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STATE AUDITOR

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April 15, 2011

Ms. Jane K. Berenz, Superintendent  
Rosemount-Apple Valley-Eagan Public Schools  
Independent School District No. 196  
3455 – 153<sup>rd</sup> Street West  
Rosemount, Minnesota 55068

Dear Superintendent Berenz:

The Office of the State Auditor (“OSA”) was notified in November 2008 of a possible theft/embezzlement by an employee of the Rosemount-Apple Valley-Eagan Public Schools, Independent School District No. 196 (“District”). The matter was also reported to and investigated by the Rosemount Police Department. In March 2009, criminal charges were filed against the former Rosemount High School Financial Clerk (“former Clerk”) alleging theft of \$6,246.53 in District funds. The former Clerk pleaded guilty to a gross misdemeanor theft and was ordered to pay restitution of \$3,000.<sup>1</sup>

The District conducted a review of documents found in the former Clerk’s office. The District reported to the OSA that the documents were in disarray. During its review, the District found checks totaling over \$72,500 dated between June 2003 and April 16, 2008, that were written payable to the District, the High School, or a student activity, but had not been cashed or deposited. The District subsequently deposited some of the checks.

The District also found 58 personal checks, totaling \$8,426.53, from the former Clerk written to the High School, the school store, other student activities, “cash,” or left blank. The checks had not been cashed or deposited, although some were stamped on the back with an endorsement for either the High School’s Student Activity Account or the High School’s Employee Sunshine Account. The dates on the checks were between February 21, 2002, and October 24, 2008.<sup>2</sup>

The District asked the OSA to review this matter further. The OSA reviewed the High School’s Student Activity Account and Employee Sunshine Fund, one of the credit cards

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<sup>1</sup> See Dakota County District Court File No. 19HA-CR-09-1481.

<sup>2</sup> By year, the checks were as follows: 2002 – 4 checks totaling \$140; 2003 and 2004 – 0 checks; 2005 – 3 checks totaling \$250; 2006 – 17 checks totaling \$2,630; 2007 – 13 checks totaling \$1,740; and 2008 – 21 checks totaling \$3,666.53. These checks were provided to law enforcement as evidence.

used by the former Clerk, reimbursement requests submitted by the former Clerk, and selected deposits into the District's General Fund. The purpose of the OSA's review was to identify additional losses and to provide internal control recommendations to the District. The OSA's period of review was July 1, 2007, through December 31, 2008.<sup>3</sup>

This letter summarizes the OSA's review and provides recommendations resulting from the review.<sup>4</sup> As explained more fully in this letter, the OSA found that procedures established by the District to protect public funds were not followed at Rosemount High School. The OSA was unable to determine whether all monies receipted at the High School were deposited in the appropriate accounts. Furthermore, the District continues to receive audit findings that indicate the District has yet to fully resolve these issues.

### **Background**

The former Clerk worked for the District from 2002 through November 3, 2008. During that time period, the former Clerk was responsible for the majority of monies collected at Rosemount High School. The monies included both District and other monies.

The District's General Fund account was used by all schools in the District.<sup>5</sup> Monies received at the High School that should have been deposited in the District's General Fund account included such items as driver education fees, student parking fees, various participation fees, payments for lost or damaged books, vending machine receipts, gate receipts, and checks from Target.

Additional monies were received at the High School for an Employee Sunshine Fund, a Scholarship Fund, and a Student Activity Account. Separate financial accounts maintained by the former Clerk existed for these monies.<sup>6</sup>

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<sup>3</sup> The criminal prosecution was based upon the investigations performed by the Rosemount Police Department and the District. The OSA did not receive all the documents needed for its review from the District until after criminal charges were filed.

<sup>4</sup> The OSA worked with the District's Finance Office during its review. As a result the District's Finance Office is already aware of many of the OSA's findings and recommendations.

<sup>5</sup> The District's General Fund account was maintained at Associated Bank. Deposit slips for the account were in triplicate. When a school made a deposit into the District's General Fund, the school should have sent to the District's Finance Office one copy of the deposit slip attached to a "Cash Receipts Recap" form and supporting documentation for the deposit. The District office would then enter the receipts into the District's General Ledger, using the proper account codes.

<sup>6</sup> The three accounts were maintained at the First State Bank of Rosemount. The former Clerk was not an authorized signatory on any of the accounts. The District generally allowed schools to operate a petty cash fund, but had removed this option from Rosemount High School due to previous problems with the High School's handling of the petty cash fund. The OSA reviewed the bank statements for the High School's petty cash account. Other than the closing of the account in June 2008, there was no activity in the petty cash account during our period of review. The District also maintained a change fund. While requests for change should have been processed through the District's General Fund, the District informed the OSA

The former Clerk utilized at least two credit cards for school-related purchases: a Corporate Express procurement card and a Sam's Club Discover card. The former Clerk also submitted reimbursement requests to the District. Reimbursement requests were intended to reimburse District employees for personal funds used on school-related purchases.

### OSA Review

The OSA reviewed activity in the High School's Student Activity Account and Employee Sunshine Fund for the time period of July 1, 2007, through December 31, 2008.<sup>7</sup> The OSA also reviewed, for the same time period, the former Clerk's transactions on the Sam's Club Discover card account, reimbursement payments the District made to the former Clerk, and selected deposits into the District's General Fund.

#### 1. Student Activity Account

Student activity accounts are used for monies raised by the students for the students.<sup>8</sup> Student activity funds contain monies that are owned, operated, and managed by organizations, clubs, or groups within the student body under the guidance and direction of faculty or staff members for educational, recreational, or cultural purposes, such as the yearbook, a band or choral group, student clubs, student council, student-sponsored bookstores, or class accounts.<sup>9</sup>

The Minnesota Department of Education's Manual for Activity Fund Accounting ("MAFA") governs the accounting for these funds.<sup>10</sup> The District used a decentralized system for student activity accounts, so each school's bookkeeper or secretary maintained a separate checking account and the books for the funds.<sup>11</sup> During the OSA's time period of review, accounting for the Student Activity Account was maintained by the former Clerk using Quicken software.<sup>12</sup>

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that, during its review, it found at least some change requests at the High School were processed through the Student Activity Account.

<sup>7</sup> The District reviewed the Scholarship Fund.

<sup>8</sup> See District's Student Activity Accounts Manual (September 2003) ("SAAM"), page 1. The Minnesota Department of Education ("MDE") publishes Uniform Financial Accounting and Reporting Standards ("UFARS"). The UFARS chapter on student activity accounting is called the Manual for Activity Fund Accounting ("MAFA"). MAFA contains a description of the types of monies that should be maintained in student activity accounts.

<sup>9</sup> See MAFA, page 6, Section A.2.; SAAM, page 1.

<sup>10</sup> MAFA requires advisors to acknowledge receipt of MAFA and to acknowledge their responsibility to follow MAFA procedures. See MAFA, page 14, Section C.1.

<sup>11</sup> See SAAM, page 3. A district may decide to use a centralized system for these funds, where the accounting system for the funds is maintained centrally by business office personnel. See MAFA, page 16, Section C.3. MAFA lists several advantages to use of the centralized system. *Id.*

<sup>12</sup> The Student Activity Account Quicken report activity went through November 3, 2008.

The cash receipts, disbursements, and year-end cash balances of the Student Activity Account maintained at Rosemount High School, as reported in the District's Extracurricular Student Activity Accounts Financial Statements audited each year by the District's private auditing firm, are reflected in the following chart.

<b>Rosemount High School Extracurricular Student Activity Account</b>			
<b>Year Ended:</b>	<b>Cash Receipts</b>	<b>Disbursements</b>	<b>Year-End Cash Balance</b>
June 30, 2010	\$630,263	\$603,144	\$183,511
June 30, 2009	\$726,553 <sup>13</sup>	\$708,244	\$156,392
June 30, 2008	\$530,846	\$630,403	\$138,083
June 30, 2007	\$856,198	\$930,122	\$237,640
June 30, 2006	\$595,698	\$520,360	\$311,564
June 30, 2005	\$695,978	\$633,205	\$236,226
June 30, 2004	\$688,075	\$628,835	\$173,453

Source: Statement of Cash Receipts and Disbursements in the District's Extracurricular Student Activity Accounts Financial Statements.

A. Deposits into the Student Activity Account

The OSA was unable to determine whether all receipted student activity monies were deposited in the Student Activity Account.<sup>14</sup>

To make deposits in the Student Activity Account, advisors and student representatives were to complete a "Student Activity Account Deposit Receipt Form" showing the source of the monies, the name of the specific student activity receiving the funds, the amount of coins, currency, and checks to be deposited, and the date of the deposit. The forms contained spaces for the identity of the two individuals who counted the monies, and for the bookkeeper/clerk who actually made the deposit.<sup>15</sup> The forms were duplicate forms, with a white copy to be retained by the school bookkeeper and a yellow copy to be retained by the advisor. A list of checks, including the last name on the check, the check

<sup>13</sup> Some of the checks the District discovered in the former Clerk's office were deposited in the fiscal year ending June 30, 2009.

<sup>14</sup> As discussed later in this letter, the OSA found that some student activity monies were deposited in the Employee Sunshine Fund.

<sup>15</sup> Under MAFA, two different people should count the deposit. See MAFA, page 26, Section D.2. See also SAAM, page 3, Section IV.C.1.

number and the amount, was to be included with the form. The forms were not pre-numbered, but contained a space for numbering.<sup>16</sup>

The OSA planned to compare actual deposits reflected on the bank statements with the yellow copies of the Student Activity Account Deposit Receipt Form retained by the advisors. However, in most instances, the former Clerk had retained both the yellow and the white copies of the forms. The OSA found no evidence that the former Clerk provided the advisors and the principal with monthly reports including a statement of receipts and disbursements and current balances.<sup>17</sup> As a result, the OSA was unable to determine whether all collections turned in by advisors had actually been deposited. Similarly, without copies of all the Student Activity Account Deposit Receipt Forms or a periodic report of deposits, advisors would have been unable to confirm that all collections had been deposited.

The OSA compared the available Student Activity Account Deposit Receipt Forms with the corresponding deposit slips. During the review, the OSA noted the following:

- Amounts on the Student Activity Account Deposit Receipt Forms were reduced without the advisors and/or student representatives' initials to demonstrate that they agreed with the reductions.
- In at least one instance, a check from the former Clerk was deposited in place of cash.<sup>18</sup>
- Some deposits contained more checks and less cash than reported on the Student Activity Account Deposit Receipt Forms.<sup>19</sup>
- Some deposits were not made in a timely manner, including deposits that were made more than a month after the date contained on the Student Activity Account Deposit Receipt Forms.<sup>20</sup>

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<sup>16</sup> Under MAFA, all monies collected should be given a pre-numbered receipt. *See* MAFA, page 26, Section D.2. *See also* SAAM, page 3, Section IV.C.3.

<sup>17</sup> Under MAFA, reports that include a statement of receipts and disbursements and current balances are to be made available to the advisors and principal on a monthly basis, to the student group as a whole on a quarterly basis, and to the school board for its periodic review. *See* MAFA, page 19, Section C.4.f. *See also* SAAM, page 4, Section IV.E (monthly reconciliations to be forwarded to Finance Department, and made available upon request to advisors and student treasurers).

<sup>18</sup> Under MAFA, checks may not be cashed from activity money for anyone. *See* MAFA, page 18, Section C.4.c.; MAFA, page 26, Section D.2.; MAFA, page 31, Section D.13. *See also* SAAM, page 2, Section IV.A.8.

<sup>19</sup> Under MAFA, deposits should be made in the form in which the funds were received. *See* MAFA, page 18, Section C.4.c.; MAFA, page 26, Section D.2.

<sup>20</sup> Under MAFA, deposits should be made on a daily basis, and student activity money should not be left in a school over a weekend. *See* MAFA, page 26, Section D.2. *See also* SAAM, page 3, Section IV.C.5 (deposits to be made at least weekly). Our finding is consistent with findings contained in the audit of the District's Extracurricular Student Activity Accounts Financial Statements performed by the District's private auditing firm for all schools in the District. *See, e.g.,* District's Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2008, Finding 2008-4 (significant student activities

- The date of the deposit and the person making the deposit were rarely provided.
- The Student Activity Account Deposit Receipt Forms did not consistently record whether two different people counted the deposit.<sup>21</sup>
- Lists of checks contained in each deposit were generally not attached to the Student Activity Account Deposit Receipt Forms.<sup>22</sup>

B. Disbursements from the Student Activity Account

To obtain disbursements from the Student Activity Account, the advisor, a student, and the principal were to sign a “RHS Student Activity Account Request for Check” form.<sup>23</sup> The forms were duplicate forms, with a white copy to be maintained by the school bookkeeper and a yellow copy to be maintained by the advisor. Supporting documentation was to be attached to the form.<sup>24</sup> If the original vendor invoice was not available as supporting documentation, MAFA requires the reason the original invoice was unavailable to be noted on the document supporting the payment.<sup>25</sup>

Checks drawn on the Student Activity Account contained only one signature, and appear to have generally been signed by the principal.<sup>26</sup> The OSA reviewed a sample of the disbursements from the Student Activity Account and found that disbursements did not consistently contain supporting documentation or an explanation for the lack of supporting documentation.<sup>27</sup>

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deposits left in a school over the weekend); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2009, Finding 2009-4 (9 of 40 cash receipts transactions tested had significant student activities deposits left in a school over the weekend); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2010, Finding 2010-4 (25 of 55 cash receipts transactions tested had significant student activities deposits left in a school over the weekend).

<sup>21</sup> Some of the forms also did not record the student representative.

<sup>22</sup> As a result, the OSA was unable to determine which checks should have been included in which deposit.

<sup>23</sup> See SAAM, page 4, Section IV.D.

<sup>24</sup> MAFA identifies the information that should be contained on a disbursement request form. See MAFA, page 28, Section C.6. See also SAAM, page 4, Section IV.D.

<sup>25</sup> See MAFA, page 28, Section C.6.

<sup>26</sup> Under MAFA, two signatures are required on all checks. See MAFA, page 29, Section C.6. Our finding is consistent with findings contained in the audit of the District’s Extracurricular Student Activity Accounts Financial Statements performed by the District’s private auditing firm for all schools in the District. See, e.g., District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2008, Finding 2008-5 (MAFA requires two signatures); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2009, Finding 2009-6 (MAFA requires two signatures); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2010, Finding 2010-6 (MAFA requires two signatures). The District did not know if signature stamps were used at the High School.

<sup>27</sup> Our finding is consistent with findings contained in the audit of the District’s Extracurricular Student Activity Accounts Financial Statements performed by the District’s private auditing firm for all schools in the District. See, e.g., District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2008, Finding 2008-5 (lack of supporting documentation); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2009, Finding 2009-6 (60 out of 80

## 2. Employee Sunshine Fund

The Employee Sunshine Fund should have been comprised of personal funds paid by High School staff members. The Employee Sunshine Fund was to be used for such things as staff gatherings, retirement parties, or flowers sent for births, illnesses, deaths, or other personal events. MAFA prohibits districts from maintaining these types of accounts. District, scholarship, and student activity monies should not be deposited in employee sunshine accounts.<sup>28</sup>

The Employee Sunshine Fund was maintained at the First State Bank of Rosemount under the misleading account name of “Rosemount High School Student Activities.” Checks drawn on the account contained only one signature, and appear to have generally been signed by a principal or assistant principal. It is unclear whether pre-numbered receipts were used for this Fund. If they were used, they were not consistently maintained.

The District provided the OSA with the records related to the Employee Sunshine Fund corresponding to the OSA’s time period of review. The Employee Sunshine Fund accounting was allegedly being maintained by the former Clerk using Quicken software.<sup>29</sup> The OSA reviewed the Employee Sunshine Fund Quicken electronic reports and determined that they did not match to bank statement activity. While checks were generally entered into Quicken, a large majority of the deposits were not. For example, the Quicken balance as of October 20, 2008, was negative \$19,858.38, but the bank account balance on October 20, 2008, was positive \$450.82. Similarly, between January 1, 2008, and October 20, 2008, there were 16 deposits reported on the bank statements; only one deposit for \$221.85 was recorded in Quicken.

The District was concerned that District and student activity monies were deposited into the Employee Sunshine Fund. The OSA’s review confirmed the District’s concerns. The OSA also found disbursements from the Employee Sunshine Fund that should have been made from other accounts.

Between July 1, 2007, and December 31, 2008, bank statements show that \$51,175.69 was deposited into the Employee Sunshine Fund. Of that amount, it appears that at least

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cash receipts and cash disbursements transactions tested lacked original vendor invoices and/or backup documentation); District’s Extracurricular Student Activity Accounts Financial Statements Year Ended June 30, 2010, Finding 2010-6 (63 out of 110 cash receipts and cash disbursements transactions tested lacked original vendor invoices and/or backup documentation).

<sup>28</sup> MAFA refers to these accounts as “convenience funds” because they are maintained at the request of and for the convenience of staff members of a district. *See* MAFA, page 6, Section A.2. MAFA notes that the OSA is not aware of any statutory authority for school districts to maintain convenience accounts, and convenience accounts may not be included in a student activity fund. *Id.*

<sup>29</sup> The Employee Sunshine Fund Quicken report activity went through October 30, 2008.

\$35,938.86 in deposits should not have been made into the Employee Sunshine Fund.<sup>30</sup> During the same time period, bank statements show that checks totaling \$50,533.53 were written on the account. Of that amount, it appears that at least \$27,300.40 in checks should not have been written on the Employee Sunshine Fund.<sup>31</sup>

For example, the OSA found:

- Gate receipts totaling \$13,886.85 for regional football, soccer and volleyball games were deposited into the Employee Sunshine Fund during October 2007. The collections were then disbursed from the Employee Sunshine Fund to various regional entities.<sup>32</sup>
- \$2,500 from the Minnesota State High School League was deposited into the Employee Sunshine Fund in August 2007. A check for \$2,500 was then disbursed from the Employee Sunshine Fund to the High School's Basketball Boosters.<sup>33</sup>
- Payments that should have been deposited into the District's General Fund or the Student Activity Account were deposited into the Employee Sunshine Fund, such as payments for fines, transcript fees, gymnasium membership, payments with a notation stating "For Choir", and a Coke check.
- Disbursements that should have been made from the District's General Fund or the Student Activity Account were made from the Employee Sunshine Fund, such as payments for a 9<sup>th</sup> grade retreat, and extra bleachers for a football game.
- Sixteen completed deposit tickets, totaling \$5,298.47 in deposits, were not deposited into the Employee Sunshine Fund.<sup>34</sup>

The OSA was unable to determine whether all payments made to the Employee Sunshine Fund were deposited into the account.

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<sup>30</sup> The OSA reviewed the deposits with the District's Finance Office. It confirmed that some deposits into the Employee Sunshine Fund were inappropriate.

<sup>31</sup> The OSA reviewed the disbursements with the District's Finance Office. It confirmed that some disbursements from the Employee Sunshine Fund were inappropriate.

<sup>32</sup> One of the disbursements was \$12.85 less than the receipts.

<sup>33</sup> Under MAFA, booster clubs must maintain their finances external from a school or district. *See MAFA*, page 7, Section A.2.

<sup>34</sup> According to the sixteen deposit tickets found by the OSA during its review, the amount was comprised of \$2,059 in currency, \$26 in coin, and \$3,213.47 in checks. The deposit tickets were dated between November 2007 and September 2008. During its review, the District had found deposit tickets that had been completed, but not deposited. The District informed the OSA that it deposited the monies it found attached to the completed deposit tickets into the appropriate accounts. The OSA is unable to determine if the sixteen deposit tickets were part of the funds deposited by the District during its review.



### **3. Credit Card Usage and Reimbursement Requests**

The former Clerk utilized at least two credit cards for school-related purchases: a District Corporate Express procurement card and a Sam's Club Discover card.

In at least one instance, the former Clerk made a personal purchase on the District's Corporate Express card.<sup>35</sup> The District found the former Clerk's personal check repaying the District for the purchase in the former Clerk's office.<sup>36</sup> The check had not been cashed or deposited.

The District informed the OSA that the Sam's Club Discover card was obtained without proper District approval.<sup>37</sup> It appears that a Sam's Club Discover card account was originally opened in 2006, with the teacher in charge of the school store and a former administrator as the authorized signatories. The former Clerk was apparently added to the account in October 2006. As of November 7, 2008, the Sam's Club Discover card account had a balance of over \$4,400. The District closed the account in November 2008, without paying the outstanding balance.

The OSA reviewed the billing statements for the Sam's Club Discover card account.<sup>38</sup> While the account was in the High School's name, and the billing statements for the account were mailed to the High School, it appears the former Clerk was using the account as her personal account. Charges on the account included purchases from gas stations, a wedding boutique, Target, Menards, and Home Depot. It appears the District and the Employee Sunshine Fund only paid for purchases made by the former Clerk on the Sam's Club Discover card account when the former Clerk sought reimbursement for purchases that the principal or assistant principal appear to have approved as staff or school-related.<sup>39</sup>

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<sup>35</sup> The District had a decentralized purchasing system. Each school had a procurement card for the purchase of supplies. The District's procurement card policy prohibited the use of a District procurement card for personal purchases. *See* District's Procurement Card Program Policy and Procedures Manual, available on the District's website at:

<http://www.district196.org/District/schoolboard/policies/700/704.2.3.1P.pdf>. The OSA briefly reviewed purchases made with the High School's Corporate Express card, and found that they generally appeared to be school-related purchases.

<sup>36</sup> The check was dated August 18, 2008, and made payable to the High School for \$40.53.

<sup>37</sup> The Sam's Club Discover card used by the former Clerk was under the same general account number as cards issued to two other District staff members. The OSA located a document approving Sam's Club memberships for the two staff members, but did not locate approval documentation for the former Clerk's membership. The District provided the Rosemount Police Department with information related to the former Clerk's use of the Sam's Club Discover card.

<sup>38</sup> The District obtained the billing statements from Sam's Club for the OSA's review. The OSA did not receive the July 2008 billing statement.

<sup>39</sup> The OSA identified five District General Fund payments to Sam's Club from July 1, 2007, through December 12, 2008, totaling \$231.30. Those payments, however, do not appear to have been applied to the Sam's Club Discover card account used by the former Clerk.

The OSA found no evidence that the District paid twice for purchases made by the former Clerk on the Sam's Club Discover card. The former Clerk submitted five reimbursement requests during the OSA's time period of review for purchases that appear to have been approved by the principal or assistant principal as staff or school-related. She was issued four reimbursement checks totaling \$590.92.<sup>40</sup> Three of the four reimbursements consisted of charges made on the Sam's Club Discover credit card account, totaling \$407.73. The District voided a fifth check to the former Clerk dated November 3, 2008, for \$265.00. The check would have reimbursed the former Clerk from the District's General Fund for school-related theater tickets purchased with the Sam's Club Discover card. Because the District was not generally paying for the former Clerk's purchases on the Sam's Club Discover card account, it does not appear that the District paid twice for these items.

#### **4. General Fund Deposits**

The District provided the OSA with pre-numbered receipt books retrieved from the High School. The pre-numbered receipts appear to have been used primarily for monies that should have been deposited in the District's General Fund or Student Activity Account.<sup>41</sup> The pre-numbered receipts should have included receipt date, payor, purpose, whether the payment was cash or check, and who prepared the receipt.

The OSA reviewed the pre-numbered receipt books provided to the OSA. During the OSA's period of review, most of the pre-numbered receipts appear to have been completed by the former Clerk. Few of the receipts noted the type of payment as being either cash or check. The pre-numbered receipt books also did not indicate into which financial account(s) the monies were deposited, or the date of deposits.

The OSA compared the pre-numbered receipt books with deposits into the District's General Fund. The OSA found that, in many instances, deposits the High School made into the District's General Fund were not recorded in the pre-numbered receipt book. As a result, the OSA was unable to determine whether all District monies were deposited in the District's General Fund.

The OSA specifically compared gate receipts the High School deposited into the District's General Fund with a calendar of events the District provided to the OSA.<sup>42</sup> In

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<sup>40</sup> Two of the checks, totaling \$327.78, were from the Employee Sunshine Fund. The remaining two checks, totaling \$263.14, were from the District's General Fund.

<sup>41</sup> For example, one pre-numbered receipt book was labeled "Drivers Ed Payments." In addition to receipts for driver education payments, the book included receipts of payments for such items as parking fees/fines, nsf fees, football jerseys, a Spanish workbook, athletic ankle braces, concert choir and choir robe fees, graduation fees, and the senior party.

<sup>42</sup> The OSA reviewed gate receipts because they primarily consist of cash receipts, and the events can be compared to school calendars.

two instances, deposits in the District's General Fund differed from supporting gate receipt forms by \$200 or more, with no supporting documentation explaining the differences. In two instances, the OSA was unable to match basketball games on the High School's calendar of events with deposits in the District's General Fund.<sup>43</sup>

### **Recommendations**

The Office of the State Auditor recommends that the District review the procedures for student activity accounts with all District personnel handling student activity monies. This is particularly important for cash collections for student activities. As the District's auditors acknowledged, they can only audit cash collections that are recorded.<sup>44</sup> Therefore, the District needs all employees involved in the cash collection process to understand their critical role in assuring that all cash collections are recorded. Advisors, for example, should receive monthly reports of deposits from each school's bookkeeper and should retain their copies of the Student Activity Account Deposit Receipt Forms, so they can perform monthly reconciliations of collections turned in for deposit.<sup>45</sup> All deposits must be made intact and in a timely manner.

The District was aware of problems in the handling of cash and financial reporting at the High School since at least 2005. In addition, the District has received recurring audit findings on its handling of student activity funds.<sup>46</sup> For example, findings on untimely deposits and on the lack of adequate supporting documentation for receipts and disbursements were contained in the District's audits of Extracurricular Student Activity Accounts for the years ending June 30, 2008, 2009, and 2010.

While the District has developed forms and procedures to help protect funds received at the schools in the District, the controls are not consistently implemented. The OSA recommends that the District:

- Monitor the implementation of its internal control procedures.
- Take prompt and appropriate action for lack of compliance with internal control procedures.

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<sup>43</sup> The OSA was unable to determine if the scheduled games were cancelled or would not have produced gate receipts for some other reason. Upon request, details on the OSA's gate receipt review will be made available to the District's Finance Office.

<sup>44</sup> See, e.g., Independent Auditor's Report dated October 12, 2010, from MMKR, Public Accountants. The auditor's further stated that it is not practical for them to extend their audit of cash collections beyond the amounts recorded.

<sup>45</sup> The reconciliation can be performed by comparing the yellow copy of the forms with monthly reports received from the bookkeeper.

<sup>46</sup> District-wide audits of Student Activity Accounts were performed by the District's private auditing firm on an annual basis.

- Develop corrective action plans for audit issues identified by the District's auditors, with the name of the person responsible to take action and a target date for resolution of the issues.

The District should create a control environment in which every member of the District understands his/her critical role in protecting public funds. If the District is unable to implement successfully a decentralized system for student activity accounts, it should consider centralization of the funds.

The OSA recommends that any employees handling District or student activity funds be prohibited from maintaining employee sunshine or similar "convenience" accounts.

### **Conclusion**

The Office of the State Auditor reviewed activity in the Rosemount High School Student Activity Account, the Employee Sunshine Fund, certain credit card transactions and reimbursement payments, and selected deposits into the District's General Fund for the time period of July 1, 2007, through December 31, 2008. The OSA found that procedures established by the District to protect public funds were not followed at the High School. The OSA was unable to determine whether all monies received at the High School were deposited in the appropriate accounts. The OSA provided the District with recommendations resulting from the OSA's review.

If the OSA can provide the District with further assistance in this matter, please feel free to contact Nancy Bode at 651-297-5853 or [Nancy.Bode@state.mn.us](mailto:Nancy.Bode@state.mn.us), or me at 651-282-2388 or [Kathy.Docter@state.mn.us](mailto:Kathy.Docter@state.mn.us).

Sincerely,

*/s/ Kathy Docter*

Kathy Docter, CPA, CFE  
Senior Investigative Specialist  
Office of the State Auditor

Cc: The Honorable Jackie Magnuson, School Board Chairperson  
Mr. John Wollersheim, Principal, Rosemount High School  
Mr. Jeffrey M. Solomon, Director of Finance and Operations  
Ms. Stella Y. Johnson, Coordinator of Finance  
Ms. Beth Sullivan, Budget Analyst/MIS Supervisor  
Malloy, Montague, Karnowski, Radosevich & Co., District's Auditors  
Ms. Jill Coyle, District's Attorney