

*OFFICE OF THE AUDITOR GENERAL  
STATE OF ARIZONA*

**MARICOPA COUNTY, ARIZONA  
BUCKEYE UNION HIGH SCHOOL DISTRICT NO. 201  
Report on Special Investigation  
For the Period July 1990  
Through July 1992**

*DOUGLAS R. NORTON, Auditor General*

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BUCKEYE UNION HIGH SCHOOL DISTRICT NO. 201  
Report on Special Investigation  
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STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

DOUGLAS R. NORTON, CPA  
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA  
DEPUTY AUDITOR GENERAL

February 11, 1993

**Members of the Arizona State Legislature**

**The Honorable C. Diane Bishop  
Superintendent of Public Instruction  
Arizona Department of Education**

We have conducted a special investigation of the Buckeye Union High School District Student Activities Fund for the period July 1990 through July 1992. Our investigation was performed to determine if public monies had been misappropriated during that period, and if the District's internal control structure and its operation relevant to the cash receipts of the Student Activities Fund were adequate to prevent the misappropriation of public monies.

Our investigation consisted primarily of inquiries and the examination of selected records and other documentation. Therefore, our investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the adequacy of the financial records or the internal control structure of Buckeye Union High School District, nor do we ensure that all matters involving the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that require correction or improvement were disclosed.

The accompanying report describes our findings and recommendations as a result of the investigation.

After this report is distributed to the members of the Arizona State Legislature and the Superintendent of Public Instruction, it becomes public record.

Douglas R. Norton  
Auditor General

**Attachment**

cc: The Honorable Grant Woods  
Attorney General  
The Governing Board  
Buckeye Union High School District No. 201  
The Honorable Sandra Dowling  
Maricopa County School Superintendent

## Summary

In July 1992, the Office of the Auditor General received an allegation that public monies may have been misappropriated from the Buckeye Union High School District's Student Activities Fund.

Our investigation revealed that Ruby Cooper, the District's Bookkeeper, had misappropriated public monies during the period July 1990 through July 1992 from the Student Activities Fund.

The results of our investigation are summarized in a finding that we submitted to the Attorney General. On February 11, 1993, Ruby Cooper was indicted on one count each of theft and fraudulent schemes and artifices.

We determined that weaknesses in the internal control structure policies and procedures over the cash receipts of the District's Student Activities Fund were so pervasive that this misappropriation of public monies was not readily detectable in the normal course of operations and continued undetected until July 1992. The weaknesses in the District's internal control structure policies and procedures we noted and our recommendations concerning them are presented at the conclusion of this report.

## Finding

**A Buckeye Union High School District employee misappropriated public monies from the Student Activities Fund by means of a fraudulent scheme during the period July 1990 through July 1992.**

Our investigation disclosed that sometime after being hired as the District's Bookkeeper in July 1989, Ruby Cooper initiated a lapping scheme to defraud and misappropriate public monies from Student Activities Fund receipts collected by the District. The original theft of Student Activities Fund receipts occurred prior to July 1990. However, our investigation revealed that receipts stolen prior to July 1990 had been completely covered or lapped with subsequent receipts. Therefore, as all outstanding theft amounts were received subsequent to July 1990, our investigation focused on the period July 1990 through July 1992.

A lapping scheme involves using current receipts to lap or cover the previous defalcation, and this process of rolling the defalcation forward typically continues indefinitely until the theft is repaid or discovered. After July 1990, in addition to using current receipts to lap previous cash thefts, Ruby Cooper used undeposited check receipts stored in the safe to cover current cash thefts.

We determined that, by means of her lapping scheme, Ruby Cooper embezzled Student Activities Fund receipts totaling \$37,644.19 during the period July 1990 through July 1992.

### Cause and Recommendations

Because of the District's lack of adequate internal control structure policies and procedures over the cash receipts of the Student Activities Fund, Ruby Cooper, as the District's Bookkeeper, was able to misappropriate public monies for more than two years. The specific weaknesses in the District's internal control structure policies and procedures we noted during our investigation are described below.

1. The District did not establish an adequate segregation of duties concerning the financial activities of the Student Activities Fund. As a result, Ruby Cooper had control over the cash receipts function of the Student Activities Fund with no supervisory review. The Bookkeeper performed all of the following duties:
  - a. Reconciled the cash and checks received by the bookstore to the daily cash receipt summaries prepared by the Bookstore Manager
  - b. Prepared the deposit slips for the Student Activities Fund bank account and was responsible for taking the deposits to the bank
  - c. Input the Student Activities Fund cash receipt information into the computer system
  - d. Recorded many of the Student Activities Fund bank account deposits in the check register
  - e. Reconciled the Student Activities Fund bank statement to the check register and the computer reports.

To properly control and safeguard cash and to comply with the requirements of the Uniform System of Financial Records (USFR) Page VII-C-1, the District should segregate cash handling and recordkeeping functions among employees. At a minimum, we recommend the following policies and procedures be formally adopted and enforced by the District.

- a. The District should designate another employee as the Student Activities Assistant Treasurer for the Student Activities Fund, and that employee should perform limited reconciliation procedures and make bank deposits. (See c. below)
- b. On a daily basis, the Bookstore Manager should prepare multiple copies of the daily cash receipt summary and a numerically controlled deposit slip. The Bookstore Manager should forward a copy of the daily cash receipt summary, the deposit slip, the cash and checks received, and the receipt forms to the Student Activities Assistant Treasurer; a copy of the daily cash receipt summary to the Bookkeeper for input into the computer system; and a copy of the deposit slip to the Student Activities Treasurer.

- c. On a daily basis, the Student Activities Assistant Treasurer should reconcile the deposit slip, the daily cash receipt summary, and the receipt forms with the cash and checks received; verify the numerical sequence of deposit and receipt numbers; take the deposit to the bank; and forward the original validated deposit slip to the Student Activities Treasurer. The daily cash receipt summary and receipt forms should be adequately safeguarded.
  - d. Each month, an employee who is not responsible for handling cash or issuing checks, such as the Business Manager, should prepare the bank reconciliation. After the bank statements have been reconciled to the computer reports and any necessary adjustments have been made, the club sponsors should reconcile their records with the computer reports.
  - e. The Student Activities Treasurer should determine that the validated deposit slip agrees with the handwritten deposit slip received from the Bookstore Manager, record the deposit in the check register, and ensure that the bank reconciliation is submitted to the Superintendent each month for review. The validated deposit slips should be stored in the Superintendent's safe with the check register.
  - f. Each month, the Superintendent should review the bank reconciliation and document his review by signing and dating the reconciliation.
2. A bank reconciliation was not performed for the Student Activities Fund bank account from November 1990 through June 1992. Although it was District policy for the Superintendent to review and approve the monthly reconciliations, there were no policies and procedures in place to ensure that this was being done. As a result, it was not until October 1991 that the Bookkeeper's supervisor realized that bank reconciliations were not being performed. The Bookkeeper was able to stall the completion of the reconciliations until July 1992.

In accordance with the USFR Page VII-C-1, bank reconciliations must be performed monthly by an employee independent of the cash receipt, disbursement, and recording functions of the Student Activities Fund. Procedures should be established to ensure that the reconciliation is being performed each month and approved by the Superintendent.

3. Deposits were not made to the Student Activities Fund bank account in a timely manner. Many deposits were stored in the Bookkeeper's safe for up to three months before being taken to the bank.

In order to properly safeguard cash and take full advantage of the interest earning potential of deposits, the District should establish policies and procedures in accordance with USFR Page VII-C-1(4), which requires that monies received should be deposited intact daily, if material, or at least weekly.

4. Receipts were not issued for all monies received for the Student Activities Fund. In addition, receipts issued did not identify whether the monies received were in the form of cash or check. The receipts used were not issued in numerical order, and no procedures were in place to ensure that all receipts issued were accounted for.

A prenumbered receipt should be issued for all monies received for the Student Activities Fund and subsequently, numerically accounted for. In accordance with USFR Page VII-D-4, receipt books used should contain duplicate, prenumbered receipt forms. The original receipt should be given to the individual submitting the cash or check, one copy should be forwarded to the Student Activities Assistant Treasurer, and one copy should remain in the receipt book. The form of the monies received (i.e., cash or check) should be noted on each receipt. A separate receipt book should be used for each account (i.e., Cafeteria, Auxiliary Operations, Student Activities, etc.).

5. The daily cash receipt summary prepared by the Bookstore Manager presented combined totals of cash and checks for the Auxiliary Operations and Student Activities Funds.

Subtotals for cash and checks should be included on the daily cash receipt summary for each fund's daily receipts. Each day before the deposits are taken to the bank, an employee independent of the cash handling and recordkeeping functions, (i.e., the Assistant Treasurer), should reconcile the breakdown between cash and checks recorded on the daily cash receipt summary to the individual receipt forms and the actual cash and checks received.

6. The Bookstore Manager retained the cash receipts forms issued for Student Activities Fund receipts for only one year.

The School District Records Management Manual prepared by the Department of Library, Archives and Public Records specifically states that prenumbered cash receipts should be retained for five fiscal years after the fiscal year prepared.

7. Student Activities Fund receipts were not deposited intact. Receipts were being used to cash employees' personal and third party checks, students' third party checks, and Auxiliary Operations Fund checks payable to students. In addition, Student Activities Fund and Auxiliary Operations Fund receipts were commingled. As a result, Auxiliary Operations Fund receipts were deposited into the Student Activities Fund bank account.

According to USFR Page VII-C-1(4), deposits should be made intact. Further, to avoid possible misuse of public monies, the District should adopt a policy of prohibiting the cashing of personal and third party checks.



8. The Bookkeeper was permitted to take official accounting records of the Student Activities Fund home over the 1991 Christmas break. The documents were not returned to the District premises until March 1992. In July 1992, the records were again removed from the District premises and remain unaccounted for. The missing records include official records generated by the District of which no other copy exists.

Pursuant to Arizona Revised Statutes §38-421, destruction or theft of public records by a District employee without authority is a class 4 felony. The District should establish policies and procedures to protect public records from removal from the District's premises.

During the course of our investigation, we determined that many of the weaknesses described above also applied to the District's Auxiliary Operations Fund bank account. The District should revise current policies and procedures to help ensure that the weaknesses noted above are corrected for all District funds and to help ensure that these funds are maintained in accordance with USFR requirements.