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NEWS RELEASE

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Auditor of State Mary Mosiman today released a report on a special investigation of the football program at Lincoln High School (Lincoln) within the Des Moines Independent Community School District (District) for the period May 30, 2003 through October 31, 2012. The special investigation was requested by District officials due to concerns proceeds from certain fundraising events were not properly deposited to the Student Activity Fund maintained by Lincoln.

Mosiman reported the special investigation identified \$121,267.58 of net undeposited collections related to the football program, including \$83,532.58 from poster advertising sales which were diverted to a non-District bank account and \$37,735.00 from vendor discount card sales. Mosiman also reported it was not possible to determine whether collections for youth football camp registrations were properly deposited because team rosters or other supporting documentation had not been maintained.

In addition, the special investigation identified \$1,500.00 of undeposited collections from vendor discount card sales for the Lincoln baseball program, including \$1,000.00 which was deposited to a non-District bank account.

Collections are received from donors in exchange for advertising on the annual varsity football schedule poster. According to District officials, the collections were primarily solicited by the daughter of the former Head Football Coach, Tom Mihalovich, which he confirmed. According to Mr. Mihalovich, his daughter canvassed local businesses to obtain donations. Vendors pledged a donation amount at the time of the solicitation and were subsequently invoiced by Mr. Mihalovich. Based on a review of an invoice obtained by Lincoln's Principal, the invoice stated the donation was for "Lincoln Football." However, the subsequent collections from the pledges were not deposited with the District, but were deposited to a non-District bank account established by the parent of a former football team member on May 30, 2003. Although it appears the bank account was used to support the football program, depositing the collections to a non-District bank account prevented the collections from being subject to the District's oversight and approval processes to ensure the collections were properly accounted for and used for appropriate purposes. For the period May 30, 2003 through October 31, 2012, deposits to the non-District bank account totaled \$91,057.58. Disbursements from the bank account totaled

\$69,656.00, of which \$8,500.00 was paid to the District. As of October 31, 2012, the balance in the non-District bank account totaled \$21,401.58.

In 2008, Mr. Mihalovich began working with Ace Fundraising to sell discount cards as a fundraiser for the football team. The discount cards were sold for \$20 each with the District retaining 60% of the profits in 2008 and 70% of the profits beginning in 2009. The fundraising event was a week-long sales event ending with a 1-day “blitz” during which members of the football team sold the discount cards door-to-door. At the end of the day, a representative from Ace Fundraising, along with Mr. Mihalovich, reconciled the total collections and unsold discount cards. The Ace Fundraising representative immediately collected the vendor’s portion of sales from the cash collections. Mr. Mihalovich signed a reconciliation form for the 2008 through 2010 sales confirming his agreement with the representative’s calculation of total sales, the District’s share and the vendor’s share. In addition, the Ace Fundraising representative provided Mr. Mihalovich “free” discount cards which were subsequently sold to raise additional funds.

Mr. Mihalovich was responsible for remitting the District’s share of the collections to the bookkeeper at Lincoln. According to an interview with the District’s Internal Auditor, Mr. Mihalovich stated he took the cash and checks received to his business to recount and recheck the totals prior to depositing the proceeds with the District. He stated he was concerned some checks would be returned if not deposited immediately. As a result, he would bring the bookkeeper a batch of checks and remit the remaining collections after the initial deposit. However, \$37,735.00 of the total proceeds of \$92,400.00 was not deposited with the District.

In addition, Mosiman reported the Lincoln baseball team sold discount cards in 2012 and 2013 in the same manner as the football team. However, proceeds of \$1,000.00 from the 2012 sales were deposited to a non-District bank account and \$500.00 was not deposited. The remaining \$7,096.00 of collections was deposited with the District. All proceeds from the 2013 sales were deposited with the District.

This report includes recommendations to strengthen the District’s internal controls and overall operations, such as ensuring all fundraising events are properly approved, receipts are issued to the activity/group sponsor immediately upon remittance of proceeds and sufficient supporting documentation is maintained for all fundraising activities. In addition, the report includes a recommendation to ensure all donations solicited in the name of the District or a District-sponsored activity/group are properly deposited with the District.

Copies of this report have been filed with the Division of Criminal Investigation, the Polk County Attorney’s Office and the Attorney General’s Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State’s web site at <http://auditor.iowa.gov/specials/1230-1737-BE00.pdf>.