

OUACHITA PARISH SCHOOL BOARD



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COMPLIANCE AUDIT

ISSUED NOVEMBER 22, 2006

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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November 22, 2006

**DR. ROBERT WEBBER, SUPERINTENDENT,  
AND MEMBERS OF THE OUACHITA  
PARISH SCHOOL BOARD**

Monroe, Louisiana

We have reviewed certain transactions of the Ouachita Parish School Board (School Board) in accordance with Title 24 of the Louisiana Revised Statutes. Our review was performed to determine the propriety of certain transactions relating to the Riser Middle School Booster Club account.

Our review consisted primarily of the examination of selected financial records and other documentation and a review of the School Board's policies, procedures, and practices. The scope of our review was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the School Board's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Jerry L. Jones, District Attorney for the Fourth Judicial District, and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

KPK:JLM:DGP:dl

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During the period December 1999 through September 2005, the Riser Middle School Booster Club, Parents and Loyal Supporters (PALS), sponsored at least 23 dances at Riser Middle School to support school activities. PALS sold tickets, collected funds, paid expenses, and deposited some of the funds into its private bank account. While PALS made an estimated profit of \$26,615, only \$10,310 was provided to the school. The remaining \$16,305 was not transferred to the school. During this period, Ms. Karen Danna, the PALS organizer, made 40 transfers totaling \$9,258 to her personal bank account from the Booster Club account. In addition, Ms. Danna made four cash withdrawals totaling \$490 that she could not explain or provide receipts for. Ms. Danna publicized that the proceeds from the events would be donated to the school; however, she transferred some of the funds to her personal bank account.

In March 1999, Ms. Danna, then a parent at Riser Middle School, used \$2,057 from a preexisting booster club account to open a bank account for PALS using her social security number and titled the account Riser Booster Club. PALS did not apply for not-for-profit, tax exempt status and does not have a board or board meetings. Its membership consists of Ms. Danna and her husband. Ms. Danna and the school secretary had signatory authority over the new account.

Through PALS, Ms. Danna organized and held dances at the Riser Middle School gymnasium to benefit school incentive programs and groups within the school. Ms. Danna's responsibilities were to hire a DJ and at least two off-duty deputies and operate the concession stand. The dance sponsor, a school incentive program or group, was responsible for collecting money at the dance and giving it to Ms. Danna.

Riser Middle School had at least 23 dances during the period December 1999 through September 2005. Based upon estimates from available records, a profit of \$26,615 was generated from the dances. From these proceeds, PALS made donations of \$10,310 leaving an estimated account balance of \$16,305. The remaining estimated account balance was not remitted to the Riser Middle School as dance flyers indicated. As of February 28, 2006, the balance of the Booster Club account was \$21. Therefore, approximately \$16,284 is missing from the Booster Club account. Ms. Danna stated that she owes \$8,368 to PALS which will account for some of the missing funds leaving \$7,916 unaccounted for.

During the period December 1999 through February 2006, Ms. Danna made 40 transfers totaling \$9,258 from the Booster Club account to her personal bank account and four cash withdrawals totaling \$490 that she could not explain. Ms. Danna stated that the transfers to her personal account were to reimburse her for dance expenses she paid with her personal cash though she provided no documentation to support this claim. Ms. Danna also stated that she did not personally benefit from the PALS organization; however, she provided us with a spreadsheet that indicates an amount due to the Booster Club account of \$8,368. She further stated she transferred \$1,550 to the Booster Club account from her personal account for money she owed back to PALS.

For the first three dances, Ms. Danna paid all expenses through checks from the Booster Club account and deposited the dance proceeds into the account after each dance. Thereafter, Ms. Danna began paying cash for some expenses. By September 2002, she was paying all

expenses in cash. Since February 2002, Ms. Danna organized 14 dances but only deposited money from six of the dances into the Booster Club account.

Given the school's facilities were used and teachers sold tickets to the events, these funds appear to be "public." However, Louisiana law and Opinions of the Louisiana Attorney General<sup>1</sup> support that the funds raised by PALS are private funds. Louisiana law supports that while these funds are in the control of PALS, they are considered "private funds." When the funds are tendered to the school and deposited into the school activity account, then the funds become public funds and must be managed in accordance with state law.

Ms. Danna, acting as the PALS organizer, deposited funds into a private bank account named Riser Booster Club. Sources of deposits into school fund accounts come from organizations within the school or donations made by entities outside of the school. Since PALS was not within the school, all proceeds given to the school were donations. Therefore, any misuse or misappropriation of the funds prior to being donated to the school was not the responsibility of the school principal. The original intention of the school dances was to generate financial support for school programs and incentives. By making this representation and later transferring a large portion of the funds to her personal account without supporting documentation, Ms. Danna may have violated state law.<sup>2</sup>

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<sup>1</sup> **Attorney General Opinions 90-674, 90-468, 93-299, 93-338, 00-101**

**Louisiana Revised Statute 17§414.3** states, in part, that "separate records or ledgers shall be maintained by the principal, or his designee from among the school staff, for each of the following sources of deposits into the school fund account: (a) Each club, organization, association, class, athletic team, or other organizational unit within the school . . . (b) Each donation made to the school by an entity outside the school, whether it be a parents club, community, business, or civic organization, or other donor, when such donation is made for a specific or restricted use or purpose."

<sup>2</sup> **Louisiana Revised Statute 14§67** provides, in part, that "theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations."

**Louisiana Revised Statute 51§1905** provides, in part, that "it shall be unlawful for any charitable organization . . . for a charitable purpose to engage in unfair methods of competition, unfair or deceptive practices, or misrepresentation."

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The School Board should review and/or implement new policies and procedures to ensure the proper use of funds raised by booster clubs. The School Board should:

- (1) enter into cooperative endeavor agreements with booster clubs that provide for the duties and expectations of each party;
- (2) require booster clubs to provide a complete accounting of the event to the school and to donate funds to the school immediately following the event or as soon as practical;
- (3) ensure all booster clubs are incorporated as a 501(c) 3, not-for-profit organization;
- (4) require all external, incorporated booster clubs to provide an accounting of all funds to each school periodically; and
- (5) assist in recovering any funds misappropriated.

This report has been provided to the District Attorney for the Fourth Judicial District. The actual determination as to whether an individual is subject to formal charge is at the discretion of the District Attorney.



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The Ouachita Parish School Board (School Board) was created by Louisiana Revised Statute (R.S.) 17:51 to provide public education for the children within Ouachita Parish. The School Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected for terms of four years. The School Board operates 35 schools within the parish with a total enrollment of 18,500 students.

The internal audit department of the School Board discovered certain improprieties at Riser Middle School. As a result, the Legislative Auditor was notified by the School Board and assisted the internal audit department in reviewing the alleged improprieties.

We acknowledge the assistance provided to this investigation by Superintendent Robert Webber and his staff. The procedures performed during this investigative audit consisted of:

- (1) interviewing employees and officials of the School Board and Riser Middle School;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the schools;
- (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and
- (5) reviewing applicable state laws.

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## Management's Response

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October 20, 2006

Steve J. Theriot, CPA  
Office of Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

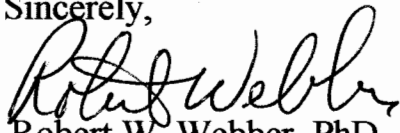
In response to your recommendations, we are providing the following responses.

The School Board at its regular meeting on October 17, 2006, changed its policy relating to support organizations to include your recommendations. Below is a recap of the changes to the School Board's policy:

1. The organization must sign a cooperative endeavor agreement with the Ouachita Parish School Board.
2. All funds earned in the name of the Ouachita Parish School System or in the name of a school, must be deposited into the school accounts of the school the funds were earned for, except for 501(C)(3) corporation. A 501(C)(3) corporation will be responsible for accounting for the receipt and disbursement of the funds earned in the name of the school for the school.
3. 501(C)(3) corporations must comply with the following:
  - a. 501(C)(3) corporations must provide the School Board a copy of their IRS designation as a 501(C)(3) corporation to be acknowledged by the School Board as a 501(C)(3) corporation. If a 501(C)(3) corporation cannot provide their IRS designation, they will be considered a school organization and must deposit their funds in the school accounts.
  - b. The 501(C)(3) corporations that have periodic fund raising events such as PTOs, PTAs, PALS, etc. must provide a complete accounting of all fund raising events that were conducted in the name of the school. The accounting should include the amount of funds raised and a description and amount of what was purchased for the school with the funds raised in the name of the school. If the corporation plans to donate the funds to the school

- instead of purchasing items directly for the school, the cash should be donated to the school immediately after the fund raiser.
- c. Booster clubs such as football, band, cheerleader, etc. that earn money on a weekly basis should provide quarterly financial statements to the School Board instead of providing recaps of each fund raising event. The quarterly financial statements should include a summary, by fund raising event, of all monies collected and how the funds were disbursed. The disbursement of the funds should show the amount donated directly to the school and the amount and description of items purchased for the school.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert W. Webber".

Robert W. Webber, PhD  
Superintendent

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November 1, 2006

**VIA FAX: 225-339-3987**

Mr. Steve Theriot, CPA  
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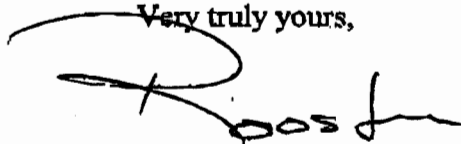
Re: Riser Middle School  
Karen Danna

Dear Mr. Theriot:

Please find enclosed the Response to the report provided to us from your office regarding the above matter. Thank you for the opportunity to respond to the report.

Thanks for your assistance with this matter. Should you have any questions, please do not hesitate to contact our office. With kind personal regards, I am

Very truly yours,



Darrell "Rooster" Oliveaux

DRO/wdr



## Response to Legislative Auditors Report

The report is based predominantly on estimated numbers. These estimations are, at least in part, based on erroneous facts. The reports claims that there were "...at least 23 dances during the period December 1999 through September 2005." This is incorrect. As reported earlier, there were dances scheduled that never occurred. These dances were cancelled by the school.

The report leads one to believe that Mrs. Danna posted flyers advertising the dances and that the funds would be used for the school. Mrs. Danna never designed, made or posted any flyers regarding the dances. Any flyers that were posted were done so by the school.

In paragraph five the report states that Mrs. Danna filed a reconciliation indicating she owed \$8,368.00. This is simply false. Mrs. Danna filed a simple spreadsheet addressing the figures that had been provided by Ouachita Parish School Board. Mrs. Danna's spreadsheet simply showed where the School Board had miscalculations. Never at any time did Mrs. Danna give any indication that she owed \$8,368.00 or any other amount.

Further Mrs. Danna paid for the DJ, concessions, and Ouachita Parish Sheriff Department Deputies out of her pocket before any money was made at the dances. She was later reimbursed when the money was available.