

**REPORT TO THE  
UTAH STATE BOARD OF EDUCATION**

**Report No. 2011-31**

**REVIEW OF STUDENT ACTIVITY & CLUB ACCOUNTS IN  
PROVO CITY SCHOOL DISTRICT  
(TIMPVIEW HIGH SCHOOL)  
FISCAL YEARS 2010-2012**

**March 2, 2012**

**Review Performed By:**

**Utah State Board of Education Internal Auditors**

**Natalie Grange CPA, CFE**

**Jaime Barrett MAcc**

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## Report 2011-31

March 2, 2012

Provo City School District  
280 West 940 North  
Provo, UT 84604

Dear Board Members:

On November 28, 2011, Superintendent Randy Merrill of the Provo City School District (PSD) contacted State Superintendent Larry Shumway and requested a review of the activity and club accounts in the PSD (specifically Timpview High School). This request was approved by the Utah State Board of Education's Audit Committee on December 4, 2011. I was assigned to conduct this review. My team visited PSD on January 4, 5, 10, 11, 18, 19, and 31, 2012.

My team performed the following procedures at Timpview High School (THS) for fiscal years 2010, 2011, and part of 2012 (July 1, 2011 – December 13, 2011).

1. We reviewed certain aspects of THS's internal controls in the major accounting areas of cash receipts and cash disbursements. We also evaluated segregation of duties. Please see **Findings 1 and 2**.
2. We scanned the activity account general ledgers. We selected a sample of activities and clubs to test. We scanned the selected activities and club account general ledgers for unusual receipts and disbursements. From these selected activities and clubs, we tested cash disbursements and journal entries to review for proper approval, controls, documentation, and compliance with state and PSD policies. Please see **Findings 2, 3, 4, 5, 8, 9 and 11**.
3. We reviewed overall revenues for a sample of activities for fiscal years 2010, 2011, and 2012. Please see **Findings 2, 4, 6, and 10**.
4. We reviewed THS's bank statements for fiscal years 2010, 2011 and 2012, and bank statement reconciliations for the same periods. Please see **Findings 1 and 2**.
5. We reviewed contracts and invoices for compliance with state and PSD purchasing policies and proper disclosure. Please see **Findings 5, 9 and 11**.
6. We reviewed the PSD board minutes for fiscal years 2010, 2011, and 2012. Please see **Findings 2, 10 and 11**.

**7. We reviewed other issues and processes as considered necessary. See Findings 7, 9, 10 and 11.**

We did not review the following processes: gate receipts or ticket sales, payroll, capital or small asset listings, overall budgeting and allocation of the budget, or the Provo City School District Foundation's internal control process over cash receipting, cash disbursements, or transaction recording process.

These procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of PSD's internal controls or any part thereof. Furthermore, these procedures were more limited than would be necessary to provide absolute assurance that no errors or misappropriations occurred. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of PSD's internal controls, other matters might have come to our attention that would have been reported.

Our review of cash receipts and cash disbursements was too limited to give absolute assurance as to whether all funds were deposited and that no misappropriations occurred. We recommend that the PSD Board of Education undertake a thorough examination of all school activity accounts by engaging an independent auditor and legal counsel.

*Utah Code 51-7-3(25)* defines public funds as "Money, funds, and accounts, regardless of the source from which [these] are derived, that are owned, held, or administered by the state or any of its ...school districts..." All funds received into a public entity, regardless of source, are subject to the rules and accounting procedures that apply to public funds. Additionally, funds that are under the control of public employees acting under the color of their positions are subject to the same accounting rules and principles.

We have identified accounting and fiscal practices within the PSD that do not conform to generally accepted practices in the management of funds in a public entity. The practices that we have identified result in a significant risk for PSD, its employees, and stakeholders. These risks include:

- 1) Inability to ensure the most effective use of funds and the prevention of waste.
- 2) Potential for misappropriation or the appearance of misappropriation.
- 3) Lack of accountability to citizens and stakeholders for use of public funds.
- 4) Lack of information to enable the PSD Board of Education to exercise appropriate financial oversight.

Administration has the primary responsibility for the design and implementation of the internal control system. Administration is also charged with monitoring to ensure the effectiveness of these controls. The Board has a responsibility for oversight. The Board exercises its oversight responsibility by understanding the risks of the PSD, the controls that Administration has designed to mitigate those risks, and how monitoring occurs to ensure the controls are working as intended. The tone in which the Board and Administration express their attitudes about the

importance of monitoring have a direct impact on the effectiveness of internal controls at every level. Administration's tone directly impacts employee's attitudes about internal control processes and the importance of individual fiduciary responsibility. The Board's tone regarding its charge to Administration for appropriate monitoring has a direct impact on the quality and effectiveness of that monitoring.

The unusual accounting practices and lax internal control environment at THS exhibit all the characteristics of an environment susceptible to errors, misappropriations, and waste or abuse. There appears to have been an intentional and willful disregard by certain PSD employees at THS for compliance with appropriate practices and PSD policies. These same employees do not appear to have exercised proper fiduciary responsibility when managing funds and carrying out internal controls procedures. There also appears to have been a lack of oversight to ensure that internal controls were appropriately implemented and that management of funds at THS were in compliance with policies and generally accepted practices. Some of the findings in this review were reported to the PSD Board of Education in its October 11, 2011 board meeting, and many of the issues appear to remain unresolved.

The findings resulting from the above procedures are included in the attached Findings and Recommendations section of this report. This report is intended solely for the information and use of the Utah State Board of Education, the Utah State Auditor, and the Board and Administration of the PSD and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Natalie Grange".

Natalie Grange CPA, CFE  
Internal Auditor

## FINDINGS AND RECOMMENDATIONS

### 1) INADEQUATE SEGREGATION OF DUTIES AT TIMPVIEW HIGH SCHOOL

Segregation of duties implements an appropriate level of checks and balances upon the actions and duties of individuals. An adequate system of internal controls is built around segregation of duties. Duties can be categorized into four types of functions: authorization, custody, record keeping, and reconciliation. In a perfect system, no one person should handle more than one type of function. In the absence of total segregation of duties, reviews and reconciliations conducted by independent parties serve as compensating controls. Compensating controls mitigate the risks associated with existing or potential control weakness.

The Financial Secretary of THS has access to all cash and checks received, creates accounts receivables in the general ledger system, has access to THS bank account, has custody of the debit cards, initiates disbursements, has access to the check stock, cash boxes and the safe, prepares checks, is a signer on checks, mails signed checks, enters transactions in the general ledger system, has sole custody of the general ledger system, makes adjustments and write-offs in the general ledger, prepares the daily deposit and takes it to the bank, records journal entries for non-sufficient funds checks, prepares the bank reconciliation, and receives the bank statements. There are no other THS staff members that function as a backup for the Financial Secretary position.

Significant weaknesses exist because whoever fills this position has access to cash receipts, the general ledger system, the bank account and statements, the ability to initiate and process cash disbursements, and the ability to enter transactions and make adjustments in the general ledger system. These weaknesses could be manipulated to misappropriate cash receipts and conceal the manipulation in the general ledger. Purchases could be initiated by check or through the debit cards and concealed in the general ledger.

Some compensating controls exist in reviews that should be conducted by the Principal during the PSD monthly bank reconciliation and close process. However, these controls are only effective if properly implemented.

We were unable to verify that an independent individual reviews the original cash receipt record and verifies it to the validated deposit slip aside from the Financial Secretary. We were unable to determine that anyone aside from the Financial Secretary appropriately reviews transactions and adjustments in the general ledger. Budget reports are not routinely reviewed by the employee responsible for the activity; reports are provided only upon request. These items represent additional compensating controls that could be implemented to mitigate risks associated with segregation of duties.

#### ***Recommendation:***

We recommend that PSD segregate duties where possible. Provo School District should develop and implement compensating controls to mitigate the risks associated with segregation of duties weaknesses over cash disbursements and cash receipts at all schools. These controls should be documented in school policies and oversight should ensure that reviews are properly conducted.

## 2) INADEQUATE INTERNAL CONTROLS OVER TIMPVIEW HIGH SCHOOL ACTIVITY ACCOUNTS

We noted the following when reviewing cash disbursement and cash receipt transactions during fiscal years 2010 – 2012:

- a) The “THS Expenditure Report” is the only form required for all expenditure approval at THS. The form was designed to request purchase orders, pre-approval of expenditures, request journal entries, and request reimbursements or payments of invoices. Standard PSD forms, such as the quotation sheet for verbal quotes, sole source justification form, the missing receipt form, authorization to travel form, or the travel reimbursement request, are not used. These forms and policies are outlined in PSD purchasing policy.
- b) The internal control procedures over cash disbursements established by the PSD and THS appear to be designed effectively. However, the reviews that are occurring by the Financial Secretary, Administration, who approve expenditures, and the Principal are not detailed enough to detect the issues noted in **Finding 3**.
- c) Approvals for many purchases or reimbursements are obtained after the purchases have already occurred, effectively making any effort to monitor or approve purchases meaningless.
- d) Assistant Principals routinely approve expenditures and reimbursements for programs over which they do not have supervisory authority.
- e) Reimbursements and disbursements initiated by the Principal are not approved by a supervisor.
- f) A limited account number range is utilized to classify revenues and expenditures within each program. Unusual or infrequent revenue and expenditures are lumped into categories with typical expected transactions. The netting of these transactions hinders the ability to monitor and review specific activities within programs.
- g) The THS Financial Secretary reported that THS does not have petty cash funds. Instead, checks are written to the bank and cashed for petty cash type transactions, travel advances, and change fund establishment. It does not appear that a review or approval process occurs for receipts returned in petty cash type transactions. Provo School District policy “Receipt/Petty Cash” provides guidelines for the acceptable use and internal controls over petty cash funds. It appears that the checks written to the bank function as petty cash, which is not properly recorded or accounted for in accordance with PSD policy.
- h) We noted at least three activities that reimburse expenditures from change funds prior to depositing cash collections with the business office.

- i) There does not appear to be any independent internal control process over the establishment of change funds, which are placed in cash boxes and used for activities. The PSD does not have a policy governing the establishment, accounting, or internal controls over change funds used for activities.
- j) Pre-approval of travel is not documented. Per diem is used by THS as a travel advance, in most cases calculated and given to employees prior to travel based on cost estimates, and not substantiated or reconciled with an actual per diem calculation, per PSD policy.
- k) There is a charge account at a local gas station for driver's education fuel charges. There are no logs, receipt copies, or any sort of reconciliation methods currently in use to track what charges are being made to the account, or to provide any method by which the Drivers Education Coordinator could review and approve monthly invoices. A risk exists that unauthorized users could make charges to the THS account that would remain undetected.
- l) There are numerous activity account transactions that recorded negative revenues instead of expenditures, or negative expenditures instead of revenues, which misstate overall revenues and expenditures in activities and mask the true nature of transactions.
- m) Revenue and expenditure account coding is not used consistently within activity accounts at THS. This makes comparison or searching for specific transactions very time consuming and makes comparison difficult.
- n) There is no process established to receive and account for items ordered. Packing slips are not compared to invoices, nor is there a certification process for receipt of goods and subsequent payment of invoices.
- o) There does not appear to be an inventory process for concession or apparel items purchased by the football activity and resold. Because of the netting of expenditures and activities in football supplies expense and football fundraising revenue, it is not possible to use the general ledger information to perform a profitability analysis.
- p) Timpview High School does not provide an acceptable process for students to pay fees or employees to deposit funds collected for activity camps during the summer months. When deposits are made, they are made in total, not by student, thus losing accountability for individual student payments. This also results in cash being held by employees for longer than three days after receipt, which is inconsistent with *Utah Code 51-4-2(2)(a)*.
- q) There appear to be inconsistencies in rental revenue between fiscal years that are not explained by one time or special event occurrences. There are current "Facility Use and Rental Agreements" for various areas in the building, but none for the field.

There are indications that the field has been used by non PSD or THS activities. See **Finding 6.**

- r) There does not appear to be any established procedure for PSD employees, educators, Financial Secretaries, or taxpayers to report instances of fraud, waste or abuse, noncompliance with PSD policies, or other unusual activities. Best practices dictate this function can be accomplished through an established hotline, notification to employees about the State Board of Education's hotline, or through supervisory responsibilities that do not conflict with monitoring responsibilities.
- s) The football participation fee was increased by the PSD Board of Education from \$70 to \$100 in school year 2011-2012; however, the THS football program continued to collect the \$70 fee instead of the \$100 Board approved fee.
- t) Not all fees charged by the THS football program are on the PSD Board of Education approved fee list. This is not in compliance with *State Board of Education Rule R277-407-5(A)* which states that "No fee may be charged or assessed in connection with any class or school-sponsored or supported activity, including extracurricular activities, unless the fee has been set and approved by the LEA and distributed [to parents] in an approved fee schedule or notice in accordance with this rule."
- u) Student fee accounts receivable are not set up consistently between activities and sports at THS.

We noted numerous transactions related to disbursements in THS activity accounts with errors, miscalculations, and insufficient documentation. These items are listed in detail in **Appendix A.** A properly executed review of supporting documentation by Administration and/or the Financial Secretary would have detected these issues and others noted in our findings.

Failure to properly implement sufficient internal controls increases the risk that misappropriations, errors, or misclassifications could occur without detection. Insufficient internal controls also increase the risk that non-compliance with PSD, state and specific funding policies will occur.

***Recommendation:***

We recommend that the PSD review and implement adequate internal controls over cash disbursements and cash receipts at all schools. This process should encompass a thorough review of supporting documentation provided for each transaction and ensure that documentation is retained and that expenditures are reasonable and proper. Circumvention of the internal control process should not be tolerated.

**3) QUESTIONABLE OR UNUSUAL EXPENDITURES**

We reviewed the general ledger detail for the THS activity accounts for fiscal years 2010, 2011, and the first half of fiscal year 2012. We tested transactions from fourteen different activities.

We sampled the following activity accounts: Administration, Ballroom, Band, Choir, Boys Basketball, Cross-Country, Cheer, Boys and Girls Soccer, Volleyball, the German Club, and the HOSA club. There were 4,273 expenditure transactions totaling \$1,896,798.87 for these activities in all three years; we tested a sample of 90 transactions totaling \$412,021.87, or two percent of the transactions and 22 percent of the expenditure dollars. See **Figure 1**.

The Football and Drivers Education programs were combined, for review purposes, in the **Figures 2 and 3** because these accounts have the same fiscal custodian. There were a total of 760 expenditure transactions totaling \$418,980.88 in all three years; we tested 85 items totaling \$223,036.84, or 11 percent of the transactions and 53 percent of the expenditure dollars. See **Figures 2 and 3**.

The issues noted in **Figures 1, 2, and 3** were spread across all three fiscal years.

<b>Figure 1. Questionable or Unusual Expenditures Paid from All Other Activity Accounts</b>				
<b>Type</b>	<b>Number of Occurrences</b>	<b>Amount</b>	<b>Account</b>	<b>Description</b>
Payments to a bank for the field-August, September, and December 2009	3	\$ 7,551.00	Administration 9004	All three checks were written to the same bank and account number under the description "Multi-sports field." Receipts from the bank indicate these were receipted as "loan payments." These appear to be payments on a loan for the field. THS nor the PSD entered into a loan for the football field. No Board approval was noted.
		4,000.00	Text Book Deposit Refund	
		9,985.01	Boys Soccer 9608/ Girls Soccer 9610	
	<b>SUB TOTAL</b>	<b>\$ 21,536.01</b>		
Payment to Administration from Sub-for-Santa account	2	1,500.00	Sub for Santa	Revenue source is made up solely of collections from students for Sub-for-Santa activity.
Personal reimbursement-Former Principal	2	537.36	Administration 9004	Restaurant receipts, interest from personal credit card notated as "interest use for school business", and Christmas gifts for secretaries. A reimbursement was received by the school totaling \$201.36 three months later, and another for \$22.00 five months later.
Reimbursement to former Principal's spouse	1	114.75	Administration 9004	Reimbursement totals \$5,607.15 for hotel rooms for Assessment conference in Atlanta 10/6-10/11/2010. Each room charge was \$686.55, except one which was \$801.30 that was charged on 10/10/2010. We questioned the difference between the \$801.30 and the \$686.55, which may represent an additional charge for the weekend, after the rest of the staff had returned to UT. No explanation provided.
Personal reimbursement-airfare for former Principal spouse	1	358.80	Administration 9004	Total reimbursement was \$4,376.40. The \$358 represents airfare in the name of the former Principal's spouse who is not a THS employee.
Check payable to bank	1	300.00	Administration 9004	No documentation.
Per diem for former Principal and an Assistant Principal for two conferences	3	376.80	Administration 9004	Mileage and per diem paid prior to conference.
Personal reimbursement-airfare and hotel to vendor-sponsored All-Star game in FL-former Principal & Assistant Principal	2	2,678.16	Administration 9004	Traveled December 29, 2009-January 3, 2010. Game on January 2, 2010. The player involved in the game was not paid for by THS. No prior approval for out-of-state travel was noted.
Personal reimbursement	4	222.58	Band 9374, Basketball 9525, Cheer 9541, & Volleyball 9637	Reimbursement for meals and snacks, Christmas gift cards for counseling staff, & oil change on personal car.
	<b>TOTAL</b>	<b>\$ 27,624.46</b>		

**Figure 2. Questionable or Unusual Expenditures Paid from Football and Driver's Education Activity Accounts**

Type	Number of Occurrences	Amount	Account	Description
Personal reimbursement for other items and food	24	\$ 1,365.17	Football & Driver's Education	Futons, hot dogs/drinks, chicken bakes, pizza slices, Caesar salads, shrimp cocktails, berry smoothies, lattes, pretzels, clothing, various types of fruits, bulk candy and food, honey nut cheerios, otter pops, crackers, gifts for coaches, and etc.
Personal reimbursement for restaurant meals	15	2,736.97	Football	Receipts were labeled coaches lunches/dinners, donor lunches or dinners, and service projects. These purchases occurred on week days and some occurred on weekends. The number of meals ranged from 1 to 20 based on items ordered.
Check to LDS ward	1	160.00	Football	8 cases of Teriyaki Burgers for Friday Night Lights Date Night. No documentation.
Personal reimbursement activity	1	498.00	Football	Bowling activity in February 2011.
Cable TV and DVR service	monthly	35.98/mth	Football & Admin	\$35.98 a month charged to football from October 2010-June 2011. The Administration has been paying this bill from August through December of 2011. We are not certain if the charges to Administration represent service for the football building.
Personal reimbursement-airfare and hotel to vendor-sponsored All-Star game in FL	2	1,768.33	Football	Traveled December 29, 2009-January 3, 2010. Game was on January 2, 2010. The player involved in the game was not paid for by THS. No prior approval for out-of-state travel was noted.
Personal reimbursement-restaurant meals for summer football camp in Price, UT July 2010	4	910.66	Football	This is not an activity sponsored by THS or the PSD. The coaches were being paid by another entity for their work at the camp.
Personal reimbursement-restaurant meals for little league summer football camp 2011	6	1,083.85	Football	The little league camp was not sponsored by THS or PSD. No revenues were deposited in the football account.
Personal reimbursement-meal during "the California trip" reimbursed to the Assistant Football Coach	1	587.03	Football	Meal for 20 people.
Debit card charge	1	72.74	Football	Retail charge on the school debit card for food, drinks, health and beauty items, and "toys" during the CA trip in 2011.
Expenditures from "petty cash" during 2011 CA trip	1	114.77	Football	4 movie tickets, ice cream and desserts from cart and restaurant in Disneyland, DVD and candy from gas station.
Flooring for football complex	1	4,000.00	Football	Invoice was billed to a third party, not part of THS or the PSD, in December 2009. Notation indicated it was "part of donated construction costs for the deck on the press box."
Personal reimbursement for football vendor golf tournament	1	200.00	Driver's Education	Greens fees for eight individuals.
Personal vehicle repairs paid by THS	4	759.84	Driver's Education	<b>See Figure 3</b>
	<b>TOTAL</b>	<b>\$14,293.34</b>		

<b>Figure 3. Personal Vehicle Repairs Paid by Timpview High School</b>						
<b>Vehicle/Repair</b>	<b>Date</b>	<b>Charge</b>	<b>Discount</b>	<b>Sales Tax</b>	<b>Total</b>	<b>Reimbursement to THS</b>
1998 VW Beetle - seat repair	10/28/2009	\$ 685.00	\$(595.00)	\$ -	\$ 90.00	11/18/2009
1997 Mercedes C230 - full service maintenance and tire rotation	1/11/2010	164.10	-	-	164.10	2/8/2010
1997 Mercedes C230 - replace water pump, fuel line, serpentine belt	3/19/2010	396.36	-	-	396.36	none
1997 Mercedes C230 - tow from Highland to Provo. Invoice changed from personal to THS.	12/3/2010	109.38	-	-	109.38	none
	<b>TOTAL</b>	<b>\$ 1,354.84</b>	<b>\$(595.00)</b>	<b>\$ -</b>	<b>\$ 759.84</b>	

Nearly all the transactions in **Figures 1 – 3** are not typical expenditures from a football, driver’s education, or other programs at a high school. The frequency and magnitude of these atypical transactions, accompanied by minimal documentation and after-the-fact approval, establish a pattern that we saw consistently through the three fiscal years reviewed.

Food items included with concession expenditures were clearly not items that could be sold at concessions, e.g. bulk pretzels, bulk chocolate covered almonds, honey nut cheerios, crackers, etc. We noted a pattern of large purchases being made with cash; some were included in personal reimbursement requests. Restaurant purchases were frequent, unusual in nature, and insufficiently documented. Travel expenditures did not follow PSD travel policy, and we noted no pre-approval for out-of-state travel that did not involve students.

Payments of \$1,500 to two employees were made from the “Sub-for-Santa” fund; the revenues in this fund came from students to conduct Sub-for-Santa activities during Christmas time.

The payment of a third party invoice of \$4,000 for flooring in the football field press box was paid out of the football activity account and was noted as being part of the donated costs. This expense was not incurred by PSD. Timpview High School was not the responsible payee on the invoice, but the bill was paid by the THS football activity account.

Three payments totaling \$21,536.01 were made from the following three accounts: Administration (\$7,551), book deposit refund (\$4,000), and soccer accounts (\$9,985.01) at THS. These appear to be payments on a loan taken out by a third party for the football field turf. We were unable to find any approval provided by the Superintendent or the Provo School Board authorizing the use of these specific funds from THS activity accounts to make payments on a third party debt.

Personal vehicle repairs in **Figure 3** appear to be a misdirection of public funds for personal gain. Even though two transactions were reimbursed, these transactions resulted in no sales tax being assessed or collected and should not have been charged to THS. These transactions may constitute professional misconduct.

Transactions that are unusual should have more than typical documentation to show that they are proper, both in the purpose of the transaction and the approval process for the transaction. The transactions above represent a pattern of personal reimbursements, use of the PSD sales tax exemption for personal purchases, and insufficient documentation to substantiate school and PSD purpose. In all cases, these expenditures were initiated by the custodian of the activity account or a member of Administration and were signed by a member of Administration before checks were issued.

**Recommendation:**

We recommend that the PSD review and implement adequate internal controls over cash disbursements at all schools. This process should encompass a thorough review of supporting documentation provided for each transaction and ensure that all documentation is retained and that expenditures are reasonable and proper. Circumvention of the internal control process should not be tolerated.

**4) UNSUPPORTED JOURNAL ENTRIES AND TRANSFERS**

The journal entries in **Figure 4** have inadequate or no supporting documentation or unclear explanations for why expenditures and revenues were adjusted. In the case of the transfers of expenditures from football to administration for football helmets in the amount of \$1,404.27 and \$3,950 for the “T” on the football field, we were unable to find invoices or any record of these expenditures being paid originally from the football activity account, or any other account at THS. It appears these journal entries artificially reduced expenditures in the football activity account, and no cash outlay ever occurred from the football activity account.

<b>Date</b>	<b>Amount</b>	<b>Accounts</b>	<b>Description</b>
11/12/2010	\$ 14,022.96	Transfer of expenditures from Football to Administration	Description football helmets. We were able to review invoices totaling \$10,440.79, of that total \$178 was not an invoice for football helmets. We did not review two invoices totaling \$2,177.90, and two invoices totaling \$1,404.27 could not be traced to a vendor invoice.
4/27/2010	1,600.00	Transfer of expenditures from Administration to Football	Stipends for four coaches. No documentation was provided, nor could we find transactions in the Administration account to substantiate these expenditures.
7/7/2011	3,950.00	Transfer of expenditures from Football to Administration	New "T" painted on the field. There are no invoices or supporting documentation provided, nor could we find expenditures for the purchase of this service in the football account.
8/10/2009	4,571.74	Transfer of expenditures from Administration to Band	Documentation is not sufficient to substantiate the amounts transferred for bus transportation costs.
6/9/2011	8,000.00 2,000.00	Transfer of revenue from boys Soccer to Football Transfer of revenue from girls Soccer to Football	Transfer of fundraising money from Soccer to Football. No documentation or explanation.
11/16/2010	1,250.00	Transfer of expenditures from girls Basketball to Football	Football is transferring money into girls Basketball for helping with concessions. Explanation and journal entry do not agree.
9/1/2010	1,800.00	Transfer of expenditures from Administration to Driver's Education	Summer Drivers Ed payroll, no documentation.
<b>TOTAL</b>	<b>\$ 37,194.70</b>		

***Recommendation:***

We recommend that the PSD develop an internal control process to review the supporting documentation provided for each journal entry and transfer and ensure that documentation is retained to substantiate transactions made with public education funds at all schools. Journal entries should not be recorded for expenditure not made by the school. This practice overstates expenditures in school accounts.

**5) NONCOMPLIANCE WITH PROVO SCHOOL DISTRICT PROCUREMENT POLICY**

*Utah Code 63G-6-104* requires LEAs to comply with state procurement policy or develop a more restrictive policy. Based on our comparison of state policy and PSD's policy, PSD's policy appears to be designed to comply with state purchasing policy.

Provo School District's purchase and payment procedures were revised on July 1, 2011. The current policy requires a minimum of two verbal quotes for purchases greater than \$500 and less than \$9,999. Purchases greater than \$9,999 and less than \$50,000 require a minimum of two written quotes and must be ordered through PSD purchasing. Purchases greater than \$50,000 and less than \$80,000 require three written quotes to be obtained by PSD purchasing, and have Board approval. Purchases greater than \$80,000 require a sealed bid or request for proposal (RFP), which must be processed by PSD purchasing. Provo School District policy prohibits purchases artificial division to defeat purchasing policies or procedures.

A majority of the purchases we reviewed were subject to the purchasing policy that was in effect from September 13, 2006 through June 30, 2011. This policy required a minimum of two verbal quotes for purchases greater than \$500 and less than \$4,999. Purchases greater than \$4,999 and less than \$19,999 required a minimum of two written quotes and must be ordered through PSD purchasing and purchases greater than \$19,999 and less than \$50,000 required three written quotes to be obtained by PSD purchasing.

The items in **Figure 5** were identified as not following proper PSD purchasing policies. In some cases, second bids were included with supporting documentation; however, the information did not provide sufficient date, contact, or content information. In some cases, second bids were included that were obtained after the purchase. We also noted second bids that were obtained many months prior to the purchase for different items than those listed on the invoice.

The same vendors are used for football food purchases and football supply and clothing purchases. Purchases from these vendors make up 12 of the 20 football items in **Figure 5**. Another vendor had noted on its invoice a discount was provided "in trade for the California trip." We noted only two of the 20 items could have been considered for sole source justification; however, the two items did not document this justification.

**Figure 5. Summary of Expenditures Not in Compliance with PSD Procurement Policy**

Activity	Number of purchases	Transactions that should have been purchased through PSD	Amount	Items
Administration	3	1	\$ 12,706.80	Football helmets, new "T" on the field, and faculty shirts and hats.
Ballroom	1	0	2,995.94	Costumes
Boys Basketball	1	0	829.20	Hotel rooms
Choir	2	0	6,125.20	Costumes
Driver's Education	5	0	4,653.10	Vehicle maintenance at same garage \$4,053.10 and \$600 in tables.
Football-clothing and gear	9	4	70,526.10	Athletic gear, clothing, and uniforms.
Football-food	5	1	10,108.55	Team food purchases.
Football-construction and maintenance	3	1	19,975.00	Landscaping, flooring, and grass seed.
Football-misc.	3	0	4,984.00	Greens fees, web service, and banner
Volleyball	1	0	1,959.00	Uniforms
		<b>TOTAL</b>	<b>\$ 134,862.89</b>	

***Bid Splitting***

Utah Code 63G-6-409 prohibits artificially dividing small purchases to avoid procurement rules. Provo School District procurement policy also prohibits this activity. Provo School District policy "Purchase/Payment Procedures I.F Building Additions, Improvements, and Modifications" also requires pre-approval by the Director of Maintenance and Construction, and Superintendent for construction and improvement expenditures in excess of \$4,999.

We noted two items for which it appears that bids were purposefully split to avoid procurement rules:

- 1) One purchase totaling \$14,680 was for excavation, sprinkler installation, and various other improvements and landscaping to the football field south wall area. This project was split into one invoice dated 8/9/2010 and two invoices dated 8/11/2010. The three invoices totaled \$4,910, \$4,800, and \$4,970. All three invoices were submitted for payment on 9/14/2010 and paid on 10/7/2010. We noted no pre-approval for these improvement expenditures.
- 2) Another purchase was made up of five invoices, totaling \$2,479.06, dated August 2, 6, 10, 11, and 13 of 2010. Each invoice was for the purchase of one type of clothing or apparel item. Invoice totals were \$495.16, \$496.40, \$499, \$488.70 and \$499.80. All five invoices were submitted and paid on August 18, 2010. All purchases appear to be made within a two week period and all individually fell just below the threshold for requiring a competitive quote.

***Recommendation:***

Provo School District has established procedures to monitor large expenditures made from activity accounts at all schools. These procedures detected three of the purchasing violations that we identified in our testwork.

We recommend that the PSD implement internal controls sufficient to ensure that schools are following PSD procurement policy. We recommend that schools obtain and properly document quotes prior to services or purchases that cost over \$500, that schools refer purchases with totals greater than \$9,999 to PSD purchasing, and that all building additions, improvements and modifications be properly approved prior to the purchase and execution of these services. We recommend that schools follow PSD policy and state law and cease dividing invoices to avoid procurement rules.

## **6) INSUFFICIENT ACCOUNTING PROCEDURES IN THE FOOTBALL PROGRAM**

We compared total revenues for all activities selected for fiscal years 2010, 2011, and the first half of fiscal year 2012. We noted comparable revenues for all programs except football.

### ***Football Fees***

We noted that the football program does not use the activity general ledger system to track payments received by all students in fiscal year 2012. The Head Football Coach keeps handwritten lists (coach's lists) to track participation fees, player pack fees, summer camp and skills and conditioning fees, revenue from the sale of T-bird cards and banners. Lump sum deposits are received by the business office; these deposits are not receipted by individual student, nor are accounts receivable set up in the accounting system for members of the team. Fees are not consistently receipted by the type of fee collected and not recorded using the established account coding in the activity system. This practice in the football program is inconsistent with how other activities, sports, and clubs collect and receipt student fees.

The coach's list is a handwritten list of students that included notations as to what fees have been satisfied from students for fiscal year 2012. There are five columns: \$70 participation fee, \$100 player packet fee, \$80 skills and conditioning fee, \$250 fee for summer camp, and \$300 fee for "the California trip." Check marks were placed in each column, indicating fees were satisfied. In some cases, "banner" was written across columns, some had a dollar amount and credit written by the student's name, some had "waived", or other letters written in the columns. A second list was provided listing each student by grade and handwritten notations were made indicating a dollar amount of T-bird cards received from each student.

These two lists do not provide deposit dates, or any type of reconciliation to show when or if student funds were deposited with the business office. There are also no subtotals or total amounts actually collected.

Some students sold banners to reduce their fees. Banners are a fundraising option to students to help mitigate the cost of the football program. A new banner costs \$500 and renewals cost \$300. Students received a "credit" that the Head Football Coach applied to their fees for half of the banner revenue they collected. The Head Football Coach provided a master list of banners sold in fiscal year 2012, which was compared to the student list. Some students sold T-bird cards to reduce their fees, but no specific credit amount was designated. The coach's list did not provide any clear indication or pattern of what students actually paid vs. what portion of their fees were waived or discounted for banner or T-bird card sales.

We obtained the master list from the Head Football Coach and calculated the amount we expected to see deposited for the participation fee, player packet fee, skills and conditioning fee, summer camp fee, and “the California trip” based on check marks in the column box by the individual student. We included a reduced fee amount for those students where a banner was written clearly over a specific fee column. We included no fee revenue if “waive” or some other notation was indicated. We also projected the amount of collections we expected to see for each fee type based on the number of students on the coach’s list, and the amount of each fee. We noted 18 students listed as paying their fees in the activity general ledger system in fiscal year 2012. Their payments are included in the total deposited in **Figure 6**.

<b>Figure 6. Football Revenues for School Year 2011-2012 (Fiscal Year 2012)</b>			
	<b>Projected revenue for 174 players</b>	<b>Fees per coach's logs</b>	<b>Deposited (as of 12/31/2011)</b>
Athletic participation fee \$70	\$ 12,180.00	\$ 6,070.00	
Player packet \$100	17,400.00	14,666.50	
Skills and conditioning \$80	13,920.00	7,770.00	
<b>Total fees</b>	<b>\$ 43,500.00</b>	<b>\$ 28,506.50</b>	<b>\$ 13,056.48</b>
Summer camp \$250	43,500.00	31,910.00	45,225.00
California collections		14,800.00	11,490.00
T-bird cards		31,259.00	33,441.00
Banner revenue	7,200.00	7,200.00	-

- a) For fiscal year 2012, we projected fee revenue of \$43,500. The coach’s log indicates fees satisfied of \$28,506.50. There is no accounting or documentation explaining the \$14,993.50 difference between our projected revenue and the fees satisfied on the coach’s list. The amount of fees satisfied on the coach’s list was \$28,506.50; the amount deposited was \$13,056.48, which is \$15,450 less than expected. There is no accounting or documentation explaining the \$15,450 difference between the coach’s list and the amount deposited.
- b) Deposits for summer camp were \$13,315 greater than the amount on coach’s list. There is no documentation supporting the difference.
- c) Deposits for “the California trip” were \$3,310 less than the coach’s list. There is no documentation supporting the difference.
- d) There was no banner revenue deposited into the football activities account during fiscal year 2012. Based on the number of banners on the coach’s list and the coach’s banner list, we estimate approximately \$9,000 in banner sales during fiscal year 2012. There is no documentation supporting the difference.
- e) Total fees deposited in fiscal year 2010 were \$28,657, in fiscal year 2011 were \$49,207.31, and in fiscal year 2012 were \$13,056.48. The pattern of fee revenue is an indication that similar inconsistencies occurred in previous years.

The significant differences noted above, combined with the lack of reliable documentation for the collection of student fees and other fundraising revenues, call into question the entire accounting practice associated with the football program. The coach's list of fees by student was not retained for any previous school year. Neither the school nor the Head Football Coach has an accurate record of fees paid by student.

### ***Expenditures by THS Football Account with No Associated Revenue***

**Golf Tournament:** We noted expenditures paid from the football activity account in fiscal year 2010 of \$1,924 for greens fees for a golf tournament and associated revenue of \$3,920. We did not select any expenditures in our sample associated with the fiscal year 2011 golf tournament, but there was one revenue transfer of \$500 from Administration into the football account for the golf tournament. We noted two expenditures in fiscal year 2012 associated with a golf tournament. A BBQ lunch for the tournament held on June 24, 2011 in the amount of \$652.80 and a lunch for the tournament winners in the amount of \$192.40. There was no revenue recorded for the golf tournament in fiscal year 2012.

**T-bird nest:** The Head Football Coach provided a list of the tables sold in the T-bird nest for the 2011 season. The list indicated that six tables were sold for various prices, for a total of \$6,000 in revenue. The list also indicates that the revenue for these tables was deposited with a third party football fundraising organization. Our expenditure sample noted two purchases for pre-game meals in September and October 2011 totaling \$706.35. It appears that the cost of the food for the T-bird nest was paid out of the football activities account, but the associated revenue was not deposited in the football activity account.

**Field Rental:** A 1<sup>st</sup> through 8<sup>th</sup> grade football league used the THS football field for its regularly scheduled games. At least 30 individual games were held between August – October 2011. The Head Football Coach indicated that a little league summer camp was held at THS by the same organization on July 25–29, 2011. Provo School District policy requires proof of insurance and assessment of a rental fee which were not provided. Based on the PSD fee schedule for rentals, the minimum rental rate for the THS multi-sports field is \$600 without lights, \$1,100 with lights. We estimate at least \$18,000 should have been collected in rental revenue for the 30 games at the \$600 rate and an additional \$3,000 for the five days of little league camp. There was no rental income from this organization deposited in fiscal year 2011 or fiscal year 2012.

**Building Advertisements:** Check #66363 for \$2,460 on 9/13/2011 was issued to pay for the printing and installation of four large signs in fiscal year 2012. Two signs were 10'x18' and two were 10'x22'. These signs were hung on the side of the school during the 2011 football season. The Head Football Coach indicated that these banners were sold but that the amount was still being negotiated because a contract had not been finalized. Various prices ranging from \$5,000-\$30,000 were mentioned. The signs were for four different companies. One company purchased a banner in the amount of \$1,000 in fiscal year 2011. Another banner was for the 1<sup>st</sup> through 8<sup>th</sup> grade football league referenced above. There was no associated revenue recorded in fiscal year 2012.

**Summer Camp:** There is no accurate list of students that attended summer football camp, nor the expenditures associated with this activity. The camp was held July 11–14, 2011 and deposits were not made into the football account until August 9 and 11, 2011, nearly a month after the camp occurred. Total revenues were \$45,225. There is no indication that adequate controls over collection and deposit of these funds were in place, evidenced by the lack of detailed reconciling information.

**Luau:** There is no accurate list of Luau tickets sold, donations received, or expenditures incurred for the 2010 or 2011 Luau. The 2011 Luau was held on May 7, 2011. Revenues associated with the Luau were deposited at THS in one check totaling \$31,688 on October 5, 2011. This was nearly five months after the event. Some expenditures were paid out of the football activity account in both 2010 and 2011 for the Luau. There is no documentation that the one check for \$31,688 accurately reflects the full proceeds of the activity.

The PSD policy “Receipts/Petty Cash” states “Payments of all school fees, donation, fundraisers, field trips, etc...shall be made to the school’s cashier’s window/financial secretary.” This policy also sets forth expectations that deposits will occur daily, in compliance with *Utah Code 51-4-2(2)(a)* that dictates “...deposit all public funds daily whenever practical but no later than three days after receipt.” The “Utah Educator Standards” in *State Board of Education Rule R277-515-5(A)(4)* states each professional educator “Shall conduct financial business with integrity by honestly accounting for all funds committed to the educator’s charge, as school responsibilities require, consistent with school and school district policy.” *State Board of Education Rule R277-515-5(B)(2)* states that professional educators “Shall follow school district...policies for collecting money from students, accounting for all money collected, and not comingling any school funds with personal funds.”

The collection of fees and other types of revenues by the Head Football Coach appear to be in violation of PSD policy that indicates all funds are to be paid to the school cashier. We noted significant differences in football fee revenue, and expenditures with no associated revenue (golf tournament, T-bird nest, field rental, building advertisements, summer camp, and the Luau). There is a lack of reliable documentation or in some cases a total lack of any documentation explaining these differences. These actions also appear to conflict with the “Utah Educator Standards.”

***Recommendation:***

We recommend that the PSD review accounting practices at all schools to ensure compliance with PSD policy and *Utah Code 51-4-2(2)(a)*. We recommend that adequate internal controls be established and implemented immediately to address the fee and revenue collection processes at all schools. We recommend that the PSD board, Administration, and legal counsel evaluate the issues noted above for potential non-compliance with the “Utah Educator Standards” in *State Board of Education Rules R277-515-5(A)(4)* and *R277-515-5(B)(2)*.

**7) INCOMPLETE EMPLOYEE AND VOLUNTEER BACKGROUND CHECKS**

Eighteen coaches and volunteers were paid during the summer of 2011. Four district employees and five “volunteer” coaches have not undergone background checks as required by State law

and Board Rule. *Utah Code 53A-3-410(2)* states that “A school district superintendent, the superintendent's designee...shall require an applicant to submit to a criminal background check as a condition for employment or appointment.” *Utah Code 53A-3-410(1)(b)(ii)* defines “applicant” and includes in this definition “Appointment as a volunteer for a school district...who will be given significant unsupervised access to a student in connection with the volunteer’s assignment.” *State Board of Education Rule R277-500* further establishes requirements for licensed and non-licensed employees.

***Recommendation:***

We recommend that the PSD review the background check requirements for each employee and volunteer to ensure that background checks have been administered and resolved in accordance with *Utah Code 53A-3-410* and *State Board of Education Rule R277-500*.

**8) UNAPPROVED SUMMER STIPENDS AND PAYMENTS OUTSIDE THE PAYROLL SYSTEM**

***Football Summer Stipends***

Football stipend payments increased drastically in the summer of 2011. The summer of 2011 was the first football summer camp held at THS. Provo School District employees were paid from the PSD payroll system; volunteer coaches were paid from the football activity account. All volunteers were issued 1099’s for their stipends, except one who was paid \$800 and did not receive a 1099 for proper taxable income reporting.

Stipends paid for the summer of 2010 totaled \$8,500. Stipends paid for the summer of 2011 totaled \$29,175.18 of that \$24,600 was for stipends and \$4,575.18 was for taxes and benefits. There is no documentation or evidence that these stipends were approved by anyone other than the Head Football Coach, prior to the actual camp.

***Luau***

The 2011 football Luau was held in the high school cafeteria. Two THS lunch workers were paid in cash, outside of the payroll system, to work in the THS kitchen without proper approval by the Lunch Manager at THS. This practice is prohibited by IRS regulation and PSD policy. Provo School District was notified about the payments outside of the payroll system for the 2011 Luau, and Administration disciplined THS lunch workers but did not discipline the employee responsible for the payment.

***Recommendation:***

We recommend the PSD implement adequate internal controls over summer football stipends and other stipends paid outside of the payroll system at all schools to ensure compliance with IRS regulations and its policy.

## **9) POSSIBLE VIOLATIONS OF THE UTAH EDUCATOR STANDARDS AND THE PUBLIC EMPLOYEE ETHICS ACT**

The “Public Officers and Employees’ Ethics Act” in *Utah Code 67-16-5(2)* states that “It is an offense for a public employee...to knowingly receive, accept, take, seek, or solicit, directly or indirectly for himself or another a gift of substantial value...that would tend improperly to influence a reasonable person in the person’s position to depart from the faithful and impartial discharge of the person’s public duties.” The “Utah Educator Standards” in *State Board of Education Rule R277-515-3(D)(3)(a)* and (f)(i) further delineate that professional educators “Shall not accept bonuses or incentives from vendors, potential vendors...where there may be the appearance of a conflict of interest or impropriety; [and shall not] solicit...parents or students to purchase equipment, supplies, or...participate in activities that financially benefit the educator unless approved in writing by the local school board....” The following concerns were noted during our review of the THS activity accounts and *Utah Code 67-16-5*.

### ***Exclusive Agreement for Athletic Gear***

The Head Football Coach reported that he entered into an exclusive single source agreement with an athletic gear vendor (vendor) in years prior to 2010, but it was not in writing. A written vendor agreement was dated January 1, 2010 and signed by the Head Football Coach on January 5, 2010. The agreement begins January 1, 2010 and ends January 1, 2012.

### ***Terms of Agreement***

#### **Vendor Agrees to:**

**Footwear:** Vendor will provide branded footwear at 40% retail pricing (team pricing) at the local vendor dealer.

**Team Products:** Vendor gives THS 70 branded wristbands and 40 pairs of gloves for the 2010, 2011, and 2012 seasons.

**Coaches:** At no cost to THS, the vendor will provide the coaches \$10,000 in branded retail product for coaching and sideline apparel only.

#### **THS Agrees to:**

**Uniforms:** THS shall purchase a set of home and away branded uniforms at team pricing for the 2010 football season.

**Product Use:** The 2010, 2011, and 2012 football teams shall exclusively use the home and away branded uniforms. The coaching staff shall wear branded coaching apparel provided under this agreement. The players are required to purchase branded footwear, provided by the vendor.

The PSD also provided a letter to us from the Head Football Coach to the vendor representative indicating a previous agreement to give a personal allowance of \$1,500 to the Head Football Coach. The letter also stated the Head Football Coach understands that his personal allowance would continue through 2012.

The Head Football Coach reported that this agreement was signed in Florida, during the vendor-sponsored All-Star Game. Also in attendance at this event were the former Principal and an Assistant Principal. The details of the agreement with THS indicate no significant donations of goods or monetary value by the vendor, aside from the items mentioned above. We found no evidence of other donations or monetary gifts from the vendor in our review of the THS activity accounts, PSD Board of Education minutes, or discussion with the Head Football Coach. This type of agreement is a common business practice utilized to increase brand visibility, and increase market share.

There is no documentation that competitive bids were solicited by THS either for an exclusivity agreement or for uniforms or shoes, prior to entering into this exclusive agreement.

Three invoices were provided to PSD by the vendor. Two of these invoices documented purchases from the coaches' allowance. The other invoice documents purchases made from the Head Football Coach's personal allowance. See **Figure 7**. Invoice #7110126 and #7420869 total \$5,369. Assuming there are 15 coaches this amounts to approximately \$358 in apparel and shoes per coach during 2011.

Invoice #7109907 appears to be personal items, delivered to the Head Football Coach's home for men's and women's apparel, shoes, hats and a backpack. This seems to represent the \$1,500 personal allowance mentioned in the Head Football Coach's letter to the vendor representative.

<b>Figure 7. Athletic Gear Vendor Invoices - Coaches &amp; Head Football Coach Allowances</b>					
<b>Invoice</b>	<b>Delivered</b>	<b>Date</b>	<b>Amount</b>	<b>Vendor Discount</b>	<b>Description</b>
7110126	THS Football	4/12/2011	\$4,113.00	(4,113.00)	Various men's apparel items: team polo's, warm-up jackets, warm-up pants, jackets, tees, practice shorts, and shoes. 151 total items in numerous men's sizes. Appears to be coaching apparel.
7420869	THS Football	5/26/2001	1,256.00	(1,256.00)	Various men's apparel items: team polo's, warm-up jackets, warm-up pants, jackets, tees, practice shorts, 120 pairs of socks, and numerous 3XL tees. 153 total items in numerous men's sizes. Appears to be coaching apparel.
7109907	Head Football Coach's home address	4/12/2011	815.25	(815.25)	Thirty-one total items: women's t-shirts, tank tops, capris and sweat pants, shoes, cardigans, polo, hoody, shorts, backpack, and hats. Men's shoes, polo, work-out pants, jackets, sweater, vest, and jackets.
		<b>TOTAL</b>	\$6,184.25		

The Head Football Coach entered into this agreement, negotiated a \$10,000 allowance for the coaches, and a \$1,500 personal allowance for himself. Additionally, the Head Football Coach obligated the school to purchase new uniforms, and the students to purchase a specific brand of shoes to maintain the \$10,000 allowance for the coaches, and his personal allowance.

Entering into an exclusive agreement with a vendor, without properly documenting the procurement process or obtaining approval from the PSD's procurement officer or governing board, is not in compliance with state and PSD procurement policy. Compensation, as defined in *Utah Code 67-16-3(5)* means anything of economic value that is given or donated to a person, not by the employer, for consideration of personal services or any other thing whatsoever. Even

though coaching apparel is worn at school, during practice, and during games, it appears that the allowance negotiated and goods received by the THS coaches amounts to “compensation.” It appears that the primary beneficiaries of this agreement are the Head Football Coach and his staff. This activity may be a violation of Utah Code and State Board of Education Rule.

An exclusive contract by itself is not necessarily improper. Documentation of compliance with the PSD procurement policies and disclosure to the PSD procurement office or PSD Board of Education may have been sufficient to secure PSD Board approval of not only this agreement, but also some type of coach allowance. Quantity discounts, free items after the purchase of significant volumes, and other types of enhancements are common in large procurement contracts. Proper disclosure of all elements taken into consideration when soliciting bids could have resulted in a similar agreement that would be in compliance with state law and PSD policies and would not call into question the ethical behavior of THS employees. The personal allowances negotiated by the Head Football Coach, the subsequent receipt of goods for his personal use, and failure to follow proper procurement practices raise ethical and legal questions regarding this agreement.

**Noncompliance with purchasing policies in reoccurring vendors:**

- a) **Athletic gear:** We reviewed a total of 50 invoices paid from the football account from July 1, 2009 – December 13, 2011 from the local vendor distributor where THS purchased a significant amount of team athletic gear and equipment. These invoices total \$73,732.11. A total of \$49,764.84 in purchases were made out of compliance with PSD procurement policies.
- b) **Local Restaurant:** There were 34 invoices paid from July 1, 2009 – December 13, 2011 to a local restaurant by the football program. This restaurant is the most frequented food vendor by the football program. The invoices represent food purchased for the team, pregame meals, football banquets, team breakfasts, etc. These invoices total \$23,817.47. We sampled 12 of these invoices and noted seven totaling \$10,108.55 which were not properly bid. We noted two restaurant receipts where food was purchased at the “high school” price, we are uncertain if this represents a consistent pattern of discounts on personal food purchases.
- c) **Car Repair and Maintenance:** There were 27 invoices paid from July 1, 2009 – December 13, 2011 to a local car garage by the driver’s education program. These invoices represent over half of the maintenance expenditures during this time. Significant amounts of maintenance, car repairs, and oil changes occurred without a process in place to bid or obtain competitive quotes for these services. We sampled eight invoices and noted three totaling \$3,095.45 which were not properly bid. This garage is where the Head Football Coach charged personal car service, repairs, and towing to the schools account. The Head Football Coach received a discount of 87 percent on a personal service bill with an original price of \$685. Because the THS account was charged, sales tax was not assessed or collected for any of the four vehicle repairs and services.

We also noted numerous instances where personal food and items were purchased at a local discount retailer using PSD sales tax exemption number. The use of PSD’s sales tax exemption

for personal items and services may be in conflict with Utah Code and State Board of Education Rule.

***Recommendation:***

We recommend that the PSD develop specific guidelines pertaining to exclusive contract rights and sponsorships, and align these guidelines with PSD procurement policies. We recommend that the PSD Board, Administration, and legal counsel evaluate the issues noted above for violations of Utah Code and State Board of Education Rules and consider remedies in *Utah Code* 67-16-12(1).

**10) LACK OF A FUNDRAISING AND DONATIONS POLICY**

We recognize that fundraising, donations, sponsorships, and local community support are integral parts of public education. However, the establishment of internal controls coupled with policies and procedures to govern these activities protect PSD and THS employees, as well as donors. A functioning internal control environment strengthens fundraising activities and enables reliance on the transparency and integrity of the public school system and the subsequent management of donated funds.

Throughout our review, we noted significant issues in the PSD related to donations, revenue collections and deposits, advertising and banners, and use of fundraising to reduce or eliminate required PSD fees. There are also issues pertaining to use of school facilities without proper rental agreements and proof of insurance, and construction projects being managed and conducted outside PSD control, creating significant liability issues. Currently, the PSD does not have an approved fundraising and donation policy.

***Recommendation:***

We recommend that the PSD Board, Administration, and legal counsel develop and implement a donation and fundraising policy that addresses the concerns outlined above. A policy should be detailed and specific to establish clear directives and guidelines. A policy of this magnitude is the foundation of a system of internal controls which is lacking at the PSD, especially over donations and fundraising. We recommend the following issues be addressed in a donation and fundraising policy:

- a) Guidelines governing proper approval of fundraisers, donations, sale of advertising, and acceptance of other types of gifts.
- b) Detailed information regarding the custody and receipting of fundraising funds and specific accountability provisions.
- c) Criteria governing large donations or fundraisers that would result in significant construction of assets and resulting liabilities and risks.
- d) Guidance on the use of PSD assets or facilities for fundraisers.
- e) Guidelines outlining criteria for student participation in fundraising activities.

## **11) CONSTRUCTION AND IMPROVEMENTS OUTSIDE OF PROVO SCHOOL DISTRICT CONTROL**

We interviewed various PSD employees and reviewed PSD board minutes, documents, and expenditures over the past six years regarding donations, fundraising and associated construction and improvement projects. We noted various issues which we present in summary:

- a) Significant liability issues surrounding construction and improvement projects not managed by PSD.
- b) Potential liability for payment of contractors and subcontractors for projects not entered into or managed by PSD.
- c) Provo School District does not have recourse or warranty regarding quality or completion of projects not entered into or managed by PSD.
- d) Provo School District has no input or control over the design or construction of projects to ensure compliance with state and local safety guidelines and laws.
- e) Inaccurate asset listing for projects not managed by PSD.
- f) Representations that parties outside PSD are solely funding construction or improvements projects, when portions of those costs are being paid by school activity accounts.
- g) Continuing funding of future incremental costs.
- h) Equity issues not recognized between schools and programs.

### ***Recommendation:***

We recommend that the PSD develop specific guidelines pertaining to construction and improvements on school sites to ensure PSD control. We also recommend that PSD Board, Administration, and legal counsel evaluate the issues noted above when developing policies and guidelines.

**Appendix A. Expenditure Transactions with Errors, Miscalculations, and Insufficient Documentation**

Check#	Date	Check Amount	Account	Description
64150	9/9/2010	\$ 300.00	Administration	Personal reimbursement for administration expenses. Receipts are missing for \$23.
63049	3/4/2010	300.00	Administration	Check written to cash with no documentation.
65189	3/3/2011	929.50	Band	Supporting documentation only substantiates \$910.00 in charges.
64361	10/12/2010	200.00	Band	Lost receipt for food purchase.
65125	2/22/2011	6,339.00	Cheer	Hotel receipts missing for \$627.12.
65314	3/18/2011	2,000.00	Cheer	Cash advance for travel expenditures. Expenditure documentation totals \$1,740.05. No documentation for \$259.95.
65600	4/28/2011	180.00	Driver's Education	Reimbursement for purchased supplies for driver's education. Only credit card slip was included.
62134	10/5/2009	3,559.20	Football	No invoice, amount authorized was \$3,360.
63186	3/24/2010	114.10	Football	Name on receipt for \$96.58 is different than person reimbursed.
63408	4/28/2010	160.00	Football	Check issued to LDS ward with no documentation.
63791	6/10/2010	484.19	Football	Charge account at a local market, no supporting documentation was retained to review and approve \$316.63 in purchases made.
63973	8/18/2010	2,179.58	Football	Personal reimbursement based on a slip of paper that said lost receipt for \$121.03 lunch.
66587	10/17/2011	2,537.48	Football	Lost receipt for debit card purchase in the amount of \$80.
64449	10/29/2010	911.69	Football	The same invoice was paid twice for football equipment. Check #64392 for \$395 was issued on October 19, 2010 and the same invoice was included and paid on check #64449 on October 29, 2010.
66183	8/11/2011	15,725.00	Football	Check issued for numerous invoices for football clothing and equipment. Four out of six invoices were completely missing. These invoices represent \$8,859.42 of the total.
64461	10/30/2010	30,425.65	Football	Check issued for numerous invoices for football clothing and equipment. Three of the 20 invoices paid were completely missing. These invoices represent \$5,119.80 of the total.
65287	3/14/2011	2,160.00	HOSA	No supporting invoice or documentation for hotel charges.
65877	6/2/2011	3,275.00	Volleyball	Receipts were netted to document the amount of expenditures made from travel advance cash. For three purchases, the amount paid in cash to the vendor was added, instead of the amount of the purchases. This error resulted \$22 in undocumented expenditures.
	<b>TOTAL</b>	<b>\$ 71,780.39</b>		

**Appendix B. Timpview High School Checks Referenced by Figure or Finding**

**Figure 1. Questionable or Unusual Expenditures Paid from All Other Activity Accounts**

Check #	Date	Amount	Costs Identified	Description
61690	8/10/2009	\$ 11,551.00	\$ 11,551.00	Payment to bank for field
61858	9/4/2009	1,500.00	1,500.00	Payment to bank for field
62607	12/8/2009	8,485.01	8,485.01	Payment to bank for field
65029	2/4/2011	500.00	500.00	Payment to Administrator from Sub-for-Santa
64580	11/10/2010	1,000.00	1,000.00	Payment to Administrator from Sub-for-Santa
64150	9/9/2010	300.00	257.64	Personal reimbursement -former Principal
65171	2/28/2011	300.00	279.72	Personal reimbursement -former Principal
64519	11/2/2010	5,607.15	114.75	Reimbursement to former Principal's spouse
64058	8/28/2010	4,376.40	358.80	Personal reimbursement -former Principal's spouse
63049	3/4/2010	300.00	300.00	Check payable to bank - no documentation
65933	6/7/2011	121.90	121.90	Mileage and per diem former Principal and Assistant Principal
65432	3/30/2011	152.00	152.00	Mileage and per diem former Principal and Assistant Principal
65932	6/7/2011	102.90	102.90	Mileage and per diem former Principal and Assistant Principal
62689	1/6/2010	1,359.58	1,359.58	Former Principal's Orlando Trip- no documentation
62699	1/6/2010	1,318.58	1,318.58	Assistant Principal's Orlando Trip
66766	11/14/2011	3,088.57	35.69	Reimbursement for meals and snacks - travel
62681	1/5/2010	970.88	50.00	Gifts to counseling staff
65314	3/18/2011	2,000.00	33.85	Reimbursement for meals and snacks - travel
65877	6/2/2011	3,275.00	103.04	Reimbursement for meals and snacks, personal oil change
		<b>TOTAL</b>	<b>\$ 27,624.46</b>	

**Figure 2. Questionable or Unusual Expenditures Paid from Football and Driver's Education Activity Accounts & Figure 3. Personal Vehicle Repairs Paid by Timpview High School**

Check #	Date	Amount	Costs Identified	Description
61718	8/12/2009	\$ 1,904.73	\$ 428.91	Personal reimbursement -other items and food
same as above			698.75	Personal reimbursement - restaurant meals
62718	1/8/2010	572.64	447.76	Personal reimbursement vendor-sponsored all star game in FL
61799	8/25/2009	1,612.40	36.37	Personal reimbursement -other items and food
62411	11/13/2009	1,818.08	15.24	Personal reimbursement -other items and food
same as above			232.66	Personal reimbursement - restaurant meals
same as above			1,320.57	Personal reimbursement vendor-sponsored all star game in FL
62718	1/8/2010	572.64	48.61	Personal reimbursement -other items and food
63973	8/18/2010	2,179.58	13.57	Personal reimbursement -other items and food
same as above			199.93	Personal reimbursement - restaurant meals
same as above			910.66	Personal reimbursement restaurant meals -Price Summer Camp
64380	10/19/2010	1,428.29	3.99	Personal reimbursement -other items and food
62006	9/23/2009	815.52	522.27	Personal reimbursement -other items and food
same as above			153.27	Personal reimbursement - restaurant meals
62836	1/29/2010	257.03	56.64	Personal reimbursement -other items and food
64974	1/27/2011	185.92	185.92	Personal reimbursement -other items and food
66276	8/30/2011	1,070.48	3.15	Personal reimbursement -other items and food
same as above			150.00	Personal reimbursement - restaurant meals

**Figure 2. Questionable or Unusual Expenditures Paid from Football and Driver's Education Activity Accounts & Figure 3. Personal Vehicle Repairs Paid by Timpview High School cont'd**

Check #	Date	Amount	Costs Identified	Description
66532	10/11/2011	966.76	16.74	Personal reimbursement -other items and food
same as above			164.35	Personal reimbursement - restaurant meals
66727	11/4/2011	453.49	30.24	Personal reimbursement -other items and food
same as above			100.00	Personal reimbursement - restaurant meals
66168	8/11/2011	2,504.18	2.27	Personal reimbursement -other items and food
same as above			453.67	Personal reimbursement - restaurant meals
same as above			1,083.85	Personal reimbursement restaurant meals -Little League Summer Camp
65699	5/11/2011	1,321.51	1.25	Personal reimbursement -other items and food
61684	8/7/2009	90.86	90.86	Personal reimbursement - restaurant meals
63096	3/11/2010	353.89	353.89	Personal reimbursement - restaurant meals
66587	10/17/2011	2,537.48	74.43	Personal reimbursement - restaurant meals
same as above			72.74	Debit card charge
66386	9/16/2011	279.23	65.16	Personal reimbursement - restaurant meals
63408	4/28/2010	160.00	160.00	Check to LDS ward
65042	2/7/2011	498.00	498.00	Personal reimbursement activity
65580	4/26/2011	35.98	35.98	Cable TV and DVR Service
66323	9/6/2011	587.03	587.03	Personal reimbursement- Asst. Coach's meal for "the California Trip"
66284	8/31/2011	500.00	114.77	Expenditures from "petty cash" during "the California Trip"
62629	12/14/2009	4,000.00	4,000.00	Flooring Football Complex
63831	6/28/2010	200.00	200.00	Personal reimbursement vendor golf tournament
62412	11/13/2009	598.77	90.00	Personal car repair- 1998 VW Bug
62896	2/9/2010	164.10	164.10	Personal car repair - 1997 Mercedes C230
63309	4/16/2010	887.04	396.36	Personal car repair - 1997 Mercedes C230
64898	1/11/2011	413.20	109.38	Personal car repair - 1997 Mercedes C230
		<b>TOTAL</b>	<b>\$ 14,293.34</b>	

**Figure 4. Undocumented Expenditures and Transfers Initiated by Journal Entry**

JE#	Date	Amount	Costs Identified	Description
1100059	11/12/2010	14,022.96	\$ 4,484.89	Transfer expenditures from Football to Administration for helmets
71291220	4/27/2010	1,600.00	1,600.00	Stipends for four football coaches
12000001	7/7/2011	3,950.00	3,950.00	New "T" painted on the field
71291006	8/10/2009	4,571.74	4,571.74	Bus transportation costs
1100250	6/9/2011	10,000.00	10,000.00	Soccer fundraising money transfer to Football
1100068	11/16/2010	1,250.00	1,250.00	Transfer expenditures from girls Basketball to Football for concessions
1100014	9/1/2010	1,800.00	1,800.00	Summer Drivers Ed payroll
		<b>TOTAL</b>	<b>\$ 27,656.63</b>	

**Figure 5. Summary of Expenditures Not in Compliance with PSD Procurement Policy**

Check/JE #	Date	Amount	Costs Identified	Description
1100059	11/12/2010	14,022.96	\$ 1,765.00	Transfer expenditures from Football to Administration for helmets
64236	9/23/2010	6,991.80	6,991.80	Faculty shirts and hats
12000001	7/7/2011	3,950.00	3,950.00	New "T" on the field
64360	10/12/2010	2,995.94	2,995.94	Ballroom costumes
62681	1/5/2010	970.88	829.20	Hotel rooms
66285	8/31/2011	1,483.20	1,483.20	Choir costumes
66534	10/11/2011	4,642.00	4,642.00	Choir costumes
63552	5/13/2010	1,934.50	1,934.50	Driver's Education auto repair
65033	2/4/2011	581.73	581.73	Driver's Education auto repair
66526	10/11/2011	579.22	579.22	Driver's Education auto repair
65549	4/22/2011	957.65	957.65	Driver's Education auto repair
63977	8/18/2010	600.00	600.00	Driver's Education tables
61747	8/17/2009	5,768.49	5,248.49	Football- clothing and gear
62218	10/20/2009	13,787.84	12,580.73	Football- clothing and gear
62332	10/30/2009	6,135.29	6,135.29	Football- clothing and gear
63975	8/18/2010	2,479.06	2,479.06	Football- clothing and gear
64461	10/30/2010	30,425.65	29,329.02	Football- clothing and gear
62712	1/8/2010	2,790.75	2,790.75	Football- clothing and gear
64521	11/3/2010	991.14	991.14	Football- clothing and gear
64880	1/11/2011	2,514.80	2,429.50	Football- clothing and gear
66183	8/11/2011	15,725.00	8,542.12	Football- clothing and gear
62587	12/8/2009	585.00	585.00	Football - food
64564	11/10/2010	810.75	810.75	Football - food
66173	8/11/2011	5,760.00	5,760.00	Football - food
66361	9/12/2011	1,132.80	652.80	Football - food
64197	9/21/2010	2,300.00	2,300.00	Football - food
64345	10/7/2010	14,680.00	14,680.00	Football - construction and maintenance
65519	4/19/2011	1,295.00	1,295.00	Football - construction and maintenance
62629	12/14/2009	4,000.00	4,000.00	Football - construction and maintenance
61638	8/6/2009	1,924.00	1,924.00	Football - misc.
66178	8/11/2011	1,500.00	1,500.00	Football - misc.
66363	9/13/2011	2,460.00	1,560.00	Football - misc.
66313	9/2/2011	1,959.00	1,959.00	Volleyball uniforms
		<b>TOTAL</b>	<b>\$ 134,862.89</b>	

**Finding 6. Expenditures by THS Football Account with No Associated Revenue.**

Check #	Date	Amount	Description
<b>Golf Tournament</b>			
61638	8/6/2009	1,924.00	Golf tournament fees
66361	9/12/2011	652.80	Pork BBQ for golf tournament- held 6/24/2011
66168	8/11/2011	192.40	Lunch for golf tournament winners
<b>T-Bird Nest Food</b>			
66361	9/12/2011	250.00	Pregame meal on August 26, 2011
66532	10/11/2011	456.35	Pregame meals on October 7, 2011
<b>Building Advertisements</b>			
66363	9/13/2011	2,460.00	Printing and installation of two 10' x 18' signs and two 10' x 22' signs