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# STATE OF MINNESOTA

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August 24, 2011

Dr. Jeff Ronneberg, Superintendent  
ISD #16 – Spring Lake Park School District  
1415 - 81<sup>st</sup> Avenue Northeast  
Spring Lake Park, Minnesota 55432

Dear Dr. Ronneberg:

The Office of the State Auditor (“OSA”) reviewed the handling of athletic gate and concession receipts during the 2008-2009 school year by Independent School District No. 16 – Spring Lake Park (“District”). The District had determined that internal control procedures in the Athletic Department were not followed during the 2008-2009 school year.

This letter summarizes the OSA’s review and provides the District with recommendations resulting from that review. In compliance with Minn. Stat. § 6.51, a separate report has been filed with the Anoka County Attorney to institute such proceedings as the law and the public interest require.<sup>1</sup>

The OSA found that procedures established by the District to protect public funds were compromised in the Athletic Department. The OSA was unable to determine whether all Athletic Department receipts were deposited with the District.

### **Procedures for Gate and Concession Receipts**

During the 2008-2009 school year, the District had the following internal control procedures in place for gate and concession receipts at District sporting events.<sup>2</sup> The OSA’s review confirmed that the procedures were not followed.

For gate receipts, the Athletic Department was required to prepare cash boxes and record starting ticket numbers on gate receipt forms for each event.<sup>3</sup> Ticket takers were directed

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<sup>1</sup> The report filed with the Anoka County Attorney contains not public information. *See* Minn. Stat. §§ 6.715 and 13.82 (2010).

<sup>2</sup> The District implemented new procedures in the 2009-2010 school year. The District reported that there were no gate or concession receipts for spring sports during the 2008-2009 school year due to construction.

<sup>3</sup> The number of cash boxes and ticket takers varied depending on the event.

to obtain a cash box and ticket rolls from the Athletic Department, and to count the starting cash in their box.<sup>4</sup>

At the end of the event, each ticket taker was required to complete the gate receipt form by recording the last ticket number sold, calculate the number of tickets sold and the corresponding amount of ticket receipts, count the cash, record the cash per denomination on the back of the gate receipt form, and compare the amount in the cash box with the amount of receipts based upon the number of tickets sold. If the amount in the cash box differed from the calculated amount, the ticket takers were instructed to contact the Athletic Director or his designee, or to write a note. Ticket takers were required to sign the gate receipt form, place the money and the gate receipt form into a slot in a safe located in the athletic office, turn in the empty cash box, and complete a time sheet.

The following day, the receipts should have been recounted by two people who would perform the recount together, prepare a deposit ticket, and put the deposit in a locked bag that would be picked up on a daily basis for deposit with the bank. An email should have been sent to the District's Business Office with a written description of the deposit, the account code to be used for recording the deposit in the District's General Ledger, and the amount of the deposit.

The procedures for concession sales were generally the same, but no tickets were involved. At the end of the event, the volunteer was required to record the total receipts by denomination on a concession receipt form and leave the empty cash box in the concession stand.

The District's Business Office would reconcile actual bank deposits to the information the Athletic Department provided by email. The District informed the OSA that the Athletic Director was accountable for the Athletic Department's budget and was responsible for reviewing data provided to the District's Business Office. According to the District, any more detailed reconciliations, such as comparing receipts to the number of tickets sold, were the Athletic Department's responsibility.

### **District Review**

The OSA was initially informed that the District's external auditors would be reviewing concerns associated with the Athletic Department's collection of gate and concession receipts. However, the OSA later learned that the District had investigated the matter internally. On March 17, 2009, the District deposited \$9,753.65 that it found in the Athletic Department. Because District procedures required daily deposits, this much

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<sup>4</sup> Student and adult tickets were different colors. Generally, student tickets were \$4.00 per ticket, and adult tickets were \$6.00 per ticket. However, District procedures noted that the ticket prices could change if the game was for sectionals or a special tournament. The Athletic Director or designee should have alerted the ticket takers if a change in price was warranted. The color of the tickets used varied with each game.

money should not have been in the Athletic Department. The District believed the funds may have been gate and concession receipts that had not been deposited previously.

The District's investigation determined that internal control procedures established for the handling of gate and concession receipts were not followed in the Athletic Department. For example, the District found that concession bags were not consistently deposited in the safe, the location of some concession bags and receipts were unknown, and only one person, acting alone, counted receipts prior to deposits.<sup>5</sup>

The District also found that:

- Starting cash amounts were crossed out on some of the gate receipt forms.
- No gate or concession receipts were reported for some games.
- In five instances, gate receipts from one of the ticket takers at the game were not reported.
- The names of ticket takers on gate receipt forms did not consistently match ticket taker payroll records.
- Ticket numbers were not recorded on some gate receipt forms.
- Some gate receipt forms revealed missing ticket numbers.
- A number of gate receipt forms appeared to have been completed entirely by one person.

In response to its findings, the District implemented new procedures. The new procedures require each ticket taker to confirm the starting cash amounts, and to sign for both gate and concession receipts. Under the new procedures, copies of the gate and concession receipt forms are to be provided to the District's Business Office. The Business Office is required to review the gate and concession receipt forms, and to compare deposits to the bank statement. The new procedures require the Business Office to make occasional visits to the Athletic Department to discuss procedures and to view the safe. In addition, the new procedures require the Athletic Director to perform concessions inventories and item-by-item comparisons of inventory to revenues.

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<sup>5</sup> From District information, it appears that only one person started counting the receipts in approximately October 2007.

## **OSA Review**

The OSA agreed to review the Athletic Department's handling of gate and concession receipts during the 2008–2009 school year. The District provided the OSA with Athletic Department gate receipt forms and related deposit documents for the time period of July 1, 2008, through March 16, 2009, and schedules and timesheets for people taking tickets at certain athletic events during that time period. The District also provided the OSA with Athletic Department concession receipt forms for the time period of August 22, 2008, through March 11, 2009, and related deposit documents.

The OSA found that procedures established by the District to protect public funds in the Athletic Department had been compromised. The OSA was unable to determine whether all Athletic Department receipts were deposited with the District.

### **A. Gate Receipts**

The OSA compared gate receipt forms maintained by the Athletic Department to available ticket taker schedules and selected timesheets. The OSA found five instances where a ticket taker submitted a timesheet, but no gate receipt form from the ticket taker was maintained by the Athletic Department as support for the gate receipt deposit from the event.

The OSA compared the original gate receipt forms to the amounts recorded as deposits in the District's General Ledger. The comparison was made more difficult because the General Ledger coding for some deposits did not match the description of the source of the funds found on the gate receipt forms. The OSA was unable to locate a gate receipt deposit in the District's General Ledger for one event.

The OSA found that some gate receipt forms contained unexplained changes, and some gate receipt forms were incomplete and/or completed incorrectly. For example:

- Receipts did not consistently match the number of tickets sold multiplied by ticket costs, or the amount deposited and recorded in the general ledger.
- One gate receipt form simply reported \$1,500 in gate receipts, with no additional information regarding ticket numbers.
- Starting cash did not consistently match to what the starting cash had been at similar events.
- Starting cash amounts were changed on some gate receipt forms, with no explanation for the changes.
- Notes on gate receipt forms stated that cash had been removed from the cash boxes.

- Some gate receipt forms failed to provide the beginning or ending ticket numbers, the name of the ticket taker or the person counting the cash in the cash box, or the starting cash amount.
- In some instances, the total amount of money counted and/or the total receipts were changed, with no explanation for the changes.

The OSA was unable to determine whether all gate receipts not previously deposited with the District were included in the \$9,753.65 found in the Athletic Department on March 16, 2009.

## **B. Concession Receipts**

The OSA compared concession receipt forms with events listed on the District's events calendar where gate receipts had been reported for the event. No concession receipt forms were located for four events.

The OSA compared the original concession receipt forms to the amounts recorded as deposits in the District's General Ledger for the time period of August 22, 2008, through March 17, 2009. According to the District's procedures, deposits should have been made on a daily basis. During that time period, athletic events were scheduled for concession sales on at least 50 different dates. However, only six concession deposits were recorded in the General Ledger, and one of the six deposits (for \$427) was part of the \$9,753.65 deposit made by the District on March 17, 2009.

The documents the District provided to the OSA did not identify which concession receipts made up each deposit. Therefore, individual concession receipt forms could not be tracked to specific deposits. However, the total amount recorded in the General Ledger as concessions deposits was \$5,499.43 less than the total amount recorded on the concession receipt forms provided to the OSA.<sup>6</sup> The OSA was unable to determine if more than \$427 of the \$9,753.65 the District found in the Athletic Department should have been attributed to concession receipts.

In general, and as expected by the internal control procedures in place at the time, different handwriting and different colored writing utensils appeared on the concession receipt forms, reflecting one person recording the starting cash, and another person completing the form at the end of the event.<sup>7</sup> However, the OSA found thirteen concession receipt forms that appear to have been prepared entirely in the same handwriting; twelve of those were completed with the same color writing utensil.

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<sup>6</sup> The OSA also compared the General Ledger with the bank deposit receipts, and found that the amount recorded in the General Ledger was \$100 more than the bank deposit receipts. The documents provided by the District do not contain an explanation for the \$100 difference.

<sup>7</sup> Some forms also had a different person acknowledging review of the completed form.

The OSA found that unexplained changes were made to the concession receipt forms. The OSA also found that some concession receipt forms were incomplete and/or incorrectly completed, and some concession receipt forms contained changes, with no explanation for the changes.

### **Recommendations**

Due to the amount of cash taken in during athletic events, the District should take extra precautions to monitor internal control procedures in the Athletic Department. Control procedures will not be effective if employees or management consistently ignore or circumvent them. If the District determines that control procedures are not being followed, appropriate action should be taken promptly.

#### Monitor Cash in Athletic Department

On March 17, 2009, the District deposited \$9,753.65 that it found in the Athletic Department. The District believed the funds may have been gate and concession receipts that had not been deposited previously.

The Athletic Department should not have had that much cash in its possession. The amount of cash in the Athletic Department should equal starting cash plus receipts that have not yet been deposited. Because daily deposits are required, the amount of cash in the Athletic Department should never exceed the amount of starting cash plus the previous day's receipts. The amount of starting cash in the Athletic Department's possession should be approved by the School Board.<sup>8</sup> The Business Office should routinely make unannounced visits to the Athletic Department to count the cash maintained in the Athletic Department.

#### Require Timely Deposits

According to District procedures, deposits of gate and concession receipts should have been made on a daily basis. During the time period of August 22, 2008, through March 17, 2009, athletic events were scheduled for concession sales on at least 50 different dates. However, only six concession deposits were recorded in the District's General Ledger during that time period, and one of the six deposits was made by the District on March 17, 2009. Concessions deposits recorded in the General Ledger were \$5,499.43 less than the total amount recorded on concession receipt forms. The OSA recommends that the Business Office monitor whether deposits are being made on a daily basis, as District procedures require.

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<sup>8</sup> The authority for school districts to establish imprest funds is found in Minn. Stat. § 123B.11. The School Board should document the creation of the fund and the amount of the fund, and appoint a custodian of the fund.

The documents the District provided to the OSA did not identify which concession receipts made up each deposit. Therefore, individual concession receipt forms could not be tracked to specific deposits. The OSA recommends that concession deposits be made the following day, and that the deposits be identified with specific events.

District staff reported that expense reimbursements and payments for work performed may have been paid out of gate or concession receipts. All gate and concession receipts should be deposited intact. They should not be used to pay expenses or compensation. Expense reimbursements and compensation should be paid by the Business Office.<sup>9</sup>

### Modify Gate and Concession Receipt Procedures

Gate and concession receipts present the risk of “skimming.” Skimming is the taking of cash before it is recorded on the entity’s books. The District uses numbered tickets at its events, a method frequently used to reduce the risk of skimming.

The OSA found five instances where a ticket taker submitted a timesheet, but no gate receipt form from the ticket taker was located as support for the gate receipt deposit from the event. The OSA also found that some gate and concession receipt forms were incomplete and/or completed incorrectly, and others contained changes, with no explanation.

To determine whether receipts from all ticket takers are deposited, the OSA recommends that the number of ticket takers at each event be written on the gate receipt forms. For example, if there are three ticket takers, the forms could be marked “1 of 3”, “2 of 3”, and “3 of 3”.

The gate and concession receipt forms must be completed accurately. Any changes made on the forms should be initialed by two different people. None of the forms should contain only one person’s handwriting.<sup>10</sup> The forms should be signed by the ticket taker or concession seller, and maintained as supporting documentation for the subsequent deposit. Someone other than the ticket taker should confirm that the number on the first ticket for the next event using the same color of tickets begins where the numbers on the tickets for the prior event ended.<sup>11</sup> If the number of tickets sold times the cost of the tickets does not equal the amount to be deposited, the amount over or short should be recorded on the gate receipt form, and the cause of the overage/shortage should be reviewed and documented.

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<sup>9</sup> The Business Office would then be able to determine if the payments are taxable as income.

<sup>10</sup> The Athletic Department should record the starting cash and the starting ticket numbers. The ticket taker or concession seller should sign/initial the form to confirm the starting cash and the starting ticket numbers, and complete the form at the end of the event. The Athletic Department should then sign/initial the form during its review and deposit preparations.

<sup>11</sup> The District uses different colored tickets for each event to help prevent people from using tickets purchased at prior events for the current event.

### Perform Meaningful Reconciliations on a Regular Basis

During the time period of the OSA's review, the Business Office compared summary deposit information provided by the Athletic Department with bank statements. Any more detailed reconciliations, such as comparing receipts to the number of tickets sold, were the Athletic Department's responsibility. While this procedure may have provided a check on the bank, it did not allow the Business Office to reconcile the gate and concession receipts with deposits.

Reconciliations are critical control activities that involve the comparison of two sets of related records or balances from different sources. The District's new procedures require a copy of the gate and concession receipt forms to be filed with the Business Office for reconciliation with deposits reflected on the bank statements.

The OSA recommends that the District consider using gate and concession receipt forms that provide duplicate originals (carbon copies). At the end of an event, the ticket taker or concession seller could then provide one copy of the form to the Athletic Department, and one copy to the Business Office. When differences or irregularities are found, the Business Office should investigate why the differences/irregularities exist and resolve the issue in a timely manner. Documentation resolving the differences/irregularities should be retained.

### Code Receipts Accurately on the General Ledger

General Ledger coding for some deposits reviewed by the OSA did not match the description of the source of the funds found on the gate receipt forms. For example, the OSA found gate receipts coded as participation fees; other gate receipts were coded to an "Athletic Director" account.<sup>12</sup> These coding errors made it more difficult to track deposits made by the Athletic Department. The District explained to the OSA that attributing receipts to the proper General Ledger account was not as high of a priority as getting the receipts deposited because the District did not allocate budgets for different sports based upon gate receipts.

Accurate General Ledger coding is important so the District's General Ledger reflects the District's financial transactions. In addition to maintaining the General Ledger's reliability, accurate coding provides an opportunity to monitor cash receipts in the District, including gate and concession receipts from the Athletic Department. The OSA recommends that receipts be coded accurately on the General Ledger.

### Create a Control Environment

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<sup>12</sup> The District informed the OSA that gate receipts should not have been coded to the Athletic Director account.



Concerns about procedures used in the Athletic Department may have been raised as early as 2007. The District did not report concerns to the OSA until March 2009.

The District's School Board and Superintendent should set the tone by making it clear that internal controls are important. Department heads should not be allowed to override internal controls. The School District should create an environment where employees feel comfortable in reporting breaches in internal control procedures without fear of retaliation. Employees need to know to whom their concerns should be addressed, and they need to feel confident that such concerns will be addressed. All employees must understand that they share in the District's responsibility to protect public funds.

Employees should also be reminded that Minnesota law requires employees who discover evidence of theft, embezzlement or the unlawful use of public funds or property to promptly report the evidence to the OSA and to law enforcement.<sup>13</sup>

### **Conclusion**

The Office of the State Auditor reviewed the handling of athletic gate and concession receipts during the 2008-2009 school year by Independent School District No. 16 – Spring Lake Park. The OSA recommends that the District implement the recommendations made in this letter. If you have any questions, you may contact me at 651-282-2388 or at [Kathy.Docter@osa.state.mn.us](mailto:Kathy.Docter@osa.state.mn.us), or Nancy Bode at 651-297-5853 or at [Nancy.Bode@osa.state.mn.us](mailto:Nancy.Bode@osa.state.mn.us).

Sincerely,

*/s/ Kathy Docter*

Kathy Docter CPA, CFE  
Senior Investigative Specialist  
Office of the State Auditor

cc: The Honorable Tony Palumbo, Anoka County Attorney  
The Honorable Colleen Vranish, School Board Chair  
Ms. Amy Schultz, Director of Business Services  
Mr. Bill Sommers, Spring Lake Park High School Principal  
Malloy, Montague, Karnowski, Radosevich, P.A., District's Auditors

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<sup>13</sup> See Minn. Stat. § 609.456.