



# *Davis School District*

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**REPORT ON FINANCIAL REVIEW  
OF SELECTED ACCOUNTS  
LAYTON HIGH SCHOOL**

**AUDIT REPORT NO. DSD-10-07**



# Davis School District

*Fostering Educational Excellence*

Dr. W. Bryan Bowles, Superintendent

Audit Report No. DSD-10-07

January 7, 2010

SUBJECT: Financial Review of Selected Accounts  
Layton High School

TO: Dr. Rulon A. Homer, High School Director  
Davis School District  
45 East State Street P.O. Box 588  
Farmington, Utah 84025

## **1. Purpose and Scope of Review**

a. As a result of significant deficiencies disclosed during our audit of Community Education (Report No. DID-10-02) at Layton High School (LHS), we expanded our review to perform additional analyses of receipts and deposits of selected accounts.

This review was considered necessary since the Community Education audit disclosed that many checks made out to the school were improperly cashed and the related funds were not deposited. Also, cash recorded on receipts was not always deposited. These significant and reportable deficiencies necessitated further reviews to determine if similar conditions existed in transactions related to other accounts.

b. The purpose of our review was to determine if adequate procedures and controls were established over transactions applicable to various accounts. We reviewed practices and procedures used to (i) identify and record transactions to appropriate accounts, (ii) record, control, and issue receipts, or tickets, (iii) record and properly identify funds received by account, (iv) deposit funds within the regulatory time frame requirements, and (iv) assure that budgetary reports contained accurate data.

**2. Results of Review.** Our review disclosed numerous procedural weaknesses in the

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methods used to record, deposit, and report funds received. These procedural deficiencies were significant, unacceptable, and provided little assurance that all funds received were properly recorded, controlled, and deposited. The deficiencies disclosed by our review are discussed below along recommendations for corrective action.

a. **Cash on Hand**. Our cash counts disclosed significant amounts of cash on hand that were accumulated through various unacceptable methods. These funds were stored in a safe and a cabinet by the Head Secretary's desk.

(1) On August 4, 2009, cash in the vault was counted under the Community Education audit and cash totaling \$2,356 was on hand, but not on accountable records. Of this amount, \$952 dollars consisting of 100, 50s, 20s, and some small bills were stored in the Head Secretary's cabinet. The explanation for these funds was that they belonged to the Community Education Program and were from registration fees. It was not possible to determine the length of time these funds had been on hand, but the last education classes at the time of the audit were concluded at the end of April 2009. If the funds were generated solely from these classes, they had been on hand at least 96 days, but they could have been accumulated over many months and even past years. We believe these funds were obtained from unacceptable practices of not depositing cash registration fees and retaining funds received from cashing checks for registration fees as discussed in the audit report. The auditor recommended that all cash on hand be deposited and in the auditors presence the \$952 was recorded in the accounting system.

(2) On October 20, 2009, another cash count was performed under the current

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audit to determine if corrective action was taken in accordance with our prior recommendations. The audit disclosed \$1,400 in cash, and \$15 in envelopes labeled as belonging to two organizations. Operating personnel stated that \$800 of the \$1,400 was allegedly for the football change fund. There was no explanation for the other \$600. None of the cash was shown on the accounting system as required by DSD procedures under the cash register computerized system which establishes accountability and control. Specifically, Paragraph 3.2.5 (b) of DSD Policy 6F-101 states "Change kept at the school shall be reported as cash on hand on the computer 'location registers' screen." Furthermore, Paragraph 3.2.4 of the cited policy states "All monies received shall be receipted via the computer cash register at the time the funds pass from patron control to school control and be deposited in the bank at the end of each business day." It is evident that the LHS principal did not ensure compliance with District policies. Since the significant amount of cash on hand was not shown on accountable records there was no evidential matter to show how the cash was obtained or its intended use. The fact that the cash was on hand clearly demonstrates that the funds received were not deposited to the correct account resulting in falsification of records and misappropriation of funds.

(3) An unauthorized Petty Cash fund was disclosed during the audit. At the time of the audit, the fund contained \$110 in cash and \$18.41 in receipts which were dated in February, March, and August 2009. Due to the lack of accountability we were unable to determine how the initial cash for the fund was obtained or how the fund was replenished. Operating personnel stated that the Head Secretary had told staff

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members not to disclose the fund to District personnel. Maintaining this fund was in violation of District policy. Paragraph 3.2.3 (a) of 6F-101 clearly states "All disbursements for purchases and employee reimbursements shall be made by check through the District Accounts Payable Office and documented by an invoice or sales slip which has been authorized by the appropriate supervisor."

(4) Stamps totaling \$628.32 were found in the vault and \$26.40 in stamps were in a counter drawer for a total of \$654.72. These stamps were not controlled on any type of formal or informal records. Operation personnel stated that the stamps would be used if the postage machine went down and they were also sold to school personnel or anyone else that had a need. This is an unsatisfactory condition since the stamps were not controlled on any type of accountable record which allowed stamps to be lost or misappropriated without detection. Also, the lack of accountability over the selling of stamps provided no control over funds received and generated unnecessary administrative and accounting functions.

● **Recommendations.** We recommend that:

(1) Appropriate action be taken to (i) strengthen internal controls over revenue received, (ii) ensure that all funds received are properly recorded in the computerized cash register system, (iii) deposit funds within established time frames and to the proper account, and (iv) comply with all accounting requirements contained in 6F-101.

(2) The need to retain stamps on hand be reviewed with the intend of discontinuing the practice. If the need to retain the stamps is justified, then adequate controls be established over the stamps for accountability purposes. Also, the practice

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of selling stamps be discontinued.

b. **Building Rental**. Significant deficiencies exist over building revenue which resulted in a complete lack of control over rental funds received. DSD Policy 6F-102, Building Rental, provides specific procedures to be followed when renting school facilities. This policy provides detailed guidance in authorizing the use of school facilities, rental fees to be charged, and accounting procedures to be followed. It specifically states that the District's 50-percent portion of the rental proceeds shall be remitted at the end of the month. The audit disclosed a complete lack of control over rental proceeds and that policies cited in 6F-102 were circumvented in a deliberate attempt to preclude the District from receiving its share of the revenue. The following deficiencies were disclosed during the audit.

(1) During Fiscal Years (FYs) 2005 through September 18, 2009, rental fees including related personnel costs totaled \$53,693. This rental revenue was improperly recorded in Account 4033, Custodial Supplies, rather than the established Account 4003, Building Rental Proceeds. By recording revenue in custodial supplies it offset expenses, hid revenue from the District, and precluded the District from receiving its 50-percent share of the \$53,693 in revenue or \$26,846. Furthermore, the District should have received 100 percent of the personnel costs of the building supervisor, custodial crew, and etc. since their effort is paid by DSD through the Payroll System. Since personnel costs were not submitted to the District it incurred additional expenses while LHS benefitted by the additional labor revenue. To determine the adverse effect of this condition, we attempted to review personnel costs for the above period. However,

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records were only available to identify personnel costs for FYs 2009 and 2010 at September 18. Personnel costs for this period totaled \$6,060. It is evident that the principal did not ensure compliance with the building rental instructions which states "All personnel proceeds collected shall be remitted to the District."

(2) Two instances were noted where rental checks were recorded in the cash register system as a cash sale under custodial supplies, and custodial costs totaling \$590 were refunded. Refunded cash was given to the custodian. Providing the custodian with such funds is a violation of District and IRS regulatory requirements. Also, obtaining cash in this matter is not authorized and another violation of District policy.

(3) Six invoices were either not billed or payment had not been received and no follow-up action was taken to obtain payment even though two of the invoices were over a year old. To determine the correct status of these invoices follow-up action was taken on all six invoices by school personnel. Their results disclosed that two of the invoices totaling \$510 (\$220 and \$290) had been paid by check based upon support and information provided by the payees. Since payee records demonstrate payment and school records show no payment it can only be assumed that their checks were cashed and funds retained, or recorded to the wrong name. This condition illustrates another violation and a significant reportable weakness in internal control.

● **Recommendations.** We recommend that:

(1) Procedures and controls be established to comply with all procedure and control requirements contained in DSD Policy 6F-102, Building Rental.

(2) Controls be established to ensure that all rental revenue and personnel costs are properly deposited to Account 4003, Building Rental Proceeds, and proper follow-up action is taken on unpaid billing invoices.

(3) Appropriate controls be established to preclude the cashing of rental checks and diversion of funds.

**c. Graduation.** Internal controls established over ticket sales generated from the 40<sup>th</sup> Annual Graduation were inadequate to ensure that all funds received were deposited.

(1) Graduating students received two free tickets for the graduation. If more tickets were needed, they could be purchased for \$4 each at the school. Tickets could also be purchased on the day of graduation (June 4, 2009) at the Weber State University, Dee Events Center. Most students purchased additional tickets at school and all of the proceeds were properly deposited into the Graduation Account 4011.

(2) Ticket sales at the Dee Events Center were estimated at \$4,000, but no cash was deposited. The person assigned the overall responsibility of controlling and selling tickets estimated the ticket sales (\$4,000) at the Center and stated that they had six cash boxes and six individuals assigned. (Tickets were not numbered, a deficiency in internal control, precluding an analysis of tickets sold with cash received.) The individual further stated that although cash was collected it was not counted by her as she had other commitments. The uncounted funds were provided to the Head Secretary. These funds were not deposited on June 5, 8, or several days later as cash payments were mainly small and from students. A prior discussion with the school

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principal, as included in Audit Report No. DSD-10-02, disclosed that the funds were not deposited, but used for awards to secretaries and others. There were no formal or informal records to show how the funds were distributed or if they were provided as awards. The lack of control over funds received is an unacceptable practice and a violation of District policy. Lost funds negate the purpose for which they were intended.

● **Recommendation.** We recommend that graduation tickets be ordered in numerical sequence and controls be established to ensure that funds from ticket sales are properly deposited within the established time frame.

**d. Football and Basketball Ticket Sales.** Tighter controls need to be established over ticket sales from athletic events. Paragraph 3.2.4 (b) of District Policy 6F-101 states "Gate receipts or funds collected during activities where a computer cash register is not available shall be sold using numbered tickets. Ticket numbers shall be recorded in a manner which allows reconciliation of the total ticket issued by price category to the total event receipts." Although this policy requirement has been in effect for many years it was not effectively implemented at LHS.

(1) Prior to August 21, 2009, tickets generally were not used to validate sales to football and basketball games. Starting with the August 2009 football season, the principal instructed school employees to use tickets for the games. Tickets were in fact used for all fall games and we reviewed the financial results. Even though small differences existed from the reconciliation of tickets sold with cash received, controls were sufficient for accountability purposes.

(2) Review of game receipts for FYs 2008 and 2009 disclosed that the ticket policy

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was not enforced negating basic controls over funds received. Since tickets generally were not used ticket information on the form "Event Ticket Sales Report" was calculated from gate receipts, providing little or no financial control. Many of the boys basketball games had gate receipts totaling around \$550, which would equate to about 70 students (@ \$3.00) and 66 adults (@ \$5.00). This number appears low. However, there is no evidential data to show that this number and the numbers on similar games are invalid. The girls basketball game on December 10, 2008, had gate receipts of \$550 which was posted to girls basketball. This is a clerical error as there is no charge for girls basketball and the revenue belongs to boys basketball. This error resulted in understating revenue in the boys basketball account.

(3) Review of gate receipts disclosed a significant shortage in deposits for the basketball game held on February 8, 2008. Although the Event Ticket Sales Report showed that ticket sales totaled \$1,035, only \$135 was deposited. An explanation for the difference in funds could not be obtained. Also, funds totaling \$428 from the February 17, 2009, basketball game were not deposited until March 3, a delay of 14 days. This delay resulted in another noncompliance issue with District policy.

● **Recommendations.** We recommend that:

(1) Procedures and controls be strengthened to ensure that numbered tickets are used and gate receipts are deposited in accordance with District Policy 6F-101.

(2) Controls be established to investigate and resolve shortages whenever they occur between funds received and funds deposited. The results of such reviews be formally reviewed and approved by the principal.

e. **Drill Team.** The principal approved an unacceptable payment practice for the Drill Team Advisor. During the period May to December 2008, the 14 drill team members each paid the Advisor \$30 per month, and the District also paid the Advisor a stipend for her services. District's payments preclude the Advisor from collecting fees from team members as a fee can be collected only for specified items in the fee schedule contained in 6F-101. When team members became aware that the Advisor received a stipend from the District they discontinued their payments. Since this practice has been resolved no further audit effort is required.

● **Recommendation.** We recommend that controls be established to preclude similar type payments in the future.

f. **Russian Club.** The school principal established a fictitious club called the "Russian Club" (Account 4639). This club does not exist and was established, in the auditor's opinion, for the sole purpose of having a slush fund. At the time of audit, the Russian Club had a balance of \$28,063. On April 15, 2009, funds totaling \$32,741 were transferred from the Young Ambassador Club (Account 4500) to the Russian Club and on this same date \$5,870 was transferred from Gymnastics (Account 4501) to the Russian Club resulting in a total of \$38,611. This total was reduced by \$2,000 on April 17 for "change for the vault" and by \$8,548 for other expenses resulting in the balance of \$28,063. To determine the source of funds in the Ambassador Club an analysis was performed. This review disclosed that on April 3, 2003, funds totaling \$32,741 were transferred from the TSA Club (Account 4646) to the Ambassador Club. Therefore, funds in the Ambassador Club account had no transactions from time of

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inception to time of transfer, or during the past six years. The lack of transactions reveals a questionable need for the funds, but clearly shows that the club account was used as a concealed slush fund. Source of funds for both the TSA and Ambassador accounts remains unresolved, but the funds had to be obtained through improper means. Fund balance in the Russian club should be transferred to the General School Fund (Account 4012) and the club account closed. In summary, the Russian Club was a slush fund and its purpose was to hide money from the District in order that the funds could be used in any manner determined by the principal. Establishing and maintaining a slush fund is an unacceptable practice and a serious violation of regulatory requirements.

● **Recommendation.** We recommend that the Russian Club account be closed and the funds transferred to the General School Funds Account 4012.

g. **School Principal.** Based upon the above conditions it is apparent that the principal did not take appropriate action to ensure required financial procedures and internal controls complied with the requirements contained in the District's policy 6F-101. Specific areas where noncompliance existed are identified in the above paragraphs. Therefore, we believe that the principal did not assume the managerial responsibilities required by the position.

#### 4. **Concluding Remarks**

a. Results of our review and related areas requiring corrective action were discussed with the school principal and his representative Mr. Joel Briscoe, Executive Director, Davis Education Association, during two separate meetings. District

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management also attended these meetings. Subsequent to the last meeting the principal requested a recap of the deficiencies, which were provided. He submitted comments on the conditions (Attachment 1) to which we included additional audit comments (Attachment 2).

b. We will be pleased to provide accounting counsel and any additional service which may be required in connection with this report and implementation of corrective actions. Requests for assistance should be directed to the Director of Internal Audit by email or phone (801) 402-5290.

c. We would appreciate any comments and suggestions you may have for improving our services and/or support.

Internal Audit



Larry J. Faddis, CIA, CFE, and CGFM  
Director

Attachment a/s

Copy furnished:

Bryan Bowles  
Reese Roberts  
Lynn Sessions  
Paul Waite  
Becky Williams  
Paul C. Smith  
Audit Committee

Areas of Layton High School Audit Concern:

1. EXCESS CASH IN THE VAULT

Several weeks ago I asked the head secretary to deposit all excess cash. Keep only the acceptable minimum amount.

A few days later I asked if this had been done. She said that the only Cash on hand was cash for the pending football game.

Excess cash is an easy fix, we just do not have it.

Stamps are used for postal items that cannot be metered. Also there Are times when the meter does not work or the subscription has expired.

2. Building Rental

There is only one rental that has not been billed, and that is the most Recent. This was a rental to AYSO around the first of September. It Has since been billed and paid.

All other rentals of the audit period had been billed; some had not been Received at the time of the audit, but are now paid with the exception Of one.

While it may be policy to remit 50% of the building rental fees to the District, we have not been reminded nor asked to submit building rental Money in several years. We are reminded by phone call or email to Submit drivers ed fees, athletic fees, text book money, and other fees If we neglect to remit them to the district.

Building rental money gets depleted rapidly in maintaining the auditorium Equipment making it suitable to rent. For example we are currently Babying a dimmer switch that regulates the stage lighting that has been Estimated at \$20,000.00 to replace. We paid to have new carpet Installed. We purchased the materials to recover and repair all of the Auditorium seats. Maintaining the auditorium is a huge syphon of money Beyond what district maintenance can provide.

As far as payment being paid in cash for rental supervision, I have no Knowledge.

3. Football and Basketball tickets:

Utilizing tickets at the gates for football and basketball games has been Directed. Tickets have always been used in football. It is not uncommon For Davis County Schools to use hand Stamps only, for Basketball. Drill team competitions should also be Included. If this is a Serious concern we should all be brought together To standardize the Process as we were brought together, principals Secretaries, and athletic Directors to standardize purchasing and Bidding procedures. I would like the opportunity to address the inconsistencies with gate receipts that were noted for one basketball game.

4. Drill Team:

The drill team coach is a para-professional with experience and Specialized skills. Arrangements for her payment were made with the Area Director and payroll. She was to be paid as a teacher aide up to the Amount comparable to a teacher's productivity pay that they would receive For working their prep period- approximately -\$6,000.00. This rate would be About \$8.00 per hour. She would conduct the class from 6:AM to 9:AM. She would also receive the drill team stipend of \$1500.00. A certified staff Teacher in this position would receive at least 30% more in benefits And increase the schools teacher count.

She negotiated totally separately with the parents as a separate arrangement For additional Dance instruction, that would be held in the afternoon daily From 3:pm To 5:pm. The parents of the team members agreed to pay \$30.00 per month for Lessons, choreography, assistant coach , music, And other expenses. The assistant was paid by Tammy Poe.

5. \$65.00 for a student's \$20.00 transportation fee? However office policy Is that no cash back over \$5.00 is allowed to be given on any check made Out to Layton High School. We need to obtain a copy of the check from The parent to track this down.

6. The Russian Club:

This is money that has been accumulated as a special reserve general Account. It was formally carried under Ambassador. I openly Pointed out this account to Lynn Sessions when we were changing from Negative accounts to pre-loading accounts. With the increased demands On our building finances--- software licensing fees, text books, and Technology, are being stretched like they have never been before.

Just recently we submitted to the District over \$25,000.00 to the remodel Project and the pre-engineering program. This reserve will be necessarily be Utilize in this current financial climate.

7. Graduation Tickets:

Concern is that money taken in at the door at graduation was not Deposited. This possibly could have been deposited in grade twelve Or graduation party account. Further audit checking should be done. The auditor mentioned that secretary Lara Egan estimated on site sales To be \$4000.00. Were the staff managing the separate cash boxes asked About amounts contained in their boxes or was the head secretary asked for Information on amounts or deposit?

Paul Smith  
Layton High School

## Mr. Paul Smith's Response

Comments provided by Mr. Smith are shown below followed by additional audit comments

### Mr. Smith's Comments

#### 1. EXCESS CASH IN THE VAULT

Several weeks ago I asked the head secretary to deposit all excess cash. Keep only the acceptable minimum amount.

A few days later I asked if this had been done. She said that the only Cash on hand was cash for the pending football game.

Excess cash is an easy fix, we just do not have it.

Stamps are used for postal items that cannot be metered. Also there Are times when the meter does not work or the subscription has expired.

### Additional Audit Comments

On August 4, 2009, cash in the vault was counted under another audit assignment number and cash totaling \$2,356 was reported as not on accountable records. On October 20, 2009, another cash count was performed disclosing \$600 in cash, \$800 in cash (allegedly for football cash box), and \$15 in envelopes identified to organizations. None of these funds were shown on the cash register control as required by DSD procedures. Therefore, this cash was not on accountable records and does not support the above statements. Mr. Smith has the responsibility for assuring that corrective action was taken including verification.

Mr. Smith did not comment on the unauthorized Petty Cash Fund containing \$110 in cash and receipts totaling \$18.41 which were dated in February, March, and August 2009. Petty Cash Funds are not authorized by DSD procedures.

Stamps totaling \$654.72 were not on accountable records. Operating personnel stated the stamps were used when the postage machine went down and were sold to employees. The unsatisfactory condition concerning stamps was that they were not on any type of accountable records and stamps sold to employees generated unnecessary administrative and accounting functions.

### Mr. Smith's Comments

#### 2. Building Rental

There is only one rental that has not been billed, and that is the most recent. This was a rental to AYSO around the first of September. It has since been billed and paid.

All other rentals of the audit period had been billed; some were not received at the time of the audit, but are now paid with the exception of one.

### Additional Audit Comment

The auditor noted that six building rentals had not been billed and instructed the Building Manager, Rod Southam, to bill for the rentals. Two of the rentals were subsequently found to have been paid, but the checks had been cashed, and the funds were not deposited into the rental account. The auditor could not account for the missing funds. The four unpaid rentals were only paid as a result of the audit identifying that the rentals had not been billed. Mr. Smith should have had controls in effect to assure that all rentals had been billed and paid. Since Mr. Smith did not have access to the accounting records while on leave, it generates the questions as to how was he able to obtain information on rentals payments?

### Mr. Smith's Comments

#### Building Rental Con't

While it may be policy to remit 50% of the building rental fees to the District, we have not been reminded nor asked to submit building rental Money in several years. We are reminded by phone call or email to submit drivers ed fees, athletic fees, text book money, and other fees If we neglect to remit them to the district.

Building rental money gets depleted rapidly in maintaining the auditorium equipment making it suitable to rent. For example we are currently babying a dimmer switch that regulates the stage lighting that has been estimated at \$20,000.00 to replace. We paid to have new carpet installed. We purchased the materials to recover and repair all of the auditorium seats. Maintaining the auditorium is a huge syphon of money beyond what district maintenance can provide.

As far as payment being paid in cash for rental supervision, I have no knowledge.

### Additional Audit Comments

The District issued policy "6F-102 Building Rental" which covers all aspects of billing rates and related funds to be submitted to the District. Each principal should have the knowledge of all District policies and procedures and each principal has the responsibility to assure that established policies and procedures are being followed at the school. The District should not have to advise the school if it fails to submit the required rental amounts, but if advised, it is evident that the principal is not performing required managerial responsibilities.

### Mr. Smith's Comments

#### 3. Football and Basketball tickets:

Utilizing tickets at the gates for football and basketball games has been directed. Tickets have always been used in football. It is not uncommon For Davis County Schools to use hand Stamps only, for Basketball. Drill team competitions should also be Included. If this is a serious concern we should all be brought together to standardize the process as we were brought together,

principals secretaries, and athletic directors to standardize purchasing and Bidding procedures. I would like the opportunity to address the inconsistencies with gate receipts that were noted for one basketball game.

#### Additional Audit Comments

Mr. Smith's statement that tickets have always been used for football games is an incorrect statement. Event sales covering the October 10, 24, and 31, 2008 football games show that no tickets were used. Tickets for football games began being used with the August 2009 games. While some playoff games under the direction of the Utah High School Activities Association used tickets prior to this date, the school was provided tickets and accounted to the Association for the funds received.

Tickets are to be used whenever a computer cash register system is not available. This District requirement is stated in Paragraph 3.2.4 of District Policy 6F-101, School Fees, Fee Waivers and Provisions in Lieu of Fee Waivers. It specifically states "Gate receipts or funds collected during activities...shall be sold using tickets. Ticket numbers shall be recorded in a manner which allows reconciliation of the total tickets issued by price category to the total event receipts. Upon conclusion of such activities, the ticket to receipts reconciliation shall be completed, a computer cash register receipt created and the receipts deposited in the bank on that day..." The District policy properly implements internal controls over gate receipts and Mr. Smith apparently was unfamiliar with the policy requirements, or if he had questions they should have been resolved with the High School Director.

#### Mr. Smith's Comments

##### 4. Drill Team:

The drill team coach is a para-professional with experience and specialize skills. Arrangements for her payment were made with the Area Director and payroll. She was to be paid as a teacher aide up to the amount comparable to a teacher's productivity pay that they would receive for working their prep period-approximately -\$6,000.00. This rate would be about \$8.00 per hour. She would conduct the class from 6:AM to 9:AM. She would also receive the drill team stipend of \$1500.00. A certified staff Teacher in this position would receive at least 30% more in benefits and increase the schools teacher count.

She negotiated totally separately with the parents as a separate arrangement for additional Dance instruction, that would be held in the afternoon daily from 3:pm To 5:pm. The parents of the team members agreed to pay \$30.00 per month for lessons, choreography, assistant coach, music, and other expenses. The assistant was paid by Tammy Poe.

#### Additional Audit Comments

Most of the information for the above comments was provided orally to Mr. Smith by

the auditor during the November 8 meeting. However, several errors exist in Mr. Smith's comments. For example, morning training sessions were conducted from 6:00 to 8:00 a.m., not 9:00 a.m. The two drill team members interviewed stated that when they became aware that Ms. Poe was receiving payment from the school they stopped paying her in December 2008. Ms. Poe never mentioned to them that the payments had to continue.

Ms. Poe stated that her computer had crashed in March 2009 and she had no records to support any transactions.

Payments to Ms. Poe constitute a fee which is not authorized by District Policy 6F-101, Section 2.3.1. This section specifically states "No fee may be charged or assessed in connection with any class or school-sponsored or supported activity, including extracurricular activities, unless the fee has been set and approved by the Board Of Education and distributed in an approved fee schedule." Furthermore, Ms. Poe stated that the fee arrangement resulted from a discussion with Mr. Smith. No other school personnel were involved in the final decision. Based upon the above criteria, Mr. Smith did not have the authority to authorize her to have team members pay for her services.

#### Mr. Smith's Comments

##### 5. Transportation Fee

A fee of \$65.00 for a student's \$20.00 transportation fee? However office policy is that no cash back over \$5.00 is allowed to be given on any check made out to Layton High School. We need to obtain a copy of the check from the parent to track this down.

#### Additional Audit Comments

Audit disclosed many instances where checks were made out to the school with a partial amount applied to an account with the remaining amount received in cash. For example, two instances were reported where rental checks were recorded in the computerized Cash System, but an amount totaling \$590 in cash was returned and given to the custodians for their services. (Such transactions are a violation of District policy.) The many instances disclosed in the audit of Community Education also support the fact that checks were not deposited, but cashed and funds retained.

The cited comments provided by Mr. Smith are invalid based upon the audit results.

#### Mr. Smith's Comments

##### 6. The Russian Club

This is money that has been accumulated as a special reserve general account. It was formally carried under Ambassador. I openly pointed out this account to Lynn Sessions when we were changing from negative accounts to pre-loading accounts. With the increased demands on our building finances--- software licensing fees, text books, and technology, are being stretched like they have never been before.

Just recently we submitted to the District over \$25,000.00 to the remodel project and the pre-engineering program. This reserve will be necessarily be utilize in this current financial climate.

Additional Audit Comments

The funds were recorded in the Young Ambassador Club during 2003. No transactions were involved in this account from 2003 until April 2009 when the Russian Club was established. The question which Mr. Smith must answer is where did the funds come from initially? Since \$32,741 is a significant amount of money it had to be generated from some source. This question remains unanswered and requires an explanation from Mr. Smith. Furthermore, why did Mr. Smith use the name "Russian Club" since the school has no such club? It is also questionable if a Young Ambassador Club existed? It is evident that the account was used to hide money from the District. Mr. Smith concurred with this statement during the November 8 meeting when this question was posed by the Director of Human Resources.

Mr. Smith's Comments

7. Graduation Tickets:

Concern is that money taken in at the door at graduation was not deposited. This possibly could have been deposited in grade twelve or graduation party account. Further audit checking should be done. The auditor mentioned that Secretary Lara Egan estimated on site sales to be \$4000.00. Were the staff managing the separate cash boxes asked about amounts contained in their boxes, or was the head secretary asked for information on amounts or deposit?

Additional Audit Comments

No significant cash sales were deposited on June 5 or 8 as cash payments were mainly from students. Therefore, no funds could have been deposited in the graduation party account or any other account. (Funds must be deposited daily per policy or the next working day.) Mr. Smith has the managerial responsibility to assure that cash is properly deposited and he should show which account, if any, the funds were recorded and deposited. A prior discussion with Mr. Smith as included in Audit Report No. DSD-10-02, disclosed that the funds were not deposited, but used for awards to secretaries and others. Improperly accounting for funds received is unacceptable, a violation of District policy, and diverts funds from the purpose for which they were intended.

Internal Audit



Larry J. Faddis  
Director