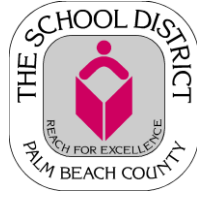


Special Review of
Missing Monies at
John F. Kennedy Middle School

July 9, 2015

Report #2015-10



MISSION STATEMENT

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Special Review of
Missing Monies at
John F. Kennedy Middle School

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Special Review of
Missing Monies at
John F. Kennedy Middle School

EXECUTIVE SUMMARY

Pursuant to the *Office of Inspector General's (OIG) 2014-15 Work Plan*, OIG has performed an unannounced cash count at 14 selected schools on three different days during March 2015. The March 2, 2015, cash count at John F. Kennedy Middle School revealed shortages in several collections when compared to the *Monies Collected Reports* (MCRs). Due to the cash shortages identified during the unannounced cash count, the scope of review was expanded to review all monies collection records at the school during July 1, 2014, through April 21, 2015. The primary objectives of the expanded review were to determine (1) the causes for the discrepancy between the March 2nd cash count and the records of the subsequent bank deposit, and (2) if all the monies were accounted for as of April 21, 2015. This review produced the following major conclusions.

1. No Additional Money Missing

All deposit documentation for July 1, 2014, through April 21, 2015, was reviewed; and the yellow copies of MCRs and *Official Receipts* retained by staff were compared to the general ledger and bank records. The review did not identify additional money missing incidents during the review period.

2. Noncompliance with Money Handling Procedures

The review of monies collection records for the period July 1, 2014, through April 21, 2015, revealed numerous noncompliances in the money handling procedures, which weakened the controls in protecting cash.

- Online Sponsor Training Not Completed. None of the employees at the school registered for the *Cash Receipts for Teachers/Sponsors* online training course during Fiscal Year 2015, although Internal Funds procedures require all staff who collect monies at schools to complete this course before December 31, 2014.
- Monies Not Timely Processed by School Treasurer. 193 (36%) of the 540 money collections were not timely deposited into the bank, with delays ranging from six to 15 working days after the collections.
- Yellow Copies of MCRs and Official Receipts Not Retained by Sponsors. Of the 540 money collections recorded in the general ledgers, neither the yellow copy nor the *Official Receipt* for 240 (or 44%) collections was retained by the sponsors.

- Incomplete MCRs. MCRs were not always completed by staff with all the required information, such as the date of collection and the remitter's signature.

Management's Response: The Principal concurred with the recommendations and changes will occur in FY16. (Please see page 7 for details.)

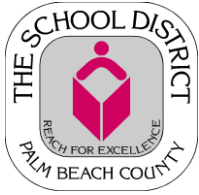
3. Noncompliance with Drop-safe Log Procedures

Several instances of noncompliance with *Drop-safe Log* procedures were noted:

- Drop-safe Log Pages Missing. Two pages of the *Drop-safe Log* (pages #12-25988 and #12-25989) were missing.
- No Document Custodians for Prenumbered Documents. The *Document Custodian Assignment Register* (PBSD 1663) was neither prepared nor approved by the Principal. No document custodian was assigned to account for any of the school's prenumbered documents, including the *Drop-safe Log*.
- Drop-safe Log Not Inventoried. The school did not perform periodic inventory checks of *Drop-safe Log*.
- Section 3 of Drop-Safe Log Incomplete. Section 3 of the *Log* was not always completed and signed by the independent verifier after the school treasurer entered the deposit information into the Internal Accounts System.

Management's Response: The Principal concurred with the recommendations and changes will occur in FY16. (Please see page 7 for details.)

Management's Response from Chief Operating Officer: As the specific audit recommendations have already been addressed, I have nothing further to add. (Please see page 8.)



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MEMORANDUM

TO: Honorable Chair and Members of the School Board
Robert M. Avossa, Ed.D., Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, Inspector General

DATE: July 9, 2015

SUBJECT: Special Review of Missing Monies at John F. Kennedy Middle School

PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2014-15 Work Plan*, we performed an unannounced cash count at 14 selected schools on three different days during March 2015. During the March 2, 2015, cash count at John F. Kennedy Middle School, we noted cash shortages in several collections when compared to the *Monies Collected Reports (MCRs)*. Upon our follow-up inquiry, we observed that all monies reported on the related MCRs were subsequently deposited into the bank.

Due to the cash shortages identified during the unannounced cash count, we performed an expanded scope review of the monies collection records at the school. The primary objectives of the expanded review were to determine (1) the causes for the discrepancy between the March 2nd cash count and the subsequent bank deposit, and (2) if all the monies were accounted for as of April 21, 2015.

SCOPE AND METHODOLOGY

This special review covered the period July 1, 2014, through April 21, 2015; and included:

- Performing a follow-up unannounced cash count on April 21, 2015.
- Performing an analysis of all monies collections for the covered time period.
- Interviewing school staff.

Draft findings were sent to the management for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the review. The final draft report was presented to the Audit Committee at its July 9, 2015, meeting.

BACKGROUND

\$376 Missing from Cash Count. The March 2, 2015, unannounced cash count revealed a \$376.35 cash shortage from five collections for fundraisers, compared to the related *Monies Collected Reports* (MCRs). Of these five collections, two of them accounted for \$367 (or 98%) of the \$376.35 shortage. None of the collections matched the amounts on the respective MCR.

Collection #	Total Monies Counted	Amount per MCR	Monies Over (Short)
1	\$68.00	\$310.00	(\$242.00) ^(a)
2	205.00	330.00	(125.00) ^(a)
3	382.00	392.00	(10.00)
4	446.60	447.00	(0.40)
5	116.70	115.65	1.05
Totals	\$1,218.30	\$1,594.65	(\$376.35)

(a) $\$242 + \$125 = \$367$

Subsequently, we received documentation for the monies reported on the related MCRs, and noted that they were deposited into the bank on March 5, 2015, three days after the cash count. The school treasurer indicated that the activity sponsors had turned in the additional monies after our inquiry. However, our interviews with the activity sponsors on April 21, 2015, found that they were not aware of the cash shortages and had not turned in any additional monies.

School Police Contacted. School Police was contacted because of the inconsistencies in the school treasurer's and the activity sponsors' explanations for the cash discrepancies. On April 23, 2015, School Police conducted interviews of the school treasurer and activity sponsors. The school treasurer admitted taking the \$367 from the collections and subsequently returning the money after the OIG questioned the missing monies. The school treasurer was reassigned pending the completion of all reviews and investigations.

CONCLUSIONS

This special review produced the following major conclusions:

1. No Additional Money Missing

We obtained and analyzed all deposit documentation for Fiscal Year 2015 through April 21, 2015. The yellow copies of MCRs and *Official Receipts* retained by staff were compared to the general ledger and bank records.

The analysis of receipts did not reveal any other money missing incidents as the one detected through the unannounced cash count.

2. Noncompliance With Money Handling Procedures

The Internal Funds general ledger indicated that the school collected a total of \$90,732.40 through 540 collections during July 1, 2014, through April 21, 2015. Our review of the monies collection records noted numerous noncompliances in the money handling procedures, which weakened the controls in protecting cash.

- Online Sponsor Training Not Completed. A review of the training records for the online course, *Cash Receipts for Teachers/Sponsors*, found that none of the employees at John F. Kennedy Middle School registered for this course during Fiscal Year 2015. This online training was made available through the District’s eLearning Management System and was intended for staff members who serve as activity sponsors at school centers. This course was announced as part of the available pre-school training to be completed by December 31, 2014.
- Monies Not Timely Processed by School Treasurer. During the review period, 193 (or 36%) of the 540 collections were not timely deposited into the bank, with delays ranging from six to 15 working days after the collection. All monies are to be deposited into the bank within five days after collection.
- Yellow Copies of MCRs and Official Receipts Not Retained by Sponsors. As part of our review, we requested all MCRs and corresponding *Official Receipts* (the receipts generated by the Internal Funds accounting system) for Fiscal Year 2015 from the sponsors. Of the 540 *Official Receipts* recorded in the general ledger, sponsors retained *both* the MCR yellow copy *and* the *Official Receipts* for only 132 (or 24%) collections. For 240 (or 44%) collections, neither document was retained by sponsors.

Documents Provided By Sponsors			Monies Collected	
Description	Yellow Copies	Official Receipts	# of Collections	Dollar Amount
None	–	–	240	\$42,521.60
Yellow Copies of MCRs Only	√	–	114	9,580.21
<i>Official Receipts</i> Only	–	√	54	8,791.43
Both Yellow Copies & <i>Official Receipts</i>	√	√	132	29,839.16
Total (Per General Ledger)			540	\$90,732.40

- Incomplete MCRs. MCRs were not always completed by staff with all the required information. Missing information included the date for the collection, account number, and the remitter’s signature.

Recommendations

Money collections should be administered in accordance with related District guidelines and *DOE Rules (Chapter 8 of the Department of Education’s Financial and Program Cost Accounting and Reporting for Florida Schools)*. Specifically,

- All sponsors responsible for monies collection should complete the online training courses by the required deadlines.
- As required by *DOE Rules and District Bulletin #P-14051-S/CFO*, monies collected should be put into the drop-safe daily, and be deposited into the bank within five working days after the collections. The District provides for armored courier pickup at all schools at least twice each week.
- To ensure proper fiscal accountability and as required by *Bulletin #P-14051-S/CFO*, activity sponsors should keep the yellow copy of the MCR. Keeping a copy of the MCR will assist the sponsors in (1) ensuring that the dollar amount indicated on the *Official Receipt* provided by the school treasurer agrees with the monies collected and submitted for deposit, (2) tracking the account balance periodically, and (3) providing documentation for the amount of revenue collected if recording errors should occur.
- MCRs should be completed with the needed information, and signed by the remitters and the school treasurer. Changes of information on MCRs made by the school treasurer should be documented and acknowledged by the sponsors.

Management's Response from Principal: *I concur with recommendations given about the money collections being administered in accordance with related District guidelines. Listed below are the changes that will occur for FY16.*

- *A new treasurer will be hired for the FY16 school year.*
- *The treasurer will deposit all monies within 5 working days after the collections.*
- *All sponsors responsible for monies collecting will complete the online training.*
- *The administration will complete quarterly reviews and updates for proper MCR completion for staff.*
- *Any issues with improper MCR completion will be documenting by administration.*

(Please see page 7.)

3. Noncompliance With *Drop-safe Log* Procedures

The review of controls for the *Drop-safe Log* revealed several instances of noncompliance:

- *Drop-safe Log Pages Missing.* Three pages of the *Drop-safe Log* (pages #12-25987, #12-25988, and #12-25989) for the period June 18 through August 25, 2014, were missing. Subsequently, we located page #12-25987 loose in the storage room, but the other two pages were still missing. The associated *Official Receipts* for the collections recorded on page (#12-25987) were still attached to the *Log* and had not been returned to the sponsors.

- No Document Custodians for Prenumbered Documents. The *Document Custodian Assignment Register* (PBSD 1663) was neither prepared nor approved by the Principal. There was no document custodian assigned for keeping and issuance any of the prenumbered documents used by the school, including the *Drop-safe Log*. Subsequent to our request for the document and after we left the campus, the Principal reported that the school treasurer presented him with a completed *Register* and requested that he sign and back-date the document to “August 21, 2014.”
- Drop-safe Log Not Inventoried. Periodic inventories of the *Drop-safe Log* were not performed and the *Prenumbered Document Inventory Register* (PBSD 0160) was not prepared.
- Section 3 of Drop-safe Log Incomplete. The *Drop-safe Log* was not always completed with all the required information. Specifically, *Section 3* of the *Log* was not always completed and signed by the independent verifier after the school treasurer entered the deposit information into the Internal Accounts System. Moreover, the *Official Receipts* were not timely provided to the remitters to ensure the accuracy of the deposit.

Recommendations

Prenumbered documents are an essential component of internal controls for money collections. The school should comply with the *Internal Accounts Manual* and *District Bulletin #P-14051-S/CFO* requirements. Specifically:

- District’s *Bulletin #P-14051-S/CFO* and *Records Retention Guidelines* state “Completed *Drop-safe Logs* must be filed sequentially in numerical order in a binder and retained for five years.”
- *Chapter 27 of the Internal Accounts Manual* requires that a custodian for prenumbered forms be someone who is not involved in the day-to-day use of the form; and that each assigned document custodian shall use the *Prenumbered Document Inventory Register* (PBSD 0160) to account for the periodic inventory of the prenumbered forms, including the *Drop-safe Log*.
- To ensure proper fiscal accountability and comply with *Bulletin #P-14051-S/CFO*, responsible staff should complete the *Drop-safe Log* with all the required information. Specifically, (1) activity sponsor should complete *Section 1* of the *Log* before dropping off the collections into the safe, (2) the independent verifier should complete *Section 2* of the *Log* after removing the deposits from the safe for processing by the school treasurer, and (3) the verifier should complete *Section 3* of the *Log* after the school treasurer entered the deposit information into the school’s accounting system.

Management’s Response from Principal: *I concur with the recommendations given about the prenumbered documents and noncompliance in drop-safe log procedures. Listed below are the changes that will occur for FY16.*

- *Completed drop-safe logs will be filled in sequential numerical order and kept in binder.*
- *The binder will be readily available in the principal's office.*
- *A new treasurer will be hired for the FY16 school year.*
- *The confidential secretary will be the custodian for prenumbered document inventory register to account for the periodic inventory of prenumbered forms.*
- *All staff members will be trained during preschool and required to complete the online trainings before fundraiser approval.*
- *The new treasurer will provide staff training during preschool with administration on the proper usage of the drop safe logs. (Section 1)*
- *Section 2 and Section 3 of the drop safe log will be monitored weekly by the principal.*

(Please see page 7.)

4. Referral

We referred our conclusions to the Office of Professional Standards and School Police for further actions. On June 3, 2015, School Police notified our office that its investigation has been concluded and the conclusions were forwarded to the State Attorney's Office for further actions.

Management's Response from Chief Operating Officer: *As the specific audit recommendations have already been addressed, I have nothing further to add. (Please see page 8.)*

– End of Report –

Management's Response
Principal of John F. Kennedy Middle School

6/11/15

Mr. Law

Listed below are the responses of the Audit findings for the follow-up of the Special Review of Missing Monies at JFK Middle School.

I concur with recommendations given about the money collections being administered in accordance with related District guidelines. Listed below are the changes that will occur for FY16.

- A new treasurer will be hired for the FY16 school year.
- The treasurer will deposit all monies within 5 working days after the collections.
- All sponsors responsible for monies collecting will complete the online training.
- The administration will complete quarterly reviews and updates for proper MCR completion for staff.
- Any issues with improper MCR completion will be documenting by administration.

I concur with the recommendations given about the prenumbered documents and noncompliance in drop-safe log procedures. Listed below are the changes that will occur for FY16.

- Completed drop-safe logs will be filled in sequential numerical order and kept in binder.
- The binder will be readily available in the principal's office.
- A new treasurer will be hired for the FY16 school year.
- The confidential secretary will be the custodian for prenumbered document inventory register to account for the periodic inventory of the prenumbered forms.
- All staff members will be trained during preschool and required to complete the online trainings before fundraiser approval.
- The new treasurer will provide staff training during preschool with administration on the proper usage of the drop safe logs. **(Section 1)**
- **Section 2 and Section 3** of the drop safe log will be monitored weekly by the principal.

Target completion date: 6/11/15

Principal's Signature: Covey Brooks

RECEIVED
JUN 11 2015
INSPECTOR GENERAL

Management's Response
Chief Operating Officer



**THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FL**

**MICHAEL J. BURKE
CHIEF OPERATING OFFICER**

**E. WAYNE GENT
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MEMORANDUM

TO: Lung Chiu
Inspector General

FROM: Michael J. Burke *MJB*
Chief Operating Officer

DATE: June 30, 2015

**SUBJECT: TWO SPECIAL REVIEWS OF JOHN F. KENNEDY MIDDLE SCHOOL:
(1) SPECIAL REVIEW OF MISSING MONIES
(2) FOLLOW-UP REVIEW OF FUNDRAISING ACTIVITIES**

RECEIVED
JUN 30 2015

INSPECTOR GENERAL

I have reviewed the following special reviews:

- (1) Special Review of Missing Monies of John F. Kennedy Middle School for the period July 1, 2014 through April 21, 2015, and management response provided by Corey Brooks, Principal of John F. Kennedy Middle School.
- (2) Follow-up Review of Fundraising Activities for the period July 1, 2014 through March 5, 2015, and management response provided by Corey Brooks, Principal of John F. Kennedy Middle School.

As the specific audit recommendations have already been addressed, I have nothing further to add. An electronic version of management's response will also be emailed to your attention.

If you should have any questions or require additional information, please do not hesitate to contact me at PX48584.

MJB/ac

MJB