

FRAUD INVESTIGATION REPORT

Investigation Summary

Bethel School District's Accounting & Purchasing Director notified our Office regarding two potential losses of public funds as required by state law.

Spanaway Lake High School

The District investigated and determined a misappropriation of at least \$8,350 occurred between September 1, 2017, and October 31, 2018, at Spanaway Lake High School, stemming from game ticket, concession, and student stores sales that were not deposited. Because of factors described below, it is difficult to determine the exact amount of the loss.

The District could not determine responsibility for the misappropriation because Ticket Sellers and Club Advisors were not completing fundraiser reconciliations, and supporting documentation was not kept as required by District policies. Further, the Associated Student Body (ASB) Clerk was not providing reports or receipts when activities occurred. The ASB Clerk responsible for overseeing ASB cash receipting resigned from her position at the end of the District's investigation.

Bethel High School

The District investigated a second issue and determined a loss of \$1,945 occurred between August 31, 2018, and September 5, 2018, at Bethel High School. This loss involved gate receipts for a stadium game.

Background and Investigation Results

The District, located in Pierce County, operates on an annual budget of about \$260 million, including \$1.8 million in the Associated Student Body (ASB) fund. The ASB Clerks at Spanaway Lake High School and Bethel High School are responsible for ensuring all payments are deposited and fundraiser paperwork is submitted for all ASB fundraisers. Club Advisors and Ticket Sellers are responsible for reconciling revenues, expenditures, and sales for their fundraisers and events. The ASB Clerks report to the building Principal, and the District office monitors the ASB Clerks' activities.

Spanaway Lake High School

The District's investigation focused on cash receipting of gate fees, fundraisers, concessions, and student store sales.

ASB fundraisers

The District compared ASB fundraiser revenues from the prior year to the current year and identified some discrepancies that could be reasonably explained. However, the District could not determine if all money collected made it to the bank because many fundraiser reconciliations were incomplete.

Student store receipts and deposits

The computer system used to record sales in the student store (known as a point of sale system) should produce a sales or receipting report that is consistent with revenues deposited at the bank and recorded in the separate ASB computer system. However, the Club Advisor did not cross-check system reports or complete the post-fundraiser forms after each fundraiser. As such, the District could not determine whether revenue from each fundraiser was deposited or accurately recorded in the ASB computer system.

Gate and concession fees

The District compared the number of deposits to the number of home games at which gate fees and concessions were collected. Staff did not track ticket sales or keep supporting documentation for certain games, so the District could not determine exactly how much revenue should have been collected. Therefore, the District estimated the loss of revenue based on the lowest revenue number from a single game.

The District estimated that the total cash collected, but not deposited, was \$8,350 over the two years. ASB records, including receipts, reports, reconciliations, and the point of sale system, show that break down as:

- School year 17-18 gate and concession fees: \$2,447
- School year 17-18 student store receipts: \$3,674
- School year 18-19 student store receipts: \$2,229

Additionally, in January 2019, \$555 from October 2018 volleyball concessions was found in a cupboard in the ASB Clerk's office. The funds should have been kept in a safe and deposited within 24 hours in October.

Other areas examined

To determine if any additional misappropriation occurred, the District examined purchase card and petty cash transactions. It did not find additional misappropriation.

Interviews with District personnel

In January 2019, the District interviewed several employees. During an interview with the Student Store Advisor, the District learned the Advisor and students shared a cash drawer and login for the

point of sale system. District policy requires students to take deposits to the Advisor, but students took them to the ASB Clerk instead.

The Ticket Seller did not keep copies of concession forms and supporting documentation for ticket sales; rather, the documents were taken to the ASB Clerk's office. The District could not locate the supporting documents during or after the investigation.

The ASB Clerk answered questions about her responsibilities for cash handling at Spanaway Lake High School. She could not explain why records indicated money was missing. The ASB Clerk said she did not complete reconciliations of revenue, keep track of revenues or fundraiser documentation, or track cash boxes checked out for ASB events. The ASB Clerk said she would lock cash boxes in cupboards for administrators to pick up instead of securing them in the safe. Based on advice from the Union Representative, the ASB Clerk resigned.

Bethel High School

On August 31, 2018, the Athletic Director carried four gate receipts bags from the Art Crate Stadium and put them in the drop safe, which is in an unlocked staff room. On September 4, 2018, the Secretary at the High School attempted to give the bags to the Courier; however, these bags did not have a deposit slip so the Courier would not accept them. The Secretary returned these to the safe. On September 5, 2018, the ASB Clerk discovered that a bag containing \$1,945 in cash was missing. The District could not assign responsibility for the loss.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

Spanaway Lake High School

- The student store did not reconcile the point of sale system daily activity to the deposit sent to the ASB Clerk. Further, students did not have separate system logs at the student store and worked out of the same cash drawer.
- The school did not retain all tickets, sales receipts or other methods to track concession sales or gate attendance. Consequently, Ticket Sellers could not reconcile monies collected to amounts deposited by the ASB Clerk.
- The ASB Clerk was not providing receipts to the Club Advisors and Ticket Sellers, indicating funds received and recorded in the point of sale system. This would allow Club Advisors and Ticket Sellers to compare the ASB Clerk receipting to their own receipting records and identify any discrepancies.
- Club Advisors and Ticket Seller were not reconciling tickets sales, receipts or revenue reports or submitting reconciliations to the ASB Clerk timely. Further, the High School

did not keep copies of all reconciliations and was not following up with Club Advisors for missing or incomplete reconciliations.

- Spanaway Lake High School was not properly securing cash in the ASB Clerk's office. Cash was being kept in cupboards instead of the safe.
- The High School did not complete or keep forms tracking cash boxes checked out to staff and students.

Bethel High School

- The Athletic Director transported gate receipts to the drop box alone and did not follow District policy to have two staff members transport funds to the drop box.
- Further, the Secretary stored bags not ready for bank deposit in her locked desk.

Recommendations

We recommend the District strengthen internal controls over ASB cash receipting to ensure adequate oversight and monitoring to safeguard public resources and compliance with District policies. This should include:

Spanaway Lake High School

- Using separate system logins and limiting access to the cash drawer at the student store.
- Keeping tickets or other sales tracking records for concession sales and gate attendance.
- Providing ASB Advisors and Ticket Sellers with a receipt showing funds the ASB Clerk receipted and recorded into the system, to assist with the reconciliation of club funds.
- Timely reconciliation of fundraisers through use of the district fundraiser profit and loss reconciliation forms.
- Keeping all supporting sales records for all ASB fundraisers.
- Keeping documentation to track cash boxes that have been checked out and returned and ensure all funds are stored in a safe.

Bethel High School

Gate receipts should be transported by two employees and deposited in the drop box. All bags should be stored in the safe until the reconciliation of sales to the event have occurred, and the deposit is prepared and taken to the bank.

District's Response

The District does have adequate internal controls in place. These controls provide reasonable, but not absolute, assurance of compliance. This report gives an implication of complete lack of controls and that is not the case.

The loss of funds at Spanaway Lake High School was an isolated instance where the inexperience of the ASB clerk contributed to violations of compliance with district practices and procedures.

District deposit procedures were not followed which resulted in the loss of gate receipts at Bethel High School. Staff at Bethel High School have been advised of the requirement to have two staff members transport gate receipts to the drop box and securing deposits in the safe at all times.

The district performs an internal audit of all secondary ASB schools annually to ensure compliance with district procedures. Audits include a review of cash handling, cash counts, fundraising and ticket sale reconciliations, student store transactions and inventories. A sampling of gate/concession revenue for at least three games/activities and a 100 percent comparison of student store revenue to deposits is part of the internal audit process. The District believes that the internal audits have resulted in attaining the high standards the Business Office sets for all its processes and controls.

State Auditor's Office Remarks

Although the District may have policies and procedures, they were not adequate to prevent misappropriation. It is important for the District first to evaluate policies and procedures to ensure they are designed appropriately to safeguard District funds, and secondly, to monitor operations to ensure staff are following those policies and procedures. We reaffirm our recommendations as noted above.

We thank District officials and personnel for their assistance and cooperation during the investigation.