



# Pasco County Schools

Kurt S. Browning, Superintendent of Schools  
7227 Land O' Lakes Boulevard • Land O' Lakes, Florida 34638

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## Internal Audit

Mary Tillman, Director

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DATE: March 7, 2017

TO: School Board of Pasco County

FROM: Mary Tillman CPA CIA, Director of Internal Audit

RE: Internal Accounts Audit 2015-16 – Part 1 – 9 Middle Schools out of 15

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## INTERNAL AUDITOR'S REPORT ON FINANCIAL REPORTING

Pursuant to State Board of Education Rule 6A-1.087(2), Florida Administrative Code and School Board Policy #6830, an audit was conducted for the following Pasco County schools for the fiscal year ended June 30, 2016.

This report includes the results of audit for several Pasco County schools for the fiscal year 2015-16. The audits were conducted to determine compliance with certain District policies and procedures as well as good business practices that ensure accurate financial reporting.

Since moving to the ERP system Munis in April 2014, the internal accounts fund does not have a complete set of standard financial statements available. However, there is a Munis report titled *Account Summary Trial Balance* (Report #1) that includes balance sheet amounts. Audit steps were performed to verify material amounts on this report. Only balance sheet amounts are reported for internal accounts on the District's Comprehensive Annual Financial Report. Therefore, I have determined that this report along with our review of internal controls was adequate for me to base my opinion that the financial statements referred to above present fairly, in all material respects, the financial position of the Pasco schools' internal accounts for the fiscal year ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

Munis financial statements, including a Balance Sheet and a Statement of Revenues, Expenses and Fund Balances have been developed for monthly use by the schools starting in November 2016. We will review these reports in the next audit cycle.

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

[http://www.pasco.k12.fl.us/library/audit/AUDIT\\_METHODODOLOGY\\_INTERNAL\\_ACCOUNTS\\_2015-16\\_2.docx](http://www.pasco.k12.fl.us/library/audit/AUDIT_METHODODOLOGY_INTERNAL_ACCOUNTS_2015-16_2.docx)

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\\_FY16.pdf](http://www.pasco.k12.fl.us/library/finance/cafr/Final_CAFR_Pasco_Schools_FY16.pdf)

Notes to financial statements are found here:

[http://www.pasco.k12.fl.us/library/audit/NOTES\\_TO\\_FIN\\_STMTS\\_INTERNAL\\_ACCOUNTS\\_2015-16.docx](http://www.pasco.k12.fl.us/library/audit/NOTES_TO_FIN_STMTS_INTERNAL_ACCOUNTS_2015-16.docx)

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

- Cash Transfers/Adjustments
  - Journal entries are prepared by the bookkeeper to adjust the individual accounts for errors, transfers, bank account interest or other changes. The supporting documentation must include a thorough explanation for the transfer or adjustment and must be signed by the bookkeeper. Supporting documentation that affect the cash balance of an Activity (project) must be reviewed and approved (signed) by the principal and by the employee responsible for the Activity or Activities.
- 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
  - 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.
- Donations
  - Donations made to the school by individuals or corporations may be deposited to and spent from the internal accounts of the school as long as there are no subsequent reporting requirements. Donated funds must be spent in accordance with the instructions from the donor.
  - Copies of the check and any other accompanying documents must be retained.
- Expenditures
  - An employee wanting to make an expenditure from internal accounts must complete a Purchase Order/Check Requisition (MIS #172) which is approved by the principal prior to the purchase being made. Purchases must be approved by the principal in advance so that the bookkeeper can determine that sufficient funds are available and since the principal is responsible for the internal accounts of the school, he must have the opportunity to approve or deny all purchases prior to them being made. If the date of approval is not included, we are unable to determine whether approval was made in advance or not.
  - If the actual purchase cost exceeds the approved amount on the Purchase Order/Check Request, the increased amount must be checked by the bookkeeper for sufficient budget and the principal must approve.
  - All purchases must be documented by an original receipt or invoice. Warehouse charges, transportation charges, payroll transactions charged to internal accounts and general journal charges must be documented with a delivery ticket, TERMS transportation requests, internal accounts payroll request and information from Finance re: any general journal charges.
- Fee Supported Programs
  - The district allows fee supported programs and camps of special interest to be offered at schools upon the review and approval of the school principal and the appropriate district supervisor. Fee supported programs, other than work related coursework or job training will be approved based on demand, sufficient enrollment, and approval by the principal and district office.
  - Fee-based camps must be for the benefit of students

- A School Sponsored Camp/Fee Supported Program Proposal form and Budget form must be completed by the interested staff member and approved by the principal.
- Field Trips
  - Field Trip Request forms (MIS #106) must be completed by the teacher organizing the event to document the group attending, the destination, the costs associated and the source(s) of funds to pay the costs, chaperones, and substitutes needed. This form must be approved (signed) by the principal in advance (include date of approval) of the field trip. Depending on the field trip, other approvals may be required.
- 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.
- Healthy School Team
  - Each District school site is required to establish and maintain a Healthy School Team per the Florida Department of Agriculture and Consumer Services (FDACS) published rule.
  - The Student Wellness Policy Implementation Fundraising Regulations and Procedures requires:
    - Effective with the 2015-2016 school year, competitive food and beverage items sold to students during the school day **must** meet the nutrition standards for competitive food as defined and required in 7 CFR 210.11.
    - A fundraising activity should first be identified as either food or non-food sales and indicated on the **revised** Fund Raising Activity (FRA) Application/Recap form by checking the appropriate box. As always, all fundraising activities require a properly completed FRA form to be available for audit.
    - Schools **must** have an annual calendar of fundraisers and indicate “Exemption” days. Does not need to be a separate calendar, but must be accessible on school website
- P-Card Transactions
  - P-Card purchases must meet requirements set out by Purchasing Services. Signed receipts must be uploaded into Munis. Receipts must be detailed and signed by the purchaser. In some cases, an explanation for the purchase should be included if it is not obvious from the information included in the receipt. Some transactions, such as those from PayPal do not include detailed information such as the vendor and the list of items purchased. If this information is not included on the receipt, the actual invoice or “shopping cart” page should be attached to the transaction in Munis.
  - P-card receipts must be scanned into Munis weekly.
- Sales Tax
  - If the item purchased is for resale (fund-raising), 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.
- Missing/Voiced Checks
  - Voiced checks must be controlled so that the information and format included on the check cannot be used to forge checks against the school's account. Voiced checks must be retained with the signature block physically removed and VOID written clearly across the face of the check. Voiced checks are retained to provide accountability over all check numbers issued to the school.
  - Data Entry Errors - Generally check numbers are missing from the Munis system when bookkeepers enter the wrong check number. This practice makes it difficult or impossible to account for all check numbers issued to the school. Again, it is important that all data be entered in Munis accurately.

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

**BAYONET POINT MIDDLE SCHOOL**

- Healthy School Team Fundraiser Calendar
  - Fundraising calendar is not posted on school website.

Principal's Response:

*I am responding with the information you needed regarding Healthy Schools and the Fundraising Calendar for the 2015-2016 audit.*

*Mr. Joseph Lowery, our FNS Manager, is indeed the Healthy Schools Team Leader for Bayonet Point Middle School.*

*Regretfully, the Fundraising Calendar for the 2015-2016 school year was not implemented, as our faculty, staff and students were located on the Fivay High School campus, and busily preparing for our renovated school while performing our current duties as a middle school for our students. My Bookkeeper and I have collaborated with our LDC who is tasked with updating our school website's public calendar. We will make sure to provide her with more detail to include for fundraisers that we may have at our school. If you visit the BPMS website, [bpms.pasco.k12.fl.us](http://bpms.pasco.k12.fl.us), and click on the calendar tab and select main calendar, you will see that the 16-17 calendar lists all of our fundraisers from this school year as well as a little more detail regarding the fundraiser.*

**Shelly Carrino, Principal**



## CENTENNIAL MIDDLE SCHOOL

- Expenditures
  - Check Requisition/Purchase Order (MIS #172) for check numbers 6447 and 6444 payable to District were not on file. Proper approval is required prior to the issuance of the checks from the Internal Account.
  - Check #6438 was for cookie dough fundraiser supplies. Fundraiser Recap sheet (MIS #177) was not on file.
  - Check #6465 was for the purchase of pizza for students who attended MPA Field trip. The Field Trip Request form was not on file.

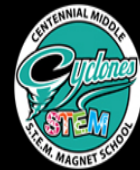
Principal's Response:

*We will work to make sure that all Check Requisition/Purchase Orders are completed for checks that are made payable to the district. When Fundraisers happen on campus we will work to ensure that fundraiser recap forms are completed in a timely manner and given to the bookkeeper.*

*All Teachers will be reminded of this and that all Field Trip Request forms are also completed and turned in with a copy to the bookkeeper and the principal's secretary to ensure we have a copy of the form.*

**Rick Saylor, Principal**

**Centennial Middle School**



## CREWS LAKE MIDDLE SCHOOL

- Healthy School Team Fundraiser Calendar
  - Fundraising calendar was not posted on school website.
- Expenditures
  - Check #1400 in the amount of \$3,883.67 was for the purchase of fundraising supplies. Check Requisition/Purchase Request (MIS #172) was approved for \$2,000.00. The amount spent was over 94% more than was approved. Necessary documentation request for additional funds was not on file.
  - Check #1515 in the amount of \$1,650.00 was the purchase from Food and Nutrition Services for a football banquet. Purchase was made on 4/18/2016 prior to the fund approval on 5/12/2016.

### Principal's Response:

#### Healthy School Team Fundraiser Calendar:

*Our SAC also serves as our Healthy School Team. HST is discussed on a monthly basis as part of our SAC meetings. Our school will do a better job at making sure the school fundraising events are posted on our school website and parent calendar.*

#### Expenditures:

- *Bookkeeper will make sure that all Purchase Orders have a second signature from the Principal, if the amount exceeds 5% of the original amount.*
- *Bookkeeper will make sure there is prior approval from an administrator before an event occurs.*

## David Huyck, Principal

CREWS LAKE MIDDLE SCHOOL



## **GULF MIDDLE SCHOOL**

- Collections
  - Monies collected in the amount of \$170.00 per receipt #149526 were for a field trip to USF. Monies collected for this receipt on 1/25/2016 (Monday) were not submitted to the bookkeeper until 1/27/2016 (Wednesday); out of compliance for fund submission to bookkeeper within 24 hours.

*Principal's Response:*

*Collections: Principal spoke with the teacher who completed the transaction and he/she was reminded that funds must be deposited daily. Finance procedures are explained to staff in the beginning of the school year and also included in the GMS handbook. A reminder is also sent out periodically throughout the year.*

**Jason O. Joens, Principal**





## PASCO MIDDLE SCHOOL

- Collections
  - Funds in the amount of \$40 per Receipt #108204 were collected on 9/1/2015 (Tuesday) and were not submitted until 9/6/2015 (Sunday).
  - Funds in the amount of \$356.00 per receipt #149137 collected on 1/25/2016 (Monday) were not submitted to the bookkeeper until 1/27/2016 (Wednesday).
  - Funds collected in the amount of \$4,907.00 per receipt #120361 were for sales of admission for Country Jam concert. The Report of Tickets Sold (MIS #171) should have been used rather than Report of General Sales (MIS #169).
  
- Field Trip Revenue
  - Funds collected in the amount of \$1,053.00 per receipt #117907 were for a field trip to Lion King. The Field Trip Request form was not on file.
  
- Healthy School Team Fundraiser Calendar
  - Fundraising calendar is not posted on the school's website that is available to general public.
  
- Missing/Voiced Checks
  - Missing checks #13352 and 13353 were missing due to the data entry error as follows:

<u>Check stock</u>	<u>Data entry</u>
13352	13354
13353	13355

Thus, check #13352 and 13353 were issued physically but not entered in MUNIS.
  
- Cash Transfers and Adjustments
  - The Bookkeeper's signature was missing from transfer journals #129277 and #222310.

### Principal's Response:

#### Collections

- *The audit finding was unique to a specific situation where by a teacher was collecting monies after the close of the school day and did not have access to the school's safe. Arrangements have been made to provide the teacher with a school radio for the purpose of contacting a custodian who could then give her access to the school's safe. The teacher has been informed of this procedure and informed that all monies collected must be dropped in the safe prior to leaving campus.*
- *A copy of the field trip request form was found to have been provided to the teacher but did not have the required signatures, indicating that it was given prior to the completion of the form, which would have been consistent with previous practice. It is suspected that the form was completed and misfiled. Bookkeeper will change her practice to completing the form prior to providing the copy to the teacher and file her copy at that point in time.*

#### Field Trip Revenue

- *Bookkeeper was unaware that the MIS #171 should have been used in lieu of the MIS #169. Bookkeeper will make the correction for future events.*

#### Expense

- *Check stock was out of order and Bookkeeper failed to recognize the mistake. Bookkeeper will double check to ensure that check numbers coincide with what is entered into Munis. Principal will also match the numbers before signing any check.*

Cash Transfers/Adjustments

- *Bookkeeper signed the transfer journals at the completion of the process. Because of the fact that entering the journals into TCM occurred in the middle of the process, the transfer journals were entered without the signature. Bookkeeper will sign them prior to entering them into TCM in the future.*

**Jeffrey Wolff, Principal**



## PAUL R. SMITH MIDDLE

- Collections
  - Two (2) collections were not remitted to the bookkeeper's office by the end of the business day.
- Expenditures
  - One (1) invoice was not on file for the reimbursement of club supplies, check #4302 in the amount of \$102.64.

### Principal Response:

*As a new principal at Paul R. Smith Middle School, I am working with staff to review all district procedures to ensure correct implementation. In some cases, procedures were not clear to staff and in other cases, further training and support were needed. I have worked with this staff to correct these issues. In particular, I am working with the school bookkeeper to ensure that we are correctly implementing all accounting procedure as well as best practices. In particular we are reviewing invoicing and P Card practices to ensure correct procedures are followed.*

### JOEL DIVINCENT, PRINCIPAL



**RIVER RIDGE MIDDLE**

- Collections
  - Monies collected by Official Receipt #15141 was not submitted to the bookkeeper within the required 24 hour time period. Monies were collected for PE locks on 2/4/2016 and were not submitted until 2/8/2016.
  - Three (3) coding errors noted as follows:
    - Receipt #111974 – Receipt in the amount of \$150.00 from Dance T-shirt sales should have been coded to 4909xxxx (General Sales) rather than 4929xxxx (Other income);
    - Receipt #135858 – Receipt in the amount of \$170.00 from Cheer Sweat Shirt sales should have been coded to 4909xxxx (General Sales) rather than 4929xxxx (Other income).
    - Receipt #127437 – Receipt in the amount of \$2,132.92 from picture sales commission should have been coded to 4906xxxx (Picture commission) rather than 4914xxxx (fundraising income).
  
- Expenditures
  - Check Request/Purchase Order form (MIS #172) were missing on all five (5) of the sampled items.
  
- Sales Tax Expense
  - Purchase (\$10.91) of sodas from Publix was made by P-card and was a part of Due to District Check #10086. The purpose of the purchase was for fundraising supplies. Publix did not charge sales tax because of the use of P-card. Because the purchased item was a taxable item, the required sales tax should have been paid to Publix or reported to the District.
  
- Cancelled/Missing/Voided Checks
  - There were five (5) data entry errors and error this generated five (5) missing checks.
 

<u>Check Stock Number</u>	<u>Check Number Entered in MUNIS</u>
10141	141
10142	142
10143	143
10144	144
10167	1037
  - No documentation was on file to support seven (7) checks numbered from 9921 through 9927.

Principal Response:

*The Principal and Bookkeeper reviewed the audit findings. Retraining has been completed and diligent monitoring will be in place to minimize future deficiencies. Specific corrective actions are listed below:*

Collections:

*1.) The safe is now checked daily for deposits. 2.) After speaking with a Bookkeeping Coordinator this has been corrected. 3.) Coding errors have since been corrected.*

Expenditures: *As of 11/9/16 an MIS 172 check request will be completed for any check written. The MIS 172 was not needed for #10024 as this was paid against a purchase order.*

Sales Tax Expense: *The Bookkeeping Coordinator has reviewed the sales tax procedures with the bookkeeper and the bookkeeper will pay closer attention to the items being bought and their purpose.*

Cancelled/Missing/Voided Checks: *The bookkeeper will check to make sure the correct check numbers are keyed into Munis before the checks are printed.*

**Marcy Hetzler-Nettles, Principal**



**River Ridge Middle School**

11646 Town Center Road New Port Richey, FL 34654  
 Phone: 727-774-7000 Fax: 727-774-7290

## SEVEN SPRINGS MIDDLE

- Cash Donation Revenue
  - Monies collected per receipt #142546 in the amount of \$2,800 were from a donation from an individual. Copy of check/check stub was not on file to support this donation.
- Field Trip Revenue
  - Monies collected in the amount of \$210.00 per receipt #152291 were for field trip to USF. The funds accepted by the bookkeeper on 1/28/2016 (Thursday) were not deposited until 2/5/2016 (the following Friday).
- Expenditures
  - Check #15496 in the amount of \$9,457.23 was a Due To District check. Detail of payment included P-card purchase, Warehouse orders, and fee based camp. Check Requisition/Purchase Order (MIS 172) was not on file.
  - A sampled item from the check #15496 in the amount of \$4,790.40 was for a fee based camp. Supporting documentation such as Budget/Actual fee based camp form was not on file.
  - Check #15593 in the amount of \$21,542.58 was for Gradventure field trip to Universal Studio. The invoice is dated 1/4/2016 prior to the approval by the principal made on 4/4/2016.
- Cancelled/Missing/Voided Checks
  - Voided check or supporting documentation was not on file for check #15647.
- Cash Transfers/Adjustments
  - Journal #224349 was for the transfer of funds in the amount of \$1,082.35 from 961000 (Athletic Director's account) to 900100 (Principal's account). Supporting documentation was not on file.

### Principal's Response:

*Cash Donation – This should be within the files.*

*Field Trip Request – Unsure why this occurred, possibly missed the bank courier.*

*Expenditures – Documents should have been in the files - the date on the Gradventure was likely an invoice error as the trip did not occur until May.*

*Cancelled/Missing/Voided Checks – Bookkeeper will ensure that her filing system is organized.*

*Cash Transfers/Adjustments – This document should have been on file, but was also scanned into Munis so would be available for review.*

**Dr. Christopher Dunning, Principal**

**Seven Springs Middle School**



## THOMAS E. WEIGHTMAN MIDDLE SCHOOL

- P-Cards
  - The invoice for P-card statement #66174 for the purchase of art materials from Dick Blick was not signed by the cardholder.
  
- Cash Transfers/Adjustments
  - A cash transfer in the amount of \$2000 from the yearbook account was transferred into the Principal's account without the signature of the yearbook sponsor on the Cash Transfer/Cash Adjustments form.

Principal's Response:

*Reviewed findings with appropriate staff and will make corrective actions accordingly.*

### Brandon Bracciale, Principal



## **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 the purpose of expressing our opinions on the balance sheet amounts reported, but not for the purpose of 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 listed below each of our comments; 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 in this report, 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\\_2015-16\\_1.docx](http://www.pasco.k12.fl.us/library/audit/REPORT_ON_COMPLIANCE_INTERNAL_ACCOUNTS_2015-16_1.docx)