



INTERNAL AUDITING

Memorandum

"Making a Positive Difference"

TO: Norm Ross, Deputy Superintendent

FROM: David J. Bryant, Interim Director
Internal Auditing

SUBJECT: Hallmark Elementary PTA

DATE: March 21, 2006

We have concluded our analysis of the fall 2005 membership drive for the Parent Teacher Association (PTA) at Hallmark Elementary.

The *Objective* of our analysis was to determine the factors which resulted in the failure to deposit certain monies collected and to gain an understanding of the internal controls and processes as they relate to collection of PTA dues at Hallmark.

The *Scope* of our analysis included interviews with the school principal, elementary resource teacher and randomly selected teachers employed at the time. In addition, we examined substantial data provided by school personnel and other sources.

The *Results* of our analysis are summarized below:

In an attempt to revive the PTA at Hallmark; the principal initiated an aggressive membership drive in the fall of 2005. Donation letters and envelopes were distributed to students via teachers. In addition, it was reported that drives were held during faculty meetings, Open House and Report Card Night.

According to membership rosters provided by the Principal, approximately 75 teachers, parents, employees & administrators signed up for membership. Dues were collected and sponsorships were received starting in October 2005. Total collections were estimated to be \$300. Cash and checks collected were held in a zippered bank bag. This bank bag was transferred from various individuals and stored in various locations at different times.

Given the principal's desire to deposit the funds into a new PTA bank account, instead of the current PTA bank account, the funds were not immediately deposited. Difficulties involving the set up of the new account were not resolved until January 19, 2006. On March 6, 2006, an anonymous letter containing un-processed checks, assumed to have been located in the bank bag, was received by the Superintendent's office. On that same day, it was discovered the bank bag containing the funds was missing. After an exhaustive search, a police report was filed on March 20, 2006.

The *Comments* of our analysis are summarized below:

There appears to be a significant lack of controls over the collections of the PTA dues. Approximately \$80 of the funds to be collected was to be provided by sponsors. It appears that a diligent effort was not made to pursue collection from sponsors. Consequently, these funds were never collected. In addition, individuals were given credit for membership without the collection of dues.

There appears to be a significant lack of controls over the safeguarding of monies collected prior to deposit. Funds were collected by various individuals and stored in various un-secure locations. Funds were passed from individual to individual without properly accounting for form or amount of the transfer. As a result, the bank bag containing approximately \$150 has been stolen.

There appears to be a lack of control over the timeliness of deposits. Checks were found to have been dated as far back as October 2005. Funds could have been temporarily held in a trust account in internal funds or deposited into the “old” PTA bank account until the issues with the new account were resolved. These issues with the new account were resolved on January 19, 2006, at which time any checks and/or cash being held could have been deposited.

There appears to be a lack of understanding of state rules regarding checking accounts. The “new” PTA checking account was opened using the School District’s federal employer identification number (FEIN). Outside support organizations, such as a Parent Teacher Organization must either operate as a stand alone entity, with its own FEIN, or operate through the school’s internal funds account. State rules prohibit a school from operating more than one checking account at the same time.

The *Recommendations* of our analysis are summarized below:

Given the sporadic activity level of the PTA at Hallmark Elementary, coupled with the presence of an un-authorized bank account, we recommend that the PTA bank account be closed immediately, and the funds be deposited into Hallmark’s internal funds checking account. If the PTA wishes to continue to operate, it must either run its funds through Hallmark’s internal funds or take the proper steps to become a stand-alone entity.

We recommend the Principal at Hallmark communicate to the staff and the PTA officers, the proper procedures for the collection and timely deposit of all funds. In addition, the Principal should explain appropriate procedures for the safeguarding of funds in secure and locked areas prior to deposit.

We recommend that the District cooperate with the Pensacola Police Department in their efforts to determine the perpetrator who appears to have taken the bank bag containing both the checks and cash. To date, only the checks have been returned to the District.

Finally, we would recommend the Principal take actions to rectify what is obviously a breakdown in communication between her and her staff. It is unfortunate that an environment exists where such serious accusations can be made against members of the same School District family.

Please see the attached response provided by Hallmark's principal.

As stated above, our analysis has concluded. Should you have any questions or need any further information, please do not hesitate to call. Please be advised that we consider this analysis an advisory function to the Superintendent. Consequently, no report shall be issued to the Audit Committee or Board, unless requested by the Superintendent.

DJB

Attachment