check written to Wesley Ray Elementary School in May 1997 had cleared her bank. She replied that it had and sent us a copy of the front and back of the check. The check was made payable to Wesley Ray School for \$178.50, dated May 23, 1997. The endorsement on the back of the check was hand written, Wesley Ray Elementary School and below it Charles Wayne Penton. The bank validation on the back of the check documented that it was cashed at Hancock Bank by Wayne Penton. We reexamined the deposit slips that were dated after the check was cashed. There were no deposits identified as commission from Linda Gray Photography or cash in the amount of the check.
5. We also examined disbursements made on behalf of Wesley Ray Elementary School from the Angle Property Tax Allocation. We discovered an invoice for \$188 dated 4/97 for a lawn mower, which the janitors told us was not received by the school. Also, an invoice was paid to McMillan's Nursery, dated June 6, 1997 for plants which were not received by school personnel. In March 1998, a \$3000 disbursement was made to Brennan Wholesale, Inc. for concession purchases. In May 1997, the principal requested a concession bill to be paid out of these funds but was turned down by School Board office personnel, consequently, he submitted other "qualifying" expenses that had been paid by the school activity fund for reimbursement and used those funds to pay the Brennan bill.
6. We examined a group of invoices for April 1997 charged to the Wesley Ray Elementary School account at Western Auto in Angle, LA. This account is paid out of the school's maintenance and repair allocation at the School Board office. These invoices totaled \$300 and were for a trimmer, water container, dead bolt lock, gas can, paint supplies, gate, vinyls, etc. None of these items were at the school when we were performing our examination. The janitors were questioned as to whether they had received any of these items and their reply was no. As a result of this finding, we examined the repair and maintenance account for the period July 1996 through May 1998 for Wesley Ray Elementary School maintained at the school board office. We found additional items purchased with school board funds that were not used by the school totaling \$548.

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charge of the drink machines, collecting all money and filing with drinks, consequently, they send the school a 'commission check'. The school continued allowing Coke to service their drink machines until June 1987, when the principal ended this contract and the school returned to servicing the drink machines. For the school year 1987/1988 the school made 3 deposits from its drink machines, one in January, April, and May 1988. We also noted that after our last examination, they were making daily and semi-weekly deposits, however by the beginning of the following year they were back to depositing weekly.

4. We also examined disbursements made on behalf of Wesley Ray Elementary School from the Angle Property Tax Allocation. We discovered an invoice for \$158. dated 4/97 for a lawnmower, which the Janitors told us was not received by the school. Also, an invoice was paid to McMillan's Nursery, dated June 5, 1987 for plants which were not received by school personnel. In March 1988, a \$3000. disbursement was made to Brennan Wholesale, Inc. for concession purchases. In May 1987, the principal requested a concession bill to be paid out of these funds but was turned down by School Board office personnel, consequently, he submitted other "qualifying" expenses that had been paid by the school activity fund for reimbursement and used those funds to pay the Brennan bill.
5. We examined a group of invoices for April 1987 charged to the Wesley Ray Elementary School account at Western Auto in Angle, LA. This account is paid out of the school's maintenance and repair allocation at the School Board office. These invoices totaled \$308. and were for a trimmer, water container, dead bolt lock, gas can, paint supplies, gals, chains, etc., none of these items were at the school when we were performing our examination. The Janitors were questioned as to whether they had received any of these items and their reply was no. As a result of this finding, we examined the repair and maintenance account for the period July 1986 through May 1988 for Wesley Ray Elementary School maintained at the school board office. We found additional items purchased with school board funds that were not used by the school totaling \$840.

Our examination revealed that there was a serious lack of internal control procedures at Wesley Ray Elementary School. The Principal is responsible for purchasing, writes checks, signs checks, works the concession, takes the money home without counting or receipting. He and Terrence Polk are the only staff with a key to the concession machines. These duties are normally assigned to other school staff and are separated as much as possible.

The following are violations of Washington Parish School Board Policies found at Wesley Ray Elementary School:

1. Deposits are not made daily.
2. Concession sales are not receipted daily.
3. Checks are written without requisition and purchase orders obtained prior to purchase - purchase orders and requisitions are issued at the time the bank statement is reconciled.
4. Numerous checks are written without a proper invoice to document the expenditure.
5. Items purchased with school funds, not at school.
6. Checks written to principal for travel.

7. Personal checks were cashed out of concession funds.
8. Payment with school funds for gifts, funerals, etc. without the use of a courtesy fund.
9. Invoices are held and not paid for in excess of 90 days without being reported to the school board.
10. Transfers of money from fund raisers and school pictures to cover concession losses.
11. Invoices are not defaced (i.e. marked paid), dated and check number listed.
12. Checks are written without filing in the stubs. Secretary obtains information from bank statement.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Yours truly,



Duane and Alonzo
Certified Public Accountants

May 25, 1988