

Special Review of
Money Collection Records At
Pierce Hammock Elementary School

April 29, 2016

Report #2016-04



MISSION STATEMENT

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Special Review of
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LUNG CHIU, CIG, CPA
INSPECTOR GENERAL

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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: April 29, 2016

SUBJECT: Special Review of Money Collection Records at
Pierce Hammock Elementary School

PURPOSE AND AUTHORITY

As part of the *2015 Internal Funds Audit of Pierce Hammock Elementary*, we noted certain irregularities related to the school's *Drop-safe Log*. Subsequently, we expanded the scope of review for money collection records at the school. The primary objective of this special review was to determine whether all monies collected by the school during Fiscal Year 2015 were accounted for.

SCOPE AND METHODOLOGY

This special review covered the period July 1, 2014, through June 30, 2015; and included:

- Performing an analysis of all money collection records for the time period covered.
- Interviewing school staff.

Draft findings were sent to the school for review and comments. Management response is 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 April 29, 2016, meeting.

BACKGROUND

Drop-safe Log. The *Drop-safe Log (Log)* is one of the critical internal control procedures to enhance fiscal accountability and assist the school in determining if collections turned in by activity sponsors are accounted for in the Internal Funds.

The *Log* is a pre-numbered document that contains three sections for staff to record the related information for money collection:

- (1) *Section 1* of the *Log* is to be completed by activity sponsor before dropping off the collections into the safe;
- (2) *Section 2* of the *Log* is to be completed jointly by the treasurer and an independent staff to confirm that the deposits in the safe were removed by the treasurer for processing; and
- (3) *Section 3* of the *Log* is to be completed by the verifier after the treasurer entered the deposit information into the school's accounting system.

As required by *Internal Accounts Manual* and *Bulletin #P-14051-S/CFO*, completed *Drop-safe Logs* must be filed sequentially in numerical order in a binder and retained for five years. Moreover, the Principal should assign a document custodian, who must be an independent staff other than the treasurer, to maintain the inventory of the *Log*.

Drop-safe Log Missing. During the *2015 Annual Internal Funds Audit* of the school, we noted that (1) five pages of the *Log* were missing; these pages were for transactions during May 29 through June 9, 2015; and (2) receipt numbers (generated by the Internal Funds Accounting System) were missing from three of the four entries on the final page of the *Log* for Fiscal Year 2015.

Analysis of Deposits. We obtained and analyzed all the available money collection records and documentation for Fiscal Year 2015. These records and documentation included: (1) original *Monies Collected Reports* (MCR) filed with the official accounting records maintained by the treasurer, (2) bank deposit records, (3) *Drop-safe Log*, (4) Internal Funds General Ledger, and (5) the yellow copies of MCRs and official receipts retained by activity sponsors.

CONCLUSIONS

This special review produced the following major conclusion:

\$3,540.71 Missing. Our analysis of money collection records found that \$3,540.71 from 19 yellow copies of MCRs retained by activity sponsors were neither deposited into the bank nor recorded in the Internal Funds General Ledger. These monies were collected by sponsors during May 29 through June 9, 2015, which matched the time-period of the missing *Drop-safe Log* pages.

Our interview with staff and review of the money collection records concluded that the school was following the District's money collection procedures; however, someone deliberately removed some pages from the *Drop-safe Log Binder*.

Recommendation

Missing records is a serious violation of District guidelines, and jeopardizes the integrity of fiscal control system. **School Board Policy 2.34**, states, "All Board employees shall faithfully and accurately keep such records as may be required by law, State Board regulations, School Board policy or their supervisor." All school records should be properly safeguarded and retained for a time-period consistent with the District's **Record Retention Schedule**.

Management's Response:

Principal of Pierce Hammock Elementary: *We are in receipt of your special review of Pierce Hammock regarding the drop safe records. Please note as follows:*

- 1. We concur with the audit findings.*
- 2. Safeguards for drop safe records are in place and we will continue to maintain the integrity of the process.*
- 3. The new Data Processor and office staff will be re-trained regarding the drop safe records and retention requirements.*

(Please see page 5.)

Chief Financial Officer: *Management has reviewed the Special Review Report of Pierce Hammock and offers the following responses:*

- 1) Management concurs with the Office of Inspector General's (OIG's) finding regarding the need to properly account for all pages of the Drop Safe Log. The Drop Safe Log is pre-numbered document with the two-digit fiscal year and a sequential number that uniquely identifies each page of the log. Every deposit must be recorded on the Log by the teacher/sponsor. The face-to-face bookkeeper training sessions and the mandatory teacher/sponsor training on eLearning give clear instructions on how to complete an entry on the Drop Safe Log and to not destroy or misuse the log in any way. The bookkeeper and designated support staff remove the contents of the safe and check it against the Drop Safe Log. Because it could take a long period of time for the contents of the safe to be verified against the Drop Safe Log and it is frequently done in a closed office, the pages cannot be bound in one book. The log must be available at all times at the safe to record deposits to the drop safe. If the Log is not available a teacher/sponsor would have to hold their deposit until they can return to the safe which increases exposure to loss. After the deposit is accounted for and any discrepancies are noted the pre-numbered Log pages are kept in a binder and verified on a monthly basis by the document custodian.*

- 2) *Starting with the school year 2016-2017, Document Custodians will be paid a supplement pursuant to the AESOP contract. There will be face-to-face training early in the school year regarding duties and how to properly account for various pre-numbered documents. On-going and mid-year training will be available either face-to-face or on-line through eLearning Management for new document custodians.*
- 3) *While District staff makes every effort to train and reinforce training, the prescribed procedures only work if school staff follow them and training requirements are enforced.*

(Please see page 6.)

FURTHER ACTION

On October 15, 2015, we referred our conclusions to School Police for further action.

On March 7, 2016, School Police informed OIG that its investigation has been completed, and concluded that,

“Probable cause cannot be established at this time to indicate any particular person(s) responsible for the theft of these funds.”

On March 23, 2016, the Office of Professional Standards indicated that the school’s treasurer and data processor resigned and the case was closed.

– End of Report –

Management's Response
Principal of Pierce Hammock Elementary

Pierce Hammock Elementary

Dr. John Carvelli
Principal

14255 Hamlin Boulevard
Loxahatchee, Florida 33470
Phone: (561) 633-4500
Fax: (561) 633-4550

Dr. Edwina Mooney
Assistant Principal

Date: November 2, 2015
To: Mr. Lung Chiu, Inspector General
From: Dr. John Carvelli, Principal
Re: Special Review



We are in receipt of your special review of Pierce Hammock regarding the drop safe records. Please note as follows:

1. We concur with the audit findings.
2. Safeguards for drop safe records are in place and we will continue to maintain the integrity of the process.
3. The new Data Processor and office staff will be re-trained regarding the drop safe records and retention requirements.

RECEIVED
OCT 30 2015
INSPECTOR GENERAL



Management's Response
Chief Financial Officer



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SUPERINTENDENT

RECEIVED
APR 14 2016
INSPECTOR GENERAL

MEMORANDUM

TO: Lung Chiu, Inspector General

FROM: Mike Burke, Chief Financial Officer *MB*

SUBJECT: Special Review of Money Collection Records at Pierce Hammock Elementary School

Date: April 14, 2016

Management has reviewed the Special Review Report of Pierce Hammock and offers the following responses:

- 1) Management concurs with the Office of Inspector General's (OIG's) finding regarding the need to properly account for all pages of the Drop Safe Log. The Drop Safe Log is pre-numbered document with the two-digit fiscal year and a sequential number that uniquely identifies each page of the log. Every deposit must be recorded on the Log by the teacher/sponsor. The face-to-face bookkeeper training sessions and the mandatory teacher/sponsor training on eLearning give clear instructions on how to complete an entry on the Drop Safe Log and to not destroy or misuse the log in any way. The bookkeeper and designated support staff remove the contents of the safe and check it against the Drop Safe Log. Because it could take a long period of time for the contents of the safe to be verified against the Drop Safe Log and it is frequently done in a closed office, the pages cannot be bound in one book. The log must be available at all times at the safe to record deposits to the drop safe. If the Log is not available a teacher/sponsor would have to hold their deposit until they can return to the safe which increases exposure to loss. After the deposit is accounted for and any discrepancies are noted the pre-numbered Log pages are kept in a binder and verified on a monthly basis by the document custodian.
- 2) Starting with the school year 2016-2017, Document Custodians will be paid a supplement pursuant to the AESOP contract. There will be face-to-face training early in the school year regarding duties and how to properly account for various pre-numbered documents. On-going and mid-year training will be available either face-to-face or on-line through eLearning Management for new document custodians.
- 3) While District staff makes every effort to train and reinforce training, the prescribed procedures only work if school staff follow them and training requirements are enforced.

MJB/NS:ns/sms

cc: Nancy Samuels, Director of Accounting

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