

Truth or Consequences Municipal Schools

AGREED UPON PROCEDURES

For The Period Ended January 4, 2017

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Timothy Keller, State Auditor
And
Board of Education
Truth or Consequences Municipal Schools
Truth or Consequences, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Truth or Consequences Municipal Schools on High School athletic and activity receipts of Truth or Consequences Municipal Schools for the period from August 5, 2015 through January 4, 2017. Truth or Consequences School's management is responsible for the receipting of athletic and activity funds. The sufficiency of these procedures is solely the responsibility of Truth or Consequences Municipal Schools. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings and recommendations are as follows:

Procedures

1. Procedure - High School athletic receipts, sequence numbers 7201 through 7305, dated August 24, 2016, through January 4, 2017, were traced from the original receipt written by High School personnel to receipts written in the Central Office and to deposit in the appropriate bank account by Central Office personnel.
2. Procedure - High School athletic receipts sequence numbers 3916 through 3966, dated August 5, 2015, through January 4, 2017, were traced from the original receipt written by High School personnel to receipts written in the Central Office and to deposit in the appropriate bank account by Central Office personnel.
3. Procedure - High School activity receipts sequence numbers 1351 through 1940, dated September 24, 2015, through January 4, 2017, were traced from the original receipt written by High School personnel to receipts written in the Central Office and to deposit in the appropriate bank account by Central Office personnel.

Findings and Recommendations

AUP 2017-01 Segregation of Duties

Condition – The District did not have any segregation of duties related to the receipting and posting of activity receipts, with one employee receipting, depositing, and posting activity funds, and no secondary supervisory review procedures in place, which resulted in the following findings:

As to Procedure 1. - Two receipts issued by the High School were not receipted into the Central Office, and were not traceable to any deposit made to any bank account. The receipts totaled \$465.

As to Procedure 2. - Each receipt in the sequence was receipted in the Central Office and was traced to deposit in the appropriate bank account.

As to Procedure 3.:

- A. Eleven receipts issued by the High School were not receipted into the Central Office, and were not traceable to any deposit made into the activity bank account. The receipts totaled \$5,149.
- B. Two receipts issued by the High School were receipted into the Central Office, but the Central Office receipt was marked voided. However, the first copy of the receipt, which is issued to the depositor, was missing. The receipts totaled \$1,444.
- C. Six receipts issued by the High School were receipted into the Central Office, but the Central Office changed the High School receipts by hand to a lower amount, and deposited that lower amount. The changes totaled \$240. It should be noted that the High School receipts are counted by two people, who both sign the receipt before it is transported to the Central Office.
- D. Five receipts issued by the High School were receipted into the Central Office but were not traceable to any deposit made into the activity bank account. Such amounts totaled \$1,080.
- E. In addition, there were a significant number of receipts from the High School which could not be traced to a corresponding receipt in the Central Office. However, other than the above findings, the High School receipt was traceable directly to deposit in the activity bank account.
- F. Finally, a significant number of deposits deviated by small amounts, either up or down, from the receipt totals. These deviations, which were minimal, were not considered in the above findings.

Criteria - Sound internal control procedures related to cash require the segregation of the duties of receipting, depositing and posting incoming funds between two or more employees, and that a secondary supervisory review be performed periodically.

Effect – Internal controls over cash have been compromised, and have resulted in \$7,913 in deposits forwarded to the Central Office which could not be traced to deposit in District accounts. The possibility exists that these funds were converted to personal use by a central office employee, and these findings should be forwarded to law enforcement personnel for further investigation.

Cause – The District has limited personnel, and experienced significant turnover during the periods reviewed. This resulted in one person being responsible for all activities related to the collection and depositing of activity funds.

Recommendation – We recommend that the duties of Central Office receipting and depositing of activity funds be segregated between two or more employees. We further recommend that supervisory personnel perform periodic oversight of these functions. Finally, we recommend that law enforcement personnel be informed of the possibility that funds have been converted to personal use by District personnel during the period under review.

Agency Response – The recommendation will be evaluated in relation to available employee time and the ability of the District to reassign duties. Consideration will be given to alerting law enforcement personnel.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the receipting of athletic and activity funds. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Truth or Consequences Municipal Schools, and is not intended to be and should not be used by anyone other than those specified parties.

Stone, McGee & Co., CPAs

Silver City, New Mexico
June 29, 2017