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PEDU 625: Final

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PEDU 625

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## School Finance Final Exam Question

You are the principal of Southern Senior High School. It is early January, and your cheerleading sponsor approaches you one morning with a concern. She states that in preparation for their trip to the Nashville Invitationals, she attempted to pay \$3,000 in hotel costs from the cheerleading account and was told that there was not enough money in her account. She said that the cheerleaders had deposited \$3,500 from their fall candy sales into their account, but her current account was only showing \$2,800. She shows you the receipt of the deposit for the \$3,500. She said when she mentioned this in the coaches' office, the track coach mentioned that his account balance was also lower than expected when he was purchasing uniforms in December. You examine your monthly records and confirm that the cheerleading coach is correct that her account only has \$2,800 and there are no other withdrawals evident.

Your bookkeeper has been with you for four years and has had exemplary reviews. When you question her about the discrepancy in account balances, she says that the money accidentally got put in another account but cannot readily explain which account or provide documentation.

1.) What should your next action steps be in following up on this situation? Explain the reason behind each step.

The first step is to ask the bookkeeper to produce her books and all of her receipts for audit. This process is necessary to find where the funds have gone if they genuinely were accidentally deposited in the wrong account to be moved into the cheerleading account. The second step is to immediately move \$700 in funds from the student activity funds into the cheerleading account to cover the expenses needed for the hotel costs. The third step should have already been in place to keep problems such as this from happening and create a procedure for oversight by the administration. The fourth step is to determine if the track account is also low or if the coach is incorrect by conducting the audit. The audit should include all school accounts in which the bookkeeper is in charge.

2.) In the wake of this incident, if there was wrongdoing on the part of the bookkeeper, what procedural safeguards would you want to examine or enact to help ensure that this did not occur again? Explain how each would help.

Procedural safeguards should already be in place to keep everyone from discrepancies or embezzlement. The first thing is to control the environment and process. As the administrator, it is my responsibility to make sure all policies are followed, and I must lead by example. Transparency is to be the norm in handling school funds. Administrators must create safeguards in the school to match or exceed those at the district level. Administrators must also investigate every questionable accounting action. Two signatures must be standard on incoming and

outgoing funds. Budget meetings need to be routine, scheduled, and supersede others.

Monitoring the process and the activities is essential.

Any bookkeeping should require at least two eyes on the books at all times, bookkeeper and administrator(s). Require each teacher or coach to review their accounts monthly with the bookkeeper to ensure there are no errors. Require a monthly meeting with the administration to go over the books and include stakeholders. Use of an online system accessible to the bookkeeper, administration, activities director, and athletic director for all funds paid into and paid out of the school. Transparency of actions in reviews at any time by an administrator. Audits, once a semester by the administration team and annual audits from an outside source. District level training on school accounting and bookkeeping procedures and protocols.

These steps would require the books to be reviewed multiple times throughout the year and provide for transparency and accountability. These steps should be made clear to anyone involved in school-level fund handling.

3.) If, during your investigation, you suspect that money was stolen, who does the investigation? What is the possible list of charges that can be filed against the bookkeeper?

The first round of investigation is at the school level; however, the district needs to be aware of the possible outcome. If wrongdoing is suspected, the school district is involved, and it has become a legal matter.

The bookkeeper can be charged with fraud and embezzlement. Fraud because it is “an intentional deception made for personal gain or to damage another individual or business” (Lusk-Smith, 2013). Embezzlement because “it is the act of dishonestly appropriating or

secreting assets by one or more individuals to whom such assets have been entrusted” (Lusk-Smith, 2013). The principal is required to inform the superintendent of all budgetary actions that are out of the ordinary. So, upon suspecting wrongdoing, the principal needs to make his report to the superintendent immediately. The school district will have their assigned team, including the financial department and the legal team or an outside auditor, to conduct the investigation. The city and state may also be involved at this point if the bookkeeper is found at fault.

4.) Who would speak to the public and what should be said? How does this impact the trust between the Board of Supervisors and the school division?

The superintendent usually would have a public statement released and would make a public announcement. The superintendent will notify the school board in advance so they could disseminate the information to the public. All stakeholders should be aware of the situation. In this case, the bookkeeper did not take federal or state funds, so they would not be involved other than to charge the bookkeeper with fraud and embezzlement. I believe in transparency, so I feel the superintendent should make a public statement with the school’s support stating that a bookkeeper in one of the schools was found to have embezzled student activity funds. I would also make sure that community members were aware that the crime did not impact students. The community should know that the individual was terminated and is being prosecuted. I would also clarify that we would address internal controls and audits, and anyone found to embezzle from the school system would be charged.

### **Bibliography**

Lusk-Smith, K. (2013, February 26). *Fraud and Embezzlement at the Local School Level*.

Alabama Association of School Business Officials. Retrieved February 27, 2021, from [https://www.aasbo.com/uploads/7/4/4/7/74479591/facmngmnt-fraud\\_and\\_embezzlement.pdf](https://www.aasbo.com/uploads/7/4/4/7/74479591/facmngmnt-fraud_and_embezzlement.pdf)

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