

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Calcasieu Parish School Board
S. J. Welsh Middle School
Lake Charles, Louisiana

October 22, 2003



Investigative Audit

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Daryl G. Purpera, CPA, CFE

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October 22, 2003

MR. GREGORY P. ROBERT
BOARD PRESIDENT AND MEMBERS
OF THE CALCASIEU PARISH SCHOOL BOARD
Lake Charles, Louisiana

Transmitted herewith is our investigative report of the Calcasieu Parish School Board, S. J. Welsh Middle School. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to the Calcasieu Parish School Board; the Honorable Robert Bryant, District Attorney for the Fourteenth Judicial District of Louisiana; and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

DD:DGP:dl

[CALSB03]

Executive Summary

Investigative Audit Report Calcasieu Parish School Board S. J. Welsh Middle School

Background *(See page 3.)*

A 15-member board governs the Calcasieu Parish School System with each member serving a concurrent four-year term. It is the responsibility of the School Board to make public education available to the residents of Calcasieu Parish, including instructional personnel, instructional facilities, administrative support, business services, operation and maintenance and bus transportation. The School Board is authorized to establish public schools, as it deems necessary to provide adequate school facilities for the children of the parish, to determine the number of teachers to be employed, and to determine the local supplement to their salaries.

The Internal Audit Department for the parish School Board determined cash was missing from the S. J. Welsh Middle School. The School Board requested that the Legislative Auditor's Office conduct an investigation into the loss at S. J. Welsh Middle School.

Finding *(See page 5.)*

S. J. Welsh Middle School records indicate that \$49,385 was collected in student registration and other fees and \$500 was used as starting cash during student registration but only \$45,343 was recorded in the accounting records and deposited into the bank; \$4,542 is missing. Though School Board policy generally mandates procedures for the cash collection process, these procedures are not sufficient enough to ensure that all funds collected are properly recorded and deposited. Board policy does hold the school principal fully accountable and personally liable for any shortages, deficits, or mismanagement of any funds.

Five school secretaries stated they gave all cash collections to the school bookkeeper, Ms. Monica LeBlanc. However, cash reports supporting the total cash collected are missing and no record of cash transfers between school secretaries and Ms. LeBlanc was prepared. In addition, the school principal, Mr. Marion Sarver:

- (1) did not require Ms. LeBlanc to reconcile cash collected to computer-generated and handwritten receipts;
- (2) did not perform an independent verification of cash collected to cash deposited to ensure that Ms. LeBlanc was depositing all cash collected;

- (3) improperly allowed Ms. LeBlanc to collect cash from the registration stations without documenting the amount collected from the station workers; and
- (4) did not require Ms. LeBlanc to make bank deposits on a daily basis in accordance with School Board policy.

Recommendations (See page 9.)

The School Board should establish specific written procedures for the cash collection process and develop methodologies to ensure that these procedures are followed including:

- (1) separation of duties of collection, recordation, and access to cash;
- (2) reconcile cash and checks collected to amounts recorded in the school books and amounts deposited into school accounts on a daily basis; and
- (3) maintain a record of transfers of cash between employees.

In addition, the School Board should enforce its policy of making daily deposits and seek legal advice in consideration of civil recovery of amounts not deposited.

Management's Response (See Attachment I.)

The Calcasieu Parish School Board concurs with the findings outlined in your report of S. J. Welsh Middle School.

Separation of duties concerning collection, recording, and access to cash will be instituted to the extent possible with the number of employees available. Cash and checks are being reconciled to deposits and to the amounts recorded in the school's books. A record is being maintained of all monies between employees.

Background and Methodology

A 15-member board governs the Calcasieu Parish School System with each member serving a concurrent four-year term. It is the responsibility of the School Board to make public education available to the residents of Calcasieu Parish, including instructional personnel, instructional facilities, administrative support, business services, operation and maintenance and bus transportation. The School Board provides a full range of public education services to grade levels ranging from pre-kindergarten through grade twelve. These include regular and enriched academic education, special education for handicapped children as well as vocational education.

The School Board is authorized to establish public schools, as it deems necessary to provide adequate school facilities for the children of the parish, to determine the number of teachers to be employed, and to determine the local supplement to their salaries. School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Internal Audit Department for the School Board determined cash was missing from the S. J. Welsh Middle School. The School Board requested that the Legislative Auditor's Office conduct an investigation into the loss at S. J. Welsh Middle School.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the School Board; (2) interviewing other persons as appropriate; (3) examining the work performed by the School Board's internal auditor and other selected school records; (4) performing analytical tests; and (5) reviewing applicable state laws and regulations.

Finding

S. J. Welsh Middle School records indicate that \$49,385 was collected in student registration and other fees and \$500 was used as starting cash during student registration but only \$45,343 was recorded in the accounting records and deposited into the bank; \$4,542 is missing. Though School Board policy generally mandates procedures for the cash collection process, these procedures are not sufficient enough to ensure that all funds collected are properly recorded and deposited. Board policy does hold the school principal fully accountable and personally liable for any shortages, deficits, or mismanagement of any funds.

Five school secretaries stated they gave all cash collections to the school bookkeeper, Ms. Monica LeBlanc. However, cash reports supporting the total cash collected are missing and no record of cash transfers between school secretaries and Ms. LeBlanc was prepared. In addition, the school principal, Mr. Marion Sarver:

- (1) did not require Ms. LeBlanc to reconcile cash collected to computer-generated and handwritten receipts;
- (2) did not perform an independent verification of cash collected to cash deposited to ensure that Ms. LeBlanc was depositing all cash collected;
- (3) improperly allowed Ms. LeBlanc to collect cash from the registration stations without documenting the amount collected from the station workers; and
- (4) did not require Ms. LeBlanc to make bank deposits on a daily basis in accordance with School Board policy.

SCHOOL REGISTRATION PROCEDURES AND POLICY

Before school year registration 2002-2003, the school's procedures were to have a secretary or administrator collect yearbook, T-shirt, and registration fees and provide the student or parent with a handwritten receipt specifying the amount and type of fees collected. A copy of the receipt was maintained at the school. The fees were then given to the bookkeeper, Ms. LeBlanc, during and at the end of each day.

During school year registration 2002-2003, the school's procedures changed from handwritten receipts to computer-generated receipts. In addition, the registration system tracked student enrollment and printed a cash report summarizing, from receipt information, the amount of fees collected for yearbooks, T-shirts, and registration.

The school set aside three days, July 29, 30, and 31 for registering for the school year 2002-2003. Three registration stations were set up in the main school office. An amount of \$500 was used as starting cash during the collection process. Two office secretaries staffed each registration station; one collected the fees and the other entered the registration and fee information into a computer and printed receipts. The information entered into the registration system was separate from the accounting system used by Ms. LeBlanc. The cash was collected

by Ms. LeBlanc during and at the end of each day, and the cash reports (according to the secretaries) were printed at the end of each day and given to Ms. LeBlanc.

School Board policy and procedures require certain duties of the school bookkeeper. Ms. LeBlanc was required by policy to deposit school funds daily; no cash was to be left overnight in the school safe. The school’s procedures recognize Ms. LeBlanc as the person responsible for reconciling the cash collected with receipts recorded. Procedures also required Ms. LeBlanc to prepare a deposit slip for the cash, deposit the money into the bank, and enter the deposit information into the accounting system identifying the amount of each fee included in the deposit (i.e., yearbooks, T-shirts, registration). According to Ms. LeBlanc, she was solely responsible for making bank deposits and recording all fees in the school’s accounting system.

DISCOVERY OF MISSING CASH

On August 22, 2002, Ms. LeBlanc reported to Mr. Sarver that cash was missing from the school safe. Upon notification of the missing funds, Mr. Charles Duhon, internal auditor for the School Board, began an audit of the school's financial records for the period June 1, 2001, through August 31, 2002. Mr. Duhon's audit resulted in identifying \$4,771.29 in missing school funds. The missing funds were from student registration and other fees collected during the audit period as follows:

Yearbook fees for school year 2001-2002	\$608.00
Summer school tuition for 2002	328.29
Yearbook fees for school year 2002-2003	3,100.00
Registration fees for school year 2002-2003	235.00
Starting cash for 2002-2003 registration	<u>500.00</u>
 Total	 <u><u>\$4,771.29</u></u>

According to Mr. Duhon and School Board Superintendent Jude W. Theriot, of the \$4,771.29 in missing funds, \$1,105.00 was discovered stolen from the school safe on August 22, 2002. A Calcasieu Parish sheriff's deputy completed and filed a report on the alleged theft. According to the audit, the remaining \$3,666.29 was collected by school employees and not deposited into the school's bank account.

Mr. Duhon and Mr. Theriot further stated that after being notified of the audit results, a sheriff's deputy interviewed and polygraph tested school office staff, administrators, and custodians relevant to the investigation. Ms. LeBlanc quit employment with the school soon after the audit began and according to the sheriff’s deputy, refused all requests for interviews with the sheriff during the initial investigation. On February 5, 2003, the School Board, through a letter from Mr. Theriot, requested that the legislative auditor conduct an investigation into the loss of school funds. Ms. LeBlanc did meet on two occasions with the legislative auditors.

FAILURE TO ACCOUNT FOR AND DEPOSIT CASH

According to the internal auditors, Ms. LeBlanc's bank deposit tickets and accounting records reflect \$4,542 less cash than the registration receipts (handwritten and computer-generated) and starting cash.¹ In addition, during their audit, the internal auditors located all financial records associated with the 2002-2003 registration except the cash reports supposedly given to Ms. LeBlanc detailing total fees collected.

Adequate controls involving the collecting and accounting for cash should be established at the school level to ensure that all funds collected are properly recorded and deposited. Ms. LeBlanc stated to the legislative auditors that there were no controls in place to accurately track cash collected, and therefore she had no way of verifying the amount collected; she only deposited the cash given to her by the secretaries. Ms. LeBlanc also stated that she was not given the cash reports and took the word of the secretaries as to how much cash was collected. Ms. LeBlanc further stated that she was not in favor of the school accepting only cash for payment of registration fees.

According to the five secretaries, at the end of each registration day July 29 through 31, 2003, they gave Ms. LeBlanc all cash receipts and a cash report detailing the amount of fees collected by each registration station employee. Three secretaries also confirmed that after the three-day registration period, cash collected through August 31, 2002, along with the cash reports detailing the amounts collected were given to Ms. LeBlanc on the day the fees were collected. In addition, in direct conflict with her statement, Principal Sarver and Assistant Principal Sandra Dewitt stated that it was Ms. LeBlanc's recommendation to accept only cash as payment for registration fees.

FAILURE TO DOCUMENT CASH TRANSFERS BETWEEN EMPLOYEES

According to the secretaries, during registration Ms. LeBlanc would stop by each station, collect some of the cash, and bring it to her office without giving them a receipt for the amount of cash being taken. According to two secretaries, during registration they stated their concern to Ms. LeBlanc. Ms. LeBlanc replied to them not to worry that the cash would balance out at the end of the day. In addition, the secretaries stated that at no time did Ms. LeBlanc inform them of missing cash.

FAILURE TO MAKE TIMELY BANK DEPOSITS

School Board policy required that deposits be made on a daily basis. Two secretaries confirmed that cash was kept in the school safe overnight. One secretary stated that Ms. LeBlanc admitted to not making daily bank deposits.

¹ The internal audit original finding of \$4,771.29 was subsequently reduced based on new information.

**SCHOOL'S CASH ACCOUNTING RECORDS
ARE INCONSISTENT**

After the issuance of the internal audit report, additional information became available to Mr. Duhon. According to Mr. Duhon, the receipt books used for registration purposes recorded that during the school year 2001-2002 yearbook receipts totaled \$14,410. Ms. LeBlanc's accounting for yearbook receipts and bank deposits totaled \$13,796, a difference of \$614.

Receipt books used during summer school 2002 recorded tuition receipts totaling \$24,115. Ms. LeBlanc's accounting for tuition receipts and bank deposits totaled \$23,787, a difference of \$328.

The registration system used during school year 2002-2003 recorded \$10,860 for yearbook receipts. Ms. LeBlanc's accounting for yearbook receipts and bank deposits totaled \$7,760, a difference of \$3,100.

In addition, Ms. LeBlanc did not account for or deposit the \$500 in starting cash used during the 2002-2003 three-day registration period.

On September 13, 2002, Ms. LeBlanc resigned her position as school bookkeeper.

This information has been provided to the District Attorney for the Fourteenth Judicial District of Louisiana.

Recommendations

The School Board should establish specific written procedures for the cash collection process and develop methodologies to ensure that these procedures are followed including:

- (1) separation of duties of collection, recordation, and access to cash;
- (2) reconcile cash and checks collected to amounts recorded in the school books and amounts deposited into school accounts on a daily basis; and
- (3) maintain a record of transfers of cash between employees.

In addition, the School Board should enforce its policy of making daily deposits and seek legal advice in consideration of civil recovery of amounts not deposited.

Attachment I

Management's Response



October 15, 2003

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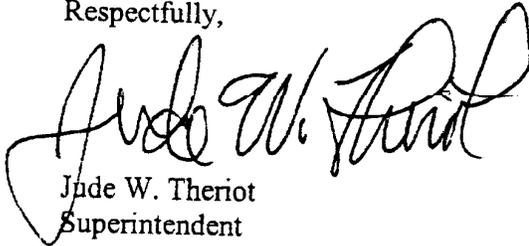
Re: S. J. Welsh Middle School

Dear Mr. Austin:

Calcasieu Parish School Board concurs with the findings outlined in your report of S. J. Welsh Middle School.

Separation of duties concerning collection, recording, and access to cash will be instituted to the extent possible with the number of employees available. Cash and checks are being reconciled to deposits and to the amounts recorded in the school's books. A record is being maintained of the transfer of all monies between employees.

Respectfully,



Jude W. Theriot
Superintendent

JWT:mtc