

SUMMARY REPORT

**PUNXSUTAWNEY AREA SCHOOL DISTRICT'S
STUDENT DRAMA CLASS/CLUB
HIGH SCHOOL ACTIVITY AUXILIARY ACCOUNT**

November 2002

INTRODUCTION AND BACKGROUND

The Department of the Auditor General (the Department) conducts audits of Pennsylvania school districts pursuant to its authority and responsibilities under the Fiscal Code.¹

In April 2002, the Department received a request from Punxsutawney Area School District (PASD) that it review apparent irregularities in a student Drama Class/Club auxiliary account of Punxsutawney Area High School (PAHS). In response to the request, the Department's Office of Special Investigations (OSI) conducted an inquiry with the assistance and cooperation of PASD officials and staff. The inquiry included interviews of PASD staff and reviews of the Drama Class/Club account records and information obtained from vendors and parties involved in fund raising activities. Our inquiry focused on activities related to the Drama Class/Club account during the 2001-2002 school year. We did not conduct an audit of the PAHS auxiliary account. A copy of the draft summary report of the investigation was sent to the PAHS superintendent on October 22, 2002. On November 18, 2002, he informed us that he concurred with the findings and that the school district had no further comments.

SUMMARY OF FINDINGS

Funds of the PAHS Drama Class/Club, a student activity, were not managed properly and/or in accordance with PAHS policies by the teacher assigned as the advisor. Activity funds were commingled with the teacher's personal bank account after the teacher was warned twice by the PAHS principal not to commingle funds; all funds were not deposited into the proper school district account; the advisor agreed to an increase in student rates for a bus trip in order to obtain a complimentary trip and room for herself and a friend; and the advisor gave inaccurate and misleading information to students and the school district concerning the activity funds.

FINDINGS

Commingling of funds

A teacher at PAHS serves as advisor to the students enrolled in the Drama Class/Club. (She is referred to in this report as the advisor.) PAHS maintains a school district account for student activities (the PAHS Auxiliary Account) which includes funds related to the Drama Class/Club. The PAHS Teacher's Handbook contains procedures for handling student funds via the "Auxiliary Account." The handbook states that all money collected should be deposited daily in the school office. A purchase order must be prepared for every payment made. The handbook also states that advisors should never mix fundraising money with their personal accounts.

According to the advisor, she used her personal bank account on various occasions to handle funds received from students and/or fund raising activities carried on in connection with the Drama Class/Club, rather than processing all such funds through the PAHS auxiliary account. At times, she paid invoices for Drama Class/Club-related activities directly from funds in her personal account with her personal checks.

¹ 72 P.S. § 403.

On two separate occasions (February 14 and May 2, 2001), the advisor received warnings from the high school principal not to commingle student funds with her personal account. According to the advisor, she used her personal bank account because the business manager had died and she couldn't wait for the typical delay that occurred when the school district pays invoices.²

Failure to deposit activity funds into the PAHS auxiliary account

On January 14, 2002, the advisor deposited \$1,780 into the PAHS auxiliary account. The deposit consisted of \$420 earned from candy sales and \$1,360 collected from students and guests for bus transportation and hotel charges related to a trip to New York to attend a play. On the same date, the advisor submitted a disbursement voucher to the school district requesting payment of an invoice to the bus company in the amount of \$1,770 for bus transportation services in connection with the New York trip. The school district paid the invoice on January 16, 2002.

The January 14, 2002, deposit did not include the total funds earned from candy sales and did not include the total funds collected from students and guests for the trip. The total amount earned from candy sales was \$481.50 and the total trip money collected was \$1,705 (an overall total of \$2,186.50), leaving a difference of \$406.50. It appears that the advisor deposited just enough funds into the PAHS auxiliary account to pay the bus company's invoice. The \$406.50 remained in the advisor's account and had not been deposited into the PAHS auxiliary account as of the date of our interview of the advisor.

The advisor also collected \$700 from students and guests for tickets to the play that was not deposited into the PAHS auxiliary account. Instead, the advisor used the money to pay for the play tickets at a cost of \$626.50 and refunded the difference directly to the students and guests.

Questionable handling and reporting of funds

We also noted the following discrepancies in connection with the advisor's handling of funds related to the Drama Class/Club activities:

- The rate charged by the bus company for the trip to New York included a complimentary free trip for the advisor. According to a representative of the bus company, the advisor negotiated with the bus company to obtain the free trip by agreeing to a \$5.00 increase in the rate paid by the other participants. In effect, the students and other guests paid more so that the advisor could obtain a free bus trip. A friend of the advisor who went on the trip also received a complimentary free trip.
- The advisor informed school district officials that the student discount for the bus trip was \$25 per student when, in fact, it was \$10. The three guests on the trip also each

² It does not appear to us that the business manager's death provided a justification to change or interrupt the established procedure for handling student funds

paid \$15 more than the bus company actually charged. According to the advisor, this occurred because she did not notice that the actual rates were different from the rates she used to prepare information related to the trip given to students and guests.

- The advisor submitted an inaccurate report to PASD concerning candy sales. The final report showed a \$600 profit on the sale of 1,200 candy bars at \$1.00 each. In fact, 1,600 candy bars were ordered from the vendor. The vendor's invoice was \$800, which the advisor paid from her personal bank account. The actual amount received from the sale of candy by students was \$481.50, all but \$61.50 of which was deposited into the PAHS auxiliary account. According to the advisor, she gave away about 637 unsold candy bars.
- At the advisor's direction, students sold merchandise, primarily candles, as a fundraiser for Drama Class/Club activities. The merchandise was obtained by the advisor from Party-Lite, a private business with which the advisor was associated as a consultant. According to the advisor, the total proceeds from the sales was approximately \$606. The students received 25 percent (about \$151). The amount earned by the students was not deposited into the PAHS auxiliary account. Instead, according to the advisor, she gave part of the money (\$100) in cash to students who were the top sellers at the fundraising event and applied the rest (about \$55) to the costs of the bus trip to New York. We were not given any documentation to confirm the distribution or use of the funds.

The advisor expressed regret for the discrepancies and mishandling of student funds.

CONCLUSIONS AND RECOMMENDATIONS

The advisor failed to follow procedures established to ensure proper handling of student activity funds and inappropriately commingled student funds with her personal funds. In addition to any disciplinary action, it is recommended that PASD:

1. Conduct a complete audit of the advisor's handling of student funds during the 2001-2002 school year and at least the two preceding school years and direct that full reimbursement be paid to students and/or guests, if warranted.
2. Conduct reviews of all student activity accounts to determine that all receipts are deposited to the appropriate account.
3. Conduct periodic unscheduled audits of selected student activities and their accounts.
4. Require advisors for student activities to provide annual full disclosure of the receipt of things of financial value, including free trips and other complimentary items, commissions and accommodations obtained in connection with the student activities they are responsible for. PAHS should also adopt a policy that requires the value of such items to be passed on to the student activities and students to the fullest extent possible.

PASD'S RESPONSE

The superintendent informed us that the school district had no comments on the summary report and planned to begin implementing the recommendations.

DISTRIBUTION LIST

This report is being distributed initially to the school board, solicitor and superintendent of the Punxsutawney Area School District and to the following:

Department of Education
The Honorable Charles B. Zogby, Esquire
Secretary of Education

Department of Treasury
The Honorable Barbara Hafer
State Treasurer

Governor's Office of the Budget
William A. Hardenstine, Jr., Comptroller
Labor, Education and Community Services

This report is available via the Internet at <http://www.auditor.gen.state.pa.us>. This report is also available from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.