



Pasco County Schools

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Internal Audit

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DATE: July 18, 2017

TO: School Board of Pasco County

FROM: Mary Tillman CPA CIA, Director of Internal Audit

RE: Chasco Middle School Internal Accounts Audit 2014-15 – Part 2

INTERNAL AUDITOR'S REPORT ON COMPLIANCE

Pursuant to State Board of Education Rule 6A-1.087(2), Florida Administrative Code and School Board Policy #6830, an audit was conducted for Chasco Middle School for the fiscal year ended June 30, 2015. This audit was conducted to determine compliance with certain District policies and procedures as well as good business practices that ensure accurate financial reporting.

Although internal controls and compliance are reviewed during the regular school audits (Part 1), the purpose of a Part 2 audit is to make a closer examination at selected schools of certain categories of transactions that have higher risk potential of error, fraud or noncompliance. Specifically, the Part 2 audit includes the examination of athletic activities, including concessions, gate receipts, control of tickets, fundraisers and athletic participation fees. The Part 2 audit also includes other fundraisers and control over payroll, fixed assets and support organizations. Schools are selected for Part 2 audits based on prior audit experience and dollar value and volume of certain transactions.

For more information on the methodology of the audit process please view:

http://www.pasco.k12.fl.us/library/audit/AUDIT_METHODODOLOGY_INTERNAL_ACCOUNTS_2014-15.docxh

Financial statements for the schools' internal accounts may be found on page 122-123.

http://www.pasco.k12.fl.us/library/finance/cafr/Final_CAFR_Pasco_Schools_FY15.pdf

Notes to financial statements are found here:

http://www.pasco.k12.fl.us/library/audit/NOTES_TO_FIN_STMTS_INTERNAL_ACCOUNTS_2014-15.docx

A discussion of issues included in this audit report are listed below:

- Athletic Participation Fees
 - Students are required to pay a fee, which is approved annually by the Board, to participate in school athletics. It is the school's responsibility, usually through the athletic director, to make sure that these fees are collected. If the student is financially unable to pay the fee, there are a limited number of sources from which this fee can be paid. The school internal accounts and the school booster clubs may not pay the fee on behalf of a student due to FHSAA rules. Usually the fee must be paid by a parent or community member on behalf of the student.

- Coding
 - Account codes for internal accounts are provided by the Florida Department of Education in Chapter 6 of the Financial & Program Cost Accounting & Reporting for Florida Schools, otherwise known as the “Red Book”. Using the correct account codes is very important, both for financial review and analysis and for compliance with Department of Education rules.
- Collections
 - It is important for proper internal controls that two employees are involved in all collections. Therefore all collections are made initially by someone other than the bookkeeper. Collections documents are totaled, signed and dated by the employee making the initial collections. Then the collections are verified by the bookkeeper who then signs and dates the collection document. Collection documents are returned to the original collector with an official receipt number so that the original collector can compare the amount recorded and deposited to the amount originally turned in.
 - For the voluntary fees collected from students, the registration forms must be retained to support the amounts and types of fees collected.
 - Collections are required to be turned in to the bookkeeper within the same day of initial receipt when at all possible to reduce the risk of loss or theft.
 - Collections are required to be deposited to the bank within 5 working days of initial receipt to reduce the risk of loss or theft.
- Fixed Assets
 - All property items whether purchased through District or internal funds that meet the threshold for capitalization must be tagged and included in the school’s inventory. Any employee who uses property items off campus must complete and sign an Equipment Check Out form. This form is completed annually, includes the employee’s responsibility for the item and is also signed by the school principal.
- Fund Raising Activities
 - The person responsible for the fund raising activity completes a fund raising application, which is approved by the principal prior to the event. The application includes information about the activity including the purpose, dates, whether it is a catalog sale, dance, fair, walk-a-thon or other type of event. The application also includes a budget that shows estimated revenues, expenditures and profit. After the conclusion of the event, the recap portion of the fund raising application must be completed. The recap shows actual revenues, expenditures and profit so that an analysis can be made of the success of the activity.
- Payroll
 - All employees (including administrators) must complete a daily timesheet which shows the time that they start working, when they end the work day and their lunch time if they have an unpaid lunch period. Employees must total their hours worked for the biweekly pay period and sign the timesheet. If an employee takes leave during the pay period, he must note that on the time sheet. The employee responsible for payroll processing must enter the leave taken in Munis.
- Sales Tax
 - The District has a Consumer’s Certificate of Exemption that also covers the schools. The certificate states that the exemption applies only to purchases made by the schools for educational purposes when using a school check or P-Card. If an employee purchases an item for the school which would have been exempt if a school check or P-Card had been used with personal funds, the employee will not be reimbursed for the tax paid. School employees are encouraged to use P-Cards for exempt purchases. If the employee does not have a P-Card issued to him, there are school based P-Cards available for specific purchases.

- Tax exempt purchases include purchases for classroom activities and general school use as well as student/teacher recognition and purchases made for extra-curricular activities and events which include but is not limited to student clubs, band, athletics, etc.
- Items purchased with student/parent's personal funds are taxable. Schools cannot collect money from students/parents and use the District's tax exempt certificate when making purchases from vendors.
- Purchases made by Club dues that are increased to cover the cost of an item that the student will keep are not taxable. This is built into the cost of being part of the club and the increase in cost is an incidental portion of the club dues. Club dues should be standard for every student participating.
- If the item purchased is for resale, it will be taxed. This includes items sold at the school store and fundraisers. Schools will pay sales tax when purchasing the items for resale. Items for resale include taxable food, drinks, and serving supplies.
- Items purchased for sale in concession stands are taxable since these items are for resale. Sales tax will be paid when purchasing taxable food, drinks, and serving supplies rather than back the tax out at the point of sale.
- Support Organizations
 - Principals and presidents of support organizations such as booster clubs and PTAs must sign the Support Organization Agreement. Support organizations must complete fund raising applications to document principal approval for activities. Support organizations that operate outside the school internal accounts must submit quarterly financial reports to the school and an audit report at the end of the school year. School staff must not participate in the financial operations of the external support organizations, such as signing checks.
- Tickets/Ticket Logs
 - Pre-numbered tickets act as official receipts for collections for certain types of events such as dances, plays and sporting events. Ticket stock is held by the school bookkeeper. A printer's affidavit is included with newly purchased ticket roles and must be retained to document the ticket numbers received. Tickets are checked out to employees by the bookkeeper via a ticket log. Collections from ticket sales are recorded on a specialized collection document called a Report of Ticket Sold. After the event, the tickets are returned to the bookkeeper and the receipt is entered on the ticket log. At the end of the school year, the bookkeeper completes and inventory of the tickets on hand.

For more information on the audit process, please see the Internal Audit website.

CHASCO MIDDLE SCHOOL

- ATHLETICS

- Concessions

- ❖ Football

- None of the four (4) Reports of General Sales used to record the collections from the concession stand totaling \$1,986.13 show the breakdown of the deposit, they only show the total deposit.
 - None of the four (4) cash collections was remitted to the Bookkeeper within 24 hours. Three (3) of the four (4) collections totaling \$1,620.88 were remitted within 48 hours, but the last collection of \$365.25 from 10/17/14 was not remitted until 10/23/14 (Fri-Thu).
 - Two (2) of the six (6) concession purchases were incorrectly coded to concession sales object code 920 instead of concession expenses object code 598.
 - Concession funds were used to purchase t-shirts for teachers and for staff but the transactions should have been coded to Other Materials & Supplies instead of concession expenses as the t-shirts are not expenses related to the concession stand. Concession expenses should only include purchases of concession supplies for resale, payment of the concession permit, and other expenses related to the concession stand.

- ❖ Girls' Basketball

- None of the four (4) Reports of General Sales used to record the cash collections from the concession stand totaling \$862.95 shows the breakdown of the deposit, the reports only show the total deposit.
 - One (1) of the four (4) cash collections totaling \$136.65 was not remitted to the Bookkeeper within 24 hours. The cash was collected on 12/10/14 and it was not remitted until 12/16/14 (Wed-Tue).
 - One (1) of the four (4) concession purchases of supplies for the concession stand was incorrectly coded to Supplies Expense 510 rather than 598 for Concession Stand Expenses.

- Gate Receipts and Ticket Inventory

- ❖ Football

- An old version (6/2006) of the Report of Tickets Sold was used to record ticket sales for all four (4) football games. This old form only requires two signatures, one for the Representative and one for the Bookkeeper; the new form dated 3/2014 requires three signatures: the ticket seller, the ticket taker or designee, and the Bookkeeper or Cashier. The new form is more specific as to who needs to sign the form. The staff involved in the ticket process who sign the form should be the ones held accountable for the money collected at the event.
 - The amount of the change fund was not included in the Report of Tickets Sold. This amount should be included in the report as part of the audit trail.
 - The 2014-2015 Change Fund Log for Athletics and Concessions could not be located.
 - A Ticket Distribution Sub-Log was not used. There is no record of who the ticket sellers were, the only name on the Ticket Inventory Report is the Business Manager's.
 - The gate receipts were not remitted to the Bookkeeper within 24 hours. Three (3) of the four (4) Reports of Tickets Sold were remitted within 48 hours of collection. The fourth report was remitted four days after collection (Fri-Thu).
 - The List of complimentary ticket passes was not located.

- ❖ Girls' Basketball

- An old version (6/2006) of the Report of Tickets Sold was used to record ticket sales for one (1) of the four (4) girls' basketball games. This older form only has two signatures, one for the Representative and one for the Bookkeeper. The new form dated 3/2014 requires three signatures: the ticket seller, the ticket taker or designee, and the Bookkeeper or Cashier. The new form is more specific as to who needs to sign the form. The staff involved in the ticket process who sign the form should be the ones held accountable for the money collected at the

event. The other three (3) ticket sales used the newer version; however, the Business Manager signed off for both the ticket seller and the ticket taker.

- The amount of cash used for change purposes was not included in the Report of Tickets Sold. This amount should be included in the report as part of the audit trail.
- The 2014-2015 Change Fund Log for Athletics and Concessions could not be located.
- A Ticket Distribution Sub-Log was not used. There is no record of who the ticket sellers were, the only name on the Ticket Inventory Report is the Business Manager's.
- The gate receipts were not remitted to the Bookkeeper within 24 hours. Two (2) of the four (4) Reports of Tickets Sold were remitted four days after collection (Wed-Tue).
- The List of complimentary ticket passes was not located.
- The Year-End Ticket Reconciliation was signed by the Business Manager who is the custodian of the tickets. The custodian of the tickets should not be the same person doing the ticket inventory at the end of the year. Separation of duties is a preventive internal control that should be implemented with regards to the management and accounting of athletic tickets.

➤ Change Funds

- The 2014-2015 Change Fund Log provided is incomplete. It includes the \$1,000 change fund issued for Orientation on 7/31/2014 and a partial return of \$900, \$700 on 9/18/2014 and \$200 on 11/20/2014. The final \$100 of the total \$1,000 change fund issued for Orientation was returned on 5/26/2015, but the amount was not included in the log. The entire \$1,000 should have been returned to the Bookkeeper at the end of Orientation rather than holding the cash to be used for a different purpose or event. A different change fund should have been issued to be used for the different purpose or event.
- The Change Fund Sub Log for Orientation only shows that \$640 of the \$1,000 total change fund were distributed to the people that worked at Orientation. A smaller change fund would have been more appropriate for this event and should be considered for the following year to avoid withdrawing more cash than needed.
- The Change Fund Sub Log shows that \$640 was distributed for Orientation, but \$670 was returned on 8/13/2014. The entry shows that shows \$20.00 was received by employee but \$50 was returned. The date of return is missing from the log. This \$30.00 error is probably a typo but should be avoided.
- The Change Fund Log does not include any information about the \$700 issued to the Business Manager for concessions. It could be that a separate Change Fund Log was kept for concessions, but that log was not found.

➤ Cash Transfers/Adjustments

- On 7/31/2014, \$5,964.27 from Basic General Fees activity #922101 were transferred to the Principal's account. The Bookkeeper's description in Munis was "Per Principal"; it appears that the Principal may have authorized the transfer, however it was not signed by the Principal. This finding was included in last year's audit report because the auditor became aware of it while doing fieldwork in March 2015 for the 2013-2014 audit. Please see the second bullet under Journal Entries in section 1 above. The auditor verified that no funds were transferred to the Principal's account from Basic General Fees in the current audit year.
- On 7/31/2014, \$4,530.84 from the Principal's Fundraising General activity account were transferred to the Principal's General account. This transfer occurred at the beginning of the fiscal year and included fundraising funds generated by the Cookie Dough fundraiser sponsored by the Administration. However, the Fundraising Application for the Cookie Dough fundraiser did not include a purpose for the fundraiser so the auditor was unable to evaluate whether the transferred funds were used for the purpose agreed and approved on.
- On 8/14/2015, \$6,300 from Yearbook were transferred to the Principal's account on 8/14/2015. The auditor reviewed the Principal's account and noticed that there were many expenditures coded to Promotions and Public Relations. Yearbook funds are more appropriately used for the students.

➤ Athletic Participation Fees

❖ Football

- ABC funds were used to pay the participation fee for one of the students that had financial difficulties. The ABC Guidelines do not allow ABC funds to be used for this purpose. The journal entry form used to transfer the ABC funds was not dated by the sponsor.
- Monies Collected Form #31022 for \$175.00 (\$90 in checks, \$85 in cash) was remitted to the Bookkeeper 48 hours after collection and Monies Collected Form #33635 (\$5 in cash) was remitted to the Bookkeeper 72 hours after collection. The policy is that money collected should be remitted to the Bookkeeper within 24 hours of collection.

❖ Girls Basketball - Varsity

- Athletic Participation Monies Collected Form #43572 was not signed and dated by the Bookkeeper when the money was received.

• NON-ATHLETIC FUNDRAISERS

➤ Fundraising Revenue and Expenditures

❖ World's Finest Chocolate Fundraising

- According to the fundraising recap sheet, total funds collected were \$8,875 versus total funds collected per MUNIS were \$9,025. The bookkeeper was unable to provide the information or documentation to explain the discrepancy. Debi Hasson (Media Specialist) was the sponsor for this event but she has no detailed income/revenue ledger.
- One (1) out of nineteen (19) Monies Collected Forms (MFC) shows that more than 24 hours passed before the funds were submitted to the bookkeeper. Amount collected is \$594 (\$534 in cash). (CHMS - Gradventure #55834).
- Review of Activity Manager's Report revealed that headphones in the amount of \$101.49 were purchased by and reimbursed to Debi Hasson. Purpose of the purchase was for the prize for the Chocolate Fundraiser. On the form MIS #172, the coding is 5590xxxx (Other materials & supplies) but 5590xxxx (fundraising supplies) was input in MUNIS. Since the headphones were not sold to raise funds, this is considered an error.

❖ Admin Dance

- Per monies collected form (MIS #170) the Purpose of the fundraiser was for Back to School Dance. Fundraising application is missing principal's approval. There is no fundraising recap sheet on file.
- Out of eleven (11) monies collected forms, four (4) were not submitted to the bookkeeper timely. Monies collected were in cash (except \$10 in 36538-p2) as follows:

Receipt #	Received	Submitted	Amount
36552	10/02/2014	10/06/2014	\$34.00
36536	10/02/2014	10/06/2014	34.00
36538-p1	10/02/2014	10/06/2014	34.00
36538-p2	10/02/2014	10/06/2014	42.00

• PAYROLL

➤ Time and Attendance

- No timesheet used by the Principal and the Assistant Principals on the payroll runs selected for testing.
- ❖ Payroll Run #508
 - No Principal approval on the timesheet.
 - Two (2) of the thirty-one (31) employees tested did not sign in or out.

- One (1) of the thirty-one (31) employees tested had leave time deducted from his leave balance even though the employee signed in and out for a full day on that day. The employee was charged seven and a half (7.50) hours of sick time on 9/26/2014, but the timesheet shows he/she worked a full day.
- The BCE timesheet says the student was out on 9/17/2014 but the student was paid for four (4) hours of work.
- Total leave time of four (4) hours entered by an employee on his timesheet was not deducted from the employee’s leave balance. The employee entered four (4) hours of personal time for 9/16/14, but the leave time was not deducted from his leave balance.

❖ Payroll Run #512

- None of the timesheets were signed by the principal for approval.
- Four (4) leaves taken were inconsistent between timesheet and MUNIS as follows:

<u>ID</u>	<u>Time sheet</u>	<u>Time charged in MUNIS</u>
832826	3.75	0.00
802218	80.00	32.00
823331	8.00	0.00
<u>820104</u>	<u>8.00</u>	<u>0.00</u>
Total	99.75	32.00

❖ Payroll Run #517

- An Instructional Assistant worked seven (7) hours a day but was charged seven and a half (7.50) hours of leave time on 1/30/2015. The auditor reviewed the employee’s payroll history and noticed that the amount of leave time charged to the employee for a full day is not consistent. The employee was charged seven (7) hours a day at times and other times was charged seven and a half (7.50) hours a day.
- A total of four (4.00) hours of leave time entered by an employee on her timesheet was not deducted from the employee’s leave balance. The employee was not charged four (4) hours of sick leave on 1/23/2015.
- One (1) of the thirty-one (31) employees selected for testing did not sign in or out on 1/30/15.
- One (1) employee entered “Out” on her timesheet without specifying whether she was taking leave or attending a training.
- One (1) teacher who took a full day of personal leave was charged seven (7) hours of leave time instead of seven and a half (7.50) hours. Teachers work a seven and a half (7.50) hour work day and should be charged seven and a half (7.50) hours when taking a full day of leave.

❖ Payroll Run #522

- None of the timesheets were signed by the principal for approval.
- Two (2) employees worked 2 hours Extended Day (ED) while the agreement allowed 1.75 hours.
- One (1) employee’s timesheet was incomplete missing hours worked and signature.
- One (1) employee did not indicate hours worked on 4/10/2015.
- Two (2) employees’ leave taken on 4/3/2015 and 4/1/2015 were not posted in MUNIS.

➤ Dual Jobs

❖ Payroll Run #508:

- A part time Custodian worked one and a half (1.50) hours as a Food and Nutrition Services substitute but the hours were not entered on a separate timesheet. The hours were included in the Time Entry Report using code 175. It is not clear how the payroll processor knew how many hours the person worked as a substitute.

- ❖ Payroll Run #512:
 - One (1) employee was a custodian and sub for FNS. She did not sign substitute timesheet.
- ❖ Payroll Run #517:
 - A part time Custodian worked five (5) hours as a Food and Nutrition Services substitute but the hours were not entered on a separate timesheet. The hours were included in the Time Entry Report using code 175. It is not clear how the payroll processor knew how many hours the person worked as a substitute.
- FIXED ASSETS
 - ❖ Seventy-eight percent (78%) of MacBook Airs were properly tagged, and maintained properly as follows:
 - Sixteen (16) out of twenty-eight (28) MacBook Air were visually identified. Their tag numbers were verified and consistent with those recorded in MUNIS.
 - There were several charging carts in the I-Mac Lab in the Media Center. Auditor reviewed each cart to identify the Tablet Charging Cart with tag #90095859, however it was not located. This charging cart was purchased on 6/30/2015 at \$1,629.38.
 - During the Part 1 audit, Honda pressure washer purchased at \$1,595.00 was identified and verified however there is no tag number on the property. Auditor advised the bookkeeper to provide the information to Property Control to have them issue a property tag.

Principal's Response:

I, Brandon Bracciale, was not principal of CHMS during the audit period.

Brandon Bracciale, Principal

Chasco Middle School



INTERNAL AUDITOR’S REPORT ON INTERNAL CONTROL AND COMPLIANCE

Internal Control over Financial Reporting

In planning and performing our audit of the schools’ balance sheet amounts, we considered the schools’ internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinions on the balance sheet amounts reported, but not for expressing an opinion on the effectiveness of the schools’ internal controls. Accordingly, we do not express an opinion on the effectiveness of the schools’ internal controls.

During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, except as noted below. However, additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the schools’ balance sheet amounts reported are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of balance sheet amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We reported our findings and recommendations to the School administration in a separate management letter. The Principal’s response is included in this report; however, their responses were not reviewed as part of our audit.

MATERIAL WEAKNESS

Segregation of Duties

During the audit, we identified a control deficiency in internal control over financial reporting. The bookkeeper at the School has the primary responsibility for most of the accounting duties. As a result of this lack of segregation of duties, internal controls are weakened increasing the risk that a misappropriation of the School’s assets could occur and not be detected in a timely manner. There are compensation controls that bolster the effect of the controls in place over financial reporting, such as monthly review and approval of the bank statements, reconciliations, and financial reports by the Principal. In addition, the School is required to submit these monthly reports to the Finance Services Department. Personnel at the Finance Services Department review these reports and any discrepancies noted are immediately researched and communicated to the School.

Prior Audit Follow Up

We reviewed last year’s findings and recommendations to ensure that the corrective action plans outlined in the principal’s responses were implemented by the School during this audit period. Except as noted below, our audit tests disclosed that the School had taken corrective actions for audit findings included in previous audit reports.

For more information on the Report on Compliance and Internal Control over Financial Reporting view:

http://www.pasco.k12.fl.us/library/audit/REPORT_ON_COMPLIANCE_INTERNAL_ACCOUNTS_2014-15.docx