



Pasco County Schools

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Internal Audit

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DATE: April 18, 2017

TO: School Board of Pasco County

FROM: Mary Tillman CPA CIA, Director of Internal Audit

RE: Internal Accounts Audit 2015-16 – Part 1 – 4 out of 15 Middle Schools

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.

- 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.

- 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.
- 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.

- 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.

- 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.

CHASCO MIDDLE SCHOOL

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

- Collections
 - Monies collected were not submitted to the bookkeeper timely as follows:

<u>Receipt #</u>	<u>Amount</u>	<u>Collected</u>	<u>Submitted</u>
112623	\$267.00	9/18/15 (Fri)	9/22/15 (Tue)
113151	1,101.00	9/22/15 (Tue)	9/24/15 (Thu)
113163	<u>646.30</u>	9/22/15 (Tue)	9/24/15 (Thu)
Total	\$2,014.30		

- Expenditures
 - Check #5213 in the amount of \$1,921.79 was a payment for five (5) purchase orders to Allen Sports Center for various items including soccer jerseys, kneepads, markers, etc. One of the purchase orders (60069007) relates to invoices ABA003153-AC01 (\$113.94) and ABA003151-AK01 (\$142.47) totaling \$256.41. However, \$214.42 was authorized for expenditure per Check Requisition/Purchase Order (MIS #172) instead of \$256.41. There was no proper authorization to cover the invoice amount which exceeds more than 5% of the originally authorized amount.
 - Check #5283 in the amount of \$248.21 was a reimbursement for several purchases an employee made for the supplies. Purchases were made on 2/6/16, 2/7/16, 2/10/16 and 2/11/2016 prior to the 2/17/2016, date that the expenditure was authorized by the principal.
 - Check #5316 in the amount of \$10,141.39 was a payment to Universal City Development Partners Ltd. for a field trip to Universal Studio. Coding should have been 9395xxxx (Field trip expense) rather than 5595xxxx (Fundraising expense).
 - Check #5339 in the amount of \$9,996.21 was a Due to District payment. Selected items in the amount of \$426.51 and \$4,345.61 were payment for transportation to First Class Coach Company. Coding should have been 5398xxxx (Outside Transportation – Field Trips) rather than 5595xxxx (Fundraising expense) or 5395xxxx (Field trip expense).

- Voided/Missing Checks
 - One (1) data entry error was noted. Bookkeeper keyed in #5225 on check stock #5226.

- Cash Transfers/Adjustments
 - Transfer journals were on file. During the exit interview, auditor notified the principal that funds in the amount of \$6,300 were transferred from the yearbook account (940200) to the principal’s account (900100) and then \$500 and \$250 were transferred to the employee social fund (945400) for the purpose of a wellness boot camp for the employees. The funds raised for the students are to be spent to benefit the student.

Principal’s Response: I was not the principal of record during this audit period. I am new to Chasco Middle School.

Brandon Bracciale, Principal

Chasco Middle School



HUDSON MIDDLE SCHOOL

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

- Collections
 - Monies collected in the amount of \$10.00 per receipt #108606 lacked the date the fund was collected on the Monies Collected form (MIS #170).
 - Monies collected in the amount of \$30 per receipt #127352 did not have a Fundraising Application/Recap form on file.
 - Monies collected in the amount of \$2,240 per receipt #140645 was collected on 12/1/15 (Tue) but was not submitted to the bookkeeper until 12/4/15 (Fri).
 - Monies collected in the amount of \$49 per receipt #144668 was collected on 1/5/16 (Tue) but was not submitted to the bookkeeper until 1/8/16 (Fri).

- Field Trip Revenue
 - Monies collected in the amount of \$1,905.00 per receipt #175467 was for a field trip to Disney. The Field Trip request form was incomplete, without budget and actual cost information.

Principal's Response:

- Healthy School Team Fundraiser Calendar:
Will ensure the fundraiser calendar is posted on the school's website. (Corrected for 2016-17 SY)
- Revenues:
Monies Collected Forms are dated and signed properly. We will continue to educate staff on correct procedures for submitting collected funds on time.
- Field Trip Revenue:
Fundraiser forms will be completed prior to approval.

Joseph Musselman, Principal



PINE VIEW MIDDLE SCHOOL

- **Healthy School Team Fundraiser Calendar**
 - Fundraising calendar was not posted on school’s website.

- **Field Trip Revenue**
 - Monies collected in the amount of \$7.00 per receipt #148748 was for a field trip to Land O’Lakes Culinary department. The field trip request form (MIS #167) was not on file.

- **Expenditures**
 - Check #17938 in the amount of \$7,256.47 was a Due to District payment for November 2015. Check Requisition/Purchase Order (MIS #172) was not on file for this check.
 - Check #17947 in the amount of \$500.00 was a payment to WeatherSTEM Inc. for the purchase of a camera and a pole stand for weather station. Cost of the camera was \$433.65 but was not properly tagged.

- **Cash Transfers/Adjustments**
 - Five (5) Cash Adjustment/Transfer did not have sponsor’s signatures on file:

<u>Journal #</u>	<u>Date</u>	<u>Amount</u>
229180	6/30/16	\$934.00
229196	6/30/16	10,000.00
229387	6/30/16	1,458.80
229449	6/30/16	1,931.61
229451	6/30/16	<u>1,931.61</u>
		Total \$16,256.02

- Note that Journal #229180 was missing the bookkeeper’s signature as well.

Principal’s Response:

Revenue:

- A Fundraising calendar is now visible and accessible on our website.
- The MIS #167 – Field Trip Request form will be on file with all Monies Collected forms.

Expense:

- A Check Requisition/Purchase Order (MIS #172) will be completed for all Due to District payments.
- Any property acquired over \$250.00 will have an invoice shared with property control and we are waiting for the property to be tagged at this time.

Cash Transfers/Adjustments:

- All Cash Adjustment/Transfer paperwork and journals will reflect all appropriate signatures such as sponsor’s and bookkeepers.

Jennifer Warren, Principal



Pine View Middle School

**International Baccalaureate Middle Years Programme
Candidate School**

RAYMOND B. STEWART MIDDLE SCHOOL

- **Voided/Missing Checks**
 - The signature block was not removed on the voided checks that are on file at the school.

- **Cash Transfers/Adjustments**
 - The sponsor of the affected accounts did not sign the Cash Transfer and Adjustments form for two (2) journal entries reviewed: #128013 in the amount of \$431.79 and #228938 in the amount of \$1,401.95.

Principal's Response:

Voided/Missing Checks:

The bookkeeper has removed the signature block on all voided checks.

Cash Transfers/Adjustments:

These Transfers were made by the bookkeeper during the summer and the staff was not present to sign. In the future we will complete the transfer prior to the end of the school year.

Shae Davis, Principal

R. B. Stewart 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 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