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HIGH PROFILE AUDIT
(With Special Report Distribution)
Report of Auditor General - 1997

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MERRYVILLE HIGH SCHOOL
School Activity Funds
Merryville, Louisiana

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 03 1997

GLEEN O. EVERHART
CERTIFIED PUBLIC ACCOUNTANT
104 W. SECOND ST. - SUITE 1
DERIDDER, LA 70634

(318) 462-1001



MERRYVILLE HIGH SCHOOL
School Activity Funds
Merryvile, Louisiana

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Gleen O. Everhart

Certified Public Accountant
104 West Second Street
DeRidder, Louisiana 70634

Telephone: (318) 462-1001

Toll Free: 1-800-453-4336

Fax: (318) 462-0120

INDEPENDENT AUDITORS' REPORT

Board Members
Beauregard Parish School Board
DeRidder, Louisiana

I have audited the statements of assets, statement of revenues, expenditures, and changes in fund balance and the statement of changes in restricted accounts of the Merryville High School, School Activity Funds, as of and for the year ended June 30, 1997 as listed in the table of contents. These statements are the responsibility of Merryville High School management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and fund balances of the Merryville High School, School Activity Funds as of June 30, 1997, and the revenues they received and expenditures they incurred for the year then ended, on the basis of accounting described in Note 1.

My audit was made for the purpose of forming an opinion on the Merryville High School, School Activity Funds financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analyses and are not a required part of the School activity Funds financial statements of Merryville High School. Such information has been subject to the auditing procedures applied in the audit of the School activity fund Financial statements, and, in my opinion, is fairly presented, in all material respects, in relation to the School Activity fund financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 4, 1997, on my consideration of Meryville High School, School Activity Funds internal control structure and a report dated August 4, 1997, on their compliance with laws and regulations.

Galen O. Everhart

August 4, 1997

MERRYVILLE HIGH SCHOOL
 School Activity Fund
 Beauregard Parish School Board
 DeRidder, Louisiana

STATEMENT OF ASSETS AND FUND BALANCE
 June 30, 1997

	Operating Account	Restricted Accounts
ASSETS		
Cash	\$ 0.00	\$ 9,538.22
Total Assets	\$ 0.00	\$ 9,538.22
FUND BALANCES		
Restricted	\$ 0.00	\$ 9,538.22
Total Fund Balance	\$ 0.00	\$ 9,538.22

The accompanying notes are an integral part of these statements.

MERRYVILLE HIGH SCHOOL
 School Activity Fund
 Beauregard Parish School Board
 DeRidder, Louisiana

GENERAL AND RESTRICTED ACCOUNTS

Statement of Revenues, Expenditures, and Changes in Account Balance - Cash Basis
 For the Year Ended June 30, 1997

	<u>Operating Account</u>	<u>Restricted Accounts</u>
REVENUES		
Athletics	\$	\$ 76,953.32
General Fund	365.32	
Office Supplies Expense	430.88	
Driver's Education Fees	5,550.00	
School Pictures	7,387.23	
Teacher \$100 Monies	4,800.00	
NOW Interest	916.22	
School Insurance	354.00	
Lost Texts	247.43	
Driver's Ed	2,850.00	
Miscellaneous	39.00	
Library Fund	1,343.01	
Operation - Maintenance	6,864.52	
Activity Bus	325.51	
QSM Grant	951.80	
School Restitution	1,917.42	
Club and Class Accounts		90,237.37
Total Revenue	\$ 34,342.34	\$ 167,190.69
EXPENDITURES		
Athletics	\$	\$ 100,376.96
General Fund	1315.89	
Admin. Dues & Fees	770.00	
Postage Expense	972.00	
Office Supplies Expense	3,674.07	
Telephone Expense	4,603.18	
Admin. Travel Expense	857.34	
Driver's Ed. Fees	1,950.00	
School Pictures	4,071.25	
Teacher \$100 Monies	4,800.00	
School Insurance	354.00	
Lost Texts	172.18	
Driver's Ed.	5,550.00	
Miscellaneous	60.00	
Library Fund	975.73	

Continued

School Restitution	700.00	
Club and Class Accounts		<u>87,709.37</u>
Expenditures before losses	42,052.41	188,086.33
Loss	<u>9,853.89</u>	
TOTAL EXPENDITURES AND LOSSES	<u>51,906.30</u>	<u>188,086.33</u>
EXCESS EXPENDITURES OVER REVENUES	(17,563.96)	(20,895.64)
BALANCE AT BEGINNING OF YEAR	<u>6,010.06</u>	<u>41,987.76</u>
BALANCE AT END OF YEAR	<u>\$ (11,553.90)</u>	<u>\$ 21,092.12</u>

The accompanying notes are an integral part of these statements.

MERRYVILLE HIGH SCHOOL
 School Activity Fund
 Beauregard Parish School Board
 DeRidder, Louisiana

Statement of Changes In Restricted Account Balances - Cash Basis
 For the Year Ended 30, 1997

ACTIVITY	Beginning Balance	Additions	Deductions	Ending Balance
Athletics	\$ 9,104.85	\$ 76,953.32	\$ 100,376.96	\$ (14,318.79)
J.E. Windham Scholars	10,331.84	362.54	0.00	10,694.38
Class and School Clubs:				
Freshmen Class	0.00	285.00	0.00	285.00
Sophomore Class	656.00	390.00	400.00	646.00
Junior Class	1,774.05	1,189.07	2,902.83	60.29
Senior Class	635.14	2,108.45	1,914.47	829.12
Jr. High Beta Club	0.00	476.00	369.00	107.00
FFA	553.32	5,073.98	5,308.13	319.17
Beta Club	1,302.95	1,038.85	1,031.02	1,310.78
4-H Club Elem.	178.67	329.00	339.98	167.69
4-H Club Jr. Hi.	195.96	34.65	56.36	174.25
4-H Club Hi. School	139.81	58.50	70.37	127.94
FBLA	1.00	383.00	379.37	4.63
Science Club	447.40	0.00	300.00	147.40
FHA	509.56	1,890.00	2,222.13	177.43
Peer Leaders Club	700.52	1,056.62	1,193.81	563.23
Student Council	0.00	2,344.25	1,977.71	366.54
Speech-Drama Club	5.00	219.00	114.53	109.47
Jr./Sr. Rings & Inv.	0.00	0.00	0.00	0.00
Band Boosters	553.03	2,643.87	1,848.56	1,348.34
Band Flag Cor.	0.00	352.00	188.02	163.98
Annual/YRBK Fund	5,818.73	15,120.51	13,997.17	6,942.07
PTO	3,898.27	6,053.10	5,425.87	4,525.50
Jr. Hi. Cheerleaders	1,575.14	6,384.49	6,681.99	1,277.64
Hi. School Cheerleaders	209.36	7,608.01	6,167.84	1,649.53
Cafeteria Project	0.00	5,796.63	4,901.82	894.81
Staff Fund	1,759.33	9,036.06	12,175.19	(1,379.80)
Panther Booster club	420.05	4,321.68	3,278.34	1,463.39
Student Incentive	73.32	2,239.30	2,064.02	248.60
Rodeo Club	224.75	0.00	0.00	224.75
MHS Coronation Comm.	274.25	1,624.00	1,882.18	16.07
Foreign Lang. Club	219.20	1,703.86	1,645.35	277.81
Band Dept. Fund	399.26	27.50	147.00	279.76
Crusaders	27.00	121.00	33.78	114.22

Science Dept. Fees	0.00	250.00	132.00	118.00
Art Fees	0.00	540.00	589.11	(49.11)
Eng. Dept. Fees	0.00	416.00	140.09	275.91
Eng. Dept. Fees Josh	0.00	363.65	323.00	40.65
Home E. Dept. Fees	0.00	498.00	631.52	(133.52)
P. E. Uniform Fees	0.00	1,109.00	1,109.00	0.00
Special Ed. Funds	0.00	49.00	44.83	4.17
Academia Trip Fees	0.00	0.00	0.00	0.00
Jr. Hi. Science Fee	0.00	0.00	0.00	0.00
Science Dept. Fees	0.00	445.00	334.35	110.65
Room Fees	0.00	5,108.15	4,332.10	776.05
Business Lab Fees	0.00	347.75	289.92	57.83
JROTC	0.00	154.90	100.00	54.90
Kindergarten Trips	0.00	47.00	37.72	9.28
Field Trip - Eighth Grade	0.00	563.00	558.49	4.51
Math Counts	0.00	75.00	70.40	4.60
Totals	\$ 41,987.76	\$ 167,190.69	\$ 188,086.33	\$ 21,092.12

The accompanying notes are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies

Organization

Merryville High School is a part of the Beauregard Parish School Board.

Basis of Accounting

The records of the School Activity Funds are maintained on the cash basis of accounting and the accompanying statements have been prepared on that basis. The cash basis differs from generally accepted accounting principles primarily because revenues are recorded when received rather than when earned and expenditures are recorded when paid rather than when the obligation is incurred.

Cash equivalents

All liquid assets with a maturity of three months or less are cash equivalents.

Note 2 - Commitments and Contingencies

The Student Activity Fund was committed to vendor's in the approximate amount of \$29, 557.15 at June 30, 1997. Also, the student Activity Funds are insolvent, in the equity sense. Recovery depends on the desires of the Beauregard Parish School Board

Note 3 - Subsequent events

On July 6, 1997, a total of \$25,909.27 in unrecorded funds were located in the bookkeeper's office and subsequently deposited in the bank.

Note 4 - In accordance with FASB Statement 105, the School Activity Funds maintain one bank account. The funds are secured by \$100,000 in FDIC Insurance. The total balance does not exceed \$100,000.

Note 5 - Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Gleen O. Everhart

Certified Public Accountant
104 West Second Street
DeRidder, Louisiana 70634

Telephone: (318)462 -1001

Toll Free: 1-800-453-4336

Fax: (318) 462-0120

Independent Auditor's Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Beauregard Parish School Board
DeRidder, Louisiana

I have audited the statements of assets, revenues, expenditures, and changes in fund balance and the statement of changes of changes in restricted accounts of Merryville High School, School Activity Funds as of and for the year ended June 30, 1997, and have issued my report thereon dated August 4, 1997.

I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Merryville High School is responsible for establishing and maintaining an internal controls structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of Merryville High School, School Activity Funds for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal structure, I obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operations, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted a matter involving the internal control structure and its operations that I considered to be a material weakness as defined above.

Finding:	Improper segregation of duties
Cause:	Merryville High School has a limited number of personnel, therefore, the duties cannot be segregated as required by sound internal control standards.
Effect:	Errors have been occurring and were not detected on a timely basis. <i>See my report on audit findings.</i>
Management's response:	Internal is now and will continuing to be strengthened.

This report is intended for the information of the Board Members and Management. However, this report is a matter of public record, and its distribution is not limited.

Gleen O. Everhart

August 4, 1997

Gleen O. Everhart

Certified Public Accountant
104 West Second Street
DeRidder , Louisiana 70663

Telephone: (318) 462-1001

Toll Free: 1-800-453-4336

Fax: (318) 462-0120

Independent Auditor's Report on Compliance Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Beauregard Parish School Board
DeRidder, Louisiana

I have audited the statements of assets, revenue, expenditures, and changes in fund balance and the statement of changes in restricted accounts of the Merryville High School, School Activity Funds, as of and for the year ended June 30, 1997, and have issued my report thereon dated August 4, 1997.

I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller general of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Merryville High School, School Activity Funds, is the responsibility of Merryville High School management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Merryville High School, School Activity Funds compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. See my report on audit findings.

This report is intended for the information of the Board Members and Management. However, this report is a matter of public record and its distribution is not limited.

Galen O. Everhart

August 4, 1997

SPECIAL REPORT ON
Merryville High School Activity Funds
For the Year Ended June 30, 1997

BACKGROUND: In February, 1997 Mr. Joe Armetta, Jr., Beauregard Parish School Board Director of Finance, and I discussed the reportable condition that was listed in my June 30, 1996 audit report pertaining to the School Activities Funds. At that time, he said that the Central Office would perform certain functions that were designed to correct the reportable condition and ask if I would accept his recommendations. I told him that he could not completely eliminate the condition, however, I would accept his recommendations based on the theory that Internal Controls were as strong as I could reasonably expect them to be.

Consequently, in April of this year, Mr. Armetta made a surprise visit to Merryville High School to review the School's Activity Funds and found that no deposits had been made since March 1997.

I understand the explanation for no deposits was:

- 1) A deposit had just been placed in the night depository;
- 2) However, there were no deposits placed in the night depository; and,
- 3) The money that should have been deposited, really was in the school safe; however, when it was pointed out that no deposit was made the excuse was that the money had been given to the bookkeeper's daughter on Friday, to be deposited, but she forgot to make the deposit. On Monday, the money was found under the seat of the daughter's car and deposited.

I was asked to look into the problem and to extend my audit procedures if I found it necessary in the circumstance.

DISCUSSION: Mr. Armetta and I visited the school in Mid-June and the bookkeeper resigned effective June 30, 1997. Prior to her leaving, however, she made a number of adjustments to the accounts. Records show that the adjustments were made at 7:28 AM on July 1, 1997. The purpose of the adjustments is not known,

however, checks in the amount of \$2,999.75 were voided and I subsequently discovered that she had made deposits of \$5,500.47. Again she gave no explanation for her actions.

Before I can begin an audit, I have to assess Audit and Control Risk. If I find internal controls are strong, I can assess control risk at the minimum and rely on those controls to detect errors and omissions on a timely basis. A strong system of internal controls also reduces audit risk. However, there were no controls, so I was forced to assess audit and control risk at maximum and conduct a 100% test of the bank statements, deposits, disbursements, paid invoices, purchase orders, receipts, and computer reports that were furnished.

I picked up the bank statements for the period of July 1996 through April 1997 and began a reconciliation of the statements in order to answer the following questions:

- 1] What was the reconciled bank balance at June 30, 1997;
- 2] What was the balance of unpaid invoices at June 30, 1997; and,
- 3] Were there sufficient funds available at June 30, 1997 to pay the amounts owed.

My findings and comments follow:

Finding: The Student Activity Funds accounting records shows a credit balance in the cash account in the amount of \$1,156.16 at June 30, 1997.

Auditor's Comments: This credit balance exists, in part because:

- 1] The General Fund expenditures exceeded revenues by \$1,700.01 and the Athletic Fund Expenditures exceeded revenues by \$14,318.79.
- 2] Someone failed to monitor the spending during the year.

- 3) Spending requests were made and approved without a sound Purchase Order System being used and the bookkeeper had complete autonomy (also considered later) in the operations of the bookkeeping affairs.

The purpose of a budget is to preclude over spending. Therefore, someone must review the budget and if revenues are short of expectations and/or expenditures exceed the revenue received, amend the budget as necessary. In my opinion, a periodic review would have manifest this problem before it got out of hand.

Finding:

The Merryville High School Student Activity Funds were insolvent, in the equity sense, on June 30 1997.

Auditor's Comment:

Merryville High School Student Activity Funds were unable to meet their current obligations. Vendors were calling to request payment of their invoices; some vendors visited the office requesting payment of their invoices; and some have engaged Collection Agencies to collect on their invoices and the School may be placed on the pay before delivery method by some vendors.

Finding:

Budget integrity was not maintained, overall and at the line item level.

Auditor's Comments:

Overall expenditure and losses exceeded receipts by \$38,459.60. Within the General Fund spending exceeded receipts by \$11,953.90 and in the Athletics Fund spending exceeded receipts by \$14,318.79. The problems in the Activity Funds existed at the line item level. The staff fund was over spent by \$1,379.80; the Art Fees over spent by \$49.11; Home Ec Dept overspent by \$133.52; and, the room fees accounts overspent by \$93.05.

This could have been avoided with good internal control procedures.

Finding: The School Athletics Department failed to keep the bookkeeper informed of that department's future obligations.

Auditor's Comments: I discovered that the Athletics Department placed orders in January and February of one fiscal year year to be paid on September 1, of the next fiscal year. I understand that this is necessary if they plan to field a football team in the Fall, however, I do not understand why the amount of these outstanding invoices is not known at June 30 of each year. Of course someone knows, however, it was not the bookkeeper at June 30, 1997.

I found a total of \$18,369.76 in "Fall Billings" were outstanding at June 30, 1996 and these came due September 1, 1997. Note: The School Activity Funds are on the Cash Basis of Accounting, therefore, we do not search for unrecorded liabilities at the year end. However, these invoices should be given special treatment, i.e., placed in a specific location so they will be taken into consideration at the beginning of the year when spending plans are made. The department did use purchase orders.

Not all of these "Fall Billings" were paid on September 1, 1996 as required because some were paid in July 1997. Also, no one calculated the invoice amount because a purchase order for Athlete Corner shows the total amount ordered as \$5,443.25 and the actual amount was \$5,353.25. Without a second review of these purchase orders and invoices, there could be a number of over charges and/or overpayments. However, with the condition of the accounting records as they were during FYE '97, I have no way of knowing without a 100% review and re-calculation of all invoices. This is not feasible because all invoices are not available. So we must rely on the internal controls and there were none.

A total of \$11,693.24 "Fall Billings" were outstanding at June 30, 1997 and are payable on September 1, 1997.

Finding:

The Merryville Student Activity Fund did not know the status of its unpaid invoices at June 30, 1997.

Auditor's Comments:

Not all invoices for the year could be located at June 30, 1997. Those that were found did not indicate their status, i.e., "paid" or "unpaid" so there were *a lot of estimates and assumptions that had to be made.*

In June a representative from NEFF, Co., visited the school and requested payment of their invoices. At that time, the Principle had the bookkeeper to write check and pay invoices of approximately \$27,000.00. This should have cleared up the problem. However, it did not because on July 12, 1997 the Principle wrote an additional \$16,122.36 in checks to pay FY96-97 invoices

Invoices kept showing up subsequent to July 12, 1997 and vendors kept calling and writing letters in an attempt to collect their past due accounts. Some stated that they had already turned Merryville High School over to a collection agency and I made calls to three of those vendors to explain the problem and to say that they would be paid.

As of August 5, 1997, I can determined from reviewing invoices And returned confirmation requests that at June 30, 1997 the balance in unpaid invoices was approximately \$29,557.15 including fall billings..

Of the \$16,122.36 paid on July 12, 1997, just over \$1,200.00 was returned saying that the invoice had previously been paid. With the records in this state, I could not establish an actual amount outstanding at June 30, 1997, therefore, I began to do a 100% confirmation of all vendor accounts. This is not fool proof because there was no vendor list at June 30, 1997. Consequently, I can only presume that I had a complete invoice file to work from.

On July 20, 1997, I sent out 38 letters to the various vendors and at August 5, 1997 a total of 26 had been returned. This 26 breaks down as:

8 for a total owed of	\$1,939.54
1 with a credit balance of	(197.99)
17 with no balance owed	_____
Confirmed balance to date	<u>\$1,741.55</u>

On July 31, 1997 another 32 requests was prepared and sent. However, any attempt to arrive at a balance for outstanding invoices at June 30, 1997 will have to consider fall billings.

While I did estimate the balance at June 30, 1997 as \$38,000.00, I did it by working with the invoices that were given to me and purported to represent "outstanding invoices" at June 30, 1997. I have said all along that balance would more than likely be less when all of the confirmations were returned and I have totaled them up. Still I have to have a starting point, that is it and I shall stand by it until I see proof otherwise. If the internal control system had been working, it would not have been necessary for me to send out 70 confirmations and spend \$44.80 in postage in doing so.

Finding:

The status of liquid assets at June 30, 1997.

Auditor's Comments:

See Exhibit A for details.

Finding:

The July bank statement shows a total of \$58,823.04 during the month. Of that a total of \$25,909.27 was found in the bookkeeper's office and deposited in the City Savings Bank during the period July 8 - 25, 1997.

This problem would have manifested itself if someone other than the bookkeeper had been reconciling and/or reviewing the monthly bank statement, canceled checks, and bank reconciliation. Again, no controls were in place.

Finding:

The expenditures recorded in the accounting records does not agree with the checks written during July 1, 1996 and June 30, 1997.

Auditor's Comments:

The accounting records show that \$230,138.74 in checks were written during the period July 1, 1996 and June 30, 1996 while the bank canceled checks show an amount of \$229,129.74 was written during this period. This is a difference of \$1,009.00. This is not a material amount to me as an auditor.

Finding:

Of the 993 checks written during the period July 1, 1996 and June 31, 1997 I was unable to find 13 checks.

Auditor's Comments:

They were #18, 20, 21-23, 33, 65, 128, 275 -276, 344, 549, and 905. These checks are presumed to have been mutilated and not used. However, one check that had previously been presumed mutilated cleared the bank. We are reminded that the bookkeeper had too much control over the Activity Fund Office.

Finding:

A substantial amount of currency was observed in the bookkeeper's office.

Auditor's Comments:

To the average person this would not appear to be a major problem, however, when you consider it was a common occurrence, it takes on an element of major concern. During the period May 1 and June 30, 1997 a total of \$47,228.82 was deposited at City Savings Bank. That represents 25% of the total deposits for the year. When that \$47,228.82 is added to the \$31,409.74 that was found subsequent to July 8, 1997, we find that as much

as \$72,638.56 could have been laying around the bookkeeper's office for the taking. Disregard whether it was taken or not, the fact is that every one had unlimited access to the bookkeeper's office and that gave them (person/persons unknown) the opportunity to tank money. The fact that the opportunity was there alarms me and I am of the opinion that a person or persons, yet to be identified, did misappropriate funds.

The office of the bookkeeper should be designated a "limited access" area and entrance limited only to those who have a valid need to be there.

Finding: The accounting program can be accessed by more than one person from more that one location.

Auditor's Comments: *This may or may not prove to be a problem before this is all cleared up.*

Finding: At June 30, 1997, the School Activity Fund had a balance \$19,392.11 including a balance of \$10,694.38 in LAMP. When the June 30, 1997 bank statement was reconciled the bank balance was (\$1,156.16). The negative bank balance means that \$9,853.89 was unaccounted for. $(19,392.11 + 1,156.16 - 10,694.38)$.

Auditor's Comments: After this amount was recorded in the accounting records the balance of the Merryville High School Activity Funds was \$9,538.22 at the close of the year, June 30, 1997. Therefore the Merryville High School Financial Statements show a loss of \$9,853.89 for the year.

Finding: The terms of the Windham Scholar's Fund has been breached.

Auditor's Comments:

Merryville High School was given \$10,000.00 to provide scholarships to their students. The \$1,156.16 overdraft means that some of the \$10,000.00 Was spent for purposes other than providing scholarships.

Finding:

The School Activities Bookkeeper breached her fiduciary duty to the School Board.

Auditor's Cements:

The bookkeeper had a duty to the board. That duty called for her to be diligent when performing her duties. She was not.

Finding:

The bookkeeper refused assistance when it was offered.

Auditor's:

In talking with the bookkeeper from DeRidder High School, I learned that she had offered to visit Merryville High School and assist the new bookkeeper in understanding the computer software being used by the School Activities Funds. The MHS Bookkeeper refused the offer, stating that she had a good understanding of the software, therefore, she needed no help.

CORRECTIVE ACTION:

Subsequent to June 30, 1997 the following corrective action has been taken.

- 1] The School Secretary in now receiving the mail and making distribution it to the popper addressee.
- 2] New vendor files have been created.
- 3] A new filing system has been established.
- 4] Purchase orders are being used for all purchases.
- 5] Access to the bookkeeper's office has been restricted and in locked when the office is vacant.

- 6] Principle is now reviewing bank statements.
- 7] Principle or Assistant Principle are now authorizing voided checks.
- 8] Invoices are now canceled when they are paid.
- 9] All disbursements are now approved by the Principle or the Assistant Principle before a check is signed.

In my opinion, these corrections are noteworthy. More controls will be introduced as we continue to work on this problem.

CONCLUSIONS: In the beginning, everyone felt that this problem was caused by inept bookkeeper. Someone that did not have the very basic skills to perform the job. However, as I worked through the situation I begin to form an opinion much different to what appeared to be the original consensus.

I begin to see what I feel is a pattern of possible infidelity within the system. I do not have a crystal ball so I cannot give a blow by blow description of what did take place, I can rely on my experience which tells me that the accounting records did not get in the condition I found them to be in, because some incompetent individual did not know how to turn on the computer. This was planned in order to cover-up:

- 1] Someone's own actions, i.e., misappropriation of funds, etc., or;
- 2] To cover someone else; or,

- 3] To aid and abet in a misappropriation of funds. This could have been intentional or unintentional.

Money was recorded in the accounting records and not deposited. The Activity Fund should have had a positive balance of \$8,697.73 at June 30, 1997, excluding their LAMP balance. Instead it had a negative balance of \$1,156.16 which tells me that a minimum of \$9,853.89 was misappropriated during the year. Because the Activity Fund is on the cash basis of accounting, even more could be missing.

STATUS OF FUNDS MHS 6/30/97

Clubs should have:	\$24,716.53
Lamp (endowment should have):	<u>10,880.13</u>
 Total	 <u>\$35,596.66</u>
 Total amount of money in the MSH Accounts	 <u>\$ 9,835.22</u>
Shortage in these accounts	\$25,761.44
Total required to zero the General & Athletics Funds	25,872.69
Outstanding Invoices at 6/30/97 - approx***	<u>29,557.15</u>
 Sub- Total	 81,191.28
Less: Deposits made subsequent to 6/30/97	(27,413.30)*
	<u>(25,909.27)**</u>
Still required	<u>\$27,868.71</u>

* Deposit from School Board

** Deposit of amounts found subsequent to 6/30/97

*** Subject to change as confirmations requests are received from vendors

Deposits made subsequent to 6/30/97:

<u>Source of Funds</u>	<u>Date</u>	<u>Amount Deposited</u>
Deposits in transit	7/1	\$ 5,500.47
Found in Bookkeeper's Office	7/8	6,588.72
" "	7/10	11,566.82
" "	7/11	12.00
" "	7/14	3,882.73
Loan from School Board	7/17	27,413.30
Found in Bookkeeper's Office	7/24	3,588.00
Vending machines	7/25	<u>271.00</u>
 Total deposits at 7/28/97		 <u>\$58,823.04</u>

**Schedule of Deposits Listed on Monthly Revenue Deposit
That are Not Listed on The Monthly Bank Statements**

<u>Month</u>	<u>Amount</u>
November	\$ 801.00
	1,260.13
December	820.18
	836.66
	35.50
January	383.10
	114.00
	543.00
	202.60
April	224.50
	553.57
June	92.40
	<u>260.00</u>
	<u>\$6,126.64</u>

**Schedule of Deposits Listed on Bank Statement
That are Not Listed on The Monthly Reveue Deposit Report**

<u>Month</u>	<u>Amount</u>
December	\$ 1,272.13
May	2,093.50
	553.57
	123.87
June	881.40
	<u>2,211.34</u>
	<u>\$ 7,135.81</u>