



Pasco County Schools

Kurt S. Browning, Superintendent of Schools

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Internal Audit

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DATE: June 6, 2017

TO: School Board of Pasco County

FROM: Mary Tillman CPA CIA, Director of Internal Audit

RE: Internal Accounts Audit 2015-16 – Part 1 – 2 out of 15 Middle Schools
Final Internal Accounts Part 1 Audit Report – Middle Schools for 2015-16

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 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

Financial statements for the schools' internal accounts may be found on page 129-131.

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

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.

- 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. Collection 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.
 - The collection document must also include pertinent information about the collection including purpose, source and date of collection.
 - 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 should be deposited to the bank on the same date of collection or the next business day if at all possible. Otherwise, collections are required to be deposited to the bank within 5 working days of initial receipt to reduce the risk of loss or theft.

- 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.
 - The Purchase order/check requisition includes information about the purchase such as the items to be purchased, purpose, vendor and cost. After the items are received, the employee who made the purchase verifies that the order was filled correctly and submits the signed receipt or invoice to the bookkeeper.
 - 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.
 - The bookkeeper enters the expenditure to the correct account, cancels the receipt or invoice by marking it “paid”. Bookkeepers must pay from an original receipt or invoice so canceling the invoice prevents it from being submitted for payment a second time.

The bookkeeper then prints and signs the check and submits the check and the backup documentation to the principal for signature.

- Reimbursements to employees should be minimal. Many school employees have p-cards and each school has a school-based credit card that can be checked out to an employee for specific purchases. Employees who make purchases made with the expectation of being reimbursed must follow all procedures including obtaining approval in advance, submitting original receipts, using bid vendors if applicable and following sales tax rules.

- Missing/Voided Checks
 - Voided 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. Voided checks must be retained with the signature block physically removed and VOID written clearly across the face of the check. Voided 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.

CHARLES S. RUSHE MIDDLE SCHOOL

- Collections
 - Two collections reviewed were not deposited within 5 business days of receipt:
 - #100474 \$1,227.53 held 18 days
 - #132910 \$60.00 held 6 days
- Expenditures
 - Invoices reviewed for check #7751, issued in the amount of \$586.70 for reimbursement of fundraising supplies show that some purchases were made prior to the approval of the Purchase Request form.
- Sales Tax
 - Sales tax was not paid for pizza purchased for resale in the concession stand. Check #7758, issued in the amount of \$72.99 (Due to District payment) and P-Card statement #78390 in the amount of \$32.99.
- Cash Transfers/Adjustments
 - Three (3) of seven (7) voided checks did not have the signature blocked removed:
 - #7475
 - #7608
 - #7756

Principal's Response:

All findings have been reviewed and procedures will be put into place to correct these areas.

David Salerno, Principal

Charles S. Rushe Middle School



DR. JOHN LONG MIDDLE SCHOOL

- Collections
 - Monies collected in the amount of \$250.00 per receipt #107482 was return of change fund. Change fund log did not contain the transaction that matches the date or the amount.
 - Monies collected in the amount of \$52.00 per receipt #144205 was for fund raising activities for Health Occupations Students of America (HOSA). It should have been coded to Fund Raising (4914xxxx) rather than Field Trip (4913xxxx). Fund raising application was incomplete missing recap section.
- Expenditures
 - Check #5217 in the amount of \$2,500.00 was for change fund for school registration. Change log for this was not on file.
 - Check #5225 in the amount of \$6,963.00 was a purchase of a Tomcat Minimag (floor scrubber) per MUNIS purchase order. Purchase Request (MIS #172) or vendor invoice was not scanned or filed. The item was not tagged per Property Control data. The item was not visually verified on campus because the auditor was advised that the item is in District Maintenance Department for repair. The bookkeeper was reminded to take action to tag this item and to start using PRIZM program.
 - Check #5286 in the amount of \$11,180.19 was a purchase of fundraising supplies from World’s Best of Florida, Inc. d/b/a/ Blue Ribbon Farms. Fund Raising Activity (FRA) Application/Recap (MIS #176) form was not used. Fundraising Application (old MIS #176) was on file; Fundraising recap sheet (old #177) was not on file.
 - Check #5369 in the amount of \$3,603.50 was a purchase of Away Uniforms for the Football team. Coding should have been Other Materials and Supplies (5590xxxx) rather than Furniture & Equipment over \$1,000 (5641xxxx).
 - Check #5388 in the amount of \$1,349.73 was a Due to District check for P-card and payroll transaction. Selected item in the amount of \$69.19 was coded with PRJ (Payroll Journal) but applicable purchase request (MIS #172) or payroll approval document from the principal was not on file.
 - Check #5302 was a Due to District check for \$2,892.92. Selected item in the amount of \$205.90 was a payment to Hungry Howie’s pizza for concession stand products consisting of P-card transactions #65032 (\$60.96), #65663 (\$31.36) and #65507 (\$114.50). Sales tax was not paid or accrued for P-card #65507.
- Cash Transfers/Adjustments
 - Cash Transfer/Cash Adjustment form (MIS #152) was not supported by required documentation. MUNIS transfer report with the principal signature only was on file (without the signature of the originating account) for Journal #137730:

<u>Journal #</u>	<u>Amount</u>	<u>From</u>	<u>To</u>
137730	\$10,000.00	940200	900101

- No documentation was on file to support the transfer Journal #228127:

<u>Journal #</u>	<u>Amount</u>	<u>From</u>	<u>To</u>
228127	\$2,881.34	965623	900404

<u>Account</u>	<u>Description</u>
900101	Principal's Fund A
900404	Principal's Fundraising A
940200	Yearbook
965623	Cheerleading

- Please note that the signatures of both the origin and destination account sponsors are required for cash transfers.

Principal Response to the Internal Accounts Audit 2015-16 Part 1 was not received.

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