

February 9, 2015

Coatesville Area School District
Dr. Cathy L. Taschner, Superintendent
3030 C.G. Zinn Road
Thorndale, PA 19372

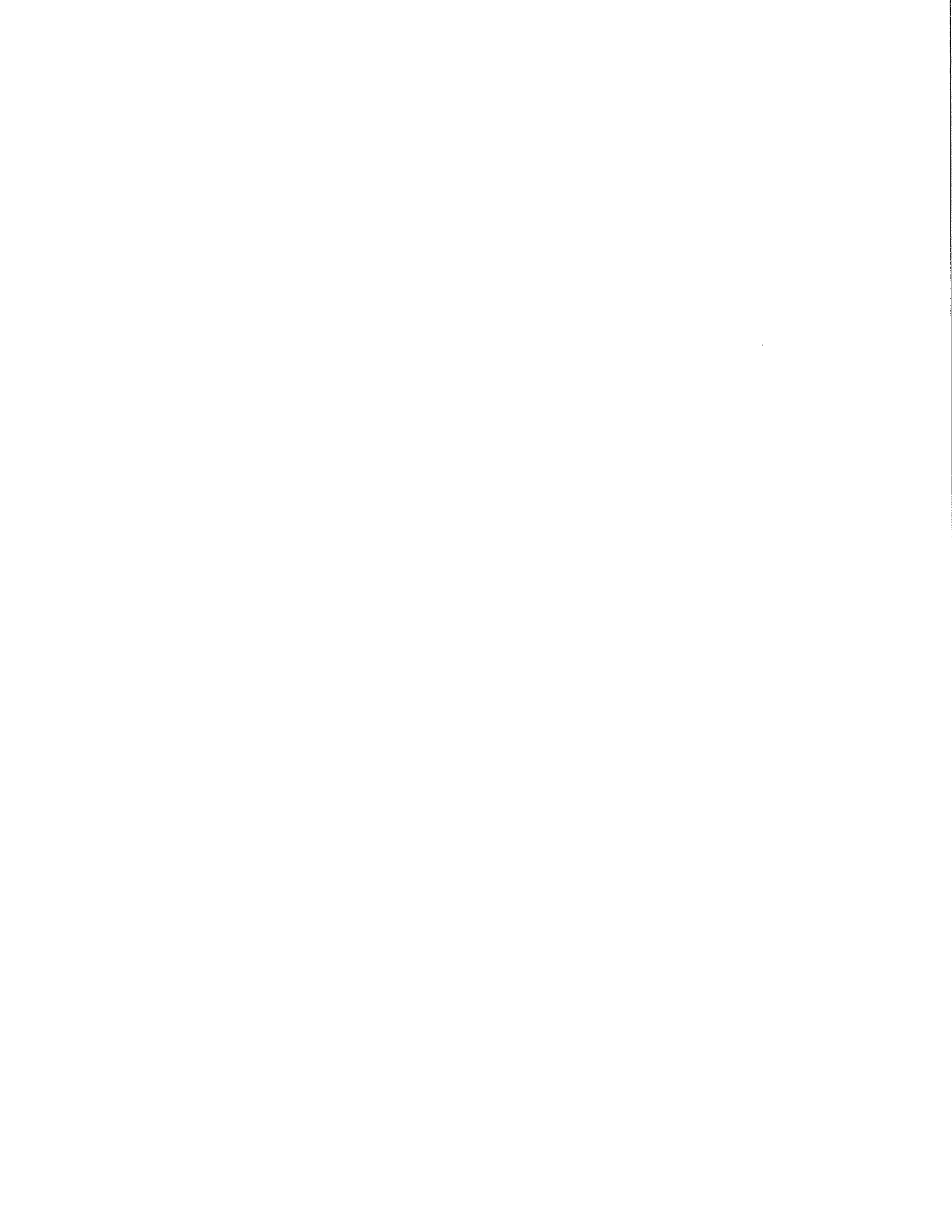
RE: Public Release of Investigative Reports

Dear Parents, Staff and Community Members:

Today, after much thoughtful consideration and deliberation, and in the interests of openness, transparency and accountability, the Board of School Directors for the Coatesville Area School District is making available to the public the Investigative Report and the Supplement to the Investigative Report prepared by my firm, Conrad O'Brien PC, as well as the Report of our forensic accountants, BDO USA, LLP. As directed by the Board of School Directors, these now publicly-available reports contain very little blacked out text, with the blacked out text being limited primarily to the names or identities of individuals not specifically mentioned or referenced in the Chester County 18th Investigative Grand Jury's Report dated December 3, 2014.

As detailed in these investigative reports, when we embarked on our investigation more than a year ago, we encountered a school district that was rife with issues of fiscal mismanagement, lack of accountability, abuse of power and the misappropriation, and even theft, of school district funds. Fortunately, in the time between our initial retention and the public release of these investigative reports, the school district and its new leadership have taken significant strides and made remarkable progress in correcting and rectifying many of the issues and concerns raised in the reports. Indeed, in the last six months, we have seen the majority of the recommendations in the reports either fully or partially implemented, including, but not limited to:

- The performance of a personnel audit and the review of all teacher and administrator certifications and staff criminal histories.
- The decentralizing of the hiring process at the school district, with an eye toward eliminating cronyism, nepotism and favoritism.
- The development and implementation of clear policies, procedures and protocols related to the handling, counting and depositing of cash at the school district.



- The development and implementation of clear policies, procedures and protocols related to the rental of school district facilities.
 - The drastic reduction in the number of school district employees with district-funded cellular phones and phone plans.
 - The development and implementation of clear policies, procedures and protocols related to employee travel reimbursements.
 - The implementation of competitive bidding practices for school district contracts.
 - The retention of a new Solicitor.
 - A resolution to seek reimbursement from the former Superintendent and the former Athletic Director for any school district funds allegedly misused, misappropriated or stolen during their tenure.
 - A resolution to take legal action against the former Solicitor for alleged overbilling and improper use of school district technology.
 - A limited waiver of the attorney-client privilege in order to allow the Chester County District Attorney's Office to review records and conduct interviews of attorneys associated with the former Solicitor's law firm regarding allegations of overbilling.
- All of these changes and improvements have been implemented with the goal of restoring the public trust and preventing any future misuse or abuse of authority at the school district.

In closing, I would like to take the opportunity to commend the caring, dedicated and unrelenting staff, parents and community members of the Coatesville Area School District, all of whom were instrumental and played a key role in bringing about the undeniable culture change and progress at the Coatesville Area School District over the last year. Further, I would like to commend the new leadership at the Coatesville Area School District, spearheaded by several new members of the Board of School Directors, new Superintendent Dr. Cathy Taschner and new Solicitor Michael Levin, for their unwavering commitment to correcting past digressions and moving the school district forward from the indiscretions and abject failures of prior leadership. Without the commitment and support of all of these individuals, both inside and outside of the hallways of the Coatesville Area School District, the type and extent of meaningful change and progress that has occurred to date, and that hopefully will continue to occur into the future, would have been impossible and proven futile.

Sincerely,



Matthew H. Haverstick



**COATESVILLE AREA
SCHOOL DISTRICT**

**Prepared by:
BDO USA, LLP
Certified Public Accountants
July 14, 2014**

TABLE OF CONTENTS

	<u>Page</u>
I. RELEVANT BACKGROUND INFORMATION.....	1
II. SCOPE OF REPORT.....	2
III. PRIMARY SOURCES OF INFORMATION UTILIZED.....	2
IV. ANALYSIS OF ATHLETIC DEPARTMENT REVENUE.....	3
A. Overall Analysis of Revenue.....	4
B. Admission Fees.....	5
C. Detailed Analysis of Ticket Revenue.....	9
1. Football.....	9
2. Boys' and Girls' Basketball.....	11
3. Other Sports.....	14
4. Summary of Admission Fees.....	16
D. Facilities Usage.....	17
E. Concession Stands.....	18
F. Other Miscellaneous Revenue.....	19
1. Physicals.....	19
2. No Huddle Football Camp.....	19
V. ANALYSIS OF ATHLETIC DEPARTMENT EXPENSES.....	20
A. Actual Spending Compared to Budget.....	20
B. Unusual and Improper Expense Items.....	22
C. Purchasing.....	28
D. Extra Duty Pay.....	28
E. Accounting for Employee Benefit Costs.....	29
F. Budget Transfers.....	29
G. Financial Reports.....	30
VI. ANALYSIS OF OTHER ISSUES OF CONCERN.....	30
A. Budgeting.....	30
B. Financial Reporting.....	31
C. Purchasing.....	32
D. Bank Account Reconciliations.....	32
E. Student Activities Funds.....	33
F. Sale of Delinquent Tax Liens.....	34
VII. SUMMARY OF FINDINGS.....	36



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ATTORNEY CLIENT PRIVILEGED COMMUNICATION

July 14, 2014

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Conrad O'Brien
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Philadelphia, Pennsylvania 19102-2100

RE: Coatesville Area School District

Dear Attorney Haverstick:

We have been retained to assist you as counsel for the Coatesville Area School District ("CASD" or the "District") with the application of forensic accounting procedures regarding specific issues of concern identified by the District, including Athletic Department transactions involving former Superintendent Richard Como and former Athletic Director James Donato.

I. RELEVANT BACKGROUND INFORMATION

Coatesville Area School District encompasses an area of 75 square miles and is located in the northwestern section of Chester County, Pennsylvania. The District is comprised of nine municipalities - Caln, East Fallowfield, Sadsbury, Valley, West Brandywine and West Caln Townships, South Coatesville and Modena boroughs and the City of Coatesville. The CASD educates over 8,000 students per year, from grade kindergarten to 12th grade in eleven (11) different buildings.

Richard Como became the Superintendent of CASD on November 4, 2005. James Donato became the Athletic Director for CASD in December 2009, reporting directly to Mr. Como. We understand that prior to Mr. Donato becoming Athletic Director, the Athletic Director position reported to the High School Principal. As Athletic Director, Mr. Donato was responsible for all of the revenue collected for, and expenses of the CASD Athletic Department.

It is our understanding that both Mr. Como and Mr. Donato resigned from the District in September 2013 as a result of the discovery of racist, sexist, bigoted and otherwise distasteful text messages between them and an ongoing criminal investigation by the Chester County District Attorney regarding, among other things, allegations of the misuse, misappropriation and theft of CASD funds and property.

Prior to Mr. Como and Mr. Donato's resignations, there was also turnover in the business leadership at CASD. [REDACTED] is the District's current Director of Business Administration, having been appointed to his position in November 2013. [REDACTED]'s predecessor, [REDACTED] left CASD in February 2013. [REDACTED] had been Assistant Business Manager prior to [REDACTED]'s retirement in June 2012. Dr. Angelo Romaniello, Assistant Superintendent, assumed responsibility for business administration on an interim basis after [REDACTED] left the District, prior to [REDACTED]'s hiring.

II. SCOPE OF REPORT

The scope of our report is specifically limited to the application of forensic accounting procedures and an analysis of the issues identified by CASD and its outside legal counsel. The issues identified include certain transactions involving former Superintendent Richard Como and former Athletic Director James Donato, specifically related to CASD Athletic Department revenue, Athletic Department expenses, and other particular issues. These other issues analyzed during our engagement include overall budgeting and financial reporting, purchasing, budget transfers, transfers between funds, bank account reconciliations, financial controls over Student Activities' Funds and the sale of delinquent tax liens.

This report summarizes our analysis and findings to date. We reserve the right to amend or supplement this report, if necessary, should additional information become available. We express no legal opinion regarding the rights and liabilities of any of the parties referred to in this report.

III. PRIMARY SOURCES OF INFORMATION UTILIZED

In formulating the opinions and conclusions contained in this report, we have reviewed and analyzed the following documents during our engagement:

- CASD Audited Financial Statements as of June 30, 2004 through 2013.
- CASD accounting records, including:
 - Bank statements;
 - Bank reconciliations;
 - Deposit slips;
 - Deposit records;
 - Check copies;
 - Purchase orders;
 - Vendor invoices;
 - Payroll records, including time sheets and extra duty pay logs;
 - General Ledger;
 - Expenditure Audit Trail;
 - Revenue Audit Trail;
 - General Ledger Audit Trail;
 - Facilities Rental Income Report;
 - Student Activities Fund Spreadsheet;

- Journal Entries;
- School Board Financial Reports, including Treasurer's Report, Statement of Monthly Expenditures, Forecasted Cash Flow, Budget Transfers, Paid Bills Report
- Investigative Report to the Board of School Directors for the Coatesville Area School District dated April 9, 2014, prepared by Conrad O'Brien.

In preparing our report, we relied on the April 9, 2014 Investigative Report prepared by Conrad O'Brien and incorporate it by reference. Other specific documents and information relied upon during our analysis are itemized throughout this report or are contained in our workpapers.

Additionally, during our engagement, we participated in interviews with the following District employees:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

IV. ANALYSIS OF ATHLETIC DEPARTMENT REVENUE

We understand that concerns have been raised by the district regarding discrepancies in Athletic Department revenue during Mr. Donato's tenure as Athletic Director, including allegations of misuse, misappropriation and theft by Mr. Donato which have been asserted. The CASD generates revenue related to the Athletic Department from four general sources, consisting of:

- Admission fees charged for CASD athletic events held at District facilities, such as home football and basketball games;
- Fees charged for use of various athletic facilities, including athletic fields by outside community groups;
- Sales of food in concession stands at CASD athletic events; and
- Other miscellaneous revenue, such as fees collected for sports physicals.

Information and analyses regarding the District's Athletic Department activities, including revenue from each of the four revenue sources follows.

A. Overall Analysis of Revenue

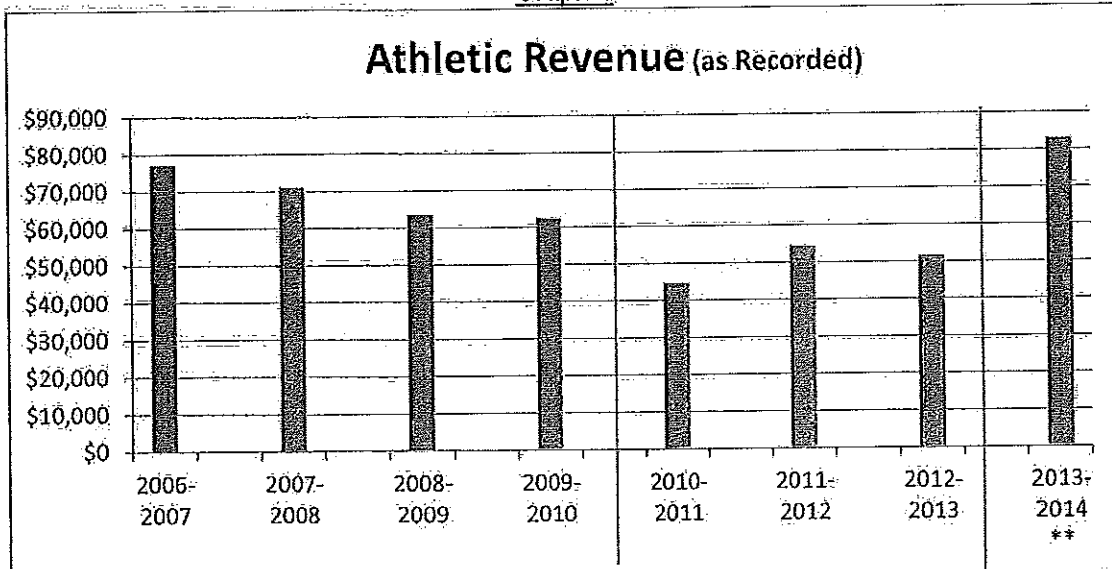
As shown in Table 1 and Graph 1 below, and as detailed in Appendix A1, the total revenue recorded for the Athletic Department was lower during the 2010-2011, 2011-2012 and 2012-2013 school years (which end June 30) than it was during the four prior school years, and much lower than it has actually been for the 2013-2014 school year, through February 20, 2014. Mr. Donato became Athletic Director for CASD midway through the 2009-2010 school year.

Table 1

	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>10-11</u>	<u>11-12</u>	<u>12-13</u>	<u>13-14 **</u>
Total revenue	\$77,174	\$71,187	\$63,514	\$62,180	\$44,726	\$54,508	\$51,596	\$83,029

**partial year through February 20, 2014

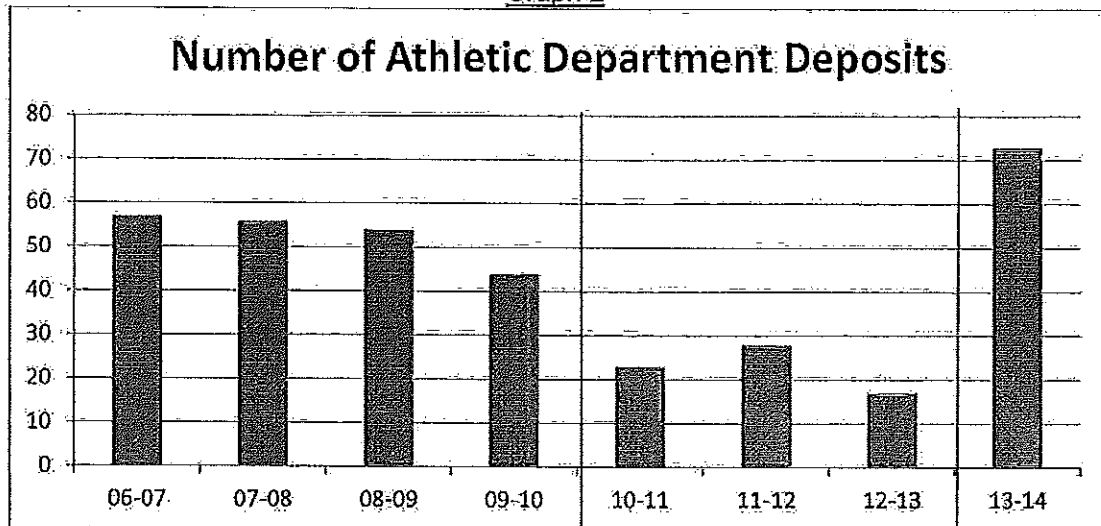
Graph 1



**partial year through February 20, 2014

Additionally, as shown below in Graph 2, the number of deposits made during the years that Mr. Donato was Athletic Director was significantly lower than what they had been prior to his appointment and after his resignation. Our analysis also disclosed that the frequency of deposits was diminished during the years that Mr. Donato was Athletic Director.

Graph 2



We understand that \$3,540 in cash was found in the safe located in the CASD Athletic office after Mr. Donato resigned. This cash was deposited by District personnel on September 6, 2013, and is included in the total revenue received during the 2013-2014 school year.

B. Admission Fees

CASD's largest source of Athletic Department revenue is from admission fees charged to people who attend athletic events held at District facilities, which can also be called "ticket sales" at "home games."

We have prepared a detailed analysis of cash received from ticket sales and deposited to the District's bank account from home games during the 2006-2007 through 2012-2013 school years, as well as for the 2013-2014 school year through February 20, 2014, by sport. This analysis is shown in Appendices A1 through I1. The detailed analyses of admission fees in Appendices A1 through I1 are based on descriptions of the nature of the deposit originally provided by Mr. Donato to the CASD Business Office. It should be noted that the detailed information regarding revenue by sport is not recorded in the CASD general ledger and is not currently tracked, monitored or evaluated by anyone in the District.

Typically, ticket sales at home games are documented by CASD using Ticket Seller's Return Sheets ("Ticket Sheets"). Ticket Sheets or other similar forms are commonly used by schools and other organizations to control and document ticket sales, admissions and cash collected at events. Ticket Sheets are used to identify and document information relevant to cash revenue from athletic events, including:

- The number of tickets that were sold, both for students and adults;
- The price of each type of tickets;
- How much cash was on hand at the beginning of the event for change;
- How much cash was collected from ticket sales, identifying the quantity and denomination of bills collected;
- How much cash was on hand at the end of the event;
- The amount of cash deposited;
- Record those individuals who were involved in the ticket sale and cash count, including a sign off from those individuals involved;
- The date, sport and opponent; and
- Any special circumstances, such as weather, homecoming, etc.

The number of tickets sold and cash collected is documented by the individual who is selling tickets by attaching both the beginning and ending tickets to the Ticket Sheet, and verified by a second person witnessing the count. Deposit slips are then prepared immediately after the athletic event and cash secured for deposit at the school, in a safe. Cash deposits should then be made the next business day with a copy of the deposit slip and Ticket Sheet given to the Business Office.

Ticket Sheets should be used by CASD for all home games where tickets are sold. The Ticket Sheets should also be retained by the District, consistent with standard document retention policies.

Our analysis found significant deficiencies regarding the District's collection and documentation of ticket sales at Athletic events during Mr. Donato's tenure as Athletic Director. These deficiencies include:

- Ticket Sheets were not consistently used and/or Ticket Sheets for events were not retained;
- Tickets were haphazardly utilized and no numeric integrity maintained;
- Ticket Sheets were not consistently prepared;
- Ticket Sheets were often incomplete;
- Data on Ticket Sheets was altered;
- Deposits of round dollar amounts, such as \$3,300 and \$600 were made;
- Deposits from cash collected at Athletic events were not supported by Ticket Sheets;
- Deposits of cash collected at Athletic events were not made on a timely basis;
- Ticket Sheets and cash deposits were not witnessed or verified by a second party;
- Mr. Donato was the only individual who made cash deposits for CASD Athletic events;
- The number and frequency of deposits from athletic events decreased significantly;
- A significant amount of cash was retained in the Athletic department safe;
- Details regarding cash deposits from Athletic events were not independently verified by the CASD Business Office. Instead, Mr. Donato would send an email to

the Business Office, usually after month end, with a very brief description of the source of the deposit, without any supporting details or documentation.

- Deposits contained combinations of cash and checks, even from deposits labeled as ticket sales from athletic events. Although many of the checks were designated by Mr. Donato as coming from ticket sales at home games, the checks, which were payable to CASD, were payments unrelated to ticket sales;
- A consistent policy, approved by the CASD Board, identifying which home games and other Athletic events where admission will be charged is not in place. We could not confirm with certainty, whether admission had or had not been consistently charged at all home games, other than football and basketball games, for Coatesville Area High School or at Middle School games.
- A consistent policy, approved by the CASD Board, identifying the admission price for each event is not in place, nor is one being followed. We could not confirm with certainty, whether admission prices had been consistently charged at all home games, other than football and basketball games, for Coatesville Area High School or for Middle School games.

Other deficiencies were noted in our analysis of other revenues received by the Athletic Department while Mr. Donato was Athletic Director, including:

- Checks received by the Athletic Department were not logged or recorded and copies of checks were not retained in order to identify the nature of the revenue and its source;
- Checks received by the Athletic Department from facilities rental were not reported to the Facilities Office and not recorded as rental income, but, were instead recorded as admission fees;
- Cash and checks received from miscellaneous revenue sources, such as marketing and merchandise were not accurately logged or recorded; and
- CASD does not have Ticket Sheets for Athletic events prior to the 2009-2010 school year, because Mr. Donato reportedly had them destroyed.

As a result of the deficiencies noted in our analysis of Athletic Department revenue, and the unusual amount of checks deposited and recorded as revenues from ticket sales, we obtained copies of deposit records, including copies of the checks deposited, from the District's banks. Through our analysis of the deposit records and check copies obtained from the banks, we discovered that numerous checks deposited were incorrectly identified by Mr. Donato as coming from ticket sales during the period January 2010 through August 2013. In fact, many of these check payments to the District were unrelated to ticket sales revenue.

Examples of the many checks deposited by Mr. Donato, incorrectly characterized by him as ticket sales, include:

- \$300 in checks collected by Mr. Donato and deposited on May 24, 2010 from students for an SAT preparation class provided by the District (which we understand was to be provided at no cost to the students, but which Mr. Donato

- reportedly charged students to attend) were characterized as received from girls lacrosse games;
- A \$601 check was received from All American Publishing, LLC and deposited on November 8, 2010. This check was characterized by Mr. Donato as received from ticket sales at the football game against Avon Grove on November 5, 2010. However, the check represents payment to the District for advertising from calendars featuring CASD athletic schedules;
 - A check for \$1,000 was received from the Coatesville Midget Football League for field use deposited on January 3, 2011. This check was characterized by Mr. Donato as received from ticket sales at boys' and girls' basketball games;
 - A check for \$214.75 was received from All American Publishing, LLC and deposited on September 9, 2011. This check was characterized by Mr. Donato as received from ticket sales at the football game on September 2, 2011 with [REDACTED];
 - Two checks for \$200 each were received for entry fees to the Steel City Volleyball tournament also deposited on September 9, 2011 and recorded by Mr. Donato as received from ticket sales at the football game on September 2, 2011 with [REDACTED];
 - A check for \$675 was received from the Coatesville Girls Basketball booster organization for reimbursement of the cost of team sweats and deposited on March 5, 2012, along with two \$10 checks marked for physicals. These checks were all characterized by Mr. Donato as received from ticket sales at boys' basketball games. A similar check for \$650 was received from the Coatesville Girls Basketball booster organization for reimbursement for the "Kelly's Order" on December 15, 2010. This check was also categorized by Mr. Donato as received from ticket sales at boys basketball games;
 - A check for \$2,500 received from the Bert Bell Memorial Football Conference for use of the stadium on November 17, 2012, deposited on November 28, 2012. This check was characterized by Mr. Donato as received from ticket sales at football games, along with three other checks deposited that day. These other checks were actually for basketball season tickets and for an entrance fee to the Steel City cross country meet;
 - A check for \$2,000 received from the Philadelphia Eagles Youth Partnership to recognize [REDACTED] as coach of the year. This check was deposited on January 3, 2013 along with a \$445.70 check from All American Publishing, LLC. Both checks were characterized by Mr. Donato as received from football gate sales and various girls basketball games;
 - A check for \$1,107.50 received from the Pennsylvania Interscholastic Athletic Association and deposited on January 22, 2013. This check was received by the District as a reimbursement of travel costs and expenses for Coatesville's participation in the State Championship football game. However, this check was characterized by Mr. Donato as received for ticket sales at boys and girls basketball games; and,
 - Two (2) checks for \$45 each received from students for the cost of their softball helmets deposited on May 23, 2013. However, these checks were characterized by Mr. Donato as received from ticket sales at girls' lacrosse games.

As discussed previously, our analysis in Appendices A1 through I1 reflects Athletic Department revenues as originally recorded by Mr. Donato. However, as a result of the incorrect characterization of the nature of numerous actual deposits, including those listed above, we have recast the reported Athletic Department revenue to reflect the actual sources of each deposit as shown in Appendices A2 through I2.

A detailed analysis of the District's Athletic department revenue, based on our recast of the actual deposits follows.

C. Detailed Analysis of Ticket Revenue

As shown in Appendices A2 through I2, we analyzed ticket revenue recorded for CASD Athletic events beginning in the 2006-2007 school year, continuing through February 2014, on an overall basis, and by sport. As a part of our detailed analysis of ticket revenue and related documentation, we identified the following specific issues:

1. Football

Beginning in the fall of 2010, through the fall of 2012, there were significant discrepancies between the amount of cash collected, as identified in the Ticket Sheets, and the actual bank deposit amount, both on a specific game basis, and in the aggregate for football. In many instances, Ticket Sheets were incomplete or not present at all. By contrast, during the 2009 and 2013 seasons, all Ticket Sheets were complete and the cash deposit amounts on the Ticket Sheets match exactly with the bank deposits recorded by the District in its accounting records, on an individual game basis. See Appendix J.

In addition, our analysis indicates that the average cash deposit actually made for an individual football game during the 2010 through 2012 seasons, while Mr. Donato was Athletic Director, was less than the average of deposits made from football games during the 2006 through 2009 and 2013 seasons. Specifically, the average cash deposit per game was \$4,683 during the 2010 through 2012 seasons compared to \$5,163 during 2006 through 2009 and 2013 seasons, or a discrepancy of approximately \$480 per game. See Appendix M and Table 2 below.

Table 2

Football gate:

<i>Per game average during 2006-2009 and 2013 seasons</i>	<i>\$5,163</i>
<i>Per game average during the 2010 through 2012 seasons</i>	<i><u>4,683</u></i>
<i>Discrepancy per game</i>	<i><u>\$ 480</u></i>

There were a total of 16 home football games (other than playoff games, which are managed by the PIAA and not CASD) during the years 2010 through 2012. With a cash discrepancy of approximately \$480 per game, a total cash discrepancy of approximately \$7,680 exists over the 16 home football games during the 2010 through 2012 seasons, assuming that the District should expect actual cash ticket revenue per game during the 2010 through 2012 seasons to approximate the cash ticket revenue received during the 2006 through 2009 and 2013 seasons as a baseline period.

Table 3

Football:

<i>Discrepancy per game</i>	<i>\$ 480</i>
<i>Home games during the 2010 through 2012 seasons</i>	<u><i>16</i></u>
<i>Total discrepancy</i>	<u><i>\$7,680</i></u>

The computed cash discrepancy of approximately \$7,680 for football game deposits during the 2010 through 2012 seasons is also evident in our analysis of deposits for individual home games. As shown in Appendix J, there are no deposits made for one (1) game in the 2012 season. With an average deposit per game of \$5,163, the cash shortage from one (1) missing football game deposits would be an amount similar to the cash discrepancy calculated in Table 3 above.

In addition, cash deposited for season tickets sold for football games averaged \$1,250 per season during 2010 through 2012 compared to an average of \$2,361 during 2006 through 2009 and 2013, or a discrepancy of approximately \$1,111 per year. Based on a computed yearly discrepancy of \$1,111, the total cash discrepancy from season ticket sales during the years 2010 through 2012 is approximately \$3,333, assuming that the District should expect cash received from season ticket sales during the years 2010 through 2012 to approximate the cash received from season ticket sales during the 2006 through 2009 and 2013 baseline period. See Appendix N.

Table 4

Football season tickets:

<i>Average during 2006-2009 and 2013 seasons</i>	<i>\$2,361</i>
<i>Average during the 2010 through 2012 seasons</i>	<u><i>1,250</i></u>
<i>Discrepancy per season</i>	<u><i>\$1,111</i></u>

Table 5.

Football season tickets:

<i>Discrepancy per season</i>	<i>\$1,111</i>
<i>Number of seasons 2010 through 2012</i>	<i><u>3</u></i>
<i>Total discrepancy</i>	<i><u>\$3,333</u></i>

CASD hosted a PIAA playoff football game on November 16, 2012 against Wissahickon. Admissions for PIAA playoff games are collected by the PIAA, not CASD. However, since the game was held at CASD, Mr. Donato was the "Game Manager" for the PIAA, in charge of ticket sales and completion of a financial report for the game.

According to District personnel, the typical configuration at the CASD stadium is to have four (4) ticket gates. The financial report prepared by Mr. Donato for the November 16, 2012 game and provided to the PIAA indicate four (4) ticket sellers and four (4) ticket takers. However, the financial report only reflects sales from three (3) ticket rolls, indicating use of only three (3) gates, not four (4). According to the financial report, the three (3) gates collected a total of \$7,065 in amounts of \$2,490, \$2,225 and \$2,350. If tickets were sold at a fourth gate, consistent with the typical stadium configuration at Coatesville and consistent, a discrepancy of at least approximately \$2,000 exists from the PIAA playoff game on November 16, 2012 (the lowest amount reported to be collected at the individual gates¹).

2. Boys' and Girls' Basketball

Beginning in January 2010, and continuing through the end of the 2012-2013 season, there were significant discrepancies between the cash deposit amounts identified in the Ticket Sheets and the actual bank deposit amounts, both on a specific game basis, and in the aggregate for both boys' and girls' basketball. In many instances, Ticket Sheets were incomplete or not present at all. In other cases, no deposits are made for ticket sales at games played. By contrast, all Ticket Sheets were complete and the cash deposit amounts on the Ticket Sheets match with the bank deposits, with minor variances, on an individual game basis during the month of December 2009, early January 2010² and during the 2013-14 season. See Appendix K.

¹ We note that Coatesville also hosted a playoff football game v. Neshaminy on November 23, 2012. The financial report prepared by Mr. Donato for this game indicates ticket sales at four (4) gates ranging from \$2,000 to \$2,495 per gate, for a total of \$9,680 in ticket revenue. Therefore, we have assumed that the lowest amount collected at the gates on November 23, 2012 should also have been collected at the fourth gate on November 16, 2012.

² As shown in Appendix K, our analysis indicates beginning with the girls' basketball home game on January 14, 2010 against Downingtown West, Ticket Sheets were not always completed and actual bank deposits do not agree to the Ticket Sheets that were prepared. In addition, actual cash deposits are not always made for games played.

In addition, our analysis indicates that the average cash deposit made for an individual boys basketball game during the period January 14, 2010 through the end of the 2012-2013 regular season (February 5, 2013) were less than those made during the 2006-2007 through 2008-2009 seasons and during the 2013-2014 season. Specifically, the average cash deposit per game for boys basketball was \$812 during the 2009-2010 through 2012-2013 seasons compared to \$1,405 during 2006-2007 through 2008-2009 and 2013-2014 baseline seasons, or a cash discrepancy of approximately \$593 per game. See Appendix M.

Table 6

Boys' Basketball gate:

<i>Per game average during 2006-2009 and 2013-2014 seasons</i>	<u>\$1,405</u>
<i>Per game average during the 2009-10 through 2012-13 seasons</i>	<u>812</u>
<i>Discrepancy per game</i>	<u>\$ 593</u>

There were a total of 38 home boys' basketball games during the period January 14, 2010 through February 5, 2013. With a discrepancy of \$593 per game, a total cash discrepancy of approximately \$22,534 occurred over the 38 home boys basketball games, assuming that the District should expect cash deposits from ticket sales on a per game basis during the years 2010 through 2013 to approximate average cash deposit from ticket sales received during the 2006 through 2009 and 2013-14 baseline period.

Table 7

Boys' Basketball:

<i>Discrepancy per game</i>	<u>\$ 593</u>
<i>Home games during the 2010 through 2012-13 seasons</i>	<u>38</u>
<i>Total discrepancy</i>	<u>\$22,534</u>

In addition, cash received for basketball season tickets averaged \$219 per year during the 2010-2011 through 2012-2013 seasons compared to \$404 during 2006-2007 through 2009-2010 and 2013-2014 seasons, or a discrepancy of approximately \$185 per year. See Appendix N. Over the four (4) seasons, 2009-2010 through 2012-2013, the total season ticket cash discrepancy for basketball games is approximately \$740, assuming that the District should expect cash deposits from season ticket sales during the years 2010 through 2013 to approximate the average cash deposits from season ticket sales during the 2006 through 2009 and 2014 baseline period.

Table 8

Boys' Basketball season tickets:

<i>Average during 2006-2009 and 2013-14 seasons</i>	<i>\$ 404</i>
<i>Average during the 2010 through 2012-13 seasons</i>	<i><u>219</u></i>
<i>Discrepancy per season</i>	<i><u>\$185</u></i>

Table 9

Boys' Basketball season tickets:

<i>Discrepancy per season</i>	<i>\$ 185</i>
<i>Number of seasons 2009-10 through 2012-13</i>	<i><u>4</u></i>
<i>Total discrepancy</i>	<i><u>\$740</u></i>

Similarly, our analysis indicates that the average deposit made for an individual girls' basketball game during the period January 14, 2010 through the end of the 2012-2013 season (February 9, 2013) was less than those made during the 2006-2007 through 2008-2009 seasons and during the 2013-2014 season. Specifically, the average deposit per game for girls' basketball was \$175 during the 2009-2010 through 2012-2013 seasons compared to \$385 during 2006-2007 through 2008-2009 and 2013-2014 seasons, or a discrepancy of approximately \$210 per game. See Appendix M.

Table 10

Girls Basketball game:

<i>Per game average during 2006-2010 and 2013-2014 seasons</i>	<i>\$ 385</i>
<i>Per game average during the 2010-11 through 2012-13 seasons</i>	<i><u>175</u></i>
<i>Discrepancy per game</i>	<i><u>\$ 210</u></i>

There were a total of 37 home girls' basketball games during the period January 14, 2010 through February 2, 2013. With a discrepancy of \$210 per game, a total cash discrepancy of approximately \$7,770 occurred over the 37 home girls' basketball games, assuming that the District should expect cash deposits from ticket sales on a per game basis during the years 2010 through 2013 to approximate average cash deposits from ticket sales during the 2006 through 2009 and 2014 baseline period.

Table 11

Girls Basketball:

<i>Discrepancy per game</i>	\$ 210
<i>Home games during the 2010 through 2012-13 seasons</i>	<u>37</u>
<i>Total discrepancy</i>	<u>\$7,770</u>

For holiday and other basketball tournaments held at CASD, an average of \$2,802 per season was collected for admissions during the 2006-2007, 2007-2008, 2009-2010 and 2013-2014 years. However, no deposits were made for admissions collected from tournaments during the 2011-2012 and 2012-2013 seasons in spite of several tournaments being held at CASD according to the schedules during those seasons.³ Therefore, a cash discrepancy of approximately \$5,604 occurred from scheduled basketball tournaments during the 2011-2012 and 2012-2013 school years, assuming that the District should expect cash collections at tournaments during those years to approximate the average cash collections during the 2006 through 2009 and 2013-2014 baseline period.

Table 12

Basketball Tournaments:

<i>Discrepancy per year</i>	\$2,802
<i>Seasons with tournaments (2011-12 and 2012-2013)</i>	<u>2</u>
<i>Total discrepancy</i>	<u>\$5,604</u>

3. Other Sports

As shown in Appendix L-1 and L-2, although revenue was collected at Volleyball, Cross-Country, Field Hockey, Wrestling, Lacrosse and Soccer games, Ticket Sheets were not consistently completed and/or retained during the period January 2010 through June 2013 for these events. Additionally, actual bank deposits for cash collected from these other sports were irregularly made during this period and the deposits recorded did not match any Ticket Sheets that are present.

According to our discussions with District personnel, CASD does not have a written policy regarding the collection of admission at Athletic events.

³ We note that according to the schedules, four (4) tournaments were held at CASD during the 2011-2012 season, including the Girls Basketball Tip Off Tournament, the Boys Basketball Play by Play Tournament, the Boys Basketball Mid-Atlantic Tournament and the Boys Basketball Christmas Tournament, and one (1) tournament, the Steel City Christmas Tournament was held during the 2012-2013 year.

However, it is our understanding that the policy of the Ches-Mont League (of which CASD is a member) is for schools not to charge admission at afternoon games, but to only collect admission at its evening home games.⁴ Additionally, according to the Ches-Mont League By-Laws, the admission price for all league games is \$5.00 for adults and \$3.00 for students. However, we understand that while Mr. Donato was Athletic Director, admission may have been collected at some afternoon home games in spite of the Ches-Mont League policy to the contrary, and actual ticket prices for some games may have been different than the \$5.00/\$3.00 price set by the Ches-Mont League.

Since we know that Ticket Sheets were not consistently completed and/or retained during the period January 2010 through June 2013, and that admissions were not always charged at events, other than football and basketball games, we cannot use the Athletic Schedules to identify specifically when tickets were sold and when deposits should have been made for other sports. However, since the number of home games does not vary significantly one year to the next for these other sports, and assuming that CASD collected admissions at a similar number of games year to year, total cash collected from these other sports should be consistent from year to year in the aggregate. Therefore, we can identify the cash revenue discrepancy, if any, during the period January 2010 through June 2013 from each of these sports by analyzing the total amount of deposits made for that sport, by season before January 2010 and after June 2013 as a baseline, and comparing the per season average to the total deposits actually made during the period January 2010 through June 2013.

As shown in Appendix N, and summarized below in Tables 13 through 16, the average total deposits from each of these other sports (other than cross country and volleyball) were less during the January 2010 through June 2013 time periods than they were during the benchmark time periods before and after.

Table 13

Field Hockey:

<i>Discrepancy per year</i>	<u>\$ 263</u>
<i>Seasons impacted (2010-11 to 2012-13)</i>	<u>3</u>
<i>Total discrepancy</i>	<u>\$ 789</u>

⁴This policy does not appear in the copies of the Ches-Mont League By-Laws that we have received.

Table 14

Lacrosse:

<i>Discrepancy per year</i>	\$ 813
<i>Seasons impacted (2009-10 to 2012-13)</i>	<u>4</u>
<i>Total discrepancy</i>	<u>\$3,252</u>

Table 15

Soccer:

<i>Discrepancy per year</i>	\$ 2,203
<i>Seasons impacted (2010-11 to 2012-13)</i>	<u>3</u>
<i>Total discrepancy</i>	<u>\$6,609</u>

Table 16

Wrestling:

<i>Discrepancy per year</i>	\$ 979
<i>Seasons impacted (2009-10 to 2012-13)</i>	<u>4</u>
<i>Total discrepancy</i>	<u>\$3,916</u>

It should be noted that according to District personnel, admission may have also been charged for Middle School sporting events, such as football, or at freshman football and basketball games, while Mr. Donato was Athletic Director. However, there are no Ticket Sheets or regular deposits recorded in the accounting records indicating cash collections at Middle School or freshman sporting events. We understand that after Mr. Donato resigned, CASD stopped charging admission at its Middle School and freshman games.

4. Summary of Admission Fees

According to our analyses described above, and as summarized in Appendix O, the total cash discrepancy from ticket sales while Mr. Donato was Athletic Director is approximately \$64,227. The total cash discrepancy in our analysis is the difference between the amount of cash that the District should have expected to collect from ticket sales based on an average of the actual amounts collected during the three year period before Mr. Donato became Athletic Director and the year after he resigned (the "Benchmark Time Period"), and the amounts that were actually deposited during the period January 1, 2010 through June 30, 2013. Assuming that the Benchmark Time Period is a proxy for the admission fees that were actually generated during

the period when Mr. Donato was Athletic Director, the discrepancies represent an economic loss to the District.

D. Facilities Usage

During discussions with District personnel, questions have been raised about whether or not CASD Athletic facilities were inappropriately used by outside groups, without approval and/or without paying the required rental fee to the District.

We have not performed an investigation regarding inappropriate usage of District Athletic facilities and the amount of additional revenues, if any, that may have been lost as a result. However, during our analysis of admission fee revenue, we did identify that several checks received by the CASD Athletic Department were included in deposits that were characterized by Mr. Donato as relating to ticket sales from Athletic events, when in fact they were actually for facility usage.

As shown in Appendix P, we have summarized five (5) checks deposited by Mr. Donato, totaling \$5,970, which were incorrectly characterized as admissions, but which were actually for facilities usage. Revenue from usage of District facilities, including Athletic facilities should not be recorded as revenue specific to the Athletic Department, but instead recorded as a component of Rental Income for CASD as a whole.

We were provided with a Rental Income Report prepared by the CASD Facilities Department for the 2012-2013 school year which purports to identify the known usage of District facilities by outside groups, including those that paid and those not charged for their usage. While we did not perform an investigation or testing of the completeness of the facility usage identified, we did agree all of the amounts shown in this Rental Income Report as received by the District for rental income, utility reimbursement and custodial charges to those amounts recorded as revenue in the CASD general ledger.

However, the usage of the CASD facilities by the groups identified through the checks listed in Appendix P is not reflected in the Rental Income Report prepared by the Facilities Department, indicating that the Rental Income Report is incomplete and inaccurate. We also note that there are several groups listed on the Rental Income Report that are indicated as "no charge per R. Como" and "Did not use per J. Donato." Additionally, two (2) checks totaling \$1,290, shown on Appendix P, were deposited by Mr. Donato and recorded as facility rental income, but were not reflected on the Rental Income Report prepared by the Facilities Department.

As will be discussed later in this report, District payroll data indicates that custodians were paid overtime in support of non-CASD events or events where no rental or custodial charge appears on the Rental Income Report. Specifically, payroll records indicate overtime pay for custodians working on Saturday, February 2, 2013, Sunday February 10, 2013 and Saturday February 16, 2013 for "RIP City" basketball games.

However, there is no income from RIP City for the month of February 2013 reported on the Rental Income Report or in the CASD general ledger.

E. Concession Stands

We understand that traditionally, the CASD band "Booster Club" has operated the concession stands at home football games and that the Coatesville Area High School Student Council operated the concession stand at home basketball games. However, District personnel have asserted that after Mr. Donato became Athletic Director, he took over operation of the concession stand at home basketball games, purportedly hiring a worker and using the proceeds from items sold at the concession stand for the Athletic Department, and operated the concession stand at other events held at District facilities by non-CASD groups.

We note that as shown in Appendix A1, no revenues were recorded in the CASD general ledger for the Athletic Department during the period January 2010 through June 2013 from concession stand sales. Due to a lack of records, we did not perform a detailed analysis of concession stand usage, or any related revenues or expenses.

However, as shown in Appendix Q, deposits were made by Mr. Donato during 2011 and 2012 indicated as "Track Booster Club" and "District 1 Track Championship", with corresponding checks payable to the "Coatesville Track Boosters" and "PIAA District One", requested by him days later, thus resulting in no net revenue or expense to CASD. No Ticket Sheets have been located demonstrating the amount, if any, of tickets sold for these track meets.

These deposits and corresponding checks itemized in Appendix Q are consistent with allegations relating to incidents that occurred with Mr. Donato and Mr. Como who reportedly took cash from concessions operated by the Coatesville Track Booster Club during the Ches-Mont League Track and Field Championship and the District One Class AAA Track and Field Championships held at CASD during the spring of 2011 and 2012. While we have not performed any detailed analysis regarding these deposits or the related incidents, we note that Mr. Donato requested the checks be prepared using Activities Account withdrawal forms, and not purchase orders. We also note that the checks were prepared and released by the CASD Business Office without documented approval by anyone, other than Mr. Donato.

Additionally, according to Counsel's interview with a District employee, that employee purchased items for the concession stands with the employee's own money, and was reimbursed by Mr. Donato in cash, or through "extra duty" pay.

F. Other Miscellaneous Revenue

1. Physicals

As shown in Appendix A2, prior to July 1, 2010, the CASD Athletic Department collected and deposited approximately \$3,411 per year in cash received from students for their physical examinations. However, between July 1, 2010 and June 30, 2013, only \$940 in total was deposited from cash collected from students for sports physicals.

Our analysis of Athletic Department expenses reveals that physicians were regularly paid by the District for sports physicals during the period July 1, 2010 through June 30, 2013. See Appendix R. According to District personnel, CASD has consistently charged its students for their athletic physicals. Therefore, as shown below in Table 17, a discrepancy exists in the amount of cash that was collected from physicals and the amount actually deposited, assuming that cash deposits for physicals during the period July 1, 2010 through June 30, 2013 should approximate the average cash collected from physicals during the baseline period from July 1, 2006 through July 1, 2010.

Table 17

Physicals:

<i>Average collected per year prior to July 2010</i>	<i>\$ 3,411</i>
<i>School years June 30, 2011 - 2013</i>	<i>3</i>
<i>Total expected</i>	<i>\$10,233</i>
<i>Less: Amount actually deposited</i>	<i>940</i>
<i>Net discrepancy</i>	<i><u>\$ 9,293</u></i>

Assuming that cash collected during the baseline period from July 1, 2006 through July 1, 2010 is a proxy for the cash actually collected from physicals during the 2011 through 2013 school years when Mr. Donato was Athletic Director, the net discrepancy represents an economic loss to the District.

2. No Huddle Football Camp

We understand from District personnel that Mr. Donato ran a summer football camp at the CASD facilities, known as the "No Huddle Football Camp". However, there are no records that we are aware of at the District reflecting the dates when the No Huddle Football Camp was held during the years that Mr. Donato was Athletic Director. We also note that facilities usage by the No Huddle Football Camp does not appear on the Facilities Rental Income Report prepared by the CASD Facilities Department for either the 2012 or 2013 school years.

As will be discussed later in this report, we identified a payment made by CASD to POZ, Inc. for the purchase of 75 T-Shirts at \$6.00 each, for a total of \$450 in June 2010. The customer name on the invoice is "No Huddle" with the address "Jim Donato". We note however that as shown in Appendices A2 and E2, our analysis indicates that \$1,388 was deposited into the Athletic Fund during June 2010 from checks made payable to CASD for the No Huddle Football Camp. The checks payable to CASD were for either \$99 or \$149 as registration fees from students for the camp. Although the amount deposited of \$1,388 offsets the \$450 cost of the T-Shirts, if it is assumed that 75 students attended the No Huddle Football Camp (that is, the number of T-Shirts purchased), at a cost of \$99, then the No Huddle Football Camp would have collected a total of approximately \$7,425 in revenue, of which, \$1,388 was received by CASD, and approximately \$6,000 of which was not.

Additionally, we identified a check written by Mr. Donato to CASD for \$540 on the No Huddle Football Camp bank account in June 2012 recorded in the District general ledger as field rental income. See Appendix G2. We did not identify any other payments by the No Huddle Football Camp to the District for use of the CASD facilities during other years. No documentation has been identified indicating how the \$540 rental fee was determined, or if the rental payment conformed to the standard rental fees that have been established by the District in Policy 707 for use of various facilities.

V. ANALYSIS OF ATHLETIC DEPARTMENT EXPENSES

As shown in Appendix S, and summarized below, CASD's total actual spending on Athletics increased from approximately \$971,000 in the 2006-2007 school year to approximately \$1,307,000 in the 2012-2013 school year.

Table 18
 In Thousands \$(000)

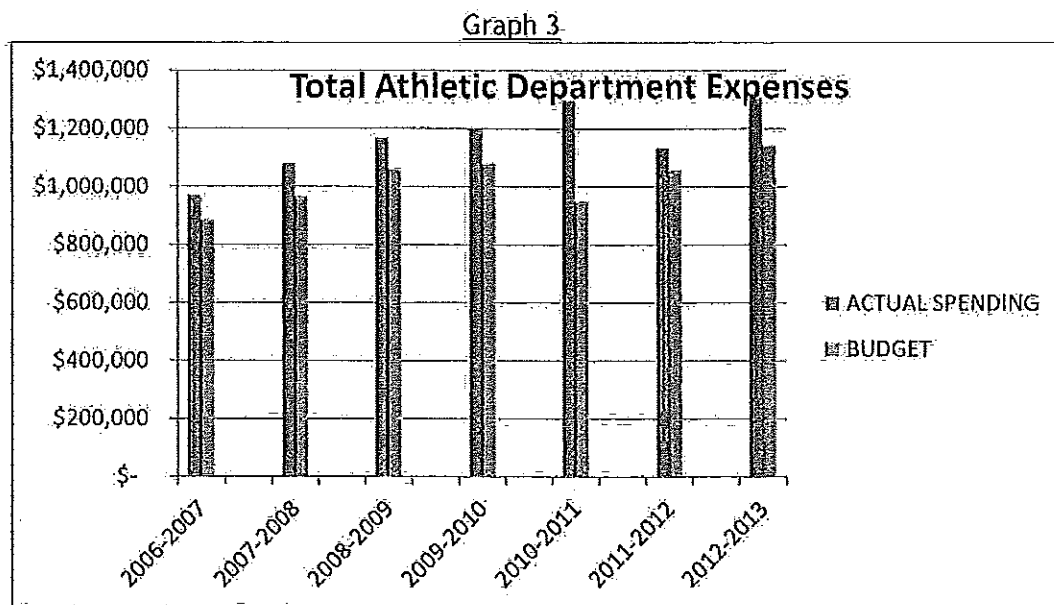
	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>10-11</u>	<u>11-12</u>	<u>12-13</u>
Total expenses	\$971	\$1,079	\$1,170	\$1,199	\$1,297	\$1,134	\$1,307

A. Actual Spending Compared to Budget

We have prepared a summary of CASD's actual spending, on a line by line account basis, for the Athletic Department in Appendix S during the 2006-2007 through 2012-2013 school years. Additionally, we have summarized the Athletic Department expense budgets for those same school years, also on a line by line basis, in Appendix T, and have compared the District's actual spending to budgeted amounts for Athletics for each year in Appendix U. We also have summarized CASD's Athletic Department

actual expenses, budgets and variances by functional area during the 2006-2007 through 2012-2013 school years in Appendix V.

As shown in Appendices U and V, and Graph 3 below, CASD's actual total spending on the Athletic Department generally increased each year, other than the 2011-2012 school year, and significantly exceeded budgeted amounts in each of the school years analyzed. Actual expense variances from budget ranged from a high of \$347,456, or 36.57% in the 2010-2011 school year to a low of \$77,347, or 7.32% in school year 2011-2012. In addition, actual spending in individual functional areas for Athletics varied significantly from budgeted amounts in each of the school years analyzed.



The increasing level of spending along with the significant budget variances call into question the effectiveness of the District's:

- Budgeting process;
- Purchasing policies and procedures;
- Financial reporting and monitoring; and
- Management decision making processes.

We understand from District personnel that neither the coaches, nor the building principals were involved in the preparation of Athletic Department budgets while Mr. Donato was Athletic Director. Additionally, we understand that coaches were not given a spending budget by Mr. Donato and did not receive financial reports regarding actual revenues or expenses.

We have made several recommendations regarding budgeting in Appendix AA.

B. Unusual and Improper Expense Items

We reviewed and analyzed various purchases made and charged to the Athletic Department expense line items during the 2006-2007 through 2012-2013 school years. Our analysis has identified the following unusual and improper expenses paid for by CASD during the period December 2009 through March 2013:

1. Payment to POZ, Inc., check # [REDACTED] on January 14, 2010 for a total of \$3,740.

This check includes payment of an invoice dated December 1, 2009 for 600 T-shirts at \$5.50 each, or a total of \$3,300. The purchase order dated December 18, 2009 states "purchase of T-shirts for the Athletic Office to be Sold as a Fund Raiser." The purchase order was initiated by Mr. Donato and his name is on the invoice. The \$3,300 cost of the T-Shirts was charged as an expense to the Athletic Department, account # [REDACTED] - General Supplies.

The purchase is unusual and improper because as shown in Appendices A2 and E2, our analysis of Athletic Department revenue reveals only \$200 of cash deposited from T-Shirt sales between January and June 2010. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

2. Payment to POZ, Inc., check # [REDACTED] on June 24, 2010 for \$450.

This check is payment of an invoice dated June 15, 2010 for the purchase of 75 T-Shirts at \$6.00 each. The customer name on the invoice is "No Huddle" with the address "Jim Donato". The purchase order was initiated by Mr. Donato, approved by Dr. Como, and states "T-shirts for NoHuddle Football Camp." The \$450 cost of the T-Shirts was charged as an expense to the Athletic Department, account # [REDACTED] - General Supplies.

The purchase is unusual and improper because, as discussed previously, we understand that the No Huddle Football Camp was run by Mr. Donato, not by CASD. We note however that as shown in Appendices A2 and E2, \$1,388 was deposited into the Athletic Fund during June 2010 from checks made payable to CASD for the No Huddle football camp. While these deposits more than offset the cost of the T-shirts in June 2010, the checks were from students for camp registration fees, not for a reimbursement of costs incurred by the District for T-shirts.

3. Payment to POZ, Inc., check # [REDACTED] on September 24, 2010 for \$2,555.

This check is payment of two invoices - one dated August 18, 2010 for the purchase of 500 "Spirit Towels" at \$3 each, and a second also dated August 18, 2010 for the purchase of 100 "Caps" at \$10 each, plus shipping of \$55. The address on both invoices is "Jim Donato". Both purchase orders were initiated by Mr. Donato, dated September 15, 2010 and approved by Mr. Como. The \$2,555 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchases are unusual and improper because according to District personnel, these items were sold by Mr. Donato, and not given out to students or fans at games. As shown in Appendices A2 and F2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of towels, caps or other merchandise during the 2010-2011 school year. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

4. Payment to POZ, Inc., check # [REDACTED] on September 30, 2010 for \$775.

This check is payment an invoice dated August 18, 2010 for the purchase of 250 "Rally Towels" for Soccer at \$3 each, plus shipping of \$25. The address on the invoice is "Jim Donato". The purchase order was initiated by Mr. Donato, dated September 8, 2010 and approved by Mr. Como. The \$775 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchase is unusual and improper because according to District personnel, these items were sold by Mr. Donato, and not given out to students or fans at games. As shown in Appendices A2 and F2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of towels or other merchandise during the 2010-2011 school year. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

5. Payment to POZ, Inc., check # [REDACTED] on January 13, 2011 for \$2,470.

This check is payment of three invoices - one dated December 1, 2010 for the purchase of 100 "Basketball T-shirts" for a total of \$850, second also dated December 1, 2010 for the purchase of 100 "Spirit T-shirts" for a total of \$850, and a third dated December 15, 2010 for 75 "Knit Caps" at \$10 each, plus shipping of \$20 for a total of \$770. The address on each of the invoices is "Jim". Each of the purchase orders were initiated by Mr. Donato, dated December 14, 2010, and approved by Mr.

Como. The \$2,470 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchases are unusual and improper because according to District personnel, the T-Shirts and the Knit Caps were sold by Mr. Donato, and not given out to students or fans at games. As shown in Appendices A2 and F2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of merchandise during the 2010-2011 school year. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

6. Payment to POZ, Inc., check # [REDACTED] on January 26, 2012 for \$850.

This check is payment on invoice dated January 2, 2012 for the purchase of 75 "Caps/Beanies" at \$11 each, plus shipping of \$25. The address on the invoices is "Jim D". The purchase order was initiated by Mr. Donato, dated January 17, 2012 and approved by Mr. Como. The \$850 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchase is unusual and improper because according to District personnel, these items were sold by Mr. Donato, and not given out to students. As shown in Appendices A2 and G2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of caps or other merchandise during the 2011-2012 school year. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

7. Payment to Veza Partners, check # [REDACTED] on May 3, 2012 for \$3,600.

This check is payment on invoice dated February 12, 2012 for the purchase of 300 "Deuce Customized Watches" at \$12 each. The description on the invoice says "School Fundraising." The purchase order was initiated by Mr. Donato, dated April 17, 2012 and approved by Mr. Como. The \$3,600 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchase is unusual and improper because according to District personnel, these items were sold by Mr. Donato, and not given out to students. As shown in Appendices A2, G2 and H2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of caps or other merchandise during the 2011-2012 or 2012-2013 school years. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

8. Payment to PIAA District One, check # [REDACTED] on December 4, 2012 for \$600.

This check is payment of an invoice dated November 30, 2012 for the purchase of 100 tickets for the PIAA District One Championship football game on Friday November 30, 2012 at \$6 each. No purchase order accompanied this check; however, an Activities Account Withdrawal form was prepared by Mr. Donato and approved by Mr. Como on December 4, 2012. The \$600 cost of these tickets was charged to account # [REDACTED] - Dues and Fees.

This purchase is unusual and improper because according to District personnel, these tickets were sold and there is no indication that a deposit of cash received from the sale of these tickets was made.

However, as shown in Appendix H2, our analysis of Athletic Department revenue indicates that the District received payments directly from the PIAA as reimbursements for travel and transportation expenses incurred during the football team's participation in the PIAA championship games in November and December 2012. The payments received by CASD from the PIAA were incorrectly categorized by Mr. Donato as having come from football gate revenue and basketball game ticket sales. Additionally, our analysis of expense account #8100 - Dues and Fees, account # [REDACTED] - Transportation Services, or account # [REDACTED] - Travel, does not reflect any cash deposits offsetting expenses during the 2012-2013 school year.

9. Payment to PIAA, check # [REDACTED] on December 12, 2012 for \$800.

This check is payment of an invoice dated December 7, 2012 for the purchase of 100 tickets for the PIAA District One Championship football game on Friday December 7, 2012 at \$8 each. No purchase order accompanied this check; however, an Activities Account Withdrawal form was prepared by Mr. Donato and approved by Mr. Como on December 10, 2012. The \$800 cost of these tickets was charged to account # [REDACTED] - Dues and Fees.

This purchase is unusual and improper because according to District personnel, these tickets were sold and there is no indication that a specific deposit of cash received from the sale of these tickets was made.

However, as shown in Appendix H2, our analysis of Athletic Department revenue indicates that the District received payments directly from the PIAA as reimbursements for travel and transportation expenses incurred during the football team's participation in the PIAA championship games in November and December 2012. The payments received by CASD from

the PIAA were incorrectly categorized by Mr. Donato as having come from football gate revenue and basketball game ticket sales. Additionally, our analysis of expense account # [REDACTED] - Dues and Fees, account # [REDACTED] - Transportation Services, or account # [REDACTED] - Travel, does not reflect any cash deposits offsetting expenses during the 2012-2013 school year.

10. Payment to Hershey Park Stadium, check # [REDACTED] on December 14, 2012 for \$1,600.

This check is payment of an invoice dated December 7, 2012 for the purchase of 125 tickets for the State Championship football game on Saturday December 15, 2012 at \$8 each, and \$600 for a 52" monitor for locker room use. No purchase order accompanied this check; however, an Activities Account Withdrawal form was prepared by Mr. Donato and approved by Mr. Como on December 14, 2012. The \$1,000 cost of the tickets, and the \$600 cost for the monitor were both charged to account # [REDACTED] - Dues and Fees.

This purchase is unusual and improper because according to District personnel, these tickets were sold and there is no indication that a deposit of cash received from the sale of these tickets was made.

However, as shown in Appendix H2, our analysis of Athletic Department revenue indicates that the District received payments directly from the PIAA as reimbursements for travel and transportation expenses incurred during the football team's participation in the PIAA championship games in November and December 2012. The payments received by CASD from the PIAA were incorrectly categorized by Mr. Donato as having come from football gate revenue and basketball game ticket sales. Additionally, our analysis of expense account # [REDACTED] - Dues and Fees, account # [REDACTED] - Transportation Services, or account # [REDACTED] - Travel, does not reflect any cash deposits offsetting expenses during the 2012-2013 school year.

CASD spent a total of \$2,400 on tickets to playoff/championship football games in December 2012, including the \$1,000 paid for tickets to the State Championship game, the \$800 for tickets for the Eastern Championship game and the \$600 paid for the PIAA District Championship game.

11. Payment to POZ, Inc., check # [REDACTED] on March 29, 2013 for \$620.

This check is payment an invoice dated January 23, 2013 for the purchase of 50 "Caps" at \$12 each, plus shipping of \$20. The address on the invoices is "Jim D". The purchase order was initiated by Mr. Donato, dated March 7, 2013 and approved by Mr. Como. The \$620 cost of these items was charged to account # [REDACTED] - General Supplies.

The purchase is unusual and improper because according to District personnel, these items were sold by Mr. Donato, and not given out to students. As shown in Appendices A2 and H2, our analysis of Athletic Department revenue does not reveal any deposits of cash received from the sale of caps or other merchandise during the 2012-2013 school year. Additionally, our analysis of expense account # [REDACTED] - General Supplies does not reflect any cash deposits offsetting expenses during that period.

12. Payment to Kelly's Sports Ltd, check # [REDACTED] on May 3, 2013 for \$3,738.50

This check includes the payment of a \$540 invoice dated April 25, 2013 for the purchase of 12 softball helmets at \$45 each. The "ship to" address is "Coatesville Area I.H.S. Softball c/o Jim Donato." The purchase order was initiated by Mr. Donato, dated April 22, 2013, and approved by Dr. Romaniello and Mr. Como. The cost of these helmets was charged to account # [REDACTED] - General Supplies.

This purchase is unusual and improper because as discussed previously, we have identified two (2) \$45 checks received from students for the cost of their softball helmets deposited on May 23, 2013. These checks were characterized by Mr. Donato as received from ticket sales at girls' lacrosse games, and not as reimbursement for the cost of the helmets. It is not known if other students paid for the cost of the softball helmets purchased by the District.

13. Payments to Kelly's Sports Ltd in March 2011 and March 2012:

As discussed previously in our analysis of Athletic Department revenue, we identified two (2) payments received from the Coatesville Girls Basketball booster organization (\$650 on December 15, 2010 and \$675 on March 5, 2012), characterized by Mr. Donato as having been received from ticket sales at boys basketball games, which were instead reimbursements from the booster club for the cost of sweat pants and sweat shirts purchased for the girls basketball team.

We identified invoices from Kelly's Sports Ltd for purchases of sweats for the girls' basketball team, ordered on November 23, 2010 at a total cost of \$1,798, and a similar purchase of sweats for the girls' basketball team, ordered November 30, 2011 at a total cost of \$2,552. The purchase orders accompanying both of these invoices were dated after the order date on the invoices, and were approved by Mr. Como.

As shown in Appendix W, the total of the unusual and improper expenses identified above is \$17,560. Revenues potentially offsetting these expenses total \$1,678.

Therefore, the net unusual and improper expenses and resulting economic loss incurred by CASD during the period December 2009 through May 2013 total \$15,882.

C. Purchasing

As a part of our analysis of various purchases made by the Athletic Department during the 2006-2007 through 2012-2013 school years, we noted that items were regularly ordered and received by District personnel prior to a purchase order being prepared and approved. Instead, we see that purchase orders were prepared and approved after the purchase was actually made, prior to the issuance of a check payment to the vendor.

Additionally, we have not seen any evidence demonstrating competitive bidding, or evaluation of alternative vendors for Athletic Department expenses to ensure that the District was purchasing goods and services at the lowest possible costs. We have identified instances where purchase orders were approved using a signature stamp and where Activities Withdrawal forms were used to authorize expenses instead of purchase orders.

The District would benefit from increased controls and enhanced procedures in the area of purchasing. As a result, we have made several recommendations regarding purchasing in Appendix AA.

D. Extra Duty Pay

District personnel receive payment for working at various CASD athletic events as ticket seller, ticket taker, scorekeeper, security, etc., in addition to their regular salaries. Payment for this "extra duty" is typically \$40 per event, and payment is approved after every sports season by the Athletic Director.

Individuals have asserted during interviews with Counsel that they received "extra duty" pay, approved by Mr. Donato, for events that they did not actually work, as reimbursement for their purchase of food items to be sold in the concession stands, and for work performed at non-CASD events held at District facilities.

Similarly, analysis of payroll for the CASD custodians indicates that custodians received overtime pay for work at non-CASD events held at District facilities, or for overtime not attributed to an event, but indicated only as "Per Matt Como."

Our analysis of the documentation surrounding "extra duty" pay indicates that the CASD payroll department paid individuals the amounts that Mr. Donato told them to pay. In the same way, the payroll department paid the custodians for hours that were reported on the time sheets. However, there was not a process in place with consistent procedures that documented who worked and who did not work, and in what roles, at specific CASD Athletic events throughout the District. We understand

that after Mr. Donato's resignation, procedures have been established that will now document the "extra duty" workers at each CASD Athletic event, and coincide with improved Ticket Sheets procedures as discussed previously. These new procedures should be adopted at each of the District facilities, for all events, and also include documentation of the custodians present. Additionally, the CASD payroll department should ensure that the procedures have been followed, and information regarding documentation of "extra duty" work and custodian overtime is complete prior to processing payment.

We have made several additional recommendations regarding payroll in Appendix AA.

E. Accounting for Employee Benefit Costs

As shown in Appendix V, employee benefit costs recorded for the Athletic Department varied significantly year over year in amount, ranging from a low of \$85,693 in the 2007-2008 school year, to a high of \$300,211 in the 2012-2013 school year. Additionally, actual employee benefit costs varied significantly from budgeted amounts, where actual costs were either significantly higher than budget, or significantly lower than budgeted amounts.

CASD administers a self-insurance program to provide for the medical care of its eligible employees. With a self-insurance program, costs can vary year over year. However, we note that currently, CASD accounting personnel are not recording the actual or estimated costs of medical and health benefits in the District general ledger on a regular monthly basis along with payroll. As a result, the District's financial statements do not accurately reflect relevant employee benefit costs on a monthly basis.

CASD should establish policies and procedures with its Third Party Administrator that would allow the District to estimate and record its medical benefit costs on a timely and regular monthly basis in its financial statements. Additionally, the District should establish procedures where medical benefit costs can be forecast and budgeted on an annual basis, and actual expenses monitored against budgeted amounts.

We have made several recommendations regarding payroll in Appendix AA.

F. Budget Transfers

During our analysis of the CASD Athletic expenses during the 2012-2013 school year, we identified that several budget transfers were made throughout the year. A summary of the budget transfers recorded during the 2011-2012 and 2012-2013 school years is presented in Appendix X.

No documentation supporting the reason, amount and approval of the budget transfers reflected in Appendix X was produced to us by District accounting personnel.

Additionally, as discussed previously, the District significantly overspent its Athletic Department budget during the 2011-2012 or 2012-2013 school years, both in total, and on an individual line item basis, in spite of any budget transfers made. Therefore, any purpose intended by District personnel for the budget transfers was pointless.

We have made several recommendations regarding budgeting in Appendix AA.

G. Financial Reports

We understand that a regular financial report regarding Athletic Department revenue and expenses has not been prepared by the accounting department in previous school years, nor was information provided to the CASD Board or others that would allow effective oversight and management of activities, both for revenues and expenses. Such reports and other key information are critical components of effective control, oversight and management that should be in place at CASD both for the Athletic Department, but for the District as a whole.

We have made several recommendations regarding financial reporting in Appendix AA.

VI. ANALYSIS OF OTHER ISSUES OF CONCERN

During our analysis of issues related to revenues and expenses of the CASD Athletic Department, other specific areas of concern were identified that are relevant to the overall financial operation and internal controls for CASD as a whole.

A. Budgeting

As described previously, the CASD Athletic Department's actual spending was significantly greater than its budgets in each of the school years that we analyzed. Our analysis of the CASD year-end audited financial statements indicates that actual spending for the District as a whole exceeded budgeted amounts by more than \$2.0 million for the fiscal year ended June 30, 2012, and by more than \$3.3 million during the fiscal year ended June 30, 2010.

These significant budget variances call into question the effectiveness of the District's:

- Budgeting process;
- Purchasing policies and procedures;
- Financial reporting and monitoring; and
- Management decision making processes.

The District would benefit from enhanced procedures and policies surrounding its budgeting processes. As a result, we have made several recommendations regarding budgeting in Appendix AA.

B. Financial Reporting

We obtained copies of various financial reports provided to the CASD Board, and noted the following:

1. The District's total cash balance at a month end, as reported in the Treasurer's Report provided to the Board, includes cash in a total of five (5) different bank accounts, including a short term investment account. This is demonstrated in the following example:

Cash balance as of 1/31/14 as reported in the Treasurer's Report for the General Fund - Fund 10	<u>\$6,783,951</u>
--	--------------------

This cash balance actually consists of:

A0101 Checking - Citizens Bank	\$1,021,937
A0101.5 Money Market - PLGIT	5,892
A0102 Payroll	777,600
A0103 Petty Cash	175
A0107 Short-Term Investments	<u>4,978,347</u>
Total	<u>\$6,783,951</u>

The detailed breakdown of the cash balance is not clearly defined in the Treasurer's Report provided to the Board. Additionally, the Treasurer's Report does not provide a reconciliation of Book and Bank balances at month end.

2. Budget transfer requests presented to the CASD Board, prior to February 28, 2014, did not have a one to one correlation from account to account, but instead, were only balanced in the aggregate. However, we note that [REDACTED] has subsequently revised the prior practice and currently, all budget transfer requests are correlated on a one to one basis.
3. The check register provided to the CASD Board listing payments made during the previous month only provides limited descriptions of the goods, services and nature of expenses that have been paid. As noted previously in this report, there were many unusual expense payments made by the District. Sufficient detail should be provided to the Board that would allow transparency and oversight for all interested parties regarding the nature of expenses paid by the District.
4. CASD should prepare regular, detailed financial reports regarding both revenues and expenses, not just for the Board, but for all individuals

entrusted with management and oversight of the District's financial resources. We understand that in the past, detailed financial reports were not regularly prepared and financial information was not provided that would allow effective oversight and management of activities. Additionally, the District's budget process should be collaborative, transparent and documented.

C. Purchasing

As noted previously, our analysis of Athletic Department expenses has demonstrated that items were regularly ordered and received by District personnel prior to a purchase order being prepared and approved. Instead, purchase orders were prepared and approved after the purchase was actually made, prior to the issuance of a check payment to the vendor.

We have not seen any evidence demonstrating competitive bidding, or evaluation of alternative vendors to ensure that the District was purchasing goods and services at the lowest possible costs. We have identified instances where purchase orders were approved using a signature stamp and where Activities Withdrawal forms were used to authorize expenses from the general fund instead of purchase orders.

The District would benefit from increased controls and enhanced procedures in the area of purchasing. As a result, we have made several recommendations regarding purchasing in Appendix AA.

D. Bank Account Reconciliations

During our analysis we reviewed and analyzed various bank reconciliations prepared by District personnel. We note that the same individual who handles and records cash receipts also prepares the bank reconciliations. Also, bank reconciliations are not regularly reviewed and approved by a third party. Additionally, we note that bank reconciliations are not part of the Treasurer's Report to the Board.

A segregation of duties involves dividing responsibilities among different people in order to reduce the risk of error or inappropriate or fraudulent actions. The lack of segregation of duties and the lack of oversight of bank reconciliations is a weakness in the District's internal control activities.

The review and approval of bank reconciliations is not included as a duty or function in any of the current job descriptions for personnel in the CASD Business Office. However, this duty/function should be added to the appropriate position as soon as possible.

E. Student Activities Funds

CASD accounts for money raised by students for various student clubs and organizations in a separate fund known as the "Student Activities Fund." The revenue and expenses for the Student Activity Fund are accounted for in the CASD general ledger by the Business Office. Additionally, the revenue and expenses for the high school campus are recorded in a very detailed spreadsheet, with individual tabs for each club, maintained by [REDACTED], a CASD Math Teacher. [REDACTED] is known as the "High School Banker."

We have not analyzed specific cash collections and deposits, or expenditures from the Student Activities Fund, other than as identified below. However, on an overall basis, we note that the total of all accounts as reflected in the spreadsheet maintained by [REDACTED] (\$43,863.44) does not agree to the Fund Balance in the CASD general ledger (\$46,081.92) as of June 30, 2013. In addition, neither of these two balances agrees to the \$43,703.61 balance reported to the CASD Board in the Student Activities Fund Report as of June 30, 2013. No reconciliation appears to be performed by the CASD Business Office between [REDACTED]'s detailed spreadsheet and the general ledger, and no explanation provided for the difference between the general ledger balance and the balance in the Student Activities Fund Report.

We understand from District personnel that at times, Mr. Como requested that money collected from student council fundraisers or tickets for the homecoming dance be brought to his office or he would come to the building to collect it himself. When such incidents occurred, we understand that [REDACTED] was not involved in the counting and deposit of funds, but instead notified after the fact of the amount deposited.

The Superintendent has a high level of oversight responsibility within the District and is a critical element in an effective system of internal controls. As a result, the Superintendent should not handle cash under any circumstance. In doing so, the Superintendent would have the ability to override and circumvent any internal control processes and procedures in place. Consistent policies and procedures for cash collection, security and recording should be established and followed for Student Activities Funds, similar to those defined for the Athletic Department. Additionally, an accounting policy manual for Student Activities should be developed.

Questions have been raised regarding the purchase of rings from Jostens, Inc. for the Coatesville football team commemorating their performance during the 2012 season, including the source of funds used for the purchase. We have not investigated the entirety of the transactions related to the ring purchase. However, documentation provided to us reflects that \$8,000 was transferred from the Student Activities Fund (Fund 81) on June 28, 2013 to the Agency Fund (Fund 89), by the Business Office, with the approval of Dr. Romaniello, and used with other money that had been collected and deposited directly into the Agency Fund, to make payment to Jostens, Inc. for the rings. This \$8,000 transfer to the Agency Fund was listed as a withdrawal from the Student Council 9-12 fund on the Student Activities Fund Report provided to the CASD Board as of June 30, 2013.

We note that the details of cash receipts and deposits in the Agency Fund are not provided to the CASD Board on a regular basis. However, the Board does receive a report of all bills paid checks written from the Agency Fund (as well as other funds) on a regular basis. Included in the Check Register of the Agency Fund in June 2013 is a \$6,931.50 check to Jostens, Inc. Inc. marked as "Red Raider SP COLL" which was one of the payments for the rings in question. A similar check for \$4,137.75 to Jostens, Inc. is included in the Check Register for the Agency Fund in April 2013.

The District would benefit from greater oversight and control over cash collected and deposited into the Student Activities and Agency Funds, as well as amounts disbursed from these funds given the questions raised and issues identified. Similarly, oversight and accountability should be enhanced over transfers of money between funds.

F. Sale of Delinquent Tax Liens

On July 29, 2005, by Agreement dated July 1, 2005, CASD agreed to "sell" its delinquent real estate tax claims (the "Claims"), that had been turned over to the Chester County Tax Claims Bureau (the "TCB") for collection, to The Harrisburg Authority (the "Authority").⁵ CASD transferred a total of \$3,912,810 in Claims to the Authority in exchange a cash payment of \$3,336,652 from the Authority.

The Authority obtained the money for the cash payment it made to CASD by getting a loan of \$3,697,540 from Harleysville Bank, secured by the Claims (the "Harleysville Loan"). From the loan proceeds of \$3,697,540 received by the Authority, CASD received the cash payment of \$3,336,652. Additionally, a total of \$176,011 in fees were paid to various professionals from the Harleysville Loan proceeds, including \$61,574 to Municipal Revenue Service ("MRS") who was to administer the transaction. A total of \$184,877 was also held in reserve against the Harleysville Loan by MRS.

The July 29, 2005 transaction is summarized as follows:

Tax liens sold to the Authority by CASD	<u>\$3,912,810</u>
Loan payable to Harleysville Bank by the Authority	\$3,697,540
Less: Fees paid	(176,011)
Reserve held by MRS	<u>(184,877)</u>
Net cash to CASD	<u>\$3,336,652</u>

The Authority paid interest on the Harleysville Loan at the Wall Street Journal Prime Rate, plus 0.5% monthly. The delinquent tax payments that were collected by the TCB were turned over to the Authority (through MRS) to make principal and interest

⁵ The Harrisburg Authority has a program to purchase tax claims from school districts in Pennsylvania.

payments on the Harleysville Loan. However, because of a repurchase obligation with the Authority, CASD was effectively obligated to repay the Harleysville loan obligation. A similar transaction between CASD, the Authority and Harleysville Bank, secured by the Claims, occurred on February 28, 2006, where CASD received a cash payment of \$3,525,823 in exchange for \$5,782,881 in Claims. At that time, a total of \$1,408,553 remained due on the initial Harleysville Loan transaction from 2005 described above.

This \$1,408,553 outstanding loan balance was added to a new drawdown of \$3,995,790 to create a new Harleysville Loan of \$5,404,343.

The February 28, 2006 transaction is summarized as follows:

Tax liens sold to the Authority by CASD	<u>\$5,782,881</u>
Loan payable to Harleysville Bank by the Authority	\$5,404,343
Less: Fees paid	(199,750)
Addition to Reserve held by MRS	(270,217)
Outstanding balance on initial loan	<u>(1,408,553)</u>
Net cash to CASD	<u>\$3,525,823</u>

Similar transactions involving the "sale" of Claims by CASD continued annually from 2007 through 2013, where the District received a lump sum advance of approximately \$4 million per year against its Claims. Although the basic structure of the ongoing annual transactions remained essentially the same year to year, Northwest Pennsylvania Incubator Association ("NPIA") was substituted in the place of the Authority for the March 6, 2008 transaction, and Firstrust Savings Bank was substituted for Harleysville Bank for the March 12, 2009 transaction.

We understand that in 2014, the District stopped selling its Claims to third parties, allowing the TCB to remit the cash it collected for CASD on its delinquent taxes directly to the District. However, as a result of the previous Claim "sale" transactions, CASD owed a total of \$5,607,967 to NPIA, and had a total of \$1,827,243 held in Reserve by MRS, offsetting the balance due on the NPIA loan to a net of \$3,780,724 due as of June 30, 2013.

We have summarized the various annual transactions, including the amounts received by the District, the loans from the Authority and NPIA and the costs incurred to document these transactions, during the period July 1, 2005 through June 30, 2013 in Appendix Y. Our summary of these transactions is shown in Tables 19 and 20 below, and in Appendix Z.

Table 19

Total cash to District from the loans	\$35,176,779
Total cash collected by the TCB on the Claims sold	<u>34,994,894</u>
Net difference	<u>\$ 181,885</u>

Table 20

Total fees paid	\$1,993,714
Total interest paid	<u>1,606,103</u>
Total costs incurred	<u>\$3,599,817</u>

As shown in the tables above, and in our analysis on Appendices Y and Z, the District incurred fees and interest expense equal to approximately 10.2% of the total cash received (in addition to the commission paid to TCB for collection), and the costs greatly exceeded the net difference between the cash provided to the District from the loans and the amounts collected by the TCB on the Claims sold. Such a result is not economically justifiable, particularly given that as of June 30, 2005, immediately before the initial transaction, the District had a total of approximately \$17.8 million in cash in its General Fund and an Unreserved Fund Balance of approximately \$14.0 million. In addition, the District's General Fund Operating Budget for the 2005-2006 school year reflected a surplus of revenues in excess of expenses of approximately \$4.5 million, before a transfer to the Capital Reserve Fund of \$2.0 million and \$732,000 to the Athletics Fund. Therefore, CASD was not in need of the short-term cash infusion provided by the initial transaction in July 2005.

VII. SUMMARY OF FINDINGS

Our analysis identified significant deficiencies regarding the District's collection and documentation of ticket sales at Athletic events during Mr. Donato's tenure as Athletic Director. Included among these many deficiencies were an unusual amount of checks deposited and characterized by Mr. Donato as revenues from ticket sales, but which were in fact unrelated to ticket revenue.

According to our analysis, as summarized in Appendix O, and subject to the assumptions described herein, the total cash discrepancy and economic loss from ticket sales while Mr. Donato was Athletic Director, is approximately \$64,227. The cash discrepancy was measured as the difference between the amount of cash that the District should have expected to collect from ticket sales based on an average of the actual amounts collected during the Benchmark Time Period (the three year period before Mr. Donato became Athletic Director and the year after he resigned), and the amounts that were actually deposited during the period January 1, 2010 through June 30, 2013. Assuming that the Benchmark Time Period is a proxy for the admission fees that were actually generated during the period when Mr. Donato was Athletic Director, the discrepancies represent an economic loss to the District. In

addition, a cash discrepancy and economic loss from money collected from athletic physicals during the period January 1, 2010 through June 30, 2013 was identified totaling approximately \$9,293.

Additionally, as shown in Appendix W, the District incurred a total of \$17,560 in unusual and improper expenses authorized by Mr. Donato and Mr. Como for merchandise, tickets and equipment that was reportedly sold by Mr. Donato, but for which only approximately \$1,678 in cash was deposited. The net amount of \$15,882 in expenses is an economic loss to the District.

Table 21

Economic Losses:	
Ticket sales	\$64,227
Physicals	9,293
Unusual and improper expenses	<u>15,882</u>
Total economic losses	<u>\$89,402</u>

Other areas of potential economic loss to the District have been identified, such as concession revenues, facilities rentals, cash collected for admissions at Middle School sporting events, and undocumented extra duty and overtime pay, which cannot be quantified at this time due to a lack of available records.

We have provided numerous recommendations to improve the efficiency and effectiveness of CASD's internal controls and financial operations, not only in the Athletic Department, but throughout the District. We are available to assist in further analysis of other issues or transactions of concern that may be identified. We are also available to assist the District in developing further improvements and the implementation of the recommendations we have provided in the areas of people, processes and technology involved throughout CASD.

This report summarizes the results of our analysis to date. We reserve the right to amend or supplement this report, if necessary, should additional information become available. All work performed in developing this report was performed by me, or others working directly under my supervision. The opinions and conclusions set forth in this report are rendered with a reasonable degree of professional certainty.

Respectfully submitted,



Thomas D. Pratt, CPA/ABV/CFF, CVA

APPENDIX A1
 Coatsville School District
 Athletic Revenue Deposited in Bank
 As Recorded in General Ledger

Sport	School Year-Ended									
	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2014	6/30/2014
Basketball-Boys	9,866.00	19,203.00	13,199.00	15,099.00	6,537.00	10,443.00	9,048.40	11,106.00		
Basketball-Boys Season Tix	435.00	535.00	365.00	350.00		254.64		280.00		
Basketball-Girls	4,405.00	7,800.00	2,807.00	2,146.00	1,670.50	2,110.00	2,205.00	2,079.00		
Basketball/Holiday Tourney	2,801.00	3,938.00		2,389.00				1,590.00		
Cross Country	540.00	3,881.49	1,770.00	1,835.00	1,835.00	1,230.00	1,790.00	1,590.00		
Field Hockey	382.00	1,189.00	1,189.00	1,189.00	1,599.00	770.00	919.00	1,343.00		
Football	37,707.40	24,466.67	26,384.00	23,045.00	23,517.00	28,344.75	26,681.00	43,917.00		
Football Season Tickets	250.00	2,095.00	5,080.00	2,925.00	1,070.00	1,455.00	1,122.40	2,066.01		
Football Playoffs							1,560.60			
Football Coach of the Year							2,000.00			
Lacrosse	1,303.00	829.00	691.00	710.00	255.00	664.00	945.00			
Soccer-Boys/Girls	1,718.00	595.00	2,127.00	2,680.00	864.00	2,683.90	1,033.00	3,672.00		
Soccer-Boys	322.00	1,514.00						690.00		
Soccer-Boys Tickets	533.00	1,452.00	1,773.00	2,097.00	1,265.00	635.00	1,190.00	3,607.00		
Soccer-Girls	400.00				400.00	2,000.00	1,200.00	554.00		
Volleyball					515.50	1,709.00	1,869.00	5,085.00		
Wrestling	1,867.00	1,094.00	965.00	386.00						
Unknown	1,507.00		2,766.00							
Subtotal-Athletic Admission Revenue	\$ 66,021.40	\$ 69,698.16	\$ 59,016.00	\$ 33,446.00	\$ 21,380.00	\$ 43,795.00	\$ 52,302.29	\$ 51,568.40	\$ 78,826.01	
Basketball-Freshman				650.00			26.00	28.00		
Basketball-Middle School				350.00			400.00			
Basketball-Kip City							159.00			
Football-Freshman							60.00			
Soccer										
Subtotal-Other Athletic Admission Revenue	\$ -	\$ -	\$ -	\$ 1,000.00	\$ -	\$ 645.00	\$ 28.00	\$ -	\$ -	
Adjustment/Misc.	1,752.84	(50.00)	(10.00)	50.00			20.00		4,203.23	
Physicis	5,661.75	1,670.00	2,118.00	3,073.00	1,241.00	230.00	160.00	650.00		
Programs	114.00		10.00							
Program Ads	2,100.00	3,360.00	2,380.00							
Reimbursements		455.00					487.40			
Track-P&A							1,000.00			
Bert Ball							540.00			
No-Highdye Football Camp							40.00			
SYS Football Camp								750.00		
T-Shirts/Apparel										
Subtotal-Other Athletic Revenue	\$ 11,152.59	\$ 7,349.00	\$ 4,498.00	\$ 3,073.00	\$ 2,881.00	\$ 2,247.00	\$ 2,310.40	\$ 910.00	\$ 4,823.23	
Total Athletic Revenue per Audit Trail Report	\$ 77,173.99	\$ 71,187.16	\$ 63,514.00	\$ 36,719.00	\$ 23,461.00	\$ 46,036.00	\$ 55,317.69	\$ 52,506.40	\$ 83,649.24	
				\$ 502,180.00						

Notes:
 (1) Includes \$56,476 recorded as Athletic Revenue in Account #67100, \$4,316 for physicals and \$1,388 for Football Camp recorded in Student Fees Revenue, account #67400;
 (2) Includes \$44,725 recorded as Athletic Revenue in Account #67100, \$1,000 for facilities usage in Account #69100 and \$310 for physicals recorded in Account #67900;
 (3) Includes \$94,507.69 recorded as Athletic Revenue in Account #67100, \$230 for physicals in Account #67900, \$540 for field rental in Account #69700 and \$40 for other apparel sales in Account #67900;
 (4) Includes \$51,596.49 recorded as Athletic Revenue in Account #67100, \$169 for physicals in Account #67900 and \$750 for stadium rental in Account #69700;
 (5) Through February 20, 2014: Includes \$83,025.24 recorded as Athletic Revenue in Account #6710 and \$520 for physicals in Account #67900.

APPENDIX B1

Coatesville Area School District
Athletic Revenue - Admissions - Deposited and Recorded in General Ledger
School Year-Ended-June 30, 2007

Deposit Date	Amount	By Sport													Total								
		Basketball-Boys	Basketball-Boys Season Ticket	Basketball-Girls	Basketball-Holiday Tourney	Cross Country	Field Hockey	Football	Football Season Tickets	Lacrosse	Soccer	Soccer-Boys	Soccer-Girls	Swimming		Wrestling	AD Check	CAA Dividend Checks	Misc.	Physicals	Programs	Program Ads	
2/12/2007	223.00														223.00								
2/12/2007	1,779.00	1,741.00																					
2/22/2007	400.00																						
3/9/2007	1,104.75																						
4/18/2007	297.00																						
4/18/2007	353.00																						
4/20/2007	280.00																						
5/23/2007	690.00																						
5/23/2007	653.00																						
6/15/2007	740.00																						
6/15/2007	978.00																						
6/29/2007	1,025.00																						
	\$ 77,173.99	\$ 9,866.00	\$ 435.00	\$ 4,495.00	\$ 2,801.00	\$ 560.00	\$ 352.00	\$ 37,707.40	\$ 250.00	\$ 1,303.00	\$ 1,718.00	\$ 322.00	\$ 533.00	\$ 400.00	\$ 1,857.00	\$ 80.00	\$ 702.84	\$ 870.00	\$ 5,661.75	\$ 1,638.00	\$ 2,100.00	\$ 73,871.99	
																					Unknown	\$ 3,502.00	
																						\$ 77,173.99	

Number of Deposits 57

Amounts are shown in dollars and cents rounded to the nearest cent.

APPENDIX C1

Cotatesville Area School District
Athletic Revenue - Admissions - Deposited and Recorded in General Ledger
School Year-Ended June 30, 2008

Deposit Date	Amount	By Sport											Total					
		Basketball-Boys	Basketball-Boys Season Tx	Basketball-Girls	Basketball-Holiday Journey	Cross Country	Field Hockey	Football	Football Season Tickets	Lacrosse	Soccer	Soccer-Boys Soccer-Girls		Wrestling	Adjustment Reimburse	Program Ads	Physicals	Programs
1/17/2008	1,214.00	1,197.00															17.00	1,214.00
1/17/2008	1,513.00	1,501.00															12.00	1,513.00
1/28/2008	268.00		268.00															268.00
1/28/2008	293.00		293.00															293.00
1/28/2008	385.00		385.00															385.00
2/14/2008	466.00		466.00															466.00
1/28/2008	1,101.00	1,101.00																1,101.00
1/28/2008	1,120.00	1,120.00																1,120.00
1/30/2008	263.00											263.00						263.00
2/14/2008	1,461.00	1,461.00																1,461.00
2/14/2008	2,168.00	2,168.00																2,168.00
3/24/2008	1,021.49				621.49									400.00				1,021.49
4/18/2008	90.00															90.00		90.00
4/18/2008	361.00								361.00									361.00
6/6/2008	468.00								468.00									468.00
6/9/2008	1,580.00																1,580.00	1,580.00
6/24/2008	820.00														820.00			820.00
	\$ 71,187.16	\$ 19,203.00	\$ 525.00	\$ 2,800.00	\$ 3,938.00	\$ 3,881.49	\$ 1,235.00	\$ 24,466.67	\$ 2,095.00	\$ 829.00	\$ 595.00	\$ 1,514.00	\$ 1,452.00	\$ 485.00	\$ 5,360.00	\$ 1,670.00	\$ 114.00	\$ 71,187.16

Number of Deposits

APPENDIX D1

Cotestville Area School District
Athletic Revenue - Admissions - Deposited and Recorded in General Ledger
School Year-Ended June 30, 2009

Deposit Date	Amount	By Sport										Total							
		Basketball-Boys	Basketball-Boys Season Tix	Basketball-Girls	Cross Country	Field Hockey	Football	Football Season Tickets	Lacrosse	Soccer-Boys	Soccer-Girls		Wrestling	Adjustment	Program Ads	Physicals	Programs		
1/7/2009	413.00			413.00													413.00		
1/7/2009	228.00			228.00													228.00		
1/7/2009	90.00				90.00												90.00		
1/8/2009	365.00		365.00														365.00		
1/13/2009	1,892.00																1,892.00		
1/13/2009	471.00			471.00													471.00		
1/15/2009	(10.00)											(10.00)					(10.00)		
1/16/2009	370.00										370.00						370.00		
1/16/2009	238.00			238.00													238.00		
1/20/2009	80.00												80.00				80.00		
1/20/2009	300.00			300.00													300.00		
1/23/2009	187.00												187.00				187.00		
1/23/2009	1,064.00			1,064.00													1,064.00		
1/23/2009	100.00									100.00							100.00		
1/30/2009	80.00												80.00				80.00		
1/30/2009	1,070.00			1,070.00													1,070.00		
1/30/2009	1,345.00			1,345.00													1,345.00		
2/4/2009	364.00			364.00													364.00		
2/9/2009	2,956.00			2,956.00													2,956.00		
4/27/2009	396.00												396.00				396.00		
5/7/2009	295.00												295.00				295.00		
5/18/2009	1,278.00													1,278.00			1,278.00		
	\$ 63,514.00			\$ 13,199.00		\$ 2,807.00	\$ 1,770.00	\$ 4,189.00	\$ 26,264.00	\$ 5,080.00	\$ 691.00	\$ 2,127.00	\$ 1,773.00	\$ 965.00	\$ (10.00)	\$ 2,380.00	\$ 2,118.00	\$ 10.00	\$ 60,728.00
																		Unknown	\$ 2,786.00
																			\$ 63,514.00

Number of Deposits 54

Amount in Revenue Audit Trail, no supporting documentation

APPENDIX E1

Courtesville Area School District
Athletic Revenue - Admissions - Deposited and Recorded in General Ledger
School Year-Ended June 30, 2010

By Sport

Deposit Date	Amount	Basketball-Boys	Basketball-Boys Season Tix	Basketball-Holiday Tournney	Basketball-Freshman	Basketball-Girls	Basketball-Middle School	Cross Country	Field Hockey	Football	Football Season Tickets	Football Camp	Lacrosse	Soccer-Boys	Soccer-Girls	Wrestling	Misc. Tickets	Physicals	T-Shirts	Total
1/27/2010	795.00				90.00	705.00														795.00
2/2/2010	1,320.00	1,284.00			36.00															1,320.00
2/5/2010	942.00	735.00			46.00	352.00										315.00				942.00
2/18/2010	400.00				100.00	300.00														400.00
2/18/2010	1,800.00	1,800.00																		1,800.00
3/23/2010	1,078.00	325.00					350.00			500.00							50.00	253.00		1,078.00
4/19/2010	400.00																			400.00
5/24/2010	710.00												710.00							710.00
6/15/2010	720.00											992.00						720.00		720.00
6/18/2010	992.00											396.00								992.00
6/24/2010	396.00																			396.00
6/30/2010	270.00																	270.00		270.00
	\$ 62,180.00	\$ 15,099.00	\$ 350.00	\$ 2,388.00	\$ 650.00	\$ 2,146.00	\$ 350.00	\$ 1,350.00	\$ 1,595.00	\$ 23,045.00	\$ 2,925.00	\$ 1,388.00	\$ 710.00	\$ 2,630.00	\$ 2,097.00	\$ 886.00	\$ 50.00	\$ 4,316.00	\$ 200.00	\$ 62,180.00

Number of Deposits

44

3. Cash collected should be recorded on a daily basis similar to Athletic Department funds. A second counter should witness the counting of cash. A deposit slip should be prepared at the end of each day when cash has been received for Student Activities. A copy of the deposit slip should be forwarded to the Business Office.
4. Any checks received for Student Activities should be logged, restrictively endorsed immediately upon receipt. Checks should then be kept in a secured location until a bank deposit can be made. A deposit slip should be prepared at the end of each day when checks have been received. The log should note the date received, amount, who the check was received from, and the purpose. A copy of all checks received should be made at the time of the receipt to accompany the log. All endorsed checks, along with the completed deposit slip, should be picked up daily by the courier and taken to the bank.
5. Accounting policies for Student Activities should be developed.

C. Tax Liens

Findings

1. Tax lien sale costs exceeded any benefits received.
2. Tax lien sale unnecessary given fund balance cash position in 2005.
3. Budget for costs of tax sale exceeded in most years.
4. No documentation of activity related to tax lien obligations, costs and cash accounts retained.
5. Activity related to tax lien obligations, cost and cash accounts only recorded at year end in 14th period activity and are not tracked on an ongoing basis.
6. The Board has a limited understanding of the terms and implications of the tax lien sales transactions.

Recommendations

1. Cease tax lien sale transactions.

