



Ransom Middle School Student Leadership Team: *Analysis and reconciliation of April 5, 2013 dance event*

Office of Internal Auditing
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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of the District operational staff. We did not encounter any restrictions to records or personnel, which would prohibit us from expressing an opinion or offering recommendations.

Any recommendations included in this engagement are designed to improve operations, and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the Ransom Middle School staff for their cooperation and commitment. We look forward to reviewing their progress when we follow-up on our recommendations.



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Executive Summary

We have conducted significant analysis and interviews related to the Student Leadership Team's (SLT) dance, which occurred on April 5, 2013 at Ransom Middle School. We noted five areas of concern, which appear to result in violations of Florida Department of Education (DOE) Rules and/or District policies related to internal funds. Our concerns are as follows:

Unrecorded Collections

Reconciliations from documents provided by the Bookkeeper and Sponsor conducting the event indicated there were 700 student tickets sold. Each ticket was sold for \$10, totaling \$7,000 in total ticket sales. The Sponsor did not use traditional school-supplied tickets for the dance, but instead purchased her own supply of tickets. An independent ticket log was not maintained. As such, we were unable to verify the actual number of tickets sold, and corresponding amount of funds collected.

Of the \$7,000 reported collected, only \$5,580 was deposited and reflected in the school's financial records. The additional \$1,420 was held by the Sponsor for a period exceeding two weeks and was used for miscellaneous expenses, tips, and a change fund for concession activities.

Disbursements Made Without Prior Written Approval

The Sponsor made miscellaneous supply purchases for the dance without prior approval of the Principal. The Sponsor spent \$90.36 from the funds held back from deposit. The Sponsor was only able to provide receipts totaling \$85.02 in support of the purchases.

Compensation Paid to District Employees

According to the Sponsor, tips were distributed to 6 District employees and a DJ who were active participants in making the event successful. The custodians were given \$40 each (\$240 total) for services provided; however, each custodian was being compensated by the District, as the dance took place during their normal working hours. The DJ was also given a tip in the amount of \$90. The Sponsor was only able to provide signature verification for 5 of the 7 tips distributed. The Principal was unaware that tips were being issued with internal funds monies that were held back from deposit. There was no evidence of prior approval for the disbursement of these monies.

We were unable to verify the actual amount collected.

All collections were not deposited intact.

Purchases were made outside normal procurement process and without prior approval.

Compensation was paid from internal funds collections.

Compensation was not processed through the Payroll Department.

An independent ticket inventory log was not used.

No reconciliation of sales activity occurred.

Staff was not properly trained.

We have provided a reconciliation based on documentation provided by the Sponsor, but cannot attest to its accuracy or reliability.

Incomplete Ticket Log and Sales and Reconciliation Report

As the Sponsor chose to purchase her own tickets for the event, and not use school provided tickets, an independent inventory log of the tickets was not used. In addition, the Sponsor did not complete a *Ticket Sales and Reconciliation Report* for the pre-numbered tickets sold to attend the event. If this report had been completed and submitted to the Bookkeeper, it may have indicated that a certain dollar amount was not submitted for deposit into the school's internal funds.

Lack of Training

It appears the Sponsor was not properly trained in the handling of internal funds collections. She was unaware of some rules that apply to internal funds.

The Office of Internal Auditing was asked to reconcile the event and provide recommendations for future events. As an independent ticket inventory was not used, a *Ticket Sales and Reconciliation Report* was not completed, expenses were paid in cash from ticket sales without proper approval or supporting documentation, and concession sales were not verified at the time of collection, we are unable to provide a reliable reconciliation of the event. We have provided a reconciliation based on documentation provided by the Sponsor, but cannot attest to its accuracy or reliability.

This report includes recommendations. The Executive Summary is intended to highlight the various aspects of the report. The entire report should be read to understand the basis of our recommendations, which are detailed in the Recommendations section.

Background

Ransom Middle School's Student Leadership Team is composed of approximately 100 7th and 8th grade students. The Student Leadership Team Dance is held each year to raise money for the student organization to participate and fund several community events, such as Operation Christmas Child and Little Red School House. The current sponsor has been the sponsor of the SLT club for several years.

Collections and expenses for extra-curricular student activities are processed through school internal funds, and are governed by Florida Department Education (DOE) Rules and School Board policies.

DOE Rules governing school internal accounts are promulgated in Chapter 8 of the Financial and Program Cost Accounting and Reporting for Florida Schools (Chapter 8). School Board policies and procedures governing school internal accounts are detailed in the Internal Funds Policy Manual. Many of the requirements of Chapter 8 are incorporated into the Internal Funds Policy Manual.

Objective

The objective of this review was, at the request of the school Principal, to reconcile the ticket sales, miscellaneous expenses, tips and concession activity of the event, and make recommendations based on any violations that may have occurred.

Scope

The scope of the review included obtaining collection documents (Monies Collected Forms), receipts for expenses, and other documentation related to the dance event, which were provided by the school Bookkeeper and Sponsor.

We also interviewed the Principal, Bookkeeper, and Sponsor of the Student Leadership Team to obtain information relating to the methodology and processes used to conduct the event.

Methodology

The SLT Dance ticket sales MCFs were obtained from the Bookkeeper. The Sponsor also submitted the SLT Dance Monies Collected Forms (MCFs) that were completed, but not deposited into internal funds. She provided her own reconciliation that detailed the expenses and distributions made from the monies held back.

The Sponsor provided receipts for most of the miscellaneous items purchased. She was only able to provide signature verification for 5 of the 7 tips distributed. There was no cash register tape or sales log to verify the actual profits received from the concession stand.

Using the documentation provided and interview testimony, we attempted to gain an understanding of the processes surrounding the event, and reconcile the collection and expense activity of the event.

Conclusions/Results

Failure to remit a portion of the collections to the Bookkeeper is a violation of DOE Rules.

Failure to obtain proper approval for the purchases is a violation of DOE Rules.

Paying expenses in cash, outside an authorized petty cash fund, is a violation of DOE Rules.

Collections

The total MCFs received by the Office of Internal Auditing for the SLT dance ticket sales indicate a total of 700 students @ \$10 each. The Bookkeeper received MCFs and deposited funds for 558 students @ \$10 each, totaling \$5,580. The Sponsor produced the remaining MCFs indicating the additional tickets sold to 142 students @ \$10 each, totaling \$1,420. These MCFs were not signed by the Bookkeeper since the funds were held by the Sponsor and not remitted for deposit into the school's internal funds. The Sponsor indicated this \$1,420 was held to use for miscellaneous expenses, tips distributed, and a concession change fund. Failure to remit a portion of the collections to the Bookkeeper is a violation of DOE Rules. Section III of Chapter 8 states, "Collections made outside of the school office must be turned in to the school office no later than the next business day... All money collected must be deposited intact."

Expenditures

The Sponsor provided receipts totaling \$85.02 in miscellaneous expenses related to the event. There were two additional purchases totaling \$5.34 that were missing receipts. The purchases were made from the collections not remitted to the Bookkeeper. These purchases were made without prior written approval from the Principal. Failure to obtain proper approval for the purchases is a violation of DOE Rules. Section II of Chapter 8 states, "Purchases from internal funds must be authorized in writing by the principal or designee." In addition, paying expenses in cash, outside an authorized petty cash fund is a violation of DOE Rules. Section II of Chapter 8 states, "Approved pre-numbered checks shall be used as the means for disbursing funds...with the exception of disbursements from properly established petty cash funds."

The DJ was paid \$300 for the service provided with a properly approved check from internal funds. The Sponsor also indicated that \$90 was paid as a tip to the DJ. In addition, 6 custodial employees were given \$40 each (\$240) for services provided. The Sponsor was only able to provide signature verification for 5 of the 7 tips distributed. These tips were paid without prior written approval from the Principal. Failure to obtain proper approval for the purchases is a violation of DOE Rules. Section II of Chapter 8 states, "Purchases from internal funds must be authorized in writing by the principal or designee." In addition, paying expenses in cash, outside an authorized petty cash fund, is a violation of DOE Rules, as stated above.

Compensating employees directly from internal funds collections is a violation of DOE Rules.

Processing payroll outside of the Payroll Department is a violation of DOE Rules.

Failure to maintain an appropriate independent ticket inventory log is a violation of DOE Rules.

Furthermore, compensating employees directly from internal funds collections is a violation of DOE Rules. Section II of Chapter 8 states, "Internal funds shall not be used to cash checks to accommodate individuals, make any kind of loans, pay any form of compensation directly to employees, or extend credit." Each custodian was being compensated by the District, as the dance took place during their normal working hours. If the tips were intended to compensate the custodians for additional services, Section II of Chapter 8 dictates, "Employees of the district who are compensated for additional services...shall be paid through the district payroll department or, when appropriate, as prescribed by school board rule." Detailed procedures for payment to employees for additional services are outlined in Section XV of the Internal Funds Policy Manual.

The remaining \$1,000 of the un-remitted collections was used to establish a change fund for a concession stand during the event. Inventory items for sale in the concession stand were made with properly approved checks from internal funds. On April 8, 2013 the Sponsor remitted \$1,775 to the Bookkeeper. According to the Sponsor, this amount represented the return of the \$1,000 change fund (previously un-remitted collections) and \$775 in concession stand sales proceeds. The Sponsor indicated parent volunteers sold concessions and the Sponsor counted the funds at the end of the night. No cash register tape or sales log was used to document sales. As no documents are available to verify the actual sales that occurred, we could not reach a conclusion concerning the accuracy of the concessions sold versus the amount deposited at the end of the event.

Ticket Procedures

There was not an independent inventory log or reconciliation completed for the tickets used for the event. Traditionally, pre-numbered tickets are purchased by the school, and issued to sponsors for use in events. The Sponsor of the dance purchased her own pre-numbered tickets for the event, an acceptable alternative to school-purchased tickets; however, no independent ticket inventory was maintained documenting beginning or ending ticket numbers. Failure to maintain an appropriate ticket inventory log is a violation of DOE Rules. Section III of Chapter 8 states, "All checks, receipt forms, and tickets shall be pre-numbered and perpetual inventories shall be maintained. Inventories shall show the beginning and ending numbers of all documents acquired and issued. In all cases where tickets are used, ticket report and unsold tickets must be available for audit."

Failure to document the ticket activity with the District-prescribed form is a violation of District policy.

The District has established guidelines and a form for events where an admission fee is collected. Failure to document the ticket activity with the District-prescribed form is a violation of District policy. Section IV of the internal Funds Policy Manual states, "A *Ticket Sales and Reconciliation Report (Form 9500-INT-500)* should be completed to account for all ticket sales." If a form was completed, indicating the total number of tickets sold at a specific price, it may have made the bookkeeper aware of the fact that additional funds were outstanding regarding this event.

Reconciliation of Activity

The Principal asked that we reconcile the following aspects of the event:

Ticket Sales

As an independent ticket inventory was not maintained, and a *Ticket Sales and Reconciliation Report* was not completed, we are unable to verify the number of actual tickets sold. Anecdotal evidence indicates that sales were limited to 700 tickets, which corresponds to the number reported by the Sponsor and amount eventually deposited with the school, but we are unable to provide confirmation of this information, or determine if more than 700 tickets were sold.

Miscellaneous Expenses

As the Sponsor purchased items with cash from un-remitted collections, outside of the normal procurement process, and was unable to provide receipts for all the claimed expenses, we are unable to confirm the validity or total amount of the expenses.

Tips

As the Sponsor paid the tips with cash from un-remitted collections, outside of the normal prescribed payroll procedures, and was unable to provide verification of all of the tips purportedly paid, we are unable to confirm the validity or total amount of the tips paid.

Concessions

As no sales log, cash register receipt, or other documentation was provided by the Sponsor, and parents selling the concessions did not provide an independent confirmation of the sales amount, we are unable to verify the validity or total amount of the concession sales reported as being collected.

Based on the documentation/information supplied by the Sponsor, we have provided a reconciliation of the dance event; however, as much of this information cannot be confirmed, we cannot attest to the reconciliation's accuracy or reliability. The reconciliation is as follows:

RECONCILIATION OF DEPOSITS TO TICKET SALES*			
MCFs totals received by Bookkeeper	\$ 5,580.00		
MCFs totals withheld by the Sponsor	1,420.00		
Total collections reported by the Sponsor		\$ 7,000.00	
Tickets sold (700 x \$10 per ticket)		\$ 7,000.00	
DIFFERENCE			\$ 0.00

*Based on information provided by the Sponsor.

RECONCILIATION OF EXPENSES PAID*			
MCFs totals withheld by the Sponsor		\$1,420.00	
Expenses paid by the Sponsor			
Dollar Tree	\$ 5.38		
Claire's	48.64		
Target	3.00		
Target	28.00		
Wal-Mart	1.34		
Wal-Mart	4.00		
Tip to DJ	90.00		
Tips to Custodial Employees	240.00		
Total expenses claimed by the Sponsor		(\$ 420.36)	
Change fund returned by the Sponsor		(\$ 1,000.00)	
DIFFERENCE			(\$ 0.36)

*Based on information provided by the Sponsor.

Recommendations

With regard to school personnel that collect funds and act as a sponsor for school sponsored events, we offer the following recommendations:

- **We recommend** the school Bookkeeper review the Internal Funds Policy Manual with school personnel at least once a year. All school staff handling internal funds should be trained on:
 - Collection policies/procedures
 - Disbursement policies/procedures
 - Additional service pay policies/procedures
 - Event/fundraising policies/procedures
- **We recommend** the school purchase a sufficient number of pre-numbered tickets, for use not only in athletic events, but other activities. Records of all tickets should be tracked/inventoried by the Bookkeeper, as is currently done for athletic events.
- **We recommend** a *Ticket Sales and Reconciliation Report* be completed for all events at the school where pre-numbered tickets are sold and an admission is charged. This report would help ensure the Bookkeeper is aware of the total tickets sold and the price per ticket, which could be used to reconcile sales to the MCFs received and funds deposited.
- **We recommend** the teacher/sponsor have an additional person present when counting funds collected by volunteers. This process will serve as a second verification that the total deposited was the total collected, especially when there is no sales log or register tape to verify total sales.