



Pasco County Schools

Kurt S. Browning, Superintendent of Schools
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Internal Audit

Mary Tillman, Director

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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 18 High Schools
and Pasco e School

Final Internal Accounts Part 1 Audit Report – High 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:

- Bank Accounts
 - Schools each have their own checking account. Schools are responsible for updating signature cards whenever there are staff changes to the signers on the bank account. Schools are required to have at least 4 signers, at least 2 must be administrators. Also the bank statements must include the front and back of all cleared checks. All checks must have two signers, one being an administrator.
 - All official documents must be signed with an original signature, not a signature stamp.
- 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.
- Change Funds
 - Change funds are issued and used for specific events such as a dance or a sporting event. The change fund is issued via a check to the employee in charge of the event, usually the business manager in the case of sporting events. The bookkeeper and the employee responsible for the change fund both sign a change fund log. When or if the employee responsible for the change fund distributes part of that change fund to other people, those people and the employee responsible for the change fund also sign a change fund sub log. The change fund must be redeposited immediately after the event.
- Charges to Students
 - No provision exists which would authorize the requirement of payment of fees for consumable materials and supplies, educational materials, matriculation, or tuition as a prerequisite to a student's enrollment in public school.
 - The Board is authorized to receive gifts and donations and is held accountable for such. The Board is authorized to solicit students for financial assistance to cover the cost of consumable and other educational materials and supplies. The response to such solicitation must be entirely voluntary on the part of the student or his/her parents, therefore no sanctions will be imposed against a student who did not voluntarily respond to such solicitation.
 - The Board shall approve all fee schedules before they become effective.
- 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. 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.
- 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.
 - 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.
 - 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.
- Gift Cards
 - Gift cards may not be purchased for employees. The Internal Revenue Service considers gift cards purchased by an employer to be income to the employee. It is not practical for the District to accumulate information on gift cards to employees in order to adjust the employees' W-2s at year end.
 - Gift cards in reasonable amounts may be purchased for students as rewards or incentives. The employee responsible for the gift cards must complete a log of all gift cards purchased. The log is then submitted to the bookkeeper. Each student receiving a gift card must sign the log. Any undistributed gift cards must be returned to the bookkeeper for safekeeping.
- 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.

- One Time Vendor
 - Munis provides a generic option to use as a payee for internal accounts checks. This allows the school bookkeeper to write a check to someone who has not been vetted as a vendor by Purchasing. The actual payee is recorded in the system but not in a way that it could be included in normal computer search. Therefore these transactions cannot be identified or analyzed with similar transactions. Also, checks are written against internal funds to payees who have not been vetted and approved by Purchasing.
 - There are certain circumstances where it is appropriate to use the One Time Vendor as a payee. When checks are written to parents or students as refunds, it is not practical to vet these individuals as vendors. When writing checks to employees for change funds, it is appropriate to use the One Time Vendor options because the check is not being written to the employee for goods or services and the transaction could be identified by the change fund coding. Any other use of the One Time Vendor is not allowed.

- 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.

- Refunds
 - If a refund must be issued to a student, the staff member involved in the transaction (not the bookkeeper) must complete a Purchase Order/Check Requisition (MIS #172) for approval by the principal. The bookkeeper will write the office receipt number from the original Monies Collected Form where the funds were collected.

- 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.
- Tangible Personal Property
 - Tangible personal property consists of furniture, computers, motor vehicles, and other items of a non-consumable, non-expendable nature that cost \$750 or more and have a normal life expectancy of one or more years. Property items meeting this description must be accounted for in the Munis system and tagged with a District bar coded property tag, regardless of how they were acquired. Other items such as iPads are separately tagged and entered in the Munis system even though their cost is generally less than \$750.
- 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 an inventory of the tickets on hand.
- Travel
 - All travel reimbursements for mileage, meals, per diem and other expenses must be made through the District. The District will either charge the appropriate district budget account or charge back to internal accounts.
- 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.

CENTER FOR THE ARTS AT RIVER RIDGE HIGH SCHOOL

- Collections:
 - Monies collected in the amount of \$2,220.00 per receipt #157035 was an unrestricted donation from Patsy Cline. It should have been coded to Donation (4922xxxx) rather than Ticket Sales (4910xxxx).
- Expenditures:
 - Check #1535 in the amount of \$488.24 was for the purchase of two (2) networking equipment items for the vendor who provides sound effects during the show. The purchased items were shipped to the vendor’s home address instead of Center for Arts at River Ridge. Auditor requested to visually inspect the purchased items but the bookkeeper informed that the equipment is located at the vendor’s house. Please be advised that any and all equipment purchased by the Center for Arts must be shipped and retained at the Center for Arts and River Ridge High School.
 - The following two purchases were made prior to proper approval of funds:

<u>Check #</u>	<u>Amount</u>	<u>Date of Request</u>	<u>Date of Invoice</u>
1539	\$213.13	12/4/2015	11/2/2015
1543	\$3,000.00	2/18/2016	2/17/2016
Total	\$3,213.13		

No purchase should be made prior to the proper approval with completed Purchase Request form (MIS #172).

- Sales Tax:
 - Sales taxes were paid directly from the revenue account instead of paid from Sales Tax Payable. Examples were identified when reviewing the Journal entries for adjustments. See section 5. Cash Transfers/Adjustments below.
- Cash Adjustments/Transfers:
 - The following adjustments were completed without approval from the Managing Director of CFA @RRHS:

<u>Journal #</u>	<u>Amount</u>	<u>Description</u>
126896	\$432.87	Sales Tax payment
172426	1,195.00	Correct posting error
190998	38.50	Sales Tax payment
Total	\$1,666.37	

The Managing Director approval is required for any adjustment in the accounts.

- Sales taxes were posted with collections in the revenue accounts and paid directly to the Department of Revenue from the revenue accounts in the form of “adjust downs” with ACH debits from the bank account. They are as follows:

<u>Journal #</u>	<u>Amount</u>	<u>Description</u>
126896	\$432.87	Sales Tax payment
190998	38.50	Sales Tax payment
Total	\$471.37	

Sales Tax should have been posted in and paid from Sales Tax Payable account (226000) and not the revenue account.

Managing Director's Response:

Collections – Proper coding will be used in the future

Expenditures – Future purchases or items will be shipped & retained at the CFA. Also, purchases will be made after proper approval of funds

Sales Tax Expense – Future sales tax will be paid from the sales tax payable account

Cash Transfers/Adjustments – Moving forward, all adjustments will be approved by manager.

Rick D'Onofrio
Managing Director
Center for the Arts at River Ridge



PASCO eSCHOOL

- Collections:
 - The bookkeeper receives all the cash and checks at school. She then provides the counted monies to the principal who signs to certify the amount. This was not done correctly at Pasco e-School because 1) cash and checks should never been received by the bookkeeper; 2) where the fund needs to be certified should have been signed AFTER the monies were collected by the bookkeeper. The following are the example of findings:
 - Monies collected in the amount of \$90.00 per receipt #99958 was for graduation. The monies collected form was signed by the bookkeeper first on 7/28/2015 and then by the principal on 7/30/2015.
 - Monies collected in the amount of \$100.00 per receipt #128223 was for graduation. Monies were collected by the bookkeeper on 10/22/2015 and then verified by the principal on 10/28/2015. Note that the description of the fund was stated as “ABC” but the source document showed that \$100.00 was for graduation.
 - It is recommended for the school to appoint a person other than bookkeeper to receive the cash and checks and to ensure that the bookkeepers roll to certify the funds received by that person.
 - Monies collected were not deposited in the bank timely. Monies should be deposited in the bank account within 5 days of collection. They are:
 - Monies collected in the amount of \$100.00 per receipt #128223 for graduation. Deposit slip was prepared on 11/2/2015 but not deposited into the bank account until 11/23/2015.
 - Monies collected in the amount of \$201.00 per receipt #18394 was for the movie night income. Monies were collected and certified on 5/23/2016 but not deposited into the bank until 5/31/2016.
- Expenditures:
 - Purchase Request form (MIS #172) has not been used prior to purchase transactions taking place at Pasco e-School. For this reason, auditor was unable to determine the amount authorized for expenditure, purpose of the purchase, and whether or not the purchase was made with proper authorization. The examined checks are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Vendor</u>	<u>Item purchased</u>
1504	\$230.80	Brouwers Flowers	Flowers
5079	489.85	John McLay & Assoc	Medallion
5088	439.20	Image Depot	T-shirts
5089	33.00	Jill Marie Bopp	Vase/marble
5093	221.95	District	P-card w/adj
5094	885.50	John McLay & Assoc	Honor cords
5103	1,200.00	Tree Hoppers	Field trip
Total			\$3,500.30
 - Check #5079 in the amount of \$489.85 was for a purchase of medallions used for graduation. Coding should have been 5590xxxx (Other materials and supplies) rather than 5730xxxx (Dues and Fees).
- Sales Tax
 - Check #1504 in the amount of \$230.80 was for a purchase of flowers for fund raising activity. Sales tax was not charged on the invoice or accrued and reported to the District.

- Check #5079 in the amount of \$489.85 was for a purchase of medallions used for graduation. Sales tax was charged by the vendor. This purchase should have been tax exempt since the items required were part of the school supplies.
- P-card statement #87456 in the amount of \$110.00 was a purchase of pizza for fund raising activity. Sales tax was not charged on the invoice or accrued and reported to the District.
- Cash Adjustments/Transfers:
 - No documentation was on file for the following missing and voided checks:
 - Missing checks:
 - 1502-1503, 1505-5074, 5081, 5101, 5104, 5110-8050
 - Voided checks:
 - 5082, 5084
 - Auditor provided sample memo to complete when bulk of check stocks are to be voided.
 - Adjustment Journal #177477 was for a transfer of \$122.00 from the principal's general account (900100) to ABC account (940000). Adjustment form did not have proper approval from the principal.

Principal's Response:

Section #2: Revenue - With the recent hire of a Secretary III, I have adjusted clerical responsibilities to include a role of cashier. This additional staff member will allow for a staff member other than the bookkeeper to receive and receipt monies collected for graduation and school activities. Additionally, we have reviewed the appropriate procedures and timelines for preparing receipts, monies collected forms, and making deposits, to correct and improve our compliance for the findings identified in 2.A..

We will monitor this area for consistent implementation of the correct procedures going forward.

Section #3: Expenses - During the exit interview for the initial audit, we reviewed the purpose and use of MIS #172 for approved purchases for school activities (finding 3A). Additionally, we discussed the state rules for the collection of sales tax. Our bookkeeper had previously corrected another school event that had not properly collected sales tax after she had attended a district training; however, this event was overlooked and should have also had sales tax remitted. Going forward, we have a clear understanding of the sales tax procedures for such activities (finding 3B).

The improper coding of a graduation expense (finding 3A), was discussed in detail. As the 2016 graduation ceremony was the first one conducted by Pasco eSchool independent of any other high school, new lines for budgeting and expending funds are required that were not previously created for us. We have reviewed these needed budget lines and identified how to properly code these expenses.

Missing and voided checks were improperly destroyed after our banking institution was changed. Verbal instructions received during a phone call to the Finance Department about how to dispose of unused checks were incomplete and did not reference a required form. As a part of the exit interview for the audit, the procedure has been clarified. We now have copies of the required form, should there be a need to void or dispose of checks in the future (finding 3F).

We will monitor this area for consistent implementation of the correct procedures in the future.

Section #4: P-Cards - Please reference response in Section #3 above.

Section #5: Cash Transfers/Adjustments - In finding 5A, funds received from a donation and credited to the principal's general account were moved to the ABC fund, in accordance with the direction given by the school principal. The transfer form did not have the principal's signature on it, and this oversight was identified and the bookkeeper was counseled. This was an error, though the adjustment had been approved by the school principal.

We will monitor this area for consistent implementation of the correct procedures regarding transfers of funds.

JoAnne Glenn, Principal



HARRY SCHWETTMAN EDUCATION CENTER

- Collections:
 - Monies collected in the amount of \$1,500.00 per receipt #100798 were from the sale of a table to Thomas E. Weightman Middle School (TEWMS). The bookkeeper at the time did not write the official receipt # on the Monies Collected form (MIS #170). A table was constructed by the carpentry team and sold to TEWMS. The activity should be coded to Construction/Carpentry (922212) rather than Principal’s Fund A (900101).
 - Monies collected in the amount of \$226.00 per receipt #142749 were from supply donations. This was a general fee collected from the students that sign up for the recovery programs. The revenue should have been coded to Basic General Fees (922101) rather than Principal’s Fund A (900101).
- Expenditures
 - All the checks reviewed were Due to District checks that include more than API (P-card transactions) but Purchase Request form (MIS #172) was not on file on every one of them. They are:

<u>Check #</u>	<u>Date</u>	<u>Amount</u>
3025	9/10/15	\$3,519.81
3026	10/23/15	3,403.47
3029	1/29/16	3,984.62
Total		\$10,907.90

No backup documentation was attached with the copy of checks for the following selected items:

<u>Check #</u>	<u>Selected Amount</u>	<u>Coded to</u>
3026	\$1,264.10	5393xxxx (P/R)
3029	\$1,930.20	5510xxxx (Supplies)
Total	\$3,194.30	

Thus, auditor was unable to verify the accuracy of the transactions including business purpose, coding, dates, etc.

- P Cards
 - P-Card statement #68336 for \$38.00 was a purchase of 20 wings and Full Nacho dish at Fitzgerald’s Irish Tavern on Friday, 10/30/2015 for the “teacher gathering.” Check was paid at 6:21PM. Sales tax was charged. The purpose of the teacher gathering outside of the school hours is not clearly stated. Internal Account fund should have not been spent for this type of activities.
 - Gift cards were purchased using P-cards throughout the fiscal year. Gift cards should not be purchased with a P-card.

The following P-card transactions were purchases of gift cards:

P-Card

<u>Statement no.</u>	<u>Amount</u>	<u>Vendor</u>	<u>recipient</u>
68128	\$200.00	Wawa	(S)
70068	54.95	CVS Pharmacy	(E)
70881	440.00	Regal Gift Cert	(S)
72613	50.00	Beall’s Outlet Stores	(S)
76614	100.00	Wal-Mart	(S)
Total	\$844.95		

(S) – student incentive (E) – employee

- Gift card in the amount of \$54.95 was a Visa Red Bx gift card for \$50 and \$4.95 activation fee purchased for a retiring employee. Gift card purchase is not allowed for employees.
- The balance of the gift cards were purchased from WAWA, Regal Cinema, Beall's Outlet, and Wal-Mart for the purpose of student incentives. Note that the gift card purchased from Wal-Mart was one (1) \$100.00 gift card.
- Gift card logs were provided, however, the log did not contain account numbers for each gift card; thus auditor was not able to verify whether or not above purchased gift cards were given to the proper recipients.
- The principal and the bookkeeper were reminded that the purchase of gift cards using P-card is prohibited. They were provided with the copy of P-card procedure.

Principal's Response:

2A.

We have recently had a change in our bookkeeper personnel at Schwettman Education Center. Extensive training has been provided to our new bookkeeper. I am confident that all revenues collected will be processed accurately according to District School Board of Pasco County guidelines. All funds collected associated with construction or carpentry has and will be coded to 922212 (Construction/Carpentry) rather than 900101 (Principal's Fund A).

3A.

We have recently had a change in our bookkeeper personnel at Schwettman Education Center. Extensive training has been provided to our new bookkeeper. I am confident that all MIS forms will be processed accurately according to District School Board of Pasco County guidelines.

3D.

We have recently had a change in our bookkeeper personnel at Schwettman Education Center. Extensive training has been provided to our new bookkeeper. I am confident that all P-card procedures will be followed from this date forward as written in the District School Board of Pasco County guidelines.

4.

We have recently had a change in our bookkeeper personnel at Schwettman Education Center. Extensive training has been provided to our new bookkeeper. I am confident that all P-card procedures will be followed from this date forward as written in the District School Board of Pasco County guidelines. P-cards are no longer used to purchase gift cards for any reason.

Randall Koenigsfeld, Principal,
Harry Schwettman Education Center



"A new direction for change"

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