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NEWS RELEASE

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FOR RELEASE

February 11, 2020

Auditor of State Rob Sand today released a report on a special investigation of the journalism program within the Waukee Community School District (District) for the period August 1, 2018 through June 30, 2019. The special investigation was conducted as a result of concerns certain financial transactions related to fundraising events for the High School newspaper and yearbook were not properly deposited or expended.

The District's Activity Fund Manual outlines cash handling procedures and requires each coach/sponsor or teacher collecting money directly from students for any purpose to remit all proceeds to the building or Activities Director's secretary on a daily basis. The manual also states employees should avoid paying personally for items and coaches/sponsors and other school employees may not operate school business from their personal bank accounts.

Sand reported the special investigation identified collections from fundraisers held for the High School newspaper which were not deposited in accordance with the District's policies specified in the Activity Fund Manual, including an undeterminable amount of cash collections and \$750.00 of proceeds collected through the use of a Square device for the sale of donuts during the 2018/19 academic year. Kent Peterson, the newspaper's staff sponsor, was responsible for the proper deposit of the collections. The special investigation also identified an account held in Mr. Peterson's name to which collections obtained through the use of a Square were deposited. Depositing collections to a non-District account prevented the collections from being subject to the District's oversight and approval process to ensure the collections were properly accounted for and used for appropriate purposes.

Sand also reported only \$727.77 of the \$750.00 gross sales collected using a Square for the donuts was deposited to the account held in Mr. Peterson's name because Square withheld \$22.23 of transactions fees. Mr. Peterson retained the remaining \$727.77 of net proceeds collected through Square to partially offset the costs he incurred to purchase the donuts sold at the High School on

Friday mornings. However, because the collections through Square were not sufficient to reimburse Mr. Peterson for the total cost of the donuts, he also improperly withheld some of the cash proceeds from the donut sales. Sand reported the net amount of collections Mr. Peterson ultimately deposited with the District for the donut sales, net of reimbursements to himself, was reasonable for the academic year 2018-19 based on available supporting documentation. However, Sand also reported supporting documentation was not available for the time period prior to that and, because sufficient records were not maintained, it was not possible to determine if any additional collections were not properly deposited.

Sand reported an additional \$280.00 was collected by Mr. Peterson using a Square for the sale of DVDs during the 2018/19 academic year. Of this amount, Square retained \$7.84 of transaction fees. Mr. Peterson remitted payments to the District in equivalent or greater amounts than the \$272.16 of net Square collections at the time of the DVD sales. However, because sufficient records were not available for DVDs sold for cash or checks during the 2018/19 academic year or prior years, it was not possible to determine if any additional collections were not deposited.

In addition, Sand reported sufficient records were not available to determine if all collections from other fundraisers held for the newspaper and yearbook. As a result, it was not possible to determine if all collections were properly deposited.

The report includes recommendations to strengthen the District's internal controls, ensure compliance with District policies, and improve overall operations, such as ensuring all recurring fundraising events are properly approved on an annual basis, sufficient supporting documentation is maintained for all fundraising activities, and an independent party should periodically reconcile supporting documentation to collections submitted for deposit. Sand also recommended District officials ensure policies regarding collections are adequately updated to include safeguards against unauthorized use of electronic means of collections.

Copies of this report have been filed with the Division of Criminal Investigation, the Dallas County Attorney's Office, and the Attorney General's Office. A copy of the report is available for review on the Auditor of State's web site at <https://www.auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
WAUKEE COMMUNITY SCHOOL DISTRICT
FOR THE PERIOD
AUGUST 1, 2018 THROUGH JUNE 30, 2019**

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Auditor of State's Report

To the Board of Education of the
Waukee Community School District:

As a result of concerns regarding certain financial transactions and at your request, we conducted a special investigation of the journalism program at Waukee High School within the Waukee Community School District (District). We have applied certain tests and procedures to selected financial transactions of the District for the period August 1, 2018 through June 30, 2019. Based on a review of relevant information and discussions with District officials and personnel, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Interviewed the staff sponsor of the High School newspaper and yearbook, Kent Peterson, to obtain an understanding of the fundraising events he administered and how collections were deposited and expended.
- (3) Interviewed the Superintendent, Assistant Superintendent, Chief Financial Officer, and certain staff from the District to determine the procedures for collecting and disbursing funds from the fundraising accounts administered by Mr. Peterson.
- (4) Examined supporting documentation from the District for collections recorded in the District's accounting system for deposits resulting from fundraisers for the High School newspaper and yearbook to determine the source and completeness of deposits.
- (5) Examined documentation provided to the District by Mr. Peterson for collections received through Square and purchases he made for fundraising events he sponsored to determine propriety of the transactions.

These procedures identified collections received from fundraisers held for the newspaper which were not deposited in accordance with the District's policies specified in the Activity Fund Manual. The procedures also identified an account held in Mr. Peterson name to which certain collections from fundraisers were deposited. Depositing collections to a non-District account prevented the collections from being subject to the District's oversight and approval process to ensure the collections were properly accounted for and used for appropriate purposes. However, the net amount ultimately deposited with the District by Mr. Peterson, after allowing for reimbursement of costs he incurred, was reasonable for the academic year 2018-19 based on available supporting documentation.

We were unable to determine if additional collections were not properly deposited because sufficient records were not available for all collections. In addition, because detailed records were not readily available, we were unable to determine the amounts collected prior to academic year 2018-19 were reasonable. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** and **B** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Waukee High School journalism program within the Waukee Community School District, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Dallas County Attorney's Office, and the Attorney General's Office.

We would like to acknowledge the assistance extended to us by personnel of the Waukee Community School District during the course of our investigation.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large "R" and "S".

Rob Sand
Auditor of State

January 7, 2020

Report on Special Investigation of the
Waukee Community School District

Investigative Summary

Background Information

The Waukee Community School District (District) is located in Waukee, Iowa and serves approximately 11,500 students in Dallas County. The District is governed by a 7-member Board which meets twice monthly. The District consists of nine elementary schools, two grades 6-7 schools, two grades 8-9 schools, the high school which serves grades 10-12, and the District Administration Office. The District is led by the Superintendent and the School Board (Board).

Waukee High School hosts a school newspaper, The Arrowhead, which is overseen by student staff members. As reported on The Arrowhead's website, five students make up the editorial team and lead the class along with their advisor, Kent Peterson. Students in this class are also responsible for the editing and production of the school yearbook.

Mr. Peterson began employment with the District on August 13, 2008 as an English and Journalism teacher. During the 2009-2010 school year, he became the sponsor for the school newspaper and yearbook. As a teacher and faculty sponsor, Mr. Peterson is responsible for:

- approving student-written articles for both the newspaper and yearbook;
- organizing fundraisers to support the school newspaper and yearbook, such as advertisements, donut sales, and phone book delivery; and
- collecting and remitting fundraising proceeds and donations as required by District policy.

The Iowa Board of Educational Examiners (BOEE) has established a Code of Professional Conduct and Ethics. The Code is included in Chapter 282-25 of the Iowa Administrative Code and it outlines the ethical principles which govern decisions and behavior for licensed educators. Specifically, 282-25.3(4), Standard IV – *Misuse of Public Funds and Property*, states violations of this standard includes:

- a) Failing to account properly for funds collected that were entrusted to the practitioner in an educational context.
- b) Converting public property or funds to the personal use of the practitioner.
- c) Submitting fraudulent requests for reimbursement of expenses or for pay.
- d) Combining public or school related funds with personal funds.
- e) Failing to use time or funds granted for the purpose for which they were intended.

In addition, Board policy 413.9 *Employee Conduct and Appearance*, revised on June 11, 2018, states, in part, "Licensed Employees of the school district shall follow the code of ethics for their profession as established by the Iowa Board of Educational Examiners."

According to District officials, funds collected or received for various activities at each school are required to be deposited with the District. When funds are received, the funds are to be delivered to the school office where a receipt is prepared and provided to the individual delivering the funds. The amount deposited is then recorded in the Student Activity Fund of the District's accounting system and deposited in the District's main bank account. Within the Student Activity Fund, there are sub-accounts for each of the various athletic programs, fine arts programs, the newspaper, the yearbook, and other student clubs and organizations.

The District requires all fundraisers to be approved by the building Principal or Activities Director (AD) and a signed "Fundraiser Approval" form be on file. The Activity Fund Manual states:

- "All revenues collected shall be accounted for in the Student Activity Fund and deposited and recorded as outlined in this Handbook."
- "All purchases for the fundraiser shall follow the purchasing and reimbursement procedures outlined in this Handbook."

The Activity Fund Manual, approved in August 2012, outlines cash handling procedures and includes the following statements:

- "If a coach/sponsor or teacher collects money directly from students for any purpose, these proceeds should be turned in to the building or AD secretary daily and a receipt issued to the coach/sponsor."
- "If the coach/sponsor or teacher collects money, a log or spreadsheet should be kept listing at a minimum the student name, amounts received, and check number or amount of cash."
- "Employees should avoid paying personally for items. If the vendor will not accept a Purchase Order, contact your Activities Director for other purchasing options."
- "Employees shall not establish separate checking accounts for the purpose of fundraising or any school related activity. Coaches/sponsors and other school employees may not operate school business from their personal bank account."

Board officials were notified by administrative staff Mr. Peterson submitted a reimbursement request on June 27, 2019 for the cost of purchasing a Square device. When questioned by District officials about the Square device, Mr. Peterson told officials he used it to collect debit/credit card payments for newspaper and yearbook fundraising events, including a donut fundraiser held on Fridays and the sale of DVDs containing pictures taken during schools plays. He also reported to District officials the Square was linked to his personal bank account and he had been using the Square for over 9 months. District officials identified the following based on information provided by Mr. Peterson.

- Between October 1, 2018 and May 31, 2019, Mr. Peterson collected \$1,031.00 of credit/debit card sales using a Square device. Of this amount, \$29.54 was retained by Square for transaction fees.
- Mr. Peterson transferred the remaining \$1,001.46 of collections from his Square account to his personal bank account.
- Mr. Peterson remitted three checks totaling \$312.10 to the District from his personal bank account. The \$312.10 included checks for \$62.21 on October 8, 2018, \$94.29 on October 22, 2018 and \$155.60 on April 16, 2019.

As a result of the concerns identified, District officials placed Mr. Peterson on paid administrative leave effective June 28, 2019. In addition, District officials notified the Office of Auditor of State and requested a review of the newspaper and yearbook fundraising activities overseen by Mr. Peterson. As a result of the request, we performed the procedures detailed in the Auditor of State's report for the period August 1, 2018 through June 30, 2019.

Detailed Findings

The procedures performed identified collections received from fundraisers held for the newspaper which were not deposited in accordance with the District's policies specified in the Activity Fund Manual. The procedures also identified an account held in Mr. Peterson name to which certain collections from fundraisers were deposited. Depositing collections to a non-District account prevented the collections from being subject to the District's oversight and approval process

to ensure the collections were properly accounted for and used for appropriate purposes. However, the net amount ultimately deposited with the District by Mr. Peterson, after allowing for reimbursement of costs he incurred, was reasonable for the academic year 2018-19 based on available supporting documentation.

We were unable to determine if additional collections were not properly deposited because sufficient records were not available for all collections. In addition, because detailed records were not readily available, we were unable to determine the amounts collected prior to academic year 2018-19 were reasonable.

We conducted an interview with Mr. Peterson on October 8, 2019. Information provided by Mr. Peterson is included in the following paragraphs. A detailed explanation of each finding also follows.

UNDEPOSITED COLLECTIONS

As previously stated, Mr. Peterson was the staff sponsor for the High School newspaper and yearbook during the period of our investigation. As the sponsor, Mr. Peterson was responsible for coordinating any fundraising events for the newspaper and yearbook and ensuring all collections were deposited with the District in accordance with District policy.

According to Mr. Peterson, advertisements (ads) were sold to raise funds for both the newspaper and the yearbook. Local businesses submitted checks to Mr. Peterson or the school secretary for payment of the ads.

Mr. Peterson also explained there were a number of other fundraisers held to support the cost of producing the newspaper, including donut sales, photo DVD sales, and delivering phone books to Waukee addresses. According to Mr. Peterson, the donut sales were held each Friday school throughout the school year (with a few exceptions), photo DVDs were sold at the time of the annual fall and spring drama productions, and phone books were delivered once each year. However, the phone books had not been delivered for several years.

The proceeds collected from the various fundraisers are discussed in the following paragraphs.

Ad Sales

When we spoke with Mr. Peterson, he reported ads were sold to local businesses for both the newspaper and yearbook. He also stated ad sales have been “dismal” the last few years. According to Mr. Peterson, each student editor was assigned businesses to contact to determine if they were interested in placing an ad in the newspaper or yearbook. He stated amounts paid for ads placed by the businesses were typically mailed to him at the school in the form of a check and he provided the checks to the school office for deposit.

Mr. Peterson reported forms were completed when the students visited businesses to determine if they were interested in purchasing an ad; however, he was not able to provide those forms to us for review. As a result, we are unable to determine if any collections for ad sales were not properly deposited with the District.

We reviewed certain editions of the newspaper issued during the 2018-19 academic year and identified only a limited number of ads included in the editions. We also attempted to analytically compare the collections and disbursements related to ad sales for the 2018-19 academic year to previous years. However, detailed documentation was not readily available in the District’s accounting system. As a result, we were unable to readily make the comparison.

Donut Sales

When we spoke with Mr. Peterson on October 8, 2019, he reported he had sold donuts at the High School for several years to raise money to support the newspaper. He explained the donut sales took place between 7:15 a.m. and 8:00 a.m. nearly every Friday school was in session. Donuts were sold for a free will donation but there was a suggested donation of \$1 per donut.

As previously stated, District policy requires all fundraisers to be approved by the building Principal or AD and a signed "Fundraiser Approval" form be on file. The only form available for the donut sales to benefit the newspaper was approved on August 28, 2013 for the 2013-14 academic year. The form confirmed donuts were to be sold from 7:15 a.m. to 8:00 a.m. every Friday during the school year. It also confirmed an estimated price of \$1.00 per donut. However, approval forms were not available for subsequent years.

Mr. Peterson provided copies of receipts he obtained from Krispy Kreme for the donuts purchased from August 31, 2018 through May 24, 2019. Receipts prior to this period were not available. The receipts document the purchases were usually made shortly before 7:00 a.m. The receipts also document gift cards were frequently used to pay for the purchases, but for some instances cash or a credit/debit card was used for the purchase or a portion of the purchase.

Exhibit A includes information from the Krispy Kreme receipts. As illustrated by the **Exhibit**, 12 to 14 dozen donuts were usually purchased and the cost for a dozen donuts was typically \$6.00. However, on some occasions, more or less donuts were purchased and the amount paid per dozen was greater than \$6.00 on one occasion and less than \$6.00 on another occasion.

The receipts provided did not include any Fridays for which the District's academic calendar showed school was not in session. In addition, the receipts provided did not include documentation for donuts purchased on November 2, 2018 and January 11, 2019 which were Fridays for which the academic calendar showed classes were held. However, cash from donut sales was taken to the secretary for these days. We are unable to determine if donuts were purchased by someone other than Mr. Peterson, from another vendor, and/or were paid for without any gift cards for those days.

According to Mr. Peterson, only cash was collected for the donuts sold prior to the fall of 2018. Mr. Peterson also reported when a student or faculty member purchased a donut, the cash collected was placed in a bowl on the table which also held the donuts. At the end of the day's sale, two or three students were responsible for counting the money collected. Mr. Peterson stated he was typically in the room when the money was counted but was not always involved in the counting process. Mr. Peterson reported he did not keep any records of the number of donuts sold or the cash amounts collected.

According to Mr. Peterson, he originally had students take the cash collected to the school secretary for deposit and recording in the newspaper's activity account within the District's accounting system. However, in several instances, the secretary did not agree with the amount counted and submitted by the students. As a result, he began taking the cash deposit (net of any amounts he retained as reimbursement for the donuts he purchased that day) to the school secretary.

On Friday, October 5, 2018, Mr. Peterson also began accepting credit/debit card payments for donut sales using a Square device. According to Mr. Peterson, he decided to use a Square because students do not routinely carry cash. The use of a Square helped increase the number of donuts sold. As previously stated, Mr. Peterson submitted a request for reimbursement in June 2019 for the purchase of the Square device. According to District officials, they were unaware Mr. Peterson was using a Square to collect funds for the newspaper until he submitted the reimbursement request.

According to Mr. Peterson, a student verified the amount collected each Friday for the donut sales using the Square by looking at account information on Mr. Peterson's phone. He also reported he and the student "started a sheet that [the student] would fill out and sign every week showing what was reimbursed back to [Mr. Peterson]." However, the document signed by the student states "received (emphasis added) [specified amount] from advisor Kent Peterson for credit card

transactions during donut sales on this date.” A copy of the document described by Mr. Peterson is included in **Appendix 1**. The statements were signed and dated by the student. The student’s name has been redacted from the **Appendix** for privacy.

The amounts listed by the student for each date shown in the **Appendix** agreed with collection information we verified with Square with the exception of the collections recorded for December 7, 2018. As illustrated by **Appendix 1**, the student documented \$34.00 had been received from Square that day. However, documentation obtained from Square did not include any transactions on December 7, 2018. We are unable to determine why the student documented \$34.00 was collected from credit/debit card transactions that day.

Similar sheets summarizing the Square collections verified by the student were not available for the period October 5, 2018 through November 9, 2018 or the period after January 18, 2019. According to Mr. Peterson, the responsibility for verifying the amount collected through the Square was reassigned to other students after January 18, 2019 and similar sheets were no longer prepared after the transition.

As previously stated, the Activity Fund Manual states “If the coach/sponsor or teacher collects money, a log or spreadsheet should be kept listing at a minimum the student name, amounts received, and check number or amount of cash.” As a result, Mr. Peterson should have maintained documentation for all collections received.

Also as previously stated, the sheets included in **Appendix 1** document Mr. Peterson provided specified amounts to a student editor for collections received through Square for donut sales. However, Mr. Peterson reported the amounts collected through Square for donut sales were used to partially reimburse him for the cost of the donuts each Friday. As illustrated by comparing **Appendix 1** and **Exhibit A**, the amount collected using the Square on individual Fridays was less than the cost of the donuts purchased on the same day. Mr. Peterson also reported once the amount collected using the Square device was verified by a student, the amount collected using Square was subtracted from the cost of the donuts he purchased for the day and then he reimbursed himself from the day’s cash collections for the remaining cost of the donuts.

As previously stated, **Exhibit A** shows a number of purchases were made with gift cards. According to Mr. Peterson, he purchased the gift cards with personal funds from Sam’s Club or Raise, an online vendor. He also reported the gift cards were usually purchased at a 20-25% discount from their face value. Using copies of receipts from Sam’s Club and Raise Mr. Peterson provided, we verified the discounted cost for gift cards purchased from October 11, 2018 through May 23, 2019 ranged from 75-80% of the face value of the gift cards. The amount paid for the gift cards totaled \$1,442.63 and the face value of the gift cards was \$1,875.00, which provided for an average discounted rate of 23%.

Receipts were not available for gift cards purchased prior to October 11, 2018. In addition, because receipts for purchases from Krispy Kreme prior to August 31, 2018 were not available, we are unable to determine which purchases prior to that date were made with gift cards. As illustrated by **Exhibit A**, \$2,379.01 of gift cards were used to purchase donuts from Krispy Kreme from August 31, 2018 through May 24, 2019. Receipts were not available to determine when the remaining \$504.01 of gift cards used to purchase donuts were purchased or the cost of the gift cards purchased. However, if the \$504.01 of remaining gift cards were purchased at a comparable 23% discount as the gift cards for which receipts were available, the cost of the gift cards would have been approximately \$388.09.

Because Mr. Peterson did not pay face value for the gift cards used to purchase the donuts, he should not have been reimbursed for the full cost of the donuts as shown on the receipts from Krispy Kreme. When we spoke with Mr. Peterson on October 8, 2019, he acknowledged the cost he incurred for the gift cards was less than the total cost of the donuts he purchased. He explained that in the “early part of the year” he was not reimbursed for the donuts “every fourth Friday” in order to adjust his reimbursements for the 25% discount. However, because records were not maintained, it was not possible to determine the dates Mr. Peterson was reimbursed for the cost of the donuts and amounts he was reimbursed.

During the meeting on October 8, 2019, Mr. Peterson also reported in the “later part of the year” he was reimbursed for the donuts each week, but the cost of the donuts was reduced by the 25% to account for the cost of the gift cards he purchased. He also specified the change in practice occurred at or near the same time as duties switched from the student who signed the document in **Appendix 1** to other student editors. Based on the dates shown in the **Appendix**, it appears the change in practice occurred in approximately mid-January 2019.

Mr. Peterson provided a printout which included a daily listing of the collections received using his Square account and the fees assessed to the account for the period October 1, 2018 through May 31, 2019. Based on this report, \$750.00 of gross sales was collected on Friday mornings using Mr. Peterson’s Square device. The report also shows Square assessed \$21.67 of fees for those transactions. Square charges \$0.10 for each debit or credit card swiped plus 2.5% of each transaction amount.

As previously stated, District policy requires all fundraising collections to be deposited intact with the District. District policy also requires staff to submit a request for reimbursement for expenses incurred on behalf of the District, including fundraising expenses. The reimbursement requests are to be reviewed and approved by appropriate staff, then reimbursed from District accounts. Reimbursements should not be made from collections. In accordance with these policies, the \$750.00 of Square collections and all cash collected should have been deposited with the District. In addition, Mr. Peterson should have requested reimbursements for the donuts purchased. Specifically, Mr. Peterson was eligible for reimbursement of \$1,442.63 for the gift cards he purchased at Sam’s Club and Raise and the \$134.99 for the personal funds used to purchase the donuts. He would have also been eligible for reimbursement for the discounted price he paid for the \$504.01 of additional gift cards purchased if he had been able to provide receipts.

District officials provided copies of the deposit slips and supporting documents showing the cash collections taken to the school office and deposited in the account established in the accounting system for the newspaper. **Exhibit A** lists the collections deposited with the District for the donut fundraiser. District officials also provided documentation of an \$84.00 reimbursement made to Mr. Peterson for the donuts purchased on May 17, 2019.

Table 1 lists the known amount of collections for donut sales received through Square and deposited with the District during the 2018-19 academic year. However, because records were not maintained for the number of donuts sold or the cash collected, we are unable to determine the additional cash was collected but not deposited with the school office. The **Table** also includes the reimbursements which Mr. Peterson reported he made to himself from the cash collections not deposited with the District. In addition, the **Table** includes reimbursement amounts to which Mr. Peterson was entitled for the same period based on the receipts available.

| Description | Amount |
|---|------------|
| Collections: | |
| Square collections (net of fees retained by Square) | \$ 727.77 |
| Cash deposited with the District | 2,014.05 |
| Calculated cash collections used as reimbursements to Mr. Peterson [^] | 1,034.26 |
| Collections | 3,776.08 |
| Reimbursable costs: | |
| Cost of discounted gift cards for which receipts were provided | 1,442.63 |
| Calculated cost of remaining discounted gift cards used | 388.09 |
| Cash purchases | 134.99 |
| Less reimbursement to Mr. Peterson by District | (84.00) |
| Net reimbursable costs | 1,881.71 |
| Net amount which should have been raised by the donut sales | \$1,894.37 |

[^] - Discounted cost of the donuts purchased with gift cards (using 25% reduction reported by Mr. Peterson) less the gross collections from Square.

As illustrated by **Exhibit A**, 421 dozen, or 5,052, donuts were purchased from August 31, 2018 through May 24, 2019 for which receipts were available. As previously stated, the suggested donation was \$1.00 per donut; however, that amount was not consistently paid by those purchasing the donuts. According to Mr. Peterson, in some cases, nothing or something less than \$1.00 per donut was paid. In other cases, a customer made a larger donation than \$1.00 per donut. In addition, records were not maintained which documented the number of donuts sold each week. As a result, we were not able to calculate a reliable amount of expected collections based on the number of donuts purchased.

As illustrated by **Table 1**, using the documentation available, we calculated the net amount of \$1,894.37 should have been raised by the donut sales during the 2018-19 academic year. The **Table** also illustrates \$2,014.05 was deposited with the District for the donut sales during the year. As a result, the amount deposited with the District is reasonable based on the available documentation. However, as previously stated, because sufficient records were not maintained, we are unable to determine the actual amount of cash collections received from donut sales which was not deposited with the District. As a result, we are unable to determine what amount of collections, if any, were undeposited.

We also attempted to analytically compare the collections and disbursements related to donut sales for the academic years prior to 2018-19 to previous years. However, detailed documentation was not readily available in the District's accounting system. As a result, we were unable to readily make the comparison.

Sale of Photo DVDs

According to Mr. Peterson, the journalism students produced photo DVDs for the school plays each spring and fall. The blank DVDs were provided by the school and the production of the DVDs was approved by the District officials because of the practical education nature of the project. Mr. Peterson also reported the students usually produced 50-60 DVDs each year and any unsold DVDs were given to the drama department.

According to Mr. Peterson, the DVDs were sold for \$10 each during the 2018-19 school year and for a few years before that. He also stated the DVDs were initially sold for \$15 each but that was thought to be too costly. Prior to October 2018, DVDs could be purchased with cash or check. Starting October 1, 2018 the DVDs could also be purchased with a debit or credit card using the Square held by Mr. Peterson. When we requested records showing the total number of DVDs sold and the related amounts collected, Mr. Peterson stated records of this nature were not kept. District officials were also unable to provide information regarding the number of DVD's which may have been used for the fundraiser. The District buys the DVD's which are available to students for various projects. The DVDs purchased by the District are also available for use by faculty and staff. Because sufficient records were not available, we were unable to determine how many DVDs were produced and/or sold and, as a result, we were not able to determine if all collections for the sale of the DVDs were deposited with the District.

As previously stated, Mr. Peterson provided a printout which included a daily listing of the collections received using his Square account and the fees assessed to the account for the period October 1, 2018 through May 31, 2019. Based on this report, \$280.00 of gross sales was collected in \$10 increments or in multiples of \$10.00 near the time of the fall and spring plays during the 2018-19 academic year. The report also shows \$7.84 of fees were retained by Square for the transactions. **Exhibit B** lists the amount collected by day for the sale of the DVDs and the related fees charged by Square.

District policy requires all collections be deposited with the District. As a result, the \$272.16 of net collections deposited to Mr. Peterson's Square account for the DVD sales should have been deposited with the District.

Mr. Peterson provided us copies of the carbons of three checks he provided to the District to be deposited in the newspaper’s activity account for DVD sales. Information from the three checks is summarized in **Table 2**. Documentation we obtained from District officials confirmed the three checks were deposited in the District’s bank account. Documentation obtained from District officials also shows additional amounts were deposited to the District for DVD sales during the 2019-19 academic year.

Table 2

| Check Date | Check Number | Payee | Notation in Memo | Amount |
|-------------------|---------------------|--------------------|--|------------------|
| 10/08/18 | 4056 | Waukee High School | DVD sales | \$ 62.21 |
| 10/21/18 | 4059 | Waukee High School | Newspaper Acct-DVD Sales | 94.29 |
| 04/16/19 | 4088 | Waukee High School | DVD sales minus Transaction Fee (4.40) | 155.60 |
| Total | | | | <u>\$ 312.10</u> |

The amounts of check numbers 4056 and 4059 exceed the amounts reported in **Exhibit B** for October collections through Square. However, the \$155.60 total of check number 4088 agrees with the collections reported in the Square report for April 2019. As a result, all known collections for DVD sales have been deposited with the District. However, because sufficient documentation was not available, we were unable to determine if all cash and check collections were properly deposited.

We also attempted to analytically compare the collections and disbursements related to DVD sales for the academic years prior to 2018-19 to previous years. However, detailed documentation was not readily available in the District’s accounting system. As a result, we were unable to readily make the comparison.

Delivery of Phone Books

During our meeting on October 8, 2019, Mr. Peterson reported the students had previously delivered DEX phone books to raise money for the newspaper. According to Mr. Peterson, this fundraiser was held on an annual basis for a short time but had not done recently. He also reported each phone book delivered yielded \$0.15 and thousands of phone books were delivered. Once the phone books were delivered, he received a prepaid debit card from the DEX contractor he worked with. He reported he used the debit card to withdraw cash which he then submitted to school secretary for deposit in the District’s bank account.

We requested any supporting documentation for the fundraiser showing the number of phone books delivered and the amount to be received for the deliveries. Mr. Peterson was not able to provide documentation to verify any contractual arrangements or payment amounts. However, we observed email correspondence between Mr. Peterson and the contractor which confirmed the only option he was given for payment was a debit card which could be used to withdraw cash. The email string was from November 2014. District officials also provided a deposit slip which showed Mr. Peterson submitted \$780.00 to the school secretary on December 5, 2014 for deposit to the District’s bank account.

We contacted the contractor on November 8, 2019 to obtain payment information for this fundraiser. However, the contractor was unable to provide any records to document the payments to Mr. Peterson and/or Waukee High School for delivery of phone books.

Because sufficient records were not available, we were unable to determine the amounts collected for delivering phone books and if all amounts collected were properly deposited with the District.

Recommended Control Procedures

We reviewed the procedures used by the Waukee Community School District to process receipts and disbursements pertaining to fundraisers for the High School newspaper and yearbook. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the District's internal controls.

- A. Fundraisers – The District has established written policies and procedures regarding how school fundraisers are to be handled. However, we determined Mr. Peterson did not follow District policies and procedures. Specifically:
- He did not maintain adequate documentation of collections, such as a log or spreadsheet listing the amounts collected, dates of collection, method of collection (cash, check, electronic), and description/name of paying party.
 - He used personal funds to purchase items for resale for fundraising events.
 - A Square account was established in Mr. Peterson's name to collect credit/debit card payments for fundraisers without District approval.
 - According to Mr. Peterson, collections deposited to the Square account and cash collections were used to reimburse himself for purchases he made with personal funds.

In addition, while a "Fundraiser Approval" form was available for the donut sales for academic year 2013-14, similar forms were not available for the fundraiser for subsequent years.

Recommendation – District officials should ensure all student activity sponsors, Activities Directors, and Principals are aware of the District's policy and all events, including recurring events, are approved on an annual basis before being held. District officials should also require all employees sign an acknowledgement on an annual basis stating they have reviewed and understand the policy.

District officials should ensure adequate records are submitted with all collections deposited for fundraising events. An independent party should periodically reconcile the supporting documentation to the collections received.

- B. Alternate Collection Methods – The Student Activity Manual, last revised in 2012, states in part "Employees shall not establish separate checking accounts for the purpose of fundraising or any school related activity. Coaches/sponsors and other school employees may not operate school business from their personal bank account." However, since the last revision to the manual, alternate electronic collection methods have become commonplace. Coaches/sponsors can now collect funds without placing them in a "bank account" and can maintain "virtual account." The District's policy regarding collections has not been updated to include adequate safeguards against unauthorized use of electronic means of collections.

Recommendation – District officials should ensure policies regarding collections are adequately updated to include safeguards against unauthorized use of electronic means of collections.

Exhibits

Exhibit A

Report on Special Investigation of the
Waukee Community School District

Donut Fundraiser Collections and Costs
For the period August 1, 2018 through June 30, 2019

| Date | Per Krispy Kreme Receipts | | | | | Square Collections | | | Cash Collections Deposited with the District^ |
|------------|-----------------------------|-------------------|--------------|--------------|--------------|-----------------------|------------|--------|---|
| | Quantity Purchased (Dozens) | Payment Method | | Total Amount | Gross Amount | Less Transaction Fees | Net Amount | | |
| | | Cash/ Credit Card | Gift Card(s) | | | | | | |
| 08/31/18 | 10 | \$ 24.00 | 36.00 | 60.00 | - | - | - | 9.95 | |
| 09/07/18 | 10 | - | 60.00 | 60.00 | - | - | - | 19.44 | |
| 09/14/18 | 10 | - | 60.00 | 60.00 | - | - | - | 52.78 | |
| 09/21/18 | 12 | - | 72.00 | 72.00 | - | - | - | 56.47 | |
| 09/28/18 | 12 | - | 72.00 | 72.00 | - | - | - | 43.03 | |
| 10/05/18 | 12 | - | 72.00 | 72.00 | 3.00 | 0.08 | 2.92 | 76.98 | |
| 10/12/18 | 12 | - | 72.00 | 72.00 | 1.00 | 0.03 | 0.97 | 140.67 | |
| 10/19/18 | 12 | - | 72.00 | 72.00 | 36.00 | 1.00 | 35.00 | 38.78 | |
| 10/26/18 # | | - | - | - | - | - | - | - | |
| 11/02/18 @ | | - | - | - | - | - | - | 35.59 | |
| 11/09/18 | 12 | - | 72.00 | 72.00 | 20.00 | 0.55 | 19.45 | 44.19 | |
| 11/16/18 | 12 | - | 72.00 | 72.00 | 22.00 | 0.61 | 21.39 | 55.97 | |
| 11/23/18 # | | - | - | - | - | - | - | - | |
| 11/30/18 | 14 | - | 84.00 | 84.00 | 34.00 | 1.24 | 32.76 | 78.97 | |
| 12/07/18 | 11 | - | 66.00 | 66.00 | - | - | - | 86.21 | |
| 12/14/18 | 14 | - | 84.00 | 84.00 | 31.00 | 0.86 | 30.14 | 69.53 | |
| 12/21/18 | 13 | 0.99 | 64.01 | 65.00 | 41.00 | 1.14 | 39.86 | 55.95 | |
| 12/28/18 # | | - | - | - | - | - | - | - | |
| 01/04/19 | 14 | - | 84.00 | 84.00 | 51.00 | 1.42 | 49.58 | 48.27 | |
| 01/11/19 @ | | - | - | - | - | - | - | 104.52 | |
| 01/18/19 | 14 | - | 84.00 | 84.00 | 21.00 | 0.58 | 20.42 | - | |
| 01/25/19 | 14 | - | 84.00 | 84.00 | 32.00 | 0.89 | 31.11 | 42.35 | |
| 02/01/19 | 13 | - | 78.00 | 78.00 | 21.00 | 0.58 | 20.42 | 45.35 | |
| 02/08/19 | 13 | 3.00 | 75.00 | 78.00 | 23.00 | 0.64 | 22.36 | 78.00 | |
| 02/15/19 | 14 | - | 84.00 | 84.00 | 20.00 | 0.55 | 19.45 | 68.25 | |
| 02/22/19 # | | - | - | - | - | - | - | - | |
| 03/01/19 | 18 | - | 108.00 | 108.00 | 42.00 | 1.16 | 40.84 | 29.25 | |
| 03/08/19 | 16 | 12.00 | 84.00 | 96.00 | 11.00 | 0.31 | 10.69 | 97.81 | |
| 03/15/19 | 14 | - | 84.00 | 84.00 | 42.00 | 1.77 | 40.23 | 105.60 | |
| 03/22/19 # | | - | - | - | - | - | - | - | |
| 03/29/19 | 14 | - | 84.00 | 84.00 | 27.00 | 0.74 | 26.26 | 73.21 | |
| 04/05/19 | 13 | - | 79.00 | 79.00 | 56.00 | 1.54 | 54.46 | 56.60 | |

Report on Special Investigation of the
Waukee Community School District

Donut Fundraiser Collections and Costs
For the period August 1, 2018 through June 30, 2019

| Date | Per Krispy Kreme Receipts | | | | Square Collections | | | Cash Collections Deposited with the District [^] |
|----------|-----------------------------|----------------|----------|--------------|--------------------|-----------------------|------------|---|
| | Quantity Purchased (Dozens) | Payment Method | | Total Amount | Gross Amount | Less Transaction Fees | Net Amount | |
| 04/12/19 | 14 | Cash/ | Gift | 84.00 | 42.00 | 1.73 | 40.27 | 131.53 |
| 04/19/19 | 14 | Credit Card | Card(s) | 84.00 | - | - | - | 35.39 |
| 04/26/19 | 12 | | | 72.00 | 20.00 | 0.55 | 19.45 | 66.35 |
| 05/03/19 | 12 | | | 72.00 | 30.00 | 0.83 | 29.17 | 73.95 |
| 05/10/19 | 12 | | | 72.00 | 50.00 | 1.39 | 48.61 | 40.25 |
| 05/17/19 | 14 | 84.00 | - | 84.00 | 54.00 | 1.49 | 52.51 | - |
| 05/24/19 | 20 | 11.00 | 109.00 | 120.00 | 20.00 | 0.55 | 19.45 | 52.86 |
| Totals | 421 | \$ 134.99 | 2,379.01 | 2,514.00 | 750.00 | 22.23 | 727.77 | 2,014.05 |

Per the District's academic calendar, there was no school.

@ The support included with the deposit detail shows there were donut sales on these days.

However, Krispy Kreme did not provide receipts for these days and there were no Square transaction shown.

^ Per detailed supporting documentation obtained from District officials.

Exhibit B

Report on Special Investigation of the
Waukee Community School DistrictDVD Collections Using Square Device
For the period August 1, 2018 through June 30, 2019


| Day | Transaction Date | Description | DVD Sales | Total Fees | Net Sales |
|------------|-----------------------------|--------------------|----------------------|-----------------------|------------------|
| Thursday | 10/04/18 | WHS Fall Play | \$ 60.00 | 1.68 | 58.32 |
| Thursday | 10/18/18 | 9th grade play | 60.00 | 1.68 | 58.32 |
| Thursday | 04/11/19 | Spring Play DVD | 40.00 | 1.12 | 38.88 |
| Friday | 04/12/19 | Spring Play DVD | 20.00 | 0.56 | 19.44 |
| Saturday | 04/13/19 | Spring Play DVD | 50.00 | 1.40 | 48.60 |
| Sunday | 04/14/19 | Spring Play DVD | 50.00 | 1.40 | 48.60 |
| Total | | | <u>\$ 280.00</u> | <u>7.84</u> | <u>272.16</u> |

Report on a Special Investigation of the
Waukee Community School District

Staff

This review was performed by:

James S. Cunningham, CPA, Director
Holly R. Ewing, Auditor Investigator


Annette K. Campbell, CPA
Deputy Auditor of State

Appendix

Report on a Special Investigation of the
Waukee Community School District

Copy of Signed Listing of Square Collections

11/16/18

I received \$22.00 from advisor Kent Peterson for credit card transactions during donut sales on this date.



11/16/18

11/30/18

I received 34.00 \$ from advisor Kent Peterson for credit card transactions during donut sales on this date.



11/30/18

12/7/18

I received 34.00 \$ from advisor Kent Peterson for credit card transactions during donut sales on this date.



12/07/18

12/14/18

I received 31.00 \$ from advisor Kent Peterson for credit card transactions during donut sales on this date.



12/14/18

12/21/18

I received 41.00 \$ from advisor Kent Peterson for credit card transactions during donut sales on this date.



12/21/18

1/4/19 \$57.00



1/18/19 \$21.00



Report on a Special Investigation of the
Waukee Community School District

Copy of Signed Listing of Square Collections

WCSD Mail - \$20.00 Payment from Square



KENT PETERSON <kpeterson@waukeeschools.org>

\$20.00 Payment from Square

1 message

Square <noreply@messaging.squareup.com>
To: kpeterson@waukeeschools.org

Fri, Nov 9, 2018 at 7:45 AM

\$20.00 Payment

#xoBwSZngvZ6osBc4wKuqXtMF

Hello Waukee Publications,

You accepted \$20.00 from a card ending in 9525. Your Square balance after this transaction is \$19.45.

[View Full Payment Details](#)

Funds will be deposited to your bank account in one to two business days. If you want them sooner, instantly deposit your funds for 1% of the total amount.

[Learn More About Instant Deposit](#)

[Deposit Now](#)

Visit the [Support Center](#) for more information on Square's deposit schedule.

Thanks,

The Square Team



Received from MR.P 2018 11/09/18

Receiving too many emails?

You can view all of your day's activity on your Daily Summary Email.



[Turn off Per Transaction emails now.](#)