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**NEWS RELEASE**

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FOR RELEASE June 23, 2020

Auditor of State Rob Sand today released a report on a special investigation of accounts associated with the North Linn Community School District (District) for the period December 1, 2012 through June 30, 2019. The special investigation was conducted as a result of concerns regarding certain financial transactions processed by a Secretary previously employed by the District. The former Secretary was responsible for processing financial transactions for the North Linn Parent Teacher Organization (PTO) at the North Linn Elementary School within the District and a bank account established by and on behalf of teachers at the School.

Sand reported the special investigation identified \$26,621.74 of undeposited collections, \$3,459.63 of improper disbursements, and \$1,825.38 of unsupported disbursements. The undeposited collections identified includes collections from various PTO fundraising events, such as proceeds from Scholastic Book Fairs, Walk-A-Thons, and sales of student art, holiday baskets, and shirts. Sand also reported it was not possible to determine if additional collections were not properly deposited because sufficient records were not available.

The improper disbursements identified include payments from the PTO's bank account to the bank account established by and on behalf of teachers at the School and payments from that account to the PTO.

The report includes recommendations to strengthen internal controls surrounding the bank accounts and ensure receipts are issued for all donations and other collections received or the collections are recorded in an initially listing. In addition, the collection records should be compared to subsequent bank deposits by an independent party. Sand also recommended sufficient supporting documentation be maintained for all fundraising activities and disbursements from the bank accounts.

Copies of this report have been filed with the Linn County Sheriff's Office, the Division of Criminal Investigation, the Linn 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  
NORTH LINN COMMUNITY SCHOOL DISTRICT  
FOR THE PERIOD  
DECEMBER 1, 2012 THROUGH JUNE 30, 2019**

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Auditor of State's Report

To the Board of Education of the  
North Linn Community School District:

As a result of concerns regarding certain financial transactions and at the request of North Linn Community School District (District) officials, we conducted a special investigation of transactions processed by a Secretary previously employed by the District. The former Secretary was responsible for processing financial transactions for the North Linn Parent Teacher Organization (PTO) at North Linn Elementary within the District. The former Secretary was also responsible for processing financial transactions involving a bank account established by and on behalf of teachers at North Linn Elementary as a source from which gifts and memorial purchases could be made throughout the school year. The account was established separately from District accounts. The separately maintained bank account is referred to as the Sunshine Account. It was also known as the North Linn Building Fund.

We have applied certain tests and procedures to selected financial transactions of the PTO and the Sunshine Account for the period December 1, 2012 through June 30, 2019. Based on a review of relevant information and discussions with District and PTO 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 members of the PTO to:
  - obtain an understanding of how financial transactions were processed and how Treasurer's reports were prepared,
  - determine what accounting records were prepared and maintained,
  - determine what, if any, bylaws are in place for the PTO,
  - determine what, if any, reviews and approvals of financial transactions were performed, and
  - determine what fundraising activities were undertaken.
- (3) Interviewed North Linn Elementary School staff members regarding the Sunshine Account to:
  - determine the source of funds deposited to the account,
  - obtain an understanding of how financial transactions were to be processed,
  - determine what records were prepared and maintained regarding transactions to/from the bank account, and
  - determined what, if any, reviews and approvals of financial transactions were performed.
- (4) Examined the PTO's records and minutes of meetings available to determine fundraising events held and the related collections reported. We also examined available documentation for transactions in the Sunshine Account.

- (5) Obtained and reviewed bank statements for accounts established by the PTO and for the Sunshine Account to identify any unusual activity. Examined fundraising activity and compared the amounts collected to deposits recorded in the PTO's accounting records and deposits to the PTO's bank accounts to determine if amounts collected were properly recorded and deposited. We also obtained information directly from certain vendors to determine what amounts should have been collected and compared the expected collections to the amounts actually deposited.
- (6) Examined images of redeemed checks and withdrawal documents for payments issued from the PTO and Sunshine bank accounts to determine reasonableness. We also examined certain disbursements to determine if they were appropriate, properly approved, and supported by adequate documentation.
- (7) Examined all cash withdrawals from the PTO and Sunshine accounts to determine propriety.
- (8) Interviewed the former Secretary to obtain an understanding of her duties and certain transactions in the PTO bank account and the Sunshine account.

These procedures identified \$26,621.74 of undeposited collections. We were unable to determine if additional collections were not properly deposited because adequate records were not available. The procedures also identified \$3,459.63 of improper disbursements and \$1,825.38 of unsupported disbursements. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary of this report and **Exhibits A** through **E**.

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 North Linn Community School District and/or the Parent Teacher Organization, other matters might have come to our attention that would have been reported to you.

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

We would like to acknowledge the assistance extended to us by personnel of the North Linn Community School District, North Linn PTO, and the Linn County Sheriff's Office during the course of our investigation.



Rob Sand  
Auditor of State

June 10, 2020

Report on Special Investigation of the  
North Linn Parent Teacher Organization  
Investigative Summary

**Background Information**

The North Linn Community School District (District) is based in Coggon, Iowa and serves approximately 600 students in Linn County including the towns of Troy Mills, Walker, and Coggon. The North Linn Parent Teacher Organization (PTO) is comprised of parents from North Linn Elementary School. Prior to June 2019, the PTO did not have an organizational structure and there were no designated PTO officers; however, during this period, the Building Secretary of the Elementary School was responsible for maintaining the PTO's bank account. The PTO fundraising activities held prior to 2019 were carried out by various PTO members and school staff members, including the Building Secretary.

Danielle Arnold began employment with the District as a Building Level Secretary on April 2, 2007. She began her employment at Walker Elementary but was moved to North Linn Elementary in approximately 2010. As the Building Level Secretary, Ms. Arnold was responsible for:

- performing secretarial/clerical duties for administration as requested;
- making daily deposits and preparing periodic accounting reconciliations;
- accurately entering and updating student information in the student information system (PowerSchool); and
- maintaining the Sunshine Account for school staff, including making deposits to and issuing payments from the account.

Ms. Arnold performed each of these duties during her workday at the school. According to District staff members we spoke with, the staff at North Linn Elementary established the Sunshine Account (also known as the North Linn Building Fund) which was a separate bank account used throughout the year for purchases related to events such as Boss' Day, Secretary's Day, and funeral memorials.

Deposits to the Sunshine Account consisted of contributions from the teachers. According to District staff members, at the beginning of the school year approximately 15 to 20 staff contributed about \$20.00 each to the Sunshine Account. The contributions were given to Ms. Arnold to be deposited into the related bank account. Disbursements from the account required two signatures, one from Ms. Arnold and one from a teacher. Each year, two staff members were assigned make the gift/memorial purchases. The individuals then requested a reimbursement from the Sunshine Account. Receipts were to be submitted to Ms. Arnold for reimbursement.

Parents of North Linn Elementary students volunteer to assist with various fundraising activities throughout each school year. There are no membership dues required to be a member of the PTO. According to PTO members, there are no policies or bylaws established for the PTO and its operations.

Ms. Arnold reported she was responsible for maintaining the accounting records and processing financial transactions for the PTO, including handling all cash and check collections and making deposits to the PTO's bank account. The PTO's primary revenue sources include donations and fundraisers such as Scholastic Book Fairs, Walk-A-Thons, Christmas Basket sales, spring dances, and art sales. According to PTO members, funds received for the various fundraising activities at North Linn Elementary were to be remitted to Ms. Arnold for deposit to the PTO's bank account. The deposit amounts were to be recorded in a spreadsheet she shared with other PTO members.

On June 6, 2019, a PTO member requested a bank balance to determine the feasibility of upgrading the playground equipment at the elementary school. After several e-mail exchanges with

Ms. Arnold, she reported a balance to the PTO member which was less than the PTO member expected. Specifically, the PTO member expected the balance to include proceeds from fundraisers in addition to a \$7,743.22 money order received in May 2018 for the purchase of playground equipment. Because the bank balance Ms. Arnold reported was less than the money order received in May 2018, the PTO member obtained copies of bank statements directly from the bank. Based on a review of the bank statements, the PTO member determined certain collections were not properly deposited to the PTO's bank account. As a result, on June 13, 2019, PTO members contacted District officials and the Linn County Sheriff's Office

On June 20, 2019, Ms. Arnold was placed on paid administrative leave. On June 21, 2019, she submitted her resignation which was effective the same day. A copy of Ms. Arnold's resignation letter is included in **Appendix 1**.

As a result of the concerns identified, District Officials requested the Office of Auditor of State to review the PTO's fundraising activities. We performed the procedures detailed in the Auditor of State's report for the period December 1, 2012 through June 30, 2019. Bank statements prior to December 1, 2012 were not available.

### **Detailed Findings**

These procedures identified \$26,621.74 of undeposited collections, \$3,459.63 of improper disbursements, and \$1,825.38 of unsupported disbursements. The amount of undeposited collections and improper and unsupported disbursements identified are summarized by account in **Table 1**.

<b>Table 1</b>			
<b>Description</b>	<b>PTO Account</b>	<b>Sunshine Account</b>	<b>Total</b>
Undeposited collections	\$ 26,446.74	175.00	26,621.74
Improper disbursements	409.63	3,050.00	3,459.63
Unsupported disbursements	1,627.71	197.67	1,825.38
Total	28,484.08	3,422.67	31,906.75
Less: Personal payment	(780.00)	-	(780.00)
Net amount	\$ 27,704.08	3,422.67	31,126.75

The undeposited collections identified includes collections from various PTO fundraising events, such as Scholastic Book Fairs, Walk-A-Thons, and sales of student art, holiday baskets, and shirts. As illustrated by **Table 1**, the undeposited collections identified also includes \$175.00 which should have been deposited to the Sunshine bank account but was not.

The improper disbursements identified from the PTO account include payments to the Sunshine account and the improper disbursements identified from the Sunshine Account include payments to the PTO.

It was not possible to determine if additional collections were not properly deposited because adequate records were not available. The undeposited collections and improper and unsupported disbursements identified are discussed in the following paragraphs and summarized in **Exhibit A**.

A Detective from the Linn County Sheriff's Office conducted an interview with Ms. Arnold on June 20, 2019. During the interview, Ms. Arnold admitted using PTO funds for personal purposes. After the interview, she prepared a written statement in which she reported around May 2010 she "became worried about making the house payment so I had money from the PTO on hand from the



spring book fair. I thought I would use the money I could pay back when he [her husband] was working.”

Ms. Arnold’s written statement also included she “stopped for a while but then in the Fall 2015 things got rough again and I once again had to make payments and with not getting paid all summer I thought I could do it again. Take the cash pay the house and I would pay back, but then the amount kept getting bigger things weren’t getting better for us financially so I thought I will pay it back next year. But I didn’t and now there is so much I don’t even know. I think my spreadsheet is pretty close to what the PTO should have. It’s close. I only took cash. I never took any checks.” When the Detective asked if the spreadsheet she maintained for the PTO was accurate, she said it was “for the most part” but she wasn’t entirely sure.

Ms. Arnold met again with the Detective on July 18, 2019 at her request. During this meeting, Ms. Arnold explained she had “a shopping addiction” and that she had numerous debt and debt management accounts. She also reported the majority of the money she took from the PTO deposits was used to pay her mortgage bill. However, she subsequently reported she paid other personal bills and the annual registration fee for her vehicle after payments from her personal bank account were not honored due to insufficient funds in the account.

On January 15, 2020, we conducted an interview with Ms. Arnold. During the interview, she provided information regarding her duties as the Treasurer of the PTO and information regarding fundraising activities for the PTO. During the interview she stated, “I would borrow and then pay back.” As discussed in the following paragraphs, we identified a number of instances for which the amounts that were collected by the PTO were not properly deposited. We also reviewed the activity in Ms. Arnold’s personal bank account and did not identify any instances in which she deposited amounts in the PTO bank account which were withdrawn from her personal bank account.

Ms. Arnold also reported during the interview she used her personal funds to purchase snacks for Iowa Assessment testing and prizes for Character Counts events. Typically, the PTO paid for purchases associated with events of this nature. However, we were unable to identify any bank activity or other documents that supported Ms. Arnold’s statement.

## **UNDEPOSITED COLLECTIONS**

### **PTO Fundraisers**

As previously stated, the PTO does not have any bylaws or policies which govern the operation of the organization. However, according to Ms. Arnold and PTO members we spoke with, fundraising collections were provided to Ms. Arnold for deposit into the PTO bank account. In addition, Ms. Arnold recorded the amount received for fundraisers on an electronic spreadsheet which was provided to PTO members for review. The spreadsheet was prepared as a Google document which allowed PTO members to review the spreadsheet in its current format at their convenience and as often as they would like. According to Ms. Arnold, she was the only person listed on the PTO bank account and was responsible for making deposits into the PTO bank account.

**Scholastic Book Fairs** – The PTO held Scholastic Book Fairs during parent-teacher conferences each spring and fall. During the period of our review, additional book fairs were held in May 2016 and May 2017. Payments for purchases made at the book fairs were made with cash, checks issued to the PTO, or credit cards which were directly paid to Scholastic. According to Ms. Arnold, at the end of each book fair, the Scholastic coordinator for the PTO provided Ms. Arnold itemized breakdowns of the sales along with the cash and checks collected for deposit to the PTO’s bank account.

Documentation provided by Scholastic for each of the book fairs sponsored by the PTO shows the amount of each sales transaction during each day the book fairs were held. The documentation also specifies if cash, a check, or a credit card was used to pay for each sales transaction. Proceeds

of purchases made with credit cards were remitted directly to Scholastic. However, cash and checks were collected by the PTO and the total amount of cash and check sales were to be remitted to Scholastic by the PTO after the completion of each book fair.

Using the information from Scholastic, we determined the amount which should have been collected and deposited to the PTO's bank account. The cash and checks collected by the PTO for the book fairs is listed **Exhibit B**. The **Exhibit** also illustrates that for some book fairs, cash was withdrawn from the PTO's bank account to be used as "startup" cash, or change, at the events. PTO members were not able to provide an explanation of why cash was not withdrawn for each event. For the book fairs for which start up cash was withdrawn, the amount withdrawn should have been redeposited to the PTO's bank account after the book fair was completed.

**Exhibit B** also includes the amount deposited to the PTO's bank account after each of the book fairs. As illustrated by the **Exhibit**, the amount deposited was \$14,010.00 less than what should have been deposited.

We discussed the undeposited collections with PTO members and asked how Ms. Arnold tracked collections and disbursements. According to PTO members we spoke with, Ms. Arnold did not consistently list the Scholastic Book Fair deposits on the PTO transaction spreadsheet because she felt they were "a wash." During our review of the PTO transaction spreadsheet, for the 18/19 academic year, Ms. Arnold recorded, "I didn't include the bookfairs as we take out what we put in – no money gained or lost"

The \$14,010.00 of undeposited collections for the Scholastic Book Fairs which are included in **Exhibit A**.

In addition to information about book sales, we also received invoices and information from Scholastic regarding the payments they received for the book fairs sponsored by the PTO. During our review of invoices and payment information provided by Scholastic, we identified two money orders received by Scholastic for the book fair sponsored by the PTO in May 2016. Money orders were received by Scholastic in the amounts of \$780.00 and \$464.04. By reviewing the PTO's bank statement, we determined the \$464.04 money order was issued from the PTO's bank account on October 21, 2016. Because we were unable to locate a disbursement from the PTO's bank account for the \$780.00 money order, we reviewed statements for Ms. Arnold's personal bank accounts.

We identified an \$882.00 withdrawal on October 22, 2016 from Ms. Arnold's personal bank account. Based on the timing of the withdrawal and the amount of the money order received by Scholastic, it is possible the \$780.00 money order was included as part of the \$882.00 withdrawn from Ms. Arnold's bank account. During an interview a Detective from the Linn County Sheriff's Office conducted with Ms. Arnold, she reported she used money from her personal bank account to purchase a money order to send to Scholastic for books sold at an event sponsored by the PTO. When asked why she provided a money order for payment, she stated "I didn't want them to know it was from me." She also stated that "they don't take credit cards, because I called them on it." Because Ms. Arnold used funds from her personal account to pay a PTO obligation, the \$780.00 money order is included in **Exhibit A** as a repayment.

As previously stated, the PTO's bank statement shows the \$464.04 money order sent to Scholastic was issued from the account on October 21, 2016. The bank statement also shows a \$495.00 deposit to the account on the same day which was composed of a \$375.00 check from the Sunshine Account and \$120.00 cash. The check from the Sunshine account will be addressed in detail in a subsequent portion of this report. Because the remaining \$120.00 portion of the deposit was made in cash, we are unable to determine the source of the funds. We did not identify any transactions in Ms. Arnold's personal bank account near this date or for this amount. As a result, we did not include the \$120.00 cash deposit to the PTO account in **Exhibit A** as a repayment.

During our review of all deposits made to the PTO’s bank account, we identified two additional cash deposits which did not appear to be associated with a fundraising event based on the timing and amounts of the deposits. However, each of the two deposits were made shortly before additional payments to Scholastic. The two additional cash deposits from unknown sources and the \$495.00 deposit previously discussed are summarized in **Table 2**.

**Table 2**

<b>Deposits</b>		<b>Payments to Scholastic from PTO Account</b>		
<b>Date</b>	<b>Amount</b>	<b>Date</b>	<b>Amount</b>	<b>Date of Book Fair</b>
04/28/16	\$ 179.30	05/09/16*	\$ 564.78	March 2016 (partial)
06/30/16	223.16	07/07/16*	1,577.64	March 2016 (balance)
10/21/16	495.00	10/26/16^	464.04	May 2016
Total	\$ 897.46			

\* - Date the checked cleared the PTO’s bank account.

^ - Date Scholastic recorded payment of the \$1,244.04 owed by the PTO. As previously stated, the amount was paid with two money orders.

During our review of activity in the PTO’s bank statements, we determined the \$1,577.64 check issued to Scholastic on June 28, 2016 (and redeemed on July 7, 2016) would not have been honored due to insufficient funds in the account if the \$223.16 deposit had not been made on June 30, 2016. The ending balance in the account after the check cleared on July 7, 2016 was \$30.24.

We did not identify any transactions in Ms. Arnold’s personal bank account near any of the dates listed in **Table 2** or for the amounts listed. As a result, we did not include the cash deposits to the PTO account in **Exhibit A** as repayments.

**Walk-A-Thons and Playground Equipment Funds** – In the spring of 2017, the PTO organized a Walk-A-Thon to raise money for playground improvements at North Linn Elementary. Additional Walk-A-Thon events were held in the fall of 2017 and 2018. We confirmed with PTO members a Walk-A-Thon was not held in the Spring of 2018. According to Ms. Arnold and PTO members we spoke with, collection envelopes were sent home with students to raise money prior to the events. The envelopes were returned to the teachers along with any funds collected. Some, but not all, of the envelopes included notations regarding the amounts collected. In addition, some of the teachers, but not all, made notations of the amounts collected if they counted the contents of the envelopes. Because the envelopes were not handled in a consistent manner, we were unable to rely on the information recorded on the available envelopes to determine the total amount collected.

Envelopes were submitted to Ms. Arnold and she was responsible for counting the money to ensure there were no discrepancies between the collections and the amounts recorded on the envelopes which included notations of the amounts collected. In addition, Ms. Arnold was responsible for tracking the amount raised by each class. According to Ms. Arnold, she took the envelopes but did not count the money. She also stated she “just deposited it.”

PTO members we spoke with reported they and sometimes parents counted the money raised on the day of the Walk-A-Thon and announced the class which collected the greatest amount of money. They also sent out an email and/or posted the approximate amounts collected on social media immediately following the event. We obtained copies of the emails and the social media posts from PTO members to determine the amounts reported as collected immediately after the events.

We reviewed the spreadsheets prepared by Ms. Arnold to determine the amount she recorded as raised for the Walk-A-Thons. Because Ms. Arnold shared the spreadsheets with PTO members, the amounts she recorded on the spreadsheet should have been reasonable for the collections received. By comparing the collections reported in the emails and posted on social media for the Walk-A-Thons, we determined the amounts Ms. Arnold recorded on the spreadsheet were consistent with the amounts raised during the events.

**Table 3** compares the amounts Ms. Arnold recorded on the spreadsheet to the amounts deposited for the Walk-A-Thons. The **Table** also includes the amount of uncollected deposits identified for the Spring 2017, Fall 2017, and Fall 2018 events.

**Table 3**

<b>Date</b>	<b>Amount Collected</b>	<b>Amount Deposited</b>	<b>Undeposited Collections</b>
Spring 2017	\$ 2,550.00	1,398.00	1,152.00
Fall 2017	4,243.25	1,880.00	2,363.25
Fall 2018	5,178.00	2,957.00	2,221.00
Total	\$ 11,971.25	6,235.00	5,736.25

As illustrated by the **Table**, we identified \$5,736.25 of undeposited collections for the Walk-A-Thons. During our review of the deposits to the PTO’s bank account for the three events, we determined none included any cash. As previously stated, we were not able to use the notations on the envelopes to determine the total amounts collected for the Walk-A-Thons because not all envelopes included complete notations of the amounts received; however, some of the envelopes that included notations document that cash was collected. As a result, cash should have been deposited to the PTO’s bank account.

The \$5,736.25 collected for the Walk-A-Thon events which was not properly deposited is included in **Exhibit A** as undeposited collections.

As previously stated, a PTO member received a \$7,743.22 money order for playground equipment during May 2018 which she provided to Ms. Arnold for deposit. The money order was issued from an account established to collect funds for playground equipment at the elementary school in Coggon. Once it was determined new playground equipment was not going to be installed in Coggon, the proceeds were provided to the North Linn PTO for playground equipment at the North Linn Elementary School.

On June 6, 2019, a PTO member requested a bank balance to determine the feasibility of upgrading the playground equipment at the elementary school. After several e-mail exchanges with Ms. Arnold, she reported a balance to the PTO member which was less than the \$7,743.22 amount of the money order received in May 2018. As a result, the PTO member obtained copies of bank statements directly from the bank and subsequently determined certain collections were not properly deposited to the PTO’s bank account.

During an interview with Ms. Arnold, the money order was discussed. In response to inquiries regarding this matter, Ms. Arnold stated, “That’s where she busted me. That’s where she caught it. Because I didn’t put that in there [the spreadsheet she maintained].” Ms. Arnold also stated during the interview she believed she forgot to put the amount on the spreadsheet, which led to the PTO member identifying the issue.

During our review of the PTO’s bank statements, we verified the \$7,743.22 money order was deposited on May 24, 2018. After the money order was deposited, the PTO’s bank account balance was approximately \$9,100.00. The \$7,743.22 deposit was also recorded on the spreadsheet which brought the reported balance to over \$15,000.00. However, no one from the PTO compared the bank balance to the balance recorded on the spreadsheet at the end of the school year in May 2018. As a result, the collections which had not been properly deposited prior to that date were not identified in a timely manner.

**Original Works** – Original Works (OW) is a fundraising vendor which provides school organizations a way to convert student art into products to sell. At the end of each calendar year, the art program within North Linn Elementary in conjunction with the PTO sold student art in the form of magnets, coffee mugs, and other novelty items. In order to obtain these items, OW provided supplies for students to create artwork and the artwork was submitted to OW for creation of a proof. After the proofs were completed by OW, they were used to create magnets and other products for purchase. A “preview magnet” sent to the school by OW for each student. The magnets were then sent home with the students for their parents’ review. If the parents kept the magnet and/or purchased additional products, payment was to be sent to the school, but if the parents did not want the magnet, it was to be returned.

The art teacher was responsible for tracking the sales. When we spoke with her, she stated she did not keep detailed spreadsheets from the art sales prior to 2017, but she was able to provide a summary of the number and types of products purchased. However, the information was not detailed enough to allow a comparison to the collections received. In addition, we were unable to use the sales information from the art teacher for 2010 and 2011 because bank records were not available prior to 2012.

The art teacher reported she immediately documented on the spreadsheet she maintained the amount of payments she collected or whether magnets were returned for the 2017 and 2018 fundraisers. When most of the expected collections had been turned in by the students, she provided the money to Ms. Arnold to count and deposit. However, she also explained there were always individuals who paid late. Their payments were made directly to Ms. Arnold rather than to the art teacher. As a result, the late payments were not included on the spreadsheet maintained by the art teacher.

Because the spreadsheets maintained by the art teacher did not include late payments and they were not available for the entire period, we compared the sales amounts from OW order documents to amounts deposited to the PTO’s bank account. **Table 4** summarizes our comparison. As illustrated by the **Table**, an OW order document was not available for 2016.

**Table 4**

Date	Per Original Works	Per Bank Records			Undeposited Collections
		Checks	Cash	Total	
Dec. 2013	\$ 3,133.25	2,680.00	81.00	2,761.00	372.25
Dec. 2014	2,448.00	1,971.50	6.00	1,977.50	470.50
Dec. 2015	2,278.35	1,921.75	-	1,921.75	356.60
Dec. 2016 <sup>^</sup>	-	-	-	-	-
Dec. 2017*	1,953.89	1,571.14	-	1,571.14	382.75
Dec. 2018*	2,078.75	1,451.75	-	1,451.75	627.00
Total <sup>^</sup>	\$ 11,892.24	9,596.14	87.00	9,683.14	2,209.10

<sup>^</sup> - Supporting documentation not available. As a result, we are unable to determine if any collections were undeposited.

\* - Detailed information from OW shows \$382.75 and \$627.00 of cash was received in 2017 and 2018, respectively. The remaining collections were checks. Detailed information regarding cash and check collections was not available for any of the remaining years.

As illustrated by the **Table**, we identify \$87.00 of cash deposited in the PTO’s bank account for the fundraisers held in 2013 and 2014. The **Table** also illustrates prior to the 17/18 academic year, detailed records were not available showing the amount of cash and checks collected. Also, as illustrated by the **Table**, for academic year 16/17, we were unable to determine if all collections were properly deposited because supporting documentation was not available for Original Works sales and collections.

The \$2,209.10 of collections identified which were not properly for the Original Works fundraisers is included in **Exhibit A** as undeposited collections.

**Yearbook Sales** – During the spring of every school year, a member of the PTO coordinated orders for a school yearbook. According to PTO members we spoke with, order forms were sent home with the students and returned with a payment of cash or a check issued to the PTO. In addition, the yearbook vendor accepted credit card payments through their website starting in 2017. All cash and check payments collected were submitted to Ms. Arnold for deposit to the PTO’s bank account.

According to a PTO member we spoke with, yearbooks were not distributed to students until they were paid for. In addition, the PTO purchased more yearbooks from the vendor than originally ordered by students and their families. However, they also reported that for the first time in 2018, all the yearbooks they purchased were sold. As a result, they placed another order for 30 additional yearbooks.

After the yearbooks were shipped, the vendor sent an invoice to the PTO for the cost. Ms. Arnold was responsible for ensuring the invoices were paid from the PTO’s bank account in a timely manner.

We reviewed yearbook order forms to determine the amount of cash and checks that should have been collected based on the number of yearbooks the PTO sold to students and their families. We then compared that amount to the amount deposited in the PTO’s bank account. **Table 5** summarizes the comparison.

**Table 5**

<b>Academic Year</b>	<b>Collections* per Order Forms</b>	<b>Amount Deposited</b>	<b>Undeposited Collections</b>
14/15	\$ 2,125.50	1,900.50	225.00
15/16	2,025.00	1,749.50	275.50
16/17	1,320.00	1,215.00	105.00
17/18	1,710.00	1,545.00	165.00
18/19	1,695.00	1,290.00	405.00
<b>Total</b>	<b>\$ 8,875.50</b>	<b>7,700.00</b>	<b>1,175.50</b>

\* - Cash and check collections only.

Using the yearbook order forms and detailed information from the bank regarding the composition of deposits to the PTO’s bank account, we also identified the amount of undeposited cash and checks for yearbooks. **Table 6** summarizes the comparison.

**Table 6**

<b>Academic Year</b>	<b>Checks</b>	<b>Cash</b>	<b>Total</b>
14/15	\$ -	225.00	225.00
15/16	-	275.50	275.50
16/17	-	105.00	105.00
17/18	-	165.00	165.00
18/19	225.00	180.00	405.00
<b>Total</b>	<b>\$ 225.00</b>	<b>950.50</b>	<b>1,175.50</b>

The \$1,175.50 of undeposited collections for the yearbook sales is included in **Exhibit A**.

We also determined two invoices totaling \$2,466.46 received from the yearbook vendor were not paid to by Ms. Arnold. We reviewed a \$1,655.00 invoice for 171 yearbooks dated April 27, 2016 and an invoice dated December 6, 2018 for 180 yearbooks. The December 2018 invoice was labeled “Revised” and showed a partial payment of \$930.00 and a remaining balance due of \$811.46. According to representatives of the yearbook vendor, they have not received payment for these invoices. We discussed the outstanding invoices with PTO members to determine if they were aware of them and if the outstanding invoices had been subsequently paid. According to a PTO member we spoke with, the PTO was aware of the outstanding invoices and has not yet paid the invoices as of June 2020.

**Christmas Baskets** – The PTO held a Christmas Basket fundraiser each December during the period of our review. Each class within the elementary school put together a themed basket with items brought in by students. The baskets were auctioned off to the community. Prior to 2017, baskets were bid on in person. Starting in 2017, the bidding was also posted on the PTO’s Facebook page to allow individuals to bid on them online or in person. After bidding closed, proceeds were collected from the auction and provided to Ms. Arnold for deposit into the PTO’s bank account.

We obtained the bid listings from PTO members for the auctions held in December 2012, 2013, 2015, and 2016. Bid listings were not available for the auction held in December 2014. We also reviewed information available on Facebook for the auctions held in December 2017 and 2018. The bid listings available for baskets sold in December 2012, 2013, and 2016 agreed with the amounts Ms. Arnold recorded in the spreadsheet she maintained. The amount she recorded in the spreadsheet for December 2015 was \$1,335.00, which is \$20.00 less than the amount supported by the bid listing. We are unable to determine if the lesser amount was recorded in error or if it was an intentional understatement. Because a bid listing was not available for December 2014, we reviewed the spreadsheet and determined Ms. Arnold recorded \$1,456.00 of collections for the baskets sold in December 2014.

Using the bid listings, Ms. Arnold’s spreadsheet, and Facebook postings, we determined the amounts summarized in **Table 7** were collected and should have been deposited in the PTO’s bank account for the Christmas basket auctions. The **Table** also compares the amounts collected to the amounts actually deposited and identifies the amount which was not properly deposited each academic year.

**Table 7**

<b>Academic Year</b>	<b>Amount Collected</b>	<b>Amount Deposited</b>	<b>Undeposited Collections</b>
12/13	\$ 1,275.00	1,175.00	100.00
13/14	1,860.00	1,860.00	-
14/15	1,456.00	1,406.00	50.00
15/16	1,355.00	1,355.00	-
16/17	1,420.00	1,340.00	80.00
17/18	1,150.00	940.00	210.00
18/19	965.00	555.00	410.00
<b>Total</b>	<b>\$ 9,481.00</b>	<b>8,631.00</b>	<b>850.00</b>

During an interview with Ms. Arnold on January 15, 2020, she admitted to taking the cash which was raised during the fundraiser. The \$850.00 of undeposited Christmas basket collections identified are included on **Exhibit A**.

**Baseball/Softball Shirts** – The PTO also sold Baseball/Softball Mom shirts during the spring of 2019. According to PTO members we spoke with, shirts ordered were submitted and tracked by PTO members and then submitted to a vendor for processing and creation. PTO members also reported the vendor required a minimum number of shirts per order, so additional shirts were ordered to meet the minimum requirement.

All checks and cash payments collected for the shirts were submitted to Ms. Arnold for deposit to the PTO’s bank account. In addition to accepting cash and checks, PTO members we spoke with stated they opened a PayPal account to accept online payments for the shirt orders.

We reviewed order forms to determine the amount that should have been collected for the shirts sold by the PTO. Based on the order forms, we determined the PTO should have collected \$150.00 through PayPal for the shirts which were ordered online. We also reviewed the account history for the PayPal account established by the PTO which showed \$149.21 was received into the account for the shirts. The remaining \$.79 was a fee retained by PayPal because of the way in which the payment was processed by the parent who purchased a shirt. A PTO member we spoke with reported the remaining \$.79 balance was paid to Ms. Arnold in cash. Using the PayPal account history and bank statements for the PTO bank account, we determined \$18.00 remains in the PTO’s PayPal account and \$131.21 was transferred from the PayPal account to the PTO’s bank account. The remaining \$.79 paid to Ms. Arnold was not deposited.

Based on the order forms, we also determined the PTO should have collected \$573.50 of cash and checks for the shirts sold. We compared that amount to the amount deposited in the PTO’s bank account. **Table 8** summarizes the comparison.

Description	Amount
Cash and checks collected	\$ 573.50
Amount deposited to the bank	(228.50)
Undeposited collections	\$ 345.00

The \$345.79 of undeposited collections from the shirt sales, including the \$345.00 summarized in **Table 8** and the \$.79 a parent provided to Ms. Arnold is included in **Exhibit A**.

**Other Collections** – During our review of the spreadsheet prepared and maintained by Ms. Arnold, we identified several additional fundraisers held by the PTO for which collections received by the PTO were recorded. Additional fundraisers included, but were not limited to, conference meals, dances, and carnivals. As previously stated, Ms. Arnold was responsible for depositing funds collected to the PTO’s bank account and recording the deposits on the PTO spreadsheet.

We attempted to obtain supporting documentation to determine what should have been collected for the additional fundraisers; however, none was available. As a result, we relied on the PTO transaction spreadsheet. The amounts recorded on the spreadsheet were consistent with the amounts reported in the minutes and PTO members reported the amounts recorded in the minutes were reasonable.

We compared amounts recorded on the PTO spreadsheet for the additional fundraisers to amounts deposited in the PTO’s bank account. **Table 9** summarizes the comparison



**Table 9**

Description	Collections	Per Deposit Slips			Undeposited Collections
		Checks	Cash	Total	
Conference Meals	\$ 1,079.50	560.00	-	560.00	519.50
DJ Donations	65.00	20.00	-	20.00	45.00
Kaiser & Blair Sales	577.00	537.00	-	537.00	40.00
Sock Hop	716.45	-	518.80	518.80	197.65
2014 Spring Carnival	397.75	-	-	-	397.75
2018 Neon Dance	503.45	-	-	-	503.45
2019 Sky Zone	213.00	-	-	-	213.00
2019 Spring Dance	203.75	-	-	-	203.75
Total	\$ 3,755.90	1,117.00	518.80	1,635.80	2,120.10

As illustrated by the **Table**, the spreadsheet prepared by Ms. Arnold included \$3,755.90 collected for eight fundraisers. However, we determined only \$1,635.80 of the \$3,755.90 collected was deposited in the PTO's bank account. The remaining \$2,120.10 was not properly deposited in the PTO's bank account. As illustrated by **Table 9**, cash was deposited for one of the eight fundraisers.

The \$2,120.10 of undeposited collections identified is included in **Exhibit A**.

#### **Sunshine Account Donations**

As previously stated, Ms. Arnold was a Building Level Secretary for the District starting in 2007 and was assigned to the North Linn Elementary School building in approximately 2010. As part of her duties, Ms. Arnold was responsible for maintaining the Sunshine Account (also known as the North Linn Building Fund) for school staff. As previously stated, the staff at the elementary school established a bank account separate from District bank accounts to be used for teacher events, such as baby shower gifts, teacher appreciation gifts, and funeral memorials.

According to District staff members we spoke with, 15 to 20 staff contributed approximately \$20.00 per person to the Sunshine Account at the beginning of the school year. The collections were placed in an envelope with each contributing staff member's name written on the envelope. The collections were provided to Ms. Arnold for deposit into the Sunshine bank account. Every year, two or three staff members were assigned to make gift or memorial purchases throughout the year. Receipts for purchases were provided to Ms. Arnold for reimbursement from the Sunshine bank account. The Sunshine bank account required two signatures for withdrawals which were Ms. Arnold and another staff member.

We compared amounts recorded on the collection envelope for the 18/19 academic year to amounts Ms. Arnold deposited to the bank account. Envelopes were not available for periods prior to the 18/19 academic year. **Table 10** summarizes the amounts recorded on the collection envelope, amount deposited, and the amount collected for the Sunshine account which was not properly deposited.

**Table 10**

Description	Cash	Checks	Total
Collections per envelope	\$ 275.00	190.00	465.00
Less: Petty cash	(100.00)	-	(100.00)
Net expected deposit	175.00	190.00	365.00
Amount deposited	-	(190.00)	(190.00)
Undeposited collections	\$ 175.00	-	175.00

As illustrated by the **Table**, we identified \$465.00 in collections recorded on the collection envelope; however, \$100.00 was withheld from deposit for petty cash. According to the staff members we spoke with, a petty cash fund is held by a staff member; as a result, withholding \$100.00 from the deposit would be reasonable. After allowing for petty cash, collections which should have been deposited totaled \$365.00.

Also illustrated by the **Table**, we determined \$190.00 was deposited to the bank account. The amount deposited agrees with the amount of checks collected per the collection envelope. The deposit did not include any of the cash collected. As a result, we determined \$175.00 of collections for the Sunshine account were not properly deposited by Ms. Arnold. This amount is included in **Exhibit A** as an undeposited collections.

### **MS. ARNOLD'S BANK ACCOUNT ANALYSIS**

We reviewed deposits to Ms. Arnold's personal bank accounts for the period December 1, 2012 through June 18, 2019 to determine the composition of selected deposits. Using deposit slips obtained from the bank and excluding payroll amounts which were electronically deposited to the account by the District and Ms. Arnold's husband's employer, we identified 78 deposits totaling \$17,846.39 which included cash and were made within 7 days of when collections should have been deposited to the PTO or Sunshine accounts. The 78 deposits are listed in **Exhibit C**.

As illustrated by the **Exhibit**, the 78 deposits identified included \$16,620.67 of cash. As also illustrated by the **Exhibit**, 68 of the deposits included cash in even dollar amounts.

During our review of Ms. Arnold's personal bank statements, we also determined:

- On October 2, 2017, a \$1,450.00 deposit was made to Ms. Arnold's personal bank account. The deposit slip includes her name. According to deposit detail, the bank received \$1,450.00 in cash of which \$544.81 was deposited to her bank account and the remaining \$905.19 was applied to her mortgage.
- On November 4, 2017, a cash deposit of \$906.00 was made to Ms. Arnold's personal bank account. The deposit slip includes her name. According to deposit detail, Ms. Arnold deposited \$0.81 into her bank account and the remaining \$905.19 was applied to her mortgage.

As previously stated, Ms. Arnold explained during an interview she has personal debt obligations. She also reported the majority of the money she took from the PTO deposits was used to pay her mortgage bill.

### **IMPROPER AND UNSUPPORTED DISBURSEMENTS**

As previously stated, Ms. Arnold was responsible for issuing reimbursements and payments from the PTO bank account and the District's Sunshine account. Due to lack of oversight regarding the disbursement process, we reviewed all disbursements from the PTO bank account and the Sunshine account. The disbursements are discussed in further detail in the following paragraphs.

#### **Disbursements from PTO Bank Account**

We reviewed all disbursements from the PTO's bank account for the period December 1, 2012 through June 30, 2019. Bank statements were not available prior to December 2012. In addition, we reviewed available documentation for disbursements to determine if they were reasonable for PTO operations. However, sufficient supporting documentation was not available for all disbursements. As a result, we reviewed the vendor, frequency, and amount of payments.

We also reviewed minutes of PTO meetings to determine if the disbursements were discussed and/or included in financial reports. In addition, we discussed the payments and cash withdrawals with PTO members to determine if they were reasonable for PTO operations.

Based on our review of the payee, amount, and frequency of the disbursements, available supporting documentation, minutes from PTO meetings, and discussions with PTO members, we classified the payments from the PTO bank account as improper, unsupported, or reasonable. Disbursements were classified as improper if they appeared personal in nature or were not reasonable for PTO operations. Payments were classified as unsupported if it was not possible to determine if the payment was related to PTO operations or was personal in nature. Disbursements were classified as reasonable even if adequate documentation was not readily available. These disbursements were classified as reasonable based on discussions with PTO members, available supporting documentation, the vendors, and/or the type of goods and services provided by the vendor. Examples of disbursements we considered reasonable include payments or reimbursements for treat bags and supplies for teacher appreciation events, medals for events, and food for teachers during parent-teacher conferences.

During our review, we identified 166 disbursements from the PTO's bank account totaling \$70,751.27. Of the 166 disbursements, we identified three improper disbursements. The improper disbursements identified include:

- A \$100.00 check issued to an individual. The memo portion of the check issued on October 20, 2014 states the payment was for gift cards. Because supporting documentation was not available, we were unable to determine where the gift cards were purchased. As a result, we discussed the disbursement with PTO members. According to PTO members we spoke with, they were unable to determine a purpose for \$100.00 of gift cards purchased during that period.
- A reimbursement issued to a PTO member on May 6, 2016 for the purchase of treat bags and teacher appreciation gifts. However, the receipt for the purchase also included allergy relief medicine and bandages. These items are personal in nature and not related to the teacher appreciation gifts. As a result, the \$9.63 portion of the reimbursement for the medicine and bandages is improper.
- A \$300.00 check issued to the Walker NL [North Linn] Building Fund (which is also known as the Sunshine account). Because supporting documentation was not available for the disbursement, we discussed the check with PTO members. According to the PTO members we spoke with, there was not a valid reason for the payment and there would be no reason to move funds from the PTO account to the Sunshine account. The memo portion of the \$300.00 check issued on December 21, 2017 states "(mistake of deposit/wrong account Sept. 2017)." PTO bank statements do not include any deposits in excess of \$300.00 in September 2017. As a result, it is apparent the explanation included in the memo is not accurate. Prior to the issuing the check, the Sunshine's bank account balance was less than \$130.00.

The improper disbursements identified totaled \$409.63. In addition to the improper disbursements, we identified 26 unsupported disbursements totaling \$1,627.71. The 26 unsupported disbursements are listed in **Exhibit D**. As illustrated by the **Exhibit**, 18 of the 26 disbursements were to Amazon. According to PTO members and Ms. Arnold, the PTO does not have a debit card but Ms. Arnold included the PTO's bank account on her personal Amazon account to make purchases. When we asked Ms. Arnold about the purchases, she told us support would be in her email account; however, when we reviewed her email account, we were unable to locate information regarding all of the purchases. Because we were unable to locate supporting documentation for all 26 disbursements, we were unable to determine if any of these disbursements were for PTO operations.

The \$409.63 of improper disbursements and \$1,627.71 of unsupported disbursements are included in **Exhibit A**.

### **Disbursements from the Sunshine Account (North Linn Building Fund)**

As previously stated, Ms. Arnold was the Building Level Secretary at North Linn Elementary. As part of her job duties, she was responsible for maintaining the Sunshine Account/NL (North Linn) Building Fund bank account. According to supporting documentation, Ms. Arnold and another District employee were authorized signers on the Sunshine account and the Sunshine account required two signatures on checks issued from the account.

According to interviews conducted by the Sheriff's Office with District employees who previously maintained the Sunshine account, approximately 15 to 20 staff members contributed to the account at the beginning of each school year. The typical contribution was approximately \$20.00 per person; however, there was not a requirement to contribute to this account or a required amount.

The activity for the Sunshine account was maintained on a spreadsheet which tracked revenues and expenses; however, the information on the spreadsheet was not complete. Each year, two staff members were assigned to purchase gifts and memorials for which they were reimbursed from the Sunshine account. Receipts were submitted to Ms. Arnold for reimbursement. Because the spreadsheet for the account was not complete, we reviewed all disbursements from the Sunshine account for the period February 2013 through June 2019. Bank statements were not available prior to February 2013.

Using bank records for the account and based on our review of the payee, amount, and frequency of the disbursements, available supporting documentation, and discussions with District staff, we classified the payments from the Sunshine bank account as improper, unsupported, or reasonable. Disbursements were classified as improper if they appeared personal in nature or were not reasonable for disbursements which were authorized to be made from the Sunshine account. Payments were classified as unsupported if it was not possible to determine if the payment was related to gifts or memorials related to the Sunshine account or was personal in nature. Although supporting documentation was limited, disbursements were classified as reasonable even if adequate documentation was not readily available. These disbursements were classified as reasonable based on discussions with District staff, available supporting documentation, the vendors, and/or the type of goods and services provided by the vendor. Examples of disbursements we considered reasonable include payments or reimbursements for get-well gifts, retirement gifts, flowers for funerals, and gifts for Boss' Day.

During our review of the activity in the Sunshine bank account, we determined there were 46 disbursements totaling \$6,748.40. Of the 46 disbursements, we identified five improper disbursements and five unsupported disbursements. The improper and unsupported disbursements are listed in **Exhibit E**.

As illustrated by the **Exhibit**, the improper disbursements identified include four checks issued to the PTO and an electronic transfer to the PTO bank account which total \$3,050.00. Supporting documentation was not available for these disbursements; however, according to District staff we spoke with, donations to the PTO are not reasonable and would not be an approved use of the funds from the Sunshine account. According to District staff, donations would have been allowed for non-profit organizations such as the Cancer Society, Down Syndrome Association, and the March of Dimes; however, none were made.

In addition, as illustrated by the **Exhibit**, we identified five unsupported disbursements from the Sunshine account totaling \$197.67. All five were electronic payments to Amazon and occurred between August 30, 2018 and May 22, 2019. Because supporting documentation was not available and District staff were not able to identify the purpose for the five disbursements, we classified them as unsupported.

The \$3,050.00 of improper disbursements and \$197.67 of unsupported disbursements identified from the Sunshine account are included in **Exhibit A**.

## **Recommended Control Procedures**

As part of our investigation, we reviewed the procedures used by the PTO to process receipts and disbursements and the procedures used to process the Sunshine Account's transactions (also known as the North Linn Building Fund). 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 internal controls.

A. Segregation of Duties – An important aspect of internal control is the segregation of duties among members to prevent an individual from handling duties which are incompatible. The District's former Building Secretary had control over each of the following areas for the PTO and Sunshine accounts:

- (1) Receipts – collecting, posting to accounting records, and preparing and making bank deposits,
- (2) Disbursements – making certain payments, maintaining supporting documentation, preparing, and distributing checks, and posting payments to the accounting records,
- (3) Bank accounts – receiving and reconciling monthly bank statements to accounting records, and
- (4) Reporting – preparing financial reports.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals involved. However, the duties within each function listed above should be segregated between the individual handling the PTO and Sunshine account transactions and PTO members or staff members of the North Linn Elementary School. In addition, PTO members and staff members of the North Linn Elementary School should review financial records, perform reconciliations, and examine supporting documentation for financial transactions on a periodic basis. An important aspect of internal control is the segregation of duties among members to prevent an individual from handling duties which are incompatible.

B. Disbursements – During our review of disbursements from the PTO and Sunshine bank accounts, the following concerns were identified:

- (1) Disbursements were not consistently supported by invoices or other documentation.
- (2) Disbursements were not approved.

Recommendation – All disbursements should be made by check, signed by an authorized signer, and should be approved prior to disbursement. In addition, detailed supporting invoices and/or receipts should be maintained for all disbursements. The reviewer should document their approval on related supporting documentation.

If a cash disbursement is necessary for change to be used at a fundraising event, documentation and a description of the withdrawal should be maintained. Documentation should also be maintained to show when the funds were redeposited.

C. Cash Receipts or Initial Listing – Receipts for or an initial listing of all collections were not prepared. Receipts and initial listings provide a basis for an independent reviewer to compare the amount of collections to the amount deposited. In addition, sufficient documentation was not maintained of what was included in the deposits made to the PTO and Sunshine bank account.

Recommendation – Receipts and/or initial listings should be prepared to provide documentation of all collections. Sufficient documentation should also be maintained of what is included in deposits made to the PTO and Sunshine bank accounts. An individual independent of the collection and deposit processes should compare the receipts and/or initial listings to the amounts subsequently deposited and the review should be documented by the reviewer’s signature or initials and the date of the review.

In addition, at least two PTO members or North Linn Elementary School staff members should count all donations and or fundraising proceeds immediately upon collection and document the amount received. Both members should sign the document and all collections should be deposited intact in a timely manner and in the appropriate bank account.

Reconciliations should be performed for fundraisers which compare collections to products sold and the reconciliation should be reviewed by someone independent of its preparation. The components of the reconciliation should be compared to supporting documents received from vendors, such as invoices, and to bank deposit records. Any differences should be investigated and resolved in a timely manner.

D. Financial Accounting Records – Very limited financial records were maintained for the transactions in the PTO and Sunshine bank accounts. The following conditions were identified:

- (1) Receipts and disbursements were not consistently posted to a ledger, spreadsheet, or other accounting system.
- (2) Disbursements were not approved or documented in the minutes of PTO meetings.
- (3) Monthly bank account reconciliations were not completed, and bank statements were delivered to and reviewed by the individual responsible for disbursement and receipts of the PTO funds.
- (4) Treasurer Reports were not accurate and were not properly prepared for each month.

Recommendation – PTO members and North Linn Elementary School staff members should ensure sufficient financial records are maintained. An individual independent of the receipt and deposit processes should periodically review information recorded in the ledger, spreadsheet, or other accounting system, compare the recorded transactions to bank records, compare disbursements to those approved during PTO meetings or by staff members, and review monthly bank reconciliations and financial reports or summaries for accuracy and completeness.

E. Administrative Issues – During our review of the PTO’s operations, we identified the following conditions:

- (1) Regularly scheduled PTO meetings are not held and meeting minutes are rarely maintained.
- (2) The PTO has no bylaws or policies which govern the process for collecting funds for the PTO.
- (3) The PTO does not have clearly assigned roles for members.
- (4) The PTO does not have any procedures in place, which provide accountability for assets susceptible to loss from errors and irregularities.

In addition, there are no records which are regularly maintained to reflect the approved activity involving the Sunshine bank account.

Recommendation – PTO members and North Linn Elementary School staff members should implement procedures which ensure:

- Minutes are maintained of meetings and decisions regarding fundraising activities, collections, and disbursements are routinely documented. The minutes should also document proceeds from fundraising events as they are reported to the membership at meetings.
- Bylaws and policies governing collections are developed.
- Roles are clearly assigned to specific members.
- Procedures are developed which provide accountability for assets susceptible to loss from errors and irregularities.

In addition, written procedures should be developed which require all members collecting money review the policies before they participate in any fund raising or collection of money. The policy should also require reconciliations of the amount collected and deposited to the number of items ordered, and the order forms. Collections from fundraising events should be deposited in a timely manner.

## **Exhibits**



**Report on Special Investigation of the  
North Linn Community School District**

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Summary of Findings  
For the Period December 1, 2012 through June 30, 2019

Description	Exhibit/Table/ Page Number	Improper	Unsupported	Total
Undeposited collections:				
PTO Fundraisers:				
Scholastic book fairs	<b>Exhibit B</b>	\$ 14,010.00	-	14,010.00
Walk-A-Thons and Playground Equipment Funds	<b>Table 3</b>	5,736.25	-	5,736.25
Original Works	<b>Table 4</b>	2,209.10	-	2,209.10
Yearbook sales	<b>Table 5</b>	1,175.50	-	1,175.50
Christmas baskets	<b>Table 7</b>	850.00	-	850.00
Baseball/Softball shirts	<b>Page 14</b>	345.79	-	345.79
Other collections	<b>Table 9</b>	2,120.10	-	2,120.10
Subtotal of the PTO's undeposited collections		26,446.74	-	26,446.74
Sunshine Account donations	<b>Table 10</b>	175.00	-	175.00
Total undeposited collections		26,621.74	-	26,621.74
Improper and unsupported disbursements:				
PTO disbursements	<b>Page 17 and Exhibit D</b>	409.63	1,627.71	2,037.34
Sunshine account	<b>Exhibit E</b>	3,050.00	197.67	3,247.67
Total improper and unsupported disbursements		3,459.63	1,825.38	5,285.01
Total		\$ 30,081.37	1,825.38	31,906.75
Less: Personal payment to Scholastic Books	<b>Page 8</b>			(780.00)
Net amount				<u>\$31,126.75</u>

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Scholastic Book Fairs  
For the Period December 1, 2012 through June 30, 2019

**Receipts Detail per Scholastic**

<b>Period</b>	<b>Checks<sup>^</sup></b>	<b>Cash</b>	<b>Total</b>	<b>Startup Cash</b>	<b>Amount to be Deposited</b>
March 2013	\$ 1,667.81	939.80	2,607.61	67.50	2,675.11
October 2013	1,594.09	1,069.74	2,663.83	-	2,663.83
March 2014	1,505.51	868.40	2,373.91	107.50	2,481.41
October 2014	1,654.93	1,316.61	2,971.54	-	2,971.54
March 2015	1,355.12	1,195.39	2,550.51	75.00	2,625.51
November 2015	1,447.49	1,041.33	2,488.82	-	2,488.82
March 2016	940.23	1,202.19	2,142.42	77.50	2,219.92
May 2016	454.99	812.05	1,267.04	-	1,267.04
November 2016	898.33	731.07	1,629.40	-	1,629.40
March 2017	772.99	822.34	1,595.33	177.50	1,772.83
May 2017	211.79	503.48	715.27	-	715.27
November 2017	883.52	732.78	1,616.30	-	1,616.30
March 2018	492.47 *	637.38	1,129.85	-	1,129.85
November 2018	367.68	767.67	1,135.35	117.50	1,252.85
March 2019	526.98	995.60	1,522.58	150.00	1,672.58
Totals	\$ 14,773.93	13,635.83	28,409.76	772.50	29,182.26

<sup>^</sup> - Total of checks issued to the PTO. Some parents issued checks directly to Scholastic. Those checks were not deposited by the PTO but provided to Scholastic.

\* - An additional \$40.00 was added to the amount reported by Scholastic for a check deposited to the PTO's bank account which was not included in detailed sales records from Scholastic. The memo of the \$40.00 check stated the payment was for "Two books."

<b>Book Fair Deposits</b>			<b>Undeposited Collections</b>		
<b>Checks</b>	<b>Cash</b>	<b>Total</b>	<b>Checks</b>	<b>Cash</b>	<b>Total</b>
1,667.81	537.40	2,205.21	-	469.90	469.90
1,594.09	-	1,594.09	-	1,069.74	1,069.74
1,480.85	-	1,480.85	24.66	975.90	1,000.56
1,539.05	300.00	1,839.05	115.88	1,016.61	1,132.49
1,309.20	-	1,309.20	45.92	1,270.39	1,316.31
1,447.49	-	1,447.49	-	1,041.33	1,041.33
940.23	-	940.23	-	1,279.69	1,279.69
431.01	-	431.01	23.98	812.05	836.03
833.37	-	833.37	64.96	731.07	796.03
772.99	-	772.99	-	999.84	999.84
184.81	-	184.81	26.98	503.48	530.46
854.44	-	854.44	29.08	732.78	761.86
479.48	-	479.48	12.99	637.38	650.37
367.68	-	367.68	-	885.17	885.17
432.36	-	432.36	94.62	1,145.60	1,240.22
<b>14,334.86</b>	<b>837.40</b>	<b>15,172.26</b>	<b>439.07</b>	<b>13,570.93</b>	<b>14,010.00</b>

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Selected Deposits to Danielle Arnold's Bank Accounts  
For the Period December 1, 2012 through June 30, 2019

<b>Deposits Per Personal Bank Statements</b>			
<b>Date</b>	<b>Cash</b>	<b>Check</b>	<b>Total</b>
12/10/12	\$ 130.00	15.00	145.00
12/24/12	-	50.00	50.00
01/07/13	62.37	-	62.37
01/24/13	100.00	-	100.00
01/29/13	80.00	-	80.00
01/29/13	200.00	-	200.00
03/27/13	20.00	-	20.00
03/27/13	340.00	-	340.00
04/02/13	400.00	-	400.00
04/09/13	80.00	20.00	100.00
06/10/13	300.00	-	300.00
06/17/13	500.00	-	500.00
10/23/13	400.00	-	400.00
10/29/13	80.00	-	80.00
11/06/13	150.00	-	150.00
11/07/13	90.00	-	90.00
11/18/13	100.00	-	100.00
11/29/13	275.00	-	275.00
12/09/13	200.00	-	200.00
12/10/13	130.00	-	130.00
03/19/14	400.00	-	400.00
03/27/14	375.00	-	375.00
03/31/14	50.00	320.00	370.00
05/06/14	250.00	-	250.00
05/20/14	500.00	435.72	935.72

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Selected Deposits to Danielle Arnold's Bank Accounts  
For the Period December 1, 2012 through June 30, 2019

<b>Deposits Per Personal Bank Statements</b>			
<b>Date</b>	<b>Cash</b>	<b>Check</b>	<b>Total</b>
10/14/14	20.00	-	20.00
10/22/14	75.00	-	75.00
10/23/14	110.00	-	110.00
10/27/14	28.00	250.00	278.00
11/01/14	245.00	-	245.00
11/22/14	137.74	-	137.74
12/01/14	460.00	-	460.00
12/01/14	100.00	-	100.00
12/04/14	180.00	-	180.00
12/17/14	60.00	70.00	130.00
03/14/15	200.00	-	200.00
03/31/15	400.00	-	400.00
04/06/15	284.41	-	284.41
04/07/15	155.00	-	155.00
09/25/15	370.00	-	370.00
10/27/15	180.00	-	180.00
12/15/15	90.00	65.00	155.00
12/15/15	70.00	-	70.00
02/22/16	200.00	-	200.00
02/24/16	35.00	-	35.00
02/29/16	80.00	-	80.00
04/25/16	190.00	-	190.00
10/24/16	150.00	-	150.00
11/04/16	200.00	-	200.00
11/07/16	80.00	-	80.00

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Selected Deposits to Danielle Arnold's Bank Accounts  
For the Period December 1, 2012 through June 30, 2019

<b>Deposits Per Personal Bank Statements</b>			
<b>Date</b>	<b>Cash</b>	<b>Check</b>	<b>Total</b>
11/25/16	50.00	-	50.00
01/03/17	100.00	-	100.00
03/21/17	200.00	-	200.00
05/27/17	50.00	-	50.00
09/08/17	200.00	-	200.00
10/02/17	1,450.00	-	1,450.00
10/03/17	180.00	-	180.00
10/04/17	100.00	-	100.00
10/10/17	70.00	-	70.00
11/01/17	200.00	-	200.00
11/04/17	906.00	-	906.00
11/07/17	235.00	-	235.00
11/13/17	185.00	-	185.00
11/24/17	150.00	-	150.00
01/02/18	125.00	-	125.00
04/05/18	152.40	-	152.40
10/01/18	200.00	-	200.00
10/01/18	700.00	-	700.00
10/01/18	400.00	-	400.00
10/01/18	75.00	-	75.00
11/12/18	50.00	-	50.00
11/12/18	51.00	-	51.00
11/12/18	50.00	-	50.00
01/04/19	100.00	-	100.00
01/30/19	300.00	-	300.00

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Selected Deposits to Danielle Arnold's Bank Accounts  
For the Period December 1, 2012 through June 30, 2019

<b>Deposits Per Personal Bank Statements</b>			
<b>Date</b>	<b>Cash</b>	<b>Check</b>	<b>Total</b>
03/22/19	52.00	-	52.00
03/29/19	276.75	-	276.75
04/30/19	700.00	-	700.00
Total	\$ 16,620.67	1,225.72	17,846.39



Report on Special Investigation of the  
North Linn Parent Teacher Organization

PTO Unsupported Disbursements  
For the Period December 1, 2012 through June 30, 2019

**Per Bank Statement/Check**

<b>Check Date</b>	<b>Check Number</b>	<b>Payee</b>	<b>Amount</b>	<b>Memo</b>
01/22/13	1217	Angie Ward	\$ 281.08	<i>None</i>
06/07/13	1231	Dan Bar	59.76	food for playground helpers
03/18/14	1242	Rene McCallum	50.00	pictures
05/17/16	1337	Angie Ward	344.19	expenses pd by Angie for PTO
05/26/17	1352	Brittany Raue	15.11	reimb
##	##	AMAZON MARKETPLA INTERNET 091000019976130	14.99	##
##	##	AMAZON MARKETPLA INTERNET 091000019732290	111.67	##
##	##	AMAZON MARKETPLA INTERNET 091000019801466	10.96	##
##	##	CHECK # 1370 CASEYS GEN STORE 5159656100 1370	109.98	##
05/11/18	1378	Main Street Market	42.27	
05/24/18	1380	Tricia Williams	30.97	PTO Basket Winners
##	##	AMAZON MARKETPLA INTERNET 091000019150030	92.90	##
##	##	AMAZON MARKETPLA INTERNET 091000019376810	11.89	##
##	##	AMAZON.COM SERVI INTERNET 091000011444478	26.74	##
##	##	AMAZON MARKETPLA INTERNET 091000011778242	43.96	##
##	##	AMAZON MARKETPLA INTERNET 091000012275458	37.36	##
##	##	AMAZON MARKETPLA INTERNET 091000012441868	28.96	##
##	##	AMAZON MARKETPLA INTERNET 091000016108920	94.12	##
##	##	AMAZON MARKETPLA INTERNET 091000018168714	32.05	##
##	##	AMAZON.COM SERVI INTERNET 091000018182780	25.68	##
##	##	AMAZON MARKETPLA INTERNET 091000015610988	46.87	##
##	##	AMAZON MARKETPLA INTERNET 091000015815918	55.68	##
##	##	AMAZON MARKETPLA INTERNET 091000017707396	65.43	##
##	##	AMAZON MARKETPLA INTERNET 091000017697640	9.58	##
##	##	AMAZON.COM SERVI INTERNET 091000011074058	8.49	##
##	##	AMAZON MARKETPLA INTERNET 091000012355552	56.71	##
Total			<u>\$ 1,707.40</u>	

## - Electronic disbursement. Check number, date, and memo are not applicable.

Auditor's notations are in italics.

<u>Description Per Support</u>	<u>Unsupported</u>	<u>Reasonable</u>
None	281.08	-
None	59.76	-
None	50.00	-
Rolos \$7.14, popcorn and m&m's \$67.23	269.82	74.37
None	15.11	-
None	14.99	-
None	111.67	-
None	10.96	-
None	109.98	-
Main Street Market Bakery 4 @ \$8.49 = \$33.96, plates \$2.79, napkins \$1.99, general merchandise \$2.99, tax \$0.54	36.95	5.32
None	30.97	-
None	92.90	-
None	11.89	-
None	26.74	-
None	43.96	-
None	37.36	-
None	28.96	-
None	94.12	-
None	32.05	-
None	25.68	-
None	46.87	-
None	55.68	-
None	65.43	-
None	9.58	-
None	8.49	-
None	56.71	-
	<u>\$ 1,627.71</u>	<u>79.69</u>

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Improper and Unsupported Disbursements from the Sunshine Account  
For the Period December 1, 2012 through June 30, 2019

**Per Bank Statement/Check Image**

<b>Check Date</b>	<b>Check Number</b>	<b>Payee</b>	<b>Amount</b>	<b>Memo</b>
06/11/13	1117	North Linn PTO	\$ 1,100.00	donation - May jeans
09/15/14	1125	North Linn PTO	600.00	donation
09/18/14	1127	North Linn PTO	375.00	donation
<i>##</i>	<i>##</i>	TRANSFER TO PTO #43737	600.00	<i>##</i>
10/18/16	1146	NL PTO	375.00	Donation
<i>##</i>	<i>##</i>	AMAZON MARKETPLA INTERNET 091000012230040	18.71	<i>##</i>
<i>##</i>	<i>##</i>	AMAZON MARKETPLA INTERNET 091000012292494	26.67	<i>##</i>
<i>##</i>	<i>##</i>	AMAZON MARKETPLA INTERNET 091000014551844	43.44	<i>##</i>
<i>##</i>	<i>##</i>	AMAZON MARKETPLA INTERNET 091000018186148	88.95	<i>##</i>
<i>##</i>	<i>##</i>	AMAZON.COM SERVI INTERNET 09100001231B356	19.90	<i>##</i>
Total			\$ 3,247.67	

*##* - Electronic disbursement. Check number, date, and memo are not applicable.

Auditor's notations are in italics.


	<b>Improper</b>	<b>Unsupported</b>
\$	1,100.00	-
	600.00	-
	375.00	-
	600.00	-
	375.00	-
	-	18.71
	-	26.67
	-	43.44
	-	88.95
	-	19.90
\$	3,050.00	197.67

Report on Special Investigation of the  
North Linn Community School District

Staff

This special investigation was performed by:

Melissa Finestead, CFE, Manager  
Holly Ewing, Auditor Investigator

  
Annette K. Campbell, CPA  
Deputy Auditor of State

## **Appendix**

Report on Special Investigation of the  
North Linn Parent Teacher Organization

Copy of Danielle Arnold's Resignation Letter

Dear Admin of  
North Linn as  
of June 21st I  
resign from being  
the Elementary Secretary.

Danielle Arnold  
6-21-19