



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT

Justin P. Wilson  
Comptroller of the Treasury

BANK OF AMERICA PLAZA  
414 UNION STREET, SUITE 1100  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 532-4460  
FAX (615) 532-4499

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

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Officers of the Haywood Elementary School  
Parent-Teacher Organization  
Haywood Elementary School  
3790 Turley Drive  
Nashville, TN 37211

Officers of the PTO:

We have completed our investigative audit of the Haywood Elementary School Parent-Teacher Organization (PTO). The audit focused on the period July 1, 2008, through August 31, 2009. However, when warranted, we expanded the scope. We became involved in this investigation after Metropolitan Nashville Public Schools' Internal Audit Division notified our office of suspected irregularities.

### Legal Issues

#### **Misappropriation of at least \$2,500**

Our investigative audit revealed that between August 29, 2008, and May 14, 2009, the former Haywood Elementary School PTO president wrote 13 checks to herself<sup>1</sup> totaling \$4,413, purportedly for reimbursement of personal out-of-pocket expenses she paid on behalf of the PTO.<sup>2</sup> However, state auditors determined that only \$1,893 of these payments to the former president were possibly for PTO purchases. At least \$2,519 was not used for legitimate PTO purposes, but was used for the former PTO president's personal expenses.

The former president admitted to state auditors that she had withdrawn at least \$2,500 from the Haywood Elementary School PTO's checking account for her own personal use without

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<sup>1</sup> She wrote a \$500 check that was blank in the "payable to" section, but which she later cashed.

<sup>2</sup> Auditors confirmed the veracity of **some** of these payments. The absence of supporting documents is described later in this letter under "Internal Control Weaknesses."

authority or approval by the board, and to which she was not entitled. She has since repaid the total amount. The former PTO president also admitted to inadequate recordkeeping.

This matter has been referred to the office of the local district attorney general.

### **Internal Control Weaknesses**

#### **1. Failure to maintain required collection documents**

The Haywood Elementary School PTO failed to maintain adequate collection records for any of the deposited collections. Consequently, PTO members, officers, and auditors had no assurance that all of the money collected from each of these sources was deposited into the PTO's bank account.

The *School Support Organization Financial Accountability Act (SSOFAA)*<sup>3</sup> requires each school support organization's officers to

... ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. The organization shall adopt and maintain a written policy that specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it. (TCA §49-2-604(e))

The *Model Financial Policy for School Support Organizations*, required control number 11, states:

A receipt should be issued any time and at the time, cash is turned over to or collected by the treasurer acting in his/her official capacity as treasurer of the school support organization. The receipts should be prenumbered and kept in a bound book. One copy should be maintained in the receipt book.

Control number 12 requires:

For certain events or mass collections (e.g., concession, parking, car wash, candy sale), a record

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<sup>3</sup> *Tennessee Code Annotated* §49-2-601 et seq.

of the total collections each day must be created. Two individuals should count the collections and prepare a count sheet, signed by both counters. When the collections are turned over to the treasurer, he/she and the individuals should recount the collections. The treasurer should then immediately issue a receipt to the individuals. The count sheet should be filed by the treasurer.

Control number 17 adds:

All collection records, bank statements, canceled checks and invoices, along with copies of the monthly treasurer's report, should be organized and maintained by the treasurer by fiscal year. Records should be maintained for at least four years.

PTO officers should immediately begin preparing required documents on each occasion that a member collects money for the PTO. In addition, a board member other than the person responsible for making bank deposits should verify that the deposits include **all** amounts collected. The treasurer should retain and safeguard all receipts, count sheets, and similar collection documents as well as all bank records, as specified in the *Model Financial Policy for School Support Organizations*.

## **2. Unsupported disbursements**

Some of the checks issued by the Haywood Elementary PTO within the scope of this audit had either no supporting documentation on file or the supporting documentation was inadequate. This included eight checks totaling \$3,740 that the former president wrote to herself.

State auditors also found that the former PTO treasurer issued two Haywood Elementary School PTO checks for \$178.96 each payable to herself as reimbursement for personal out-of-pocket expenses she paid on behalf of the PTO. However, only one invoice for that amount was located in the PTO records. The former PTO treasurer acknowledged to state auditors that the second check for \$178.96 was apparently a duplicate reimbursement that had no supporting documentation. She told state auditors that she would reimburse the PTO for this overpayment.

The *SSOFAA* requires each school support organization's officers to

... ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. The organization shall adopt and maintain a written policy that specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it. (*TCA §49-2-604(e)*)

According to the *Model Financial Policy for School Support Organizations*, required control number 10:

Each check written should have a receipt or invoice filed by check number. The treasurer should write the check number and date paid on the invoice or receipt. When a receipt or invoice is not available, a written document, signed by the treasurer, describing the expenditure and explaining why no other documentation is provided, should be created and filed.

Control number 17 adds:

All collection records, bank statements, canceled checks and invoices, along with copies of the monthly treasurer's report, should be organized and maintained by the treasurer by fiscal year. Records should be maintained for at least four years.

The PTO should not issue any checks without adequate supporting documentation. The treasurer should retain and safeguard the supporting documents, as required by the *Model Financial Policy for School Support Organizations*.

### 3. **Checks payable to cash**

The former PTO president issued two Haywood Elementary School PTO checks payable to cash, totaling \$260, between September 9, 2008, and October 14, 2008. The \$260 was purportedly given to teachers to purchase items intended for use in the teachers' lounge. Invoices supporting the \$260 cash disbursement were located in the PTO records.

Similarly, the former PTO treasurer issued four Haywood Elementary School PTO checks payable to cash, totaling \$635 between November 3, 2008, and January 9, 2009. Purportedly, one of these checks was for change for a fundraiser, one was a cash gift for a retiring teacher, one was a donation, and one was to purchase resale items for the PTO. Invoices for these checks were not located in the PTO records.

The *Model Financial Policy for School Support Organizations*, required control number 8, mandates that “[a]ll bills should be paid by check, never cash. Presigning blank checks should be prohibited.”

The PTO should not pay cash for goods, services, or donations and should cease the practice of writing checks made payable to cash.

**4. Checks issued with only one signature**

The checks issued by the Haywood Elementary School PTO within the scope of this audit required only one signature. The checks usually bore either the former PTO president’s signature or the former PTO treasurer’s signature. Based on PTO records and interviews, the former PTO president and the PTO treasurer controlled essentially all of the PTO’s disbursements without oversight and approval from other board members.

The *Model Financial Policy for School Support Organizations*, required control number 9, sets forth that “[f]or disbursements, prenumbered bank checks should be used that require two signatures.”

The PTO board should require dual signatures on all checks, with each signature indicating that the individual that signed understood the reason for the disbursement, approved of the disbursement, and reviewed related supporting documents. The PTO’s financial institution should record and enforce the dual signature requirement.

The PTO president and officers should take immediate corrective action to resolve these issues. If you have any questions or need additional information, please contact me.

Very truly yours,



Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit