



Escambia High School
Cheerleaders Accounts Review
For the Year Ended June 30, 2016

Office of Internal Auditing
June 2017

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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 Escambia High School 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 principal, bookkeeper, and 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

The cheerleading accounts had deficit balances totaling \$33,942.43.

There were numerous factors contributing to the deficit balances.

There were District policy violations.

The principal at Escambia High School (EHS) contacted the Office of Internal Auditing to express his concerns regarding the deficit balances of the C3080 Junior Varsity (JV) and C3090 Varsity Cheerleaders accounts at June 30, 2016 of \$7,563.79 and \$26,378.64 respectively. He requested that our office conduct a review to determine the underlying causes.

We conducted interviews, gathered documentation, performed research, and conducted an analysis of the financial activity for the 2015-16 school year. The results of our analysis indicated that the collections for the JV and varsity cheer accounts were insufficient to cover the total of expenditures.

The following factors appear to have potentially contributed to the deficit balances in the cheerleading accounts:

- Money was collected for uniforms and squad member's cost of camp. No money was collected (or raised) for other expenditures and the advisor's portion of camp.
- There was a **deficit/shortfall** between the total of the uniforms and camp registration costs and the amount collected from the **JV** squad members.
- There was a **deficit/shortfall** between the total of the uniforms and camp registration costs and the amount collected from the **varsity** squad members.
- Only a small amount was collected (or raised) for the school's portion of competition expenditures.
- Fundraising collections were insufficient to cover the cost of goods sold.
- There were write-offs for returned checks.
- Expenditures were sought and approved even though there continued to be no funds available.
- There appears to be a lack of financial oversight.

There were District policy violations noted.

This report includes recommendations. The Executive Summary is intended to highlight the various aspects of the report. The full report should be read to understand the basis of our recommendations.

Background

At the beginning of the 2015-16 school year, there was a change in the cheer coach position, whereby the JV head coach filled in as the varsity coach, overseeing both cheer squads. Orders for the cheerleading uniforms and camp for both squads had already been placed by the previous head coach.

EHS conducts cheerleading tryouts every spring. An “Agreement Statement” is distributed to parents detailing the estimated costs/expenditures, rules, and responsibilities of each cheerleader. The cheer squads consisted of 14 members for JV and 17 for varsity. (It appears both squads had 2 members resign after uniform orders were placed.) Squad members are required to pay a variety of expenses, such as an initial deposit, camp fees, and the purchase of uniforms. The average cost for JV uniforms was approximately \$907.00 and approximately \$807.80 for varsity. Uniforms are ordered during the summer prior to the upcoming school year. Camp is attended during the summer, usually at the end of June or mid-July. The cost for camp was \$335.00 per each squad member attending. According to the cheer coach, costs for uniforms and camp are to be paid by the end of summer. History has shown that some payments for uniforms and/or camp costs stretched until the end of the school year, typically due to financial problems or difficulties of some families. This often resulted in girls quitting and leaving the program with having made only partial payments or having not paid at all.

The varsity squad members compete at State, with reimbursement from the District for half of hotel and transportation costs. Competition expenditures for 2015-16 school year totaled \$14,057.68. The school received reimbursement from the District of \$7,350.35 at the beginning of the following school year.

Cheerleading manages its funds through the school’s internal accounts, as they do not have an active cheer booster club. The District has established certain guidelines for programs that operate through school internal financial accounts. These requirements are outlined in the Internal Funds Policy Manual (the Manual), which is available on the District’s website. To assure proper accounting of funds and promote accountability, employees agree to comply with the provisions of the policies outlined in the Manual.

The District allows for fundraising activities to be conducted by the schools and has established certain guidelines titled Fundraising Guidelines Handbook, which is available on the District’s website. There appears to be two ways to raise funds for participation as a cheerleading squad member. The first is a direct payment for the costs associated with

participation and the second is taking part in fundraising activities to earn “credit” for hours worked, entitling them to an equal portion of the proceeds. However, fundraiser collections were actually less than fundraiser costs. Consequently no proceeds were available to be applied to individual accounts.

Objective

The purpose of this review was to address the principal’s concerns with the C3080 JV and C3090 Varsity Cheerleaders accounts and identify the factors that contributed to the deficit balances. We also sought to ensure that collection procedures comply with the rules set forth in the State Board of Education Rules and the Manual; and to ensure all funds were deposited.

Scope

The scope of this review included interviewing the principal, bookkeeper, and cheer coach regarding the C3080 JV and C3090 Varsity Cheerleaders accounts for the 2015-16 school year. We conducted an analysis of the activity for the cheer accounts for the school years 2014 – 2017. In addition, we conducted an analysis of the individual cheerleading squad members’ accounts, which was limited to the 2015-16 school year.

Methodology

We confirmed with the principal our understanding of his concerns with the C3080 JV and C3090 Varsity Cheerleaders accounts’ deficit balances of \$7,563.79 and \$26,378.64 respectively as of June 30, 2016.

We obtained and reviewed copies of various supporting documents:

- Monies Collected Forms
- Deposit slips
- Invoices for uniforms
- Invoices for camp registration
- Reconciliation of squad members’ accounts prepared by the coach
- Agreement Statements
- Monthly Log Report

We performed an analysis of the activity for the cheer accounts for the school years 2014 – 2017 in an attempt to match revenues with the

corresponding expenses, isolate those items pertaining to the 2015-16 school year, and identify those items contributing to the deficit balances. In addition, we performed an analysis of the individual cheerleading squad members' accounts, which was limited to the 2015-16 school year, to determine if funds collected were sufficient to cover the invoices for uniforms and camp registration.

We feel we have performed sufficient work to support our conclusions and provide recommendations.

Conclusions/Results

MCFs included more than one source for collections.

An analysis of the C3080 JV and C3090 Varsity Cheerleaders accounts for the school years 2014 - 2017 was performed to obtain an understanding of the collection process and to match revenues with the corresponding expenses. It was difficult, and at times impossible, to differentiate between collections for camp and uniform fees in order to give "credit" to the correct squad member due to the way the Money Collected Forms (MCFs) were completed and the description entered into Skyward. Sources of collections were combined on one MCF; therefore, we combined the two sources for analytical purposes.

According to the coach, a specified amount of collections obtained during the 2015-16 school year were in actuality reserved for costs from previous school years 2012-13 through 2014-15 and the following 2016-17 school year. These collections were identified by MCFs, account activity, the coach, and email correspondence between the bookkeeper and the principal. The amount totaled from these sources was excluded in an effort to capture the funds collected that pertained only to the 2015-16 school year.

Deficit Spending – JV

Our analysis indicated the following collections and expenditures for the 2015-16 school year for the C3080 JV Cheerleaders account, which resulted in a deficit spending amount:

	Collections	Costs	Difference
Camp and uniforms	\$ 7,569.75	(\$ 14,683.84)	(\$7,114.09)
Competition	1,521.00	(1,275.00)	246.00
Candy fundraising	1,797.00	(2,280.00)	(483.00)
Misc. receipts	1,264.18	(960.21)	303.97
Charge backs/NSF checks written off	0.00	(100.00)	(100.00)
Total	\$12,151.93	(\$19,299.05)	(\$ 7,147.12)

Revenues were insufficient to cover expenditures for JV.

There are a few additional items that are included in the account ending balance of \$7,563.79 (deficit), but are considered minor and are not included in the table above.

The majority of the deficit was attributable to camp and uniforms. We determined that the total of collections for camp and uniforms was insufficient to cover the total expenditures. In addition, the camp invoice included \$943.50 for the advisor's portion for which there were no funds collected or available.

The principal approved a transfer from the General account for \$7,563.79 to cover the deficit balance.

The principal approved a \$7,563.79 transfer at year end from the G7000 General account to the JV account to cover the deficit account balance.

Deficit Spending - Varsity

Our analysis indicated the following collections and expenditures for the 2015-16 school year for the C3090 Varsity Cheerleaders account, which resulted in a deficit spending amount:

Revenues:	Collections	Costs	Difference
Camp and uniforms	\$14,993.91	(\$19,083.12)	(\$ 4,089.21)
Competition	581.00	(14,057.68)	(13,476.68)
Candy fundraising	1,538.75	(2,280.00)	(741.25)
Miscellaneous	476.92	(1,929.20)	(1,452.28)
Refunds	0.00	(1,060.00)	(1,060.00)
Charge backs/NSF checks written off	0.00	(1,094.90)	(1,094.90)
Total	\$17,590.58	(\$39,504.90)	(\$21,914.32)

Revenues were insufficient to cover expenditures for varsity.

There are a few additional items that are included in the account ending balance of \$26,378.64 (deficit), but are considered minor and are not included in the table above.

The majority of the deficit was attributable to camp, uniforms, and competition. We determined that the total of collections for camp, uniforms, and competitions was insufficient to cover the total expenditures. In addition, the camp invoice included \$1,381.00 for the advisor's portion for which there were no funds collected or available.

Only \$581.00 was collected for the school's portion of competition costs. During the 2016-17 school year, the school received a \$7,350.35 reimbursement from the District for competition expenditures.

The principal approved a transfer from the General account for \$26,378.64 to cover the deficit balance.

The principal approved a \$26,378.64 transfer at year end from the G7000 General account to the varsity cheer account to cover the deficit account balance. The \$7,350.35 reimbursement from the District was recorded to the G7000 General account to offset a portion of the transfer.

Note: An audit finding was issued for the 2014-15 Internal Accounts Audit for making transfers from the G7000 General account to cover deficit balances. These transfers were for accounts other than the cheerleading accounts.

Other Comments

MCF Completion

As previously mentioned, our review of the cash receipts indicated that more than one source of collection was notated on a single MCF.

Section VI B.1 of the Manual states, "Money collected from more than one source should not be submitted on the same MCF." Non-adherence to this policy causes an inability to differentiate the purpose of the funds collected.

The account sponsor did not complete the MCFs properly and the bookkeeper accepted them even though they included multiple sources of collections listed on the same MCF.

Account Ledger Report Review

Although the Monthly Log Report included the coach's initials to serve as evidence of her review of the cheerleading accounts, the coach stated she was unaware of the severity of the deficit balances. This could indicate a lack of understanding of the financial report and the information she "reviewed."

Section II H.3 of the Manual states, "Detailed Account Ledger Reports need to be distributed to all account sponsors monthly for their review. Evidence of this internal control should be documented by having each sponsor initial the Monthly Log Report indicating they agree with the activity and balance in their account(s)."

Account sponsors are required to review the monthly activity of their account(s) for accuracy and completeness. This review process also affords the account sponsor the opportunity to consider the ending account balance prior to seeking approval for expenditures. This review is evidenced by their initials on the Monthly Log Report. The lack of proper review or understanding by the account sponsor can lead to deficit spending.

Financial Oversight

The collections and expenditures analysis for both the JV and varsity cheer accounts indicated a total deficit amount (less proceeds from the District) of \$21,711.09 (\$7,147.12 + (\$21,914.32 - \$7,350.35)) for the 2015-16 school year. Continued spending for an account with a deficit balance signals an overall lack of financial oversight.

Section VI D.2 of the Manual states, "Determine if adequate funds are available for the purchase from the account to be charged. If funds are

MCFs included more than one source of collections.

Monthly account ledger report was not properly reviewed by the account sponsor.

Account balances were not properly reviewed and considered before purchases were approved.

available, the Purchase Requisition/Request for Purchase Order form should be reviewed, signed, and dated by the principal authorizing the expenditure.”

Section I, A.6 & 7 of the Manual states, “Purchases from internal funds shall not exceed the resources of the applicable student activity/project account, except for items acquired for resale or items authorized by school board rule. No school should incur a debt that cannot be paid off by the close of the current school year.”

The failure to follow this policy is evident by the account sponsor who requested funds for purchases and the principal who approved the purchases even though there were no funds available. (Note: It is unclear if the bookkeeper brought the deficit balances to the principal’s attention.) Adherence to this internal control helps prevent deficit accounts from accumulating any further by bringing attention to the current balance available to all parties involved.

Note: This was an audit finding for the 2014-15 Internal Accounts Audit.

Recommendations

We recommend the principal, bookkeeper, and coach review the Manual for proper collection procedures.

MCF Completion

In an effort to ensure the proper completion of a MCF, **we recommend the principal, bookkeeper, and coach review the Manual on the proper methods for receiving monies and on the correct procedures for receipts of funds and completion of the Monies Collected Forms.** Listing only one source of collections on a single MCF allows for better accountability for the funds collected.

We recommend the principal and coach review the Manual for proper monthly account ledger report review.

Account Ledger Report Review

In an effort to address the account sponsor’s lack of understanding of the monthly activity review, **we recommend the principal and coach review the Manual regarding the review of the monthly account ledger report.** The account sponsor should be informed of their accurate fund balance in order to know whether sufficient funds are available to make purchases or if further fundraising or student collections are necessary.

We recommend a method be developed to ensure verification of account balances prior to expenditure approval.

Financial Oversight

In an effort to address lack of financial oversight and the approval of expenditures for accounts with deficit balances, **we recommend a method be put in place to ensure the principal, bookkeeper, and the account sponsor verify that sufficient funds are available before a purchase is approved.** This will help prevent overspending from internal funds and reduce the risk of future deficit balances in accounts.

We recommend the coach develop a system of placing the responsibility of uniform costs entirely on the participants.

Other Comments

Timely Collections

The current practice by the school is to pay uniform invoices upfront in the summer and have team members reimburse the school. Guidelines issued by the school require members to have uniforms fully paid by the time school starts. However, we noted numerous instances when amount owed were not paid by the deadline, and often extended through the school year and subsequent years. Continuing to collect amounts owed 2-3 years after the expenses were incurred is unacceptable. In an effort to address outstanding collections from prior years, **we recommend the coach develop a system of shifting the responsibility of uniform costs from the school to the participants.**

One method could involve the coach contacting the uniform vendor and obtaining the estimated costs of the required uniforms/equipment needed for each student's participation. Once the roster for the squad is finalized, the coach would provide this order information to the students to make the purchases directly through the vendor. This process would help to prevent the risk of liability to the school in the event an approved squad member is unable to fulfill their financial responsibility for participation.

Management Response

The principal contacted our office after reviewing the report. He expressed his satisfaction with the results of the review and provided no additional comments, edits, or concerns for the report.