

**FINAL REPORT
CASE #0902 GARFIELD ELEMENTARY SCHOOL
STOCKTON UNIFIED SCHOOL DISTRICT**

REASON FOR INVESTIGATION:

On January 2, 2003, the San Joaquin County Civil Grand Jury (SJCCGJ) received a complaint stating that illegal acts of fraud and misuse of funds are taking place at Stockton Unified School District's (SUSD) Garfield Elementary School (GES). The complaint also identified some individuals on the Garfield staff who should be contacted concerning the allegations.

Portions of the complaint, that the SJCCGJ decided was appropriate for it to investigate allege that:

"Monies are disappearing from accounts, items are being bought and sold and not recorded . . .

Monies are being used for other than their intended use, which the district does not know about.

Thirty-Four Thousand dollars has been misplaced. (sic)"

METHOD OF INVESTIGATION:

Policy information concerning student body funds and audits of school accounts were requested from SUSD and reviewed by the SJCCGJ. The person that holds the title of accountant at GES was also interviewed concerning the way the school follows those procedures.

Allegation #1

"Monies are disappearing from accounts, items are being bought and sold and not recorded."

The accountant stated that no formal parent or student organization exists at GES. The daily cash receipts from selling ice cream, nachos and chocolate roses are all accounted for by a community aide and a secretary. Each day's receipts are counted while both of these individuals are in the same room. From the accountant's statements however, it is clear that one person actually counts the money while the other person is conducting other routine duties in other parts of the office. The cash receipts are put into a safe after it has been counted.

The accountant further indicated that the principal made the bank deposit weekly and wrote any checks that were drawn on the account. The principal reportedly uses money from the bank account to purchase supplies for the daily snacks sold in the office.

The School Board policy states in part: "Student funds shall be managed in accordance with sound business procedures designed to encourage the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine."

An additional portion of the Policy states: "The principal or designee shall be responsible for the proper conduct of all student organization financial activities. The Superintendent or designee shall periodically review the organizations' general financial structure and accounting procedures."

Allegation #2

"Monies are being used for other than their intended use, which the district does not know about."

The accountant indicated the money from the account, in addition to purchasing daily supplies is also used to purchase items for student activities or awards.

Another provision of the SUSD policy indicates that the SUSD Board shall provide an annual audit of student accounts. The SUSD submitted the "Review of the Internal Accounting and Operational Controls" for GES dated October 1, 2002. One overall statement in the report is, "No major inconsistencies between stated procedure and actual practice were detected during the review at this site."

Allegation #3

"Thirty-Four Thousand dollars has been misplaced. (sic)"

According to the accountant, the total amount money collected is approximately \$150.00 to \$200.00 per week. It does not appear to be reasonable to have \$34,000.00 missing with a \$200.00 per week collection. It would take over five years to accumulate that amount of money, if all of the money collected each week was taken.

One finding in the "Review of the Internal Accounting and Operational Controls" for GES was, "A review of the donation received showed that it was deposited in the Student Activity account rather than the Site account."

FINDINGS:

1. With regard to the allegation that monies are disappearing from accounts, we found no evidence to support the allegation; however, the procedures for handling cash at the school are minimal, at best.
2. With regard to the allegation that monies are being used for other than their intended use, information available did not substantiate this allegation and the audit did not identify problems in this regard.
3. With regard to the allegation that thirty-four thousand dollars have been misplaced, there was no indication that a discrepancy of \$34,000.00 could have existed.

RECOMMENDATIONS:

1. Better accountability of funds needs to be maintained at schools in the SUSD system. Previous SJCCGJ reports on other SUSD schools have also reported that appropriate fund accounting was not practiced. In this case, two staff members do not actually count the cash receipts at GES. Procedures for counting receipts and placing the cash in the safe need to be established that maintain dual custody of all cash.
2. Control of the GES bank account needs a system of checks and balances. Two people should jointly prepare the deposit slip and count the cash. A separate individual from the person physically making the deposits and writing the checks should balance the checkbook at least monthly. Procedures need better controls for how all funds are handled at schools in the SUSD system and specifically GES. Financial procedures at all schools need an increased level of training and oversight to assure the goals of the SUSD policy are achieved.

RESPONSE REQUIRED:

Pursuant to Sections §933.05 of the Penal Code:

The Stockton Unified School District shall comment, in writing, to the Presiding Judge of the Superior Court B within ninety (90) days of the publication of this report.

As to each finding in the report, a response indicating one of the following:

- a. The respondent agrees with the finding.
- b. The respondent disagrees with the finding, with an explanation of the reasons therefore.

As to each recommendation, a response indicating one of the following:

- a. The recommendation has been implemented, with a summary of the action taken.
- b. The recommendation has not yet been implemented, but will be with a time frame for implementation.
- c. The recommendation requires further analysis, with an explanation of the scope of the analysis and a time frame not to exceed six months.
- d. The recommendation will not be implemented, with an explanation therefore.