



Pasco County Schools

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Internal Audit

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DATE: June 20, 2017

TO: School Board of Pasco County

FROM: Mary Tillman CPA CIA, Director of Internal Audit

RE: Dr. John Long Middle School Internal Accounts Audit 2014-15 – Part 2

INTERNAL AUDITOR'S REPORT ON COMPLIANCE

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

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

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

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

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

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

Notes to financial statements are found here:

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

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

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

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

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

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

DR. JOHN LONG MIDDLE SCHOOL

- **ATHLETICS**

- **Concessions**

- ❖ **Football**

- \$975.07 of candy and soda purchased for the concession stand was coded to Supplies Expense 5510XXXX instead of Concession Stand Expenses 5598XXXX.
- One (1) of the Sam's Club receipts for concession stand supplies was not found. The amount of the purchase was \$370.42. This purchase was incorrectly coded to Supplies Expense 5510XXXX instead of Concession Stand Expenses 5598XXXX. Auditor could not determine whether sales tax was paid.
- The amount of the change fund used for concessions at the three (3) football games was not indicated on the Report of General Sales and not included in the Change Fund Sub-Log. (see the second bullet below under "Change Funds" section)

- ❖ **Girls' Basketball**

- The amount of the change fund used for concessions at the four (4) games was not indicated on the Report of General Sales. The change fund amount is recorded on the Change Fund Sub-Log but the entry does not specify the sport, only the date and amount are provided.
- One (1) of the Sam's Club receipts in the amount of \$404.74 for concession supplies was not located. This purchase was incorrectly coded to Supplies Expense 5510XXXX instead of Concession Stand Expenses 5598XXXX. Auditor could not determine whether sales tax was paid for the items.

- **Gate Receipts and Ticket Inventory**

- The 2015 Year-End Ticket/Wristband Reconciliation form was not found.

- ❖ **Football**

- The Athletic Director signed but did not date the 10/8/2014 Report of Tickets Sold.
- The gate receipts from the 10/14/2014 football game were not remitted to the Bookkeeper within 24 hours of collection as required. The money was collected on 10/14/2014 and not remitted to the Bookkeeper until 10/16/2014.
- The Courtesy Pass/Complimentary Ticket Forms from the 10/14/2014 and the 10/21/2014 football games were not found.

- ❖ **Girls' Basketball**

- The Ticket Inventory Report is incomplete. The report only includes tickets issued through 11/13/2014. No information is included about the tickets issued for the 12/3/2014 and the 12/10/2014 games.

- **Change Funds**

- The Change Fund Sub-Log should specify the sport the change is used for. No sport was specified for the 11/10/2014 and the 12/3/2014 games, both girls' basketball games.
- The Change Fund Sub-Log did not list the change fund used for games prior to 11/3/2014. None of the football games on 10/8/2014, 10/14/2014, and 10/21/2014 were logged.
- The change fund is kept by the Business Manager all year. It was issued on 9/5/2014 and returned on 6/10/2015. It is recommended that the change fund should be redeposited before Winter Break and re-issued when school reopens in order to avoid misplacement or misappropriation of the funds during the two weeks of Break. In addition, the amount of the change fund issued at the beginning of the school year appears excessive given that the football season is over. A substantially lower amount should be issued for the athletic change fund after the winter break.
- The Change Fund Log has a balancing error because it shows that the total change received for registration day was \$2,400 but that \$2,800 were returned. This is a result of the change fund

not being closed out at the end of the previous fiscal year. There were \$410 carried over from Fiscal Year 2014. A total of \$2,800 were issued for registration, \$400 of the total was the change fund carried over from the previous fiscal year. At the end of registration, \$2,800 were returned for deposit, balancing the transaction. It is critical that the entire change fund be deposited in the bank by the end of each fiscal year.

- The Registration Day Change Fund schedule does not show how much change the staff working at the Yearbook table received.

➤ Fundraising Revenues & Expenditures

❖ Football

- The Fundraising Application and Financial Recap Form for the football Discount Cards fundraiser were not found.
- Seven (7) of the ten (10) collections tested were not remitted to the Bookkeeper within 24 hours of collection. Six (6) of those seven (7) collections were remitted within 48 hours and the other collection was remitted six (6) days after the collection was received.
- The purpose of the fundraiser was to purchase safety equipment for the players. Three (3) of the five (5) purchases tested made with the fundraising collections did not meet the stated purpose of the fundraiser. The purchases were for game jerseys and pants, jackets and shorts, a team dinner, and pizza for the concession stand.
- Two (2) of the five (5) purchases tested were made prior to their approval. One of the orders in the amount of \$3,603.50 was for football jerseys and pants, the other in the amount of \$618.47 was for shorts and jackets. The pants and football jerseys were ordered on 8/28/2014 and 8/29/2014, respectively, but the purchase order was approved on 9/4/2014. The invoices for the shorts and jackets were dated 9/9/2014, 9/16/2014, and 10/14/2014, but the purchase order was not approved until 3/5/2015.

➤ Athletic Participation Fees

❖ Football

- One check (# 5193) was used to pay for total participation fees collected from all sports for the entire year, including football. The payment was made on 6/29/2015. Fees collected for fall sports must be remitted to the District by September 30th.
- Three (3) of the six (6) Athletic Participation Monies Collected forms reviewed did not include an official receipt #. One (1) of the collection forms was a \$45 cash payment and it does not appear to have been deposited.

❖ Girls Basketball

- One check (# 5193) was used to pay for total participation fees collected from all sports for the entire year, including girls' basketball. The payment was made on 6/29/2015. Fees collected for winter sports must be remitted to the District by November 30th.
- Official receipt # 55930, which included the participation fees collected for the 8th grade team, was signed by the Coach on 11/3/2014 (Monday) but was not remitted to the Bookkeeper until 11/7/2014 (Friday). All collections are required to be remitted to the Bookkeeper within 24 hours of receipt.

● NON-ATHLETIC FUNDRAISERS

➤ Fundraising Revenue and Expenditures

- ❖ The non-athletic fundraiser selected for testing was the Broadway Café cheesecake fundraiser for the Chorus team.
 - The Financial Recap was not found.
 - Four (4) of the nine (9) fundraiser collection forms are not properly identified as such. The Monies Collected Forms only say "Fundraiser". Proper identification is necessary to assure that the collection is coded correctly.

- Three (3) of the nine (9) fundraiser collection forms totaling \$2,443 were remitted to the Bookkeeper 48 hours after collection rather than within 24 hours. \$2,205 of this total collection was in cash.
- The invoice from Encore Fundraising for the fundraising supplies (cheesecakes) was dated 10/21/2014, but the approved purchase order was dated 3/13/2015 which means the purchase was made without written Principal approval.

- PAYROLL

- Time and Attendance

- ❖ Payroll Run 511

- Forty-four (44) employees were tested.
- The BCE student did not initial the timesheet and one (1) Food and Nutrition Services employee did not sign or initial the timesheet as required.
- Exception time of 7.50 hours for 10/29/2014 entered by the employee on the timesheet was not deducted from her leave balance.
- Exception time was undercharged by 1.50 hours, .75 hours on 10/28/2014, .50 hours on 10/30/2014, and .25 hours on 11/6/2014.
- Exception time was overcharged by .50 hours on 10/31/2014.
- Time entered by an employee on the timesheet was not legible.
- The Media Tech Assistant did not enter a time in or out on 11/4/2014. Only the abbreviation “mtg” was entered.

- ❖ Payroll Run 519

- The BCE student was paid 4.50 hours for 2/17/2015 but the student did not sign in or out that day.
- Sick time of 7.50 hours entered by two (2) employees for 2/25/2015 and 2/27/2015, respectively, was not deducted from their leave balances.
- One (1) employee’s leave balance on 2/24/2015 was overcharged an hour of sick time.

- Overtime

- Documentation for overtime pay to the Instructional Assistant and the Clinic Assistant for riding the bus was not on file.

- FIXED ASSETS

- None of the five (5) Mac Book Pro’s tested had any form of secondary identification.

- SUPPORT ORGANIZATIONS

- Missing bank statements from September 2014-May 2015.
- Missing the Quarterly Financial Statements for the fiscal year.
- The Financial Review for 7/1/14-6/30/15 is not signed by the financial reviewers and the totals presented on this review do not agree with the totals presented on the Annual Audit Form for the 2014-2015 School Year.
- Missing supporting documentation for some purchases.
- Missing detail of total deposits and total disbursements presented on the Annual Audit Form for the 2014-2015 School Year and the Financial Review for 7/1/14-6/30/15.
- Missing the bank signature card. The signature card was not provided in last year’s audit either.

Principal's Response:

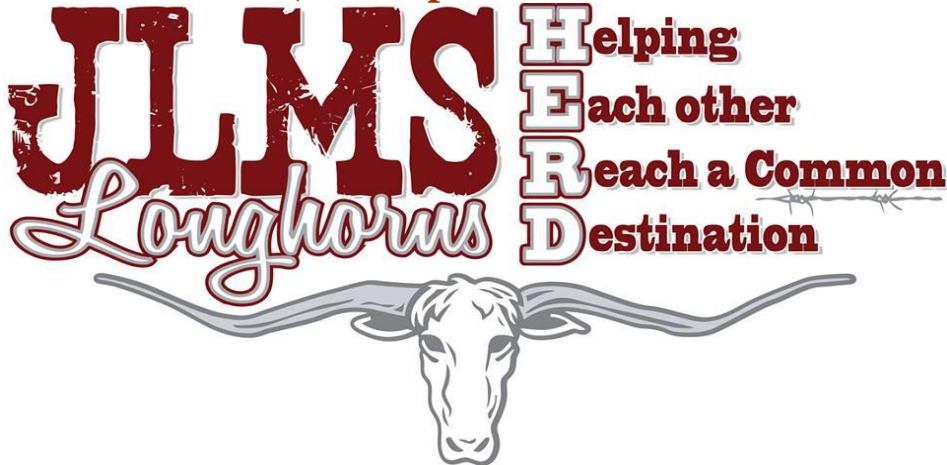
We now keep more in depth records on our change logs. The ticket takers lost the last six tickets {we believe they were thrown out}.

We continue to encourage our staff to turn in monies collected daily and remind them of the procedures through email. Now that we use Munis it takes care of the issues within expenditures. Sam's Club now allows us to pay sales tax on items we sell for concessions.

The issue with payroll was straightened out with Payroll.

We have spoken with our support organization, PTSA, and encouraged them to turn quarterly reports in on time.

Christine Wolff, 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 expressing our opinions on the balance sheet amounts reported, but not for expressing an opinion on the effectiveness of the schools’ internal controls. Accordingly, we do not express an opinion on the effectiveness of the schools’ internal controls.

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

Compliance and Other Matters

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

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

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

MATERIAL WEAKNESS

Segregation of Duties

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

Prior Audit Follow Up

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

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

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