

**Investigation of
Missing Equipment At
Lake Shore Middle School**

January 13, 2012

Report #2012-02



MISSION STATEMENT

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Superintendent of Schools

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THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FLORIDA

LUNG CHIU, CPA
DISTRICT AUDITOR

E. WAYNE GENT
SUPERINTENDENT

OFFICE OF THE DISTRICT AUDITOR
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WEST PALM BEACH, FL 33406

(561) 434-7335 FAX: (561) 434-8652

MEMORANDUM

TO: Honorable Chair and Members of the School Board
E. Wayne Gent, Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, District Auditor

DATE: January 13, 2012

SUBJECT: Investigation of Missing Equipment at Lake Shore Middle School

PURPOSE AND AUTHORITY

Pursuant to *District Audit Plan* and at the request of School Police, we have investigated the missing equipment purchased by Lake Shore Middle School during July 1, and November 28, 2011. The primary objective of this investigation was to coordinate with School Police in determining the extent of the issue and assess the adequacy of internal controls.

SCOPE AND METHODOLOGY

The investigation was performed in accordance with *Generally Accepted Government Auditing Standards* by Susan Miller, CIA, during November 29, through December 1, 2011, and included:

- Reviewing Disbursement and P-Card documentation for July 1 through November 28, 2011
- Reviewing General Ledger for July 1, through November 28, 2011
- Interviewing staff

We have referred the conclusions to the Employee Relations Department for necessary personnel actions. As of January 12, 2012, School Police has referred the case to State Attorney Office for prosecution.

Draft findings were sent to the school for review and comments. Management response is included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the investigation. The final draft report was presented to the Audit Committee at its January 13, 2012, meeting.

CONCLUSIONS

1. iPad2 Missing

Police Report Filed. On November 22, 2011, the Principal of Lake Shore Middle School filed a report with School Police that the school's bookkeeper might have stolen an iPad2 recently purchased by the school for its Media Center. Statements were taken by School Police from both the principal and the library media specialist.

1st Requisition for iPad2 Approved. The library media specialist requested an iPad2 on November 1, 2011, and the principal approved the *Requisition* on the same day.

2nd Requisition Attempted. In the *November 10, 2011, Police Statement* made by the library media specialist, the bookkeeper asked the library media specialist to rewrite the *Requisition* for the iPad2 saying that the District would not accept the way it was written. The November 1st *Requisition* did not include the detailed order but instead referenced the attached quotation from the Apple Store. The library media specialist wrote a second *Requisition* on November 10th and included the line item details of the order. The principal approved the second *Requisition* on November 12, 2011.

iPad2 Received. On November 10, 2011, the library media specialist asked about the status of the iPad2 order. The bookkeeper stated that she had ordered it but the vendor had declined the order because her P-Card was already at its monthly credit limit; and she would have to reorder it after Thanksgiving when the credit limit reset. However, our review of records found that the bookkeeper had ordered an iPad2 from the Apple Store on November 8, 2011, and charged it to her P-Card. The iPad2 was delivered to the school on November 10, 2011, and signed for by the office clerk. The office clerk stated that she took the package to the bookkeeper's office. Both the invoice and packing list for the November 10th delivery were found in the bookkeeper's office.

Bookkeeper Provided Inconsistent Statements. The bookkeeper requested from the principal an increase in the P-Card monthly limit. On November 22, 2011, the principal reviewed the P-Card purchases for November 2011, and noted a purchase of an iPad2 on November 8, 2011. The principal contacted the Purchasing Department and requested that the bookkeeper's P-Card be terminated.

On November 28, 2011, the principal asked the bookkeeper if the iPad2 had been received and was told that she had not been able to order it. The principal reassigned the bookkeeper to her home. It was later determined on November 28th that the bookkeeper attempted to order a second iPad2 that morning but the order was rejected because the P-Card was terminated.

Bookkeeper Admitted Taking iPad2. School Police interviewed the bookkeeper at the West Area Offices on November 30th. At that time, the bookkeeper admitted that she had kept the iPad2 for personal use. She subsequently surrendered the iPad2 to the police. The serial number on the surrendered iPad2 matched with the Packing List's. As of December 12, 2011, School Police investigation was ongoing.

2. No Other Missing Equipment

To determine if all equipment purchased through the school's Internal Funds and P-cards during July 1 through November 28, 2011, was properly safeguarded and accounted for, we examined all purchase documentation during the period and observed the purchased equipment. We concluded that all equipment purchased was accounted for, and no additional missing equipment was identified beyond the iPad2 discussed above. A Canon Digital Camera was ordered on November 8, 2011, by the bookkeeper for the school's media center and paid for with the bookkeeper's P-card. The camera had not been received by the school as of November 29, 2011. Further review of P-card records found that the purchase was declined by the credit card company on November 8, 2011, because the P-card exceeded the monthly credit limit. As a result, the purchase for the camera was never finalized.

3. Bookkeeper Conducted Personal Business at School

We observed that the bookkeeper was operating a personal business from her office during work hours. In addition, she purchased receipt books and packing bags with school money for use with her business. Three invoices, totaling \$65.33, were charged to Lake Shore Middle School account for two sets receipt books and 12-lb kraft bags. Sales tax was not charged on the purchases.

During an interview with School Police, the bookkeeper admitted that she had ordered the items for personal use.

School Board Policy 3.02(5)(e)(iii) – Code of Ethics prohibits the use of work hours to perform or promote personal business. *Bulletin #P-12224-CAO/COO – Internal Accounts Procedures* states that no purchases shall be made through internal funds by School District employees, students, or others so as to benefit personally from the school's purchasing power, credit capacity, or tax exempt status.

4. Continued Noncompliance with District Procedures

Official Receipts Not Given to Staff. During the *2011 Annual Internal Funds Audit* of the school, we noted that the bookkeeper did not provide the *Official Receipts* generated by the Accounting System to the activity account sponsors for 308 (80%) of the transactions, totaling \$37,538. This noncompliance with District procedure was communicated to the school in July 2011. However, during our review of the school's financial records for July 1 through November 28, 2011, we found a folder of *Official Receipts and* yellow copies of *Monies Collected Reports* (MCRs) in the bookkeeper's office filing cabinet. Apparently, the bookkeeper had not taken the needed corrective actions to provide the *Official Receipts* to the account sponsors. Moreover, we observed that the bookkeeper continued to receive and retain the yellow copies of *Monies Collected Reports* (MCRs), in violation of District procedures.

Money collections should be administered in accordance with *DOE Rules (Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools, Chapter 7)* and related District guidelines. Specifically,

- To ensure proper fiscal accountability and protect the best interests of sponsors, activity account sponsors should retain the yellow copy of the related MCR before turning in the monies to the bookkeeper for deposit. Keeping a copy of the MCR will assist the sponsors in (1) ensuring that the dollar amount printed on the *Official Receipt* provided by the bookkeeper agrees with the monies collected and submitted for deposit, (2) tracking the account balance periodically, and (3) providing documentation for revenue collections should bookkeeping errors occur.
- *Official Receipts* generated by the Internal Funds Accounting System should be signed by the bookkeeper and provided to the remitters as acknowledgment of receipts and recording of funds in the accounting system.

Drop Safe Log Not Maintained by Third Party. On November 29, 2011, we also observed the Fiscal Year 2012 *Drop-safe Log* on a bookcase inside the bookkeeper's office. District procedures require that a third party maintain the used pages of the *Drop-safe Log*. The school's principal held an office staff meeting during October 2011 to specifically present the *Drop-safe Log* procedures. The confidential secretary was assigned the duty of third party to maintain the used pages of the *Drop-safe Log*. When questioned, the secretary acknowledged that the bookkeeper retrieved the used pages of the log on the same day as the staff meeting. Moreover, the secretary also admitted to initialing the *Drop-safe Log* as verification of issued *Official Receipts* without actually observing the receipts.

The *Drop-safe Log* should be maintained in accordance with *District Bulletin #P-14051-S/CFO*. Specifically,

- A third party should complete Section 3 of the *Drop-safe Log* by entering the receipt number and initialing the form.
- A third party should file the completed logs sequentially by form number in a binder.

Management Response: *I concur with the audit findings. In order to prevent this from happening again in the future:*

- *I will monitor the bookkeeper's P-Card purchases periodically through PeopleSoft.*
- *Schedule another meeting with the office staff regarding drop safe log procedures.*
- *Office staff will also be required to sign an attendance record for this training.*
- *The principal will also monitor office purchases more carefully.*

(Please see page 5.)

– End of Report –

Management's Response



Vivian M. Green
Principal

Shanda Garvin-Shaw
Assistant Principal

Dr. Kevin Kovacs
Assistant Principal

Dr. Mary Delsignore
Assistant Principal

LAKE SHORE MIDDLE SCHOOL

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"RACING TO THE TOP"

RECEIVED
DEC 20 2011

DISTRICT AUDITOR

December 20, 2011

TO: Lung Chiu, District Auditor
FROM: Vivian M. Green, Principal
SUBJECT: Investigation of Missing Equipment at Lake Shore Middle School

I concur with the audit findings. In order to prevent this from happening again in the future:

- I will monitor the bookkeeper's P-Card purchases periodically through PeopleSoft.
- Schedule another meeting with the office staff regarding drop safe log procedures.
- Office staff will also be required to sign an attendance record for this training.
- The principal will also monitor office purchases more carefully.

If you have any questions please contact me at (561) 829-1183.

Sincerely,

Vivian M. Green, Principal

A Title I School Wide Project

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