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**ST. MARY PARISH SCHOOL BOARD**  
**BERWICK ELEMENTARY SCHOOL**  
**AGREED-UPON PROCEDURES**

July 18, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

SEP 12 2012

Release Date \_\_\_\_\_



# Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

## ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Donald W. Aguiard, Ph D , Superintendent,  
and Members of the St. Mary Parish School Board  
Centerville, Louisiana

Dear Members:

We have performed the procedures enumerated below, which were agreed to by the St. Mary Parish School Board, solely to assist you with respect to transactions pertaining to the Berwick Elementary School Activity Fund for the period June 1, 2011 until May 31, 2012. Management is responsible for all aspects of this process. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

We requested copies of the bank statements and reconciliations, a detailed listing of all cash disbursements, a detailed listing of all cash receipts, and source documents for the Berwick Elementary School Activity Fund account from June 1, 2011 through May 31, 2012. From this information, we selected a random sample of 25 receipts. We also selected a random sample of 25 disbursements, all disbursements in which the check was written out to "cash", all disbursements in which the check was written to various employees in excess of \$20, and any disbursements that appear to be written to a related party or unfamiliar vendor. This process resulted in a sample of 44 items to be tested for disbursements.

### ***RECEIPT TESTING we determined the following as relates to receipts:***

- We performed procedures whereby we traced all receipts chosen to validated deposit slips and bank statements noting accuracy in the amount and date of deposit to the recordation in the general ledger. We noted that all amounts in the general ledger matched the corresponding amounts in the bank statements. As for timing, we noted that only 3 of the sample were not recorded in the general ledger the same day they were deposited. The largest date variance was 2 days for one deposit, the other two were recorded within 1 day of being deposited.

Eugene H. Darnall, CPA, Deceased 2009

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- Out of the sample of 25 receipts we were unable to trace 15 to supporting documentation.
- Out of the sample of 25 receipts we were unable to verify that the deposits were made the same day that the funds were received
- We were unable to determine the completeness of the deposits tested (i.e. whether all monies collected were actually deposited) Accordingly, we chose to conduct further testing on two fundraisers and one school activity program. The chosen fundraisers were the candle sale and cookie dough fundraisers. We analytically tested the candle sale and cookie dough fundraisers by comparing supporting documentation to the receipt book obtained from the client.
  - The testing of revenue from the 2011/2012 candle sale fundraiser was performed by (1) obtaining the distributor invoices noting how many candles of each offered type were actually purchased for sale from the distributor, (2) multiplying the number of each type of candle purchased by the selling price per unit to get the estimate of revenues, and (3) comparing the estimated gross revenues to the receipt book (which was traced to the bank statements) obtained from school personnel. Using this process we estimated that the fundraiser should have generated \$22,818.50 in gross revenues. When we compared this estimate to the receipt book maintained by school personnel, we were only able to verify \$20,591.00 of this estimated amount, the difference of \$2,227.50 was not verified.
  - Estimating the gross revenues of the cookie dough fund raiser was performed by (1) obtaining the distributor invoices noting how many items were actually purchased for the 2011/2012 cookie dough fund raiser, (2) multiplying the number of items purchased by the price that each was sold for to get the estimate of gross revenues, and (3) comparing the estimated gross revenues to the receipt book (which was traced to the bank statements) obtained from school personnel. The results of these procedures resulted in estimated gross revenues of \$34,995.00, compared to only \$33,625.00 in verifiable receipts. The difference of \$1,370.00 was not verified by our procedures.
  - We also performed revenue estimating procedures on the after school care program being offered at the school. In order to accomplish this we obtained collection sheets maintained by school personnel overseeing the program for the 2011/2012 school year. We compared the amounts calculated on the collection sheets maintained by the personnel overseeing the program to the collection sheets maintained by accounting personnel as support for deposits, and compared these amounts to the amounts deposited per the receipt book (which was traced to the bank statements). We noted that there was a variance of \$3,620.00 that appears to should have been deposited, but was not noted as being deposited during the time period being tested.

***DISBURSEMENT TESTING - we determined the following as relates to disbursements:***

- We performed procedures tracing all sample disbursements to invoices noting accuracy and that the disbursement was a feasible expenditure for the school activity

fund. We noted of the 44 disbursements included in the sample we were unable to trace 26 disbursements to invoices or supporting documentation. Therefore, we were unable to determine if these expenditures were feasible for the school activity fund.

- We performed procedures to verify that the amount and payee on the invoice matched the amount and payee noted on the cancelled check that appears on the bank statement. We noted of the 44 disbursements included in the sample we were unable to trace 26 disbursements to invoices or supporting documentation. Additionally, in 15 instances the payee noted on the cancelled check that appears on the bank statement did not agree to the payee noted on the check stub on file with the client, and in 6 additional cases the payee per the check stub was left blank.
- We performed procedures to verify that the disbursements were not made to unallowable vendors such as companies owned by the school's employees. We noted the following of the 44 sample disbursements.
  - 1 disbursement was to a company owned by an employee
  - 1 disbursement was to a spouse of the school's employee
  - 17 disbursements were to an employee of the school
  - 4 disbursements were to "cash"

The 23 disbursements noted above totaled \$22,209.20 and were unable to be traced to an invoice or supporting documentation. Although these disbursements were unable to be traced to an invoice or supporting documentation, we noted 3 instances where the reimbursement to an employee appears to be for the exact amount that had been charged on the school's Wal-Mart credit card (which was ultimately paid by a check to Wal-Mart Credit Services). Therefore, it appears that these charges totaling \$2,399.99 were paid twice

We noted in a separate instance, on one disbursement to an employee in the amount of \$392.40, the memo on the cancelled check that appears on the bank statement included an invoice number. The same exact invoice number also appears on a vendor disbursement for \$180.00—we were unable to account for the difference of \$212.40

We noted that an additional disbursement to an employee in the amount of \$1,725.00 contained a reference in the memo on the cancelled check that appears on the bank statement for "Faculty X-mas". We were able to obtain an invoice for the faculty Christmas presents given that year. The invoice reflected a total of \$525.00—a difference of \$1,200.00 that we were unable to account for

- We verified that all checks have two authorized signatures as required by state statute for school activity funds. We noted that all the cancelled checks that appeared on the bank statement had two authorized signatures, one being the principal. However, it appears that in some instances the check may have been signed using a signature stamp which is in violation of St. Mary Parish School Board policies and procedures for school activity funds
- We performed procedures to verify that all disbursements were accompanied by a request for withdrawal form that is signed by two authorized personnel as required by state statute for school activity funds. A withdrawal form was not noted for any of the 44 disbursements included in the sample.

Based on the findings listed above for disbursements and discussions with management regarding these findings, we expanded our procedures in this area by also requesting copies of the bank statements and source documents for the Berwick Elementary School Activity Fund account from June 1, 2007 through May 31, 2011 (the 4 preceding years). From this information, we selected all disbursements in which the check was written out to "cash", all disbursements in which the check was written to various employees in excess of \$20, and any disbursements that appeared to be written to a related party or unfamiliar vendor. This expanded procedure resulted in 40 additional disbursement items being chosen for further testing. From this request we determined the following:

- We performed procedures of tracing all sample disbursements to invoices noting accuracy and that the disbursement is a feasible expenditure for the school activity fund. We noted of the 40 disbursements in the sample, we were unable to trace 36 to supporting documentation. We also noted the supporting documentation for one of the disbursements was only a calculator tape upon which a business's name was written. The supporting documentation for another disbursement was a Wal-Mart receipt that was not able to be found on a Wal-Mart credit card statement; however, the date of purchase and the signature of the purchaser were cut off of the receipt. For all items chosen that were not evidenced by a receipt, we were unable to determine if these expenditures were feasible for the school activity fund.
- We performed procedures to verify that the amount and payee on the invoice matched the amount and payee noted on the cancelled check that appears on the bank statement.
  - We noted 19 instances where the payee noted on the cancelled check that appears on the bank statement did not agree to the payee noted on the check stub on file with the client, and in 3 additional cases the payee per the check stub was left blank.
  - We noted 2 instances where the payee on the cancelled check that appears on the bank statement appeared to be whited out and "Wal-Mart" was handwritten on the payee line. According to the actual copy of the check received from the bank, the payee was "cash".
  - We noted one instance for a disbursement to cash, which was unable to be traced to supporting documentation, where the payee on the cancelled check that appears on the bank statement is "cash"; however, the payee per the check stub associated with the disbursement to cash is noted as a vendor. The disbursement to cash was in the amount of \$591.55, and there was a separate disbursement to the vendor noted as the payee on the check stub in the amount of \$59.55, which was able to be traced to an invoice.
  - We noted for a disbursement to the school's principal, which we were unable to trace to support, that the amount on the cancelled check that appears on the bank statement is \$625.73; however, the amount on the check stub for this disbursement is \$25.73. We did note a purchase receipt in the amount of \$25.73 dated within the same time frame as this disbursement.
- We performed procedures to verify that the disbursements were not made to unallowable vendors such as companies owned by the school's employees. Of the 40 sample disbursements chosen for additional testing procedures
  - 1 disbursement was to a company owned by the school's employee
  - 6 disbursements were to the spouse of the school's employee
  - 13 disbursements were to an employee of the school
  - 3 disbursements were to the school's principal
  - 15 disbursements were to "cash"

These 38 disbursements totaled \$34,613.84. With the exception of two, we were unable to trace the invoices to supporting documentation. However, we did note the following

- Of the total amount of the 38 disbursements, \$1,229.73 was disbursements to the school's principal, and \$400.00 was the amount of a disbursement to an employee
  - We noted 6 instances (1 disbursement to an employee's spouse, 2 disbursements to an employee, and 3 disbursements to "cash") where there were receipts supporting charges for what appeared to be identical amounts on various Wal-Mart credit card statements. These charges totaled \$8,324.39. We also noted that the date of the purchase and the signature of the purchaser were cut off of various supporting Wal-Mart receipts. We noted that the 3 disbursements to cash mentioned above were written in either July or August of 2009, and there appear to be charges for the same amounts on the Wal-Mart credit card statement ending August 16, 2008.
  - We noted that for one disbursement to an employee's spouse, the memo line on the cancelled check that appears on the bank statement includes three invoice numbers that appear to be supporting documentation for 3 other disbursements to specific vendors that had been paid with separate checks.
  - We also noted for one disbursement to an employee, there is no supporting documentation for the disbursement but there is an invoice supporting a payment to a vendor for the same amount. The vendor on the supporting invoice is also noted as the payee on the check stub associated with the disbursement to an employee.
- We performed procedures to verify that all checks have two authorized signatures as required by state statute for school activity funds. We noted that all the cancelled checks that appeared on the bank statement had two authorized signatures, one being the principal. However, it appears that in some instances the check may have been signed using a signature stamp which is in violation of St Mary Parish School Board policies and procedures for school activity funds
- We performed procedures to verify that all disbursements were accompanied by a request for withdrawal form that is signed by two authorized personnel as required by state statute for school activity funds. A withdrawal form was not noted in any of the 40 disbursements included in the sample.

The following is a partial recap of findings from our resulting 5 years of test work performed on disbursements noted in other sections of this report:

- The scope of procedures performed, noted on the first page of this report, resulted in a total sample of 84 disbursements chosen for further testing.
- Of the sample of 84 disbursements, we were unable to obtain supporting documentation for 62 of the items selected for further testing.
- We noted 34 instances whereby the payee noted on the cancelled check that appeared on the bank statement did not match the payee noted on the check stub on file with the client.
- We noted that in 9 additional instances the payee per the check stub was left blank.

- We noted 2 disbursements were to a company owned by an employee of the school; 7 disbursements were to the spouse of an employee; 29 disbursements were to the same employee; 3 disbursements were to the school's principal; and 19 disbursements were to "cash". Out of these items, we were only able to trace 2 to supporting documentation.
- We noted 9 instances of disbursements written without supporting documentation whereby we were able to trace what appeared to be the same amounts charged on various Wal-Mart credit card statements. These amounts totaled \$10,724.38. Of this amount we noted 3 disbursements that were written in 2009 and appeared to match Wal-Mart credit card charges from the August 16, 2008 statement. These amounts totaled \$6,136.27.
- We noted 2 instances where the payee on the cancelled check that appears on the bank statement appeared to be whited out and "Wal-Mart" handwritten on the payee line. The principal had obtained copies of these two checks directly from the bank, and the payee line per these check copies was made out to cash
- We noted various items whereby the amounts on the checks appear to match actual invoices obtained from the client with additional numbers inserted in the check amount that made the disbursement in excess of the invoice amount.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, as to the nature of the deposits and expenditure transactions flowing through the Berwick Elementary School Activity Fund account. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the members of the St. Mary Parish School Board, Legislative Auditor, State of Louisiana, District Attorney's Office, and local law enforcement and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Dannall, Sikes, Gardes & Frederick*  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
July 18, 2012

ST. MARY PARISH SCHOOL BOARD

Recommendations

July 18, 2012

- Management of St Mary Parish School Board should implement procedures to ensure that all school level management and accounting employees are aware and adhere to the policies and procedures with regards to School Activity Funds as outlined in the requirements of R.S. 17:414.3—*School Fund, management, expenditure, and accounting, duties of school principal, accounts for certain closed schools, committees, creation and authority; policies* and the *School Activity Funds Principles and Procedures Manual* of the St. Mary Parish School Board. Enhanced management level oversight of all accounting functions performed by school level accounting staff is necessary to ensure adequate fiduciary safeguarding of school activity fund assets is maintained.



## ST. MARY PARISH SCHOOL BOARD

### Management's Corrective Action Plan for Agreed-Upon Procedures Findings July 18, 2012

In terms of general procedures, our School Activity Funds Principles and Procedures Manual is currently being updated to include additional steps to help eliminate many of the issues that recently took place at Berwick Elementary School. Once this process is complete and approved by the Board, the new manual will be distributed to each school principal and bookkeeper. School principals are being reminded that when they accept their appointment as the school administrator, they are assuming ultimate responsibility for all activity accounts in their school. They will now receive this manual on an annual basis and be required to review it. Additionally, increased school audits will be randomly scheduled, with our external auditors conducting 3 or 4 audits per year and our department also conducting 3 or 4 per year. This means that everyone should be audited every 4 years. Additional audits may be conducted as determined necessary. Individual accounts, fundraisers, and athletic event collections may be audited on a random basis with no advance notice being given

Specifically, all bank statements must now be received unopened by the principal. They are being instructed on how to effectively review their bank statements with emphasis being placed on scrutinizing certain types of transactions that involve employees. They will be matching information per the bank statement to check registers, deposit slips, etc. Strong emphasis is being placed regarding the disallowed practice of pre-signing checks and utilizing signature stamps. Additionally, new fundraiser procedures and reconciliations are being implemented, this allowing for better control over said fundraisers as well as better accountability over the transactions resulting from them. All financial information received by the Central Office will once again be reviewed.

We feel confident that these new procedures will greatly reduce the risk of such misappropriation of assets in the future.