

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Richland Parish School Board  
Dettl Elementary School  
Rayville, Louisiana

June 19, 2002



**Investigative Audit**

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**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

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**Richland Parish School Board  
Delhi Elementary School**

*June 19, 2002*



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**

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DANIEL G. KYLE, CPA, CFI  
LEGISLATIVE AUDITOR

June 19, 2002

**MR. JOHN R. SARTIN, SUPERINTENDENT,  
AND MEMBERS OF THE RICHLAND  
PARISH SCHOOL BOARD**  
Rayville, Louisiana

Transmitted herewith is our investigative report of the Richland Parish School Board - Dofth Elementary School. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations as well as the response of the School Board's management. Copies of this report have been delivered to the Honorable William E. Coonan, Jr., District Attorney for the Fifth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFI  
Legislative Auditor

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# Executive Summary

## Investigative Audit Report Richland Parish School Board Delhi Elementary School

### ***Highlights . . .***

Cash collected totaling at least \$18,879 was not deposited into the School's bank account.

Ms. Sallie Martin, former bookkeeper, was responsible for preparing all of the School's deposits.

The School Board should ensure that all School funds are deposited properly and used for their intended purposes.

### ***Finding (See pages 7-8.)***

Delhi Elementary School (School) records indicate that during the period July 1, 1999, through November 30, 2000, cash collected totaling at least \$18,879 was not deposited into the School's bank account. On many occasions, checks were substituted for cash collected for contributions that concealing the fact that all cash collected by the School was not deposited into the School's bank account. On other occasions, cash collected for fund-raising was not deposited and the collection records are missing. Ms. Sallie Martin, former bookkeeper, stated that she was responsible for preparing all of the School's deposits. Ms. Martin further stated that she collected money from students, parents, and school personnel. Ms. Martin acknowledged that she was responsible for all of the School's funds.

### ***Recommendations (See page 9.)***

We recommend that the Richland Parish School Board (School Board) enforce policies and procedures to ensure that all funds collected by individual schools are deposited properly and used for their intended purposes. These procedures, at a minimum, should require the following:

1. All School records should be maintained in accordance with the Louisiana Public Records Act.
2. All individuals receiving funds should prepare and maintain accurate records reflecting all funds collected.

3. The School bookkeeper should give each teacher or staff member a pre-numbered receipt when funds are turned in to the bookkeeper.
4. All collections should be deposited on a timely basis.
5. Collection records should be reconciled to deposit records in a timely manner.
6. Have proper segregation of duties, whenever possible, so that individuals collecting funds directly from students and parents are not responsible for making their own deposits.
7. Principals should take an active oversight role in the financial operations of the School activity funds.
8. School credit cards should be used for valid public purposes and not for personal use.

The School Board should review any policies that allow the purchase of uniforms and supplies for any children.

We also recommend that the School Board review any policies that allow the purchase of uniforms and supplies for any children, as this appears to be a violation of the Louisiana Constitution. Finally, we recommend that the District Attorney for the Fifth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

### **Management's Response (See Attachment B.)**

The School's procedures manual will be modified as follows: teacher class receipt records should be turned in to the principal instead of the bookkeeper and a copy of all fundraiser request forms will be sent to the business manager.

On January 1, 2008, Superintendent John B. Sarin requested current audits of all schools. Ms. Bonnie Robinson, CPA, the School Board's external funds auditor, began that process. However, Delhi Elementary had been audited in the prior year with no major findings and was not audited in 2008. In the future all schools will be audited each year. In October of 2008, Ms. Katly Post, business manager, began to upgrade the system and automate all schools, which was completed by July 2009. A new Procedures Manual was also put in place. In light of your finding the manual will be modified as follows: teacher class receipt records should be turned in to the principal instead of the bookkeeper and a copy of all fundraiser request forms will be sent to the business manager. We feel that the correct procedures were in place at Delhi Elementary but former bookkeeper Ms. Salto

Martin intentionally ignored these procedures. In addition, "Theft" and "Malfeasance in Office" are actions that are not condoned nor tolerated by the Richmond Parish School Board.



# Background and Methodology

The Richland Parish School Board (School Board) was created by R.S. 17:53 to provide public education for the children within Richland Parish. The School Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of nine members who are elected for terms of four years. The School Board operates eleven schools within the parish with a total enrollment of approximately 3,290 pupils.

Ms. Sallie Martin served as the bookkeeper for Deftie Elementary School (School) from 1994 until she resigned in November 2001. On February 8, 2002, officials of the School Board became aware that Ms. Martin had charged personal items at Wal-Mart and ABC Distribution. As a result, Ms. Kirby Pool, School Board business manager, contacted the School Board's external auditor, Ms. Bonnie Robinscic, CPA. Ms. Pool and Ms. Robinscic started a review of the student activity fund for the School. Ms. Pool and Ms. Robinscic discovered missing monies and on February 26, 2002, notified the Legislative Auditor. We acknowledge the assistance provided this investigation by Superintendent John R. Sartin and his staff. This investigative audit was conducted to determine the propriety of these transactions.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the School; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the School; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purposes; and (5) reviewing applicable state laws.

The results of our investigative audit are the finding and recommendations herein.



# Finding

Dahl Elementary School (School) records indicate that during the period July 1, 1999, through November 30, 2001, cash collected totaling at least \$19,879 was not deposited into the School's bank account. On many occasions, checks were substituted for cash collected for concessions thus concealing the fact that all cash collected by the School was not deposited into the School's bank account. On other occasions, cash collected for fundraisers was not deposited and the collection records are missing. Ms. Sallie Martin, former bookkeeper, stated that she was responsible for preparing all of the School's deposits. Ms. Martin further stated that she collected money from students, parents, and school personnel. Ms. Martin acknowledged that she was responsible for all of the School's funds.

The School maintains a student activity fund that includes revenues from student assessment fees, reimbursements, fundraisers, yearbook sales, pencil sales, and concession sales. Ms. Martin, as bookkeeper, was responsible for collecting these revenues either directly from students and parents or from School personnel. Records from the School indicate that during the period July 1, 1999, through November 30, 2001, the School collected \$219,977; however, bank records for the period indicate that only \$199,498 was deposited into the School's bank account. Therefore, cash totaling \$19,879 was not deposited.

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**Cash totaling  
\$19,879 was not  
deposited into the  
School's bank  
account.**

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The fact that \$19,879 in cash was not deposited appears to have been concealed by a couple of methods. First, checks collected for yearbook sales, tickets for plays, and book fair sales were included in deposits of concession sales. Concession sales are in the form of cash and were submitted by the janitor, along with a receipt to Ms. Martin. Since these sales are made in cash, checks should not be included in the deposits. Therefore, it appears that checks were substituted for cash thus concealing the fact that all of the cash from concession sales was not deposited. (See appendix A Attachment I for an example of a check substitution scheme.) Second, money collected during fundraisers for Great American Opportunities, Nordic Network Discount Card, Jump Rope for Heart, and T-shirt sales was not deposited. The collection records for these fundraisers are missing from the School. Ms. Martin was responsible for collecting money and maintaining the records for the Great American Opportunities and Nordic Network Discount Card fundraisers. Ms. Kaye Stephens, teacher, stated that she collected and turned over to Ms. Martin all money and records for the Jump Rope for Heart and T-shirt sales fundraisers.

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## Methods of Concealment:

1. Checks were substituted into the deposits and the related cash was removed.
  2. Collection records for several fundraisers are missing.
-

Ms. Martin described her bookkeeping duties as collector of all money for the student activity fund. Ms. Martin stated that she maintained the books and prepared all of the School's deposits. Ms. Martin also stated that she personally collected the money for the Great American Opportunity Fundraiser, the North Network Discount Card fundraiser, pictures, and yearbook sales.

**Ms. Martin stated that she prepared all of the School's deposits.**

As mentioned previously, the money collected by Ms. Martin for the two fundraisers was not deposited and checks for yearbook sales appear to have been substituted for cash in the occasional sales deposits. Ms. Martin acknowledged that she was responsible for all of the School's funds.

In addition, the School's principal, Ms. Carolyn Franks, discovered invoices totaling \$268 from ABC Distributing addressed to the School that were more than a year past due. Ms. Franks then confronted Ms. Martin regarding the purchases from ABC Distributing. As a result, Ms. Martin obtained a money order and personally paid the invoices. Ms. Martin stated that she used the School's Wal-Mart credit card to purchase school supplies and uniforms for her children, groceries, and clothes for herself. According to Ms. Martin, Ms. Franks gave her permission to purchase what she needed from Wal-Mart. Ms. Franks stated that she gave Ms. Martin permission to purchase uniforms, belts, shoes, and school supplies for her children. Ms. Franks explained that, in the past, the School has paid for these items for needy children who could not afford the purchases. Ms. Franks stated that she never told Ms. Martin that she could purchase personal clothing or groceries with the School's credit card. The total cost paid by the School for the purchases of personal clothing and groceries was \$199. Ms. Martin stated that she would reimburse the School for these personal items.

**Ms. Martin stated that she used a School credit card to purchase groceries and clothes for herself.**

These actions indicate possible violations of the following Louisiana laws:

- R.S. 14:63, "Theft"<sup>1</sup>
- R.S. 14:136, "Malfeasance in Office"<sup>2</sup>
- Article 7, Section 14 of the Louisiana Constitution<sup>3</sup>

The actual determination as to whether individuals are subject to formal charge is at the discretion of the district attorney.

<sup>1</sup> R.S. 14:63 provides, in part, that theft is the appropriation or taking of anything of value which belongs to another, either without the consent of the owner or the appropriation or taking, or by means of fraudulent means, guile, or representations.

<sup>2</sup> R.S. 14:136 provides, in part, that malfeasance in office is committed when any public officer or public employee shall: (1) intentionally cause or fail to perform any duty lawfully imposed of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully imposed of him or to perform any such duty in an unlawful manner.

<sup>3</sup> Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or granted in aid of any person, institution, or enterprise, public or private.

# Recommendations

We recommend that the Richland Parish School Board enforce policies and procedures to ensure that all funds collected by individual schools are deposited properly and used for their intended purposes. These procedures, at a minimum, should require the following:

1. All School records should be maintained in accordance with the Louisiana Public Records Act.
2. All individuals receiving funds should prepare and maintain accurate records reflecting all funds collected.
3. The School bookkeeper should give each teacher or staff member a pre-numbered receipt when funds are turned in to the bookkeeper.
4. All collections should be deposited on a timely basis.
5. Collection records should be reconciled to deposit records in a timely manner.
6. Have proper segregation of duties, whenever possible, so that individuals collecting funds directly from students and parents are not responsible for making their own deposits.
7. Principals should take an active oversight role in the financial operation of the School activity funds.
8. School credit cards should be used for valid public purposes and not for personal use.

We also recommend that the School Board review any policies that allow the purchase of uniforms and supplies for any children, as this appears to be a violation of the Louisiana Constitution. Finally, we recommend that the District Attorney for the Fifth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.



## **Attachment I**

### **Appendix - Example of Check Substitution Scheme**

# Appendix

The following deposit dated April 14, 2000, for concession sales shows three checks for yearbook sales that were substituted for cash in the concession sales deposit.

The image displays a deposit slip and three checks. The deposit slip is from 'Community Bank & Trust Company' and is dated 'APR 14 2000'. It shows a total deposit of \$100,000.00. The checks are:

- Check I:** A check from 'Janitors' for \$100,000.00, dated '4-14-00'. It is payable to 'Ms. Martin' and has a MICR line of 1601577.
- Check II:** A check from 'Ms. Martin' for \$100,000.00, dated '4-14-00'. It is payable to 'Ms. Martin' and has a MICR line of 1601577.
- Check III:** A 'YEARBOOK ORDER' check for \$100,000.00, dated '4-7-00'. It is payable to 'Community Bank & Trust Company' and has a MICR line of 1601588.

Arrows indicate that the amount of the yearbook order check (III) was substituted for cash in the deposit slip, and the amount of the janitors' check (I) was substituted for cash in the deposit slip. The deposit slip also shows a check for \$100,000.00 from 'Ms. Martin' dated '4-14-00' with a MICR line of 1601577, which is crossed out with a large 'X'.

- I. Janitors' receipts indicating the amount of concession sales collected in cash.
- II. Ms. Martin's receipt indicating the amount of cash she received from the janitors.
- III. Receipts for yearbook sales. These checks were included in the deposit for concession sales and the corresponding cash was removed from the deposit. Thus, checks were substituted for cash.



## **Attachment II**

### **Management's Response**

OFFICE OF  
RICHLAND PARISH SCHOOL BOARD  
JOHN E. MARTIN, SUPERINTENDENT  
P.O. BOX 688  
RAYVILLE, LOUISIANA 71380

RECEIVED  
JUN 11 2000  
JUN 11 2000

Robert Daughlin  
President

June 11, 2000

Glenn Pharis  
Vice President

Office of Legislative Auditor  
State of Louisiana  
Attn: Dr. Donald S. Kyle  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following response is provided relative to your findings at Delfi Elementary School.

Upon being named Superintendent on January 1, 2000, I requested current audits of all schools. Mrs. Bonnie Robinette, the School Board's External Activity Funds Auditor, provided as requested. Delfi Elementary, with Mrs. Sallie Martin as bookkeeper, had been audited the prior year with no major findings. Therefore, Mrs. Robinette did not audit Delfi Elementary School or Mrs. Martin in 1999 (the year that the indicated findings in your report started taking place).

During the 2000-2001 school year a new Business Manager was hired. In October 2000, Mrs. Kathy Pool was named to this position. Before this time, all schools were not maintaining their books with an automated system. Some schools kept their books manually. Mrs. Pool began to upgrade the system and automated all schools. By July 2001, Delfi Elementary School was automated in their bookkeeping. A new Procedures Manual was also put in place for all school activity funds. (You have a copy of our Procedures Manual. The Richland Parish Procedures Manual specifically states in Section 1 who is responsible for school activity funds. It also states that these funds are restricted funds. Personal transactions are also addressed in Section One, Page 2: "Under no circumstances shall personal transactions be placed in school accounts. Personal transactions include but are not limited to, loans, cashing checks, purchasing stamps from the school and ordering and paying for merchandise for personal use through the school." Fund collections, receipts and deposits are addressed in Section 2, Page 1. Page 2 of this section states the exact procedure to follow in collecting funds from students. In light of your findings, we do, however, feel that the procedures listed on page 2 should be modified. Class receipt records from teachers should be turned into the Principal instead of the bookkeeper. At Delfi Elementary these records were turned into the bookkeeper, Mrs. Martin, and she could not produce all of them for our viewing. We will also require in the future that a copy of all fundraiser request forms be sent to the Business Manager to be kept on file at the Central Office. In addition all schools will be audited each year unlike in the past where schools were randomly chosen.

Your report has cited violations of "Theft" and "Misdemeanor in Office" which are actions that are not condoned nor tolerated by the Richland Parish School Board. We feel that the correct procedures were in place at Delhi Elementary School but that Mrs. Martin intentionally ignored these procedures. All school personnel are required to comply with all adopted Board Policies, Louisiana Revised Statutes and the Louisiana Code of Governmental Ethics. This has been Board policy in the past and will continue to be the policy of the Richland Parish School Board.

Sincerely,



John R. Martin  
Superintendent

Cc: Kathy Pool  
Business Manager