

March 25, 2019
Unannounced Cash Counts
At Six Sample Schools

July 18, 2019

Report #2019-10



MISSION STATEMENT

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MEMORANDUM

TO: Honorable Chair and Members of the School Board
Donald E. Fennoy II, Ed.D., Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, Inspector General

DATE: July 18, 2019

SUBJECT: March 25, 2019, Unannounced Cash Counts at Six Sample Schools

PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2018-19 Work Plan*, we have conducted the second unannounced cash counts at six sample schools on March 25, 2019. The primary objectives of the unannounced cash counts were to determine:

- (1) If all the monies in the drop-safe and change funds were properly accounted for, and
- (2) The extent of compliance with District procedures for money collections.

SCOPE AND METHODOLOGY

To accomplish the objectives of this project, we performed the following procedures:

- Conducting cash counts at six sample schools, including change funds and all collections kept in the drop-safes, on March 25, 2015.
- Reviewing (1) *DOE Rules (Chapter 8 of the Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools)*, (2) District *Internal Accounts Manual*, and (3) District *Bulletin #P-14051-S/CFO*.
- Reviewing prior audit findings and conclusions.
- Interviewing school staff.

Draft findings were sent to the school principals for review and comment. The consolidated draft report was sent to the Office of Chief Financial Officer (CFO) for response; and his response is included in the Appendix. We appreciate the courtesy and cooperation extended to us by all the school staff during the audit. The final draft report was included in the July 18, 2019, Audit Committee Meeting Agenda.

BACKGROUND

As part of the ongoing monitoring of the money collection process at schools and follow-up on audit conclusions identified during the Annual Internal Funds Audits, the OIG periodically conducts unannounced cash counts and examines the contents in drop-safes at selected schools. The primary objectives of the unannounced visits were to determine (1) the extent of compliance with District’s money collection procedures, and (2) if all monies collected were properly accounted for.

March 29, 2019, Unannounced Visits. Six sample schools were randomly selected for the March 25, 2019, unannounced cash counts. Table 1 shows the six schools and their total collections during Fiscal Years 2016, 2017, and 2018; and cash on hand in in the drop-safe and change funds maintained at the school during our site visit.

Table 1
Annual Collections and Cash On Hand For Six Sample Schools
As of March 25, 2019

School	Internal Funds Receipts				Total \$ in
	FY16	FY17	FY18	Average Per Year	Drop-safe and Change Fund
Bak Middle School of the Arts	\$1,168,294.74	\$1,122,899.10	\$1,197,206.71	\$1,162,800.18	\$9,128.39
Jeaga Middle	92,702.21	103,384.58	120,675.21	105,587.33	3,105.00
Palm Beach Lakes High	893,728.78	777,831.23	692,692.11	788,084.04	10,234.39
Royal Palm Beach High	905,221.88	838,266.45	803,596.99	849,028.44	23,161.90
Suncoast High	1,153,923.98	1,277,123.05	1,252,285.08	1,227,777.37	56,768.26
Wellington Landings Middle	366,946.71	479,845.41	501,829.59	449,540.57	1,425.00
Total	\$4,580,818.30	\$4,599,349.82	\$4,568,285.69	\$4,582,817.94	\$103,822.94

Sources: Schools’ Internal Funds Annual Financial Statements and Auditor Observations

Change Funds. *Chapter 10* of the *Internal Accounts Manual* provides the guidelines for establishing and managing a change fund (certain amount of cash) that sponsors can use to make change while receiving payments in cash. A change fund is to be requested by the school through the District’s Treasury Department and the cash requested would be delivered to the school through armored car service. To ensure consistency, schools should determine their annual needs and request a sufficient change fund to facilitate campus events. Change funds are to be provided to event sponsors by the school treasurer. When not needed at an event, all change funds must be secured in the school safe.

CONCLUSIONS

Table 2 summarized the major conclusions and noncompliances noted during the cash counts at the six schools.

Table 2
Summary of Noncompliances

School	No Findings	Money Missing	Collection Not Recorded on Drop-Safe Log	Sponsors Did Not Maintain the Yellow Copies of MCRs	Inadequate Control in Prenumbered Documents	Incomplete MCRs	Inaccurate MCRs	Funds Not Deposited Daily by Sponsors	Funds Not Deposit into Bank Within Five Workdays	Collected Funds Not Deposited Intact
Bak Middle School of the Arts	✓									
Jeaga Middle			X	X		X				
Palm Beach Lakes High			X							
Royal Palm Beach High		(\$20)	X		X	X		X		
Suncoast High			X	X			X	X	X	X
Wellington Landings Middle					X					
Number of Schools	1	1	4	2	2	2	1	2	1	1

Source: March 25, 2019, Unannounced cash counts.

1. No Money Missing in Five Schools, and \$20 Missing in One School

During the March 25, 2019, unannounced visits at the six sample schools, we conducted cash counts for both change funds and all the collections in the drop-safe awaiting processing and deposit into the bank. The cash counts concluded that five schools were found with no money missing; and \$20 was missing from the change fund at Royal Palm Beach High.

Table 3
Summary of March 25, 2019 Unannounced Cash Counts

School	Drop-safe Contents		Change Funds	Total	Money Missing?
	Cash	Check			
Bak Middle School of the Arts	\$2,711.34	\$5,717.05	\$700.00	\$9,128.39	No
Jeaga Middle	3,085.00	20.00	-	3,105.00	No
Palm Beach Lakes High	3,533.66	5,200.73	1,500.00	10,234.39	No
Royal Palm Beach High	12,248.90	8,413.00	2,500.00	23,161.90	\$20.00 missing from change fund
Suncoast High	11,367.43	42,100.83	3,300.00	56,768.26	No
Wellington Landings Middle	5.00	420.00	1,000.00	1,425.00	No
Total	\$32,951.33	\$61,871.61	\$9,000.00	\$103,822.94	\$20.00

Results of Subsequent Testing: All Collections Deposited. Subsequent to the unannounced cash counts, the OIG also verified bank deposit records for the six sample schools. The OIG reviewed the schools' deposit records and concluded that all collections found in the drop-safes on March 25, 2019, were deposited into the schools' bank accounts.

2. No Findings Found in One School, Minor Noncompliances in Five Schools

The unannounced cash counts and review of the money collection procedures at the six sample schools revealed no finding for Bak Middle School of the Arts. Several minor noncompliances were noted for Jeaga and Wellington Landings Middle, Palm Beach Lakes, Royal Palm Beach and Suncoast High Schools.

(1) Bak Middle School of the Arts

- No noncompliances.

(2) Jeaga Middle

- A \$112 collection was not recorded on the *Drop-safe Log*.
- One sponsor placed collections in the drop-safe accompanied by **both** the white and yellow copies of the *Monies Collected Report* (MCR). The yellow copies should be retained by the sponsor as the temporary receipts.
- One MCR (for \$250) did not have the date of collection; and one MCR (for \$435) did not have the account number.

(3) Palm Beach Lakes High

- A \$60 collection was not recorded on the *Drop-safe Log*.

(4) Royal Palm Beach High

a) Drop-safe Contents:

- A \$50 collection was not recorded on the *Drop-safe Log*.
- Four *Monies Collected Reports* (MCRs), totaling \$714, for athletic event admissions were retained by the sponsors for three to five working days before the monies were put into the drop-safe for deposit.
- Four MCRs were not completed with all the required information. Missing information included check number, payer's name, and date of collection, etc.

b) Change Fund

- During our site-visit of the school on March 25, 2019, the school's general ledger showed a change fund amount of \$2,500; however, only \$2,300 in cash was found. According to staff, \$200 in cash was included with Deposit #739-5, on October 10, 2018, with the Homecoming Concessions collections, but it was not identified separately.

c) Prenumbered Documents

- There was no assigned document custodian for *Adult Community Education Receipts*.
- There was no *Prenumbered Document Inventory Register (PBSD 0160)* for *Adult Community Education Receipts*.
- Three out of five *Ticket Seller's Reports (PBSD 0157)* in the drop-safe at the time of the cash count showed dates which did not correspond with the *Master Ticket Seller Reports (PBSD 0158)* dates.
- A *Ticket Seller's Report (PBSD 0157)* in the drop-safe at the time of the cash count was for the March 12, 2019, Boys Volleyball game. The *Report* showed ticket numbers used which were not in sequence with the available ticket numbers according to the *Prenumbered Document Inventory Register (PBSD 0160)*. Five numbers were skipped and later reported damaged on the inventory register. However, the damaged tickets were not retained and accounted for.
- The athletic director acted as event sponsor and ticket seller completing both the *Master Ticket Seller Reports* and the *Ticket Seller's Reports* for four events. The *Ticket Seller's Reports* were incomplete in that they did not have the initials of the ticket seller acknowledging receipt of the change funds.

(5) Suncoast High

- A \$90 collection found in the drop safe did not have a corresponding entry on the *Drop Safe Log*.
- Check numbers were not always included on the *Monies Collected Reports (MCR)*.
- Deposit #1427 (for \$5,569.50) indicated that funds collected on March 7, 2019, were not processed for deposit by the treasurer until March 15, 2019, six working days after the collections.
- A total of \$19,514.08 collections in cash and checks during March 8 and 15, 2019, were not prepared for deposit by the treasurer until March 25 and 26, 2019. Delays ranged from six to eight working days after the collections, excluding the spring break holiday.

- A \$2,905 collection was not turned in 100% intact as collected. Specifically, an \$85 check was entered on the MCR as \$80, because \$5 was refunded to a student from the cash collected.
- Three MCRs had incorrect totals, because a \$299 MCR listed a \$270 check incorrectly as \$220; and a \$1,715 MCR listed a \$350 check incorrectly as \$250. Also, an \$855 MCR was \$80 over in cash.
- The MCR for a \$299 collection from the Boy's Lacrosse Concession (Account #1-4200.01) was prepared by the sponsor. However, another person recorded the entry on the *Drop Safe Log*. This procedure provides a break in the custody of the collected funds before being deposited into the drop safe.
- Seven MCRs, totaling \$1,136.82, had the yellow copies attached to the MCRs. Staff should retain the yellow copies as temporary receipt of funds deposited.

(6) Wellington Landings Middle

- The school did not maintain the *Prenumbered Document Inventory Register PBSB 0160*) for *School Checks* and *Prenumbered Event Tickets*.

Recommendations

(A) Money Collection

To ensure proper fiscal accountability and comply with *DOE Rules (Chapter 8 of the Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools)*, *Internal Accounts Manual*, and *Bulletin #P-14051-S/CFO*. Specifically,

- a. Internal Accounts procedures require sponsors to record their own entries in *Section 1* of the *Drop Safe Log*. This process allows for no break in the custody of the funds from the sponsor until the funds are removed from the drop safe by the treasurer.
- b. Sponsors should keep yellow copies of MCRs as a temporary receipt for future reference in comparing with the *Official Receipts*. This will help confirm that funds were properly credited to the school's accounting records.
- c. Monies collected should be put into the drop-safe daily, and be deposited into the bank within five working days after the collection. Delay in turning in the monies for deposit could subject the sponsor to exposure and result in potential irregularities.

- d. *DOE Rules, Section III – 1.4(c)*, states “all money collected must be deposited intact to a depository”. Funds are required to be turned in and deposited 100% intact; and refunds should be made by school check.
- e. Monies collected should be supported by all the required information on the MCRs, including the account number, remitter’s signature, payer’s name, dollar amount, and check number when appropriate. Before dropping off funds into the drop safe, sponsors should check the accuracy of the MCRs and funds collected.

(B) Controls in Prenumbered Documents

The document custodian should conduct periodic inventory of each prenumbered document, including *School Checks* and *Prenumbered Event Tickets*, and record on the *Prenumbered Document Inventory Register* (PBSD 0160).

Management’s Responses:

Principal of Jeaga Middle: *Concurs. A conversation was conducted with the school treasurer as well as those who were not compliant with the policies regarding drop safe procedures.*

Principal of Palm Beach Lakes High: *Concurs. We will send out an email to all staff members reminding them to record their deposit on the drop safe log before depositing funds in safe. I have also spoken directly to the teachers who did not log in their deposit and reviewed policy with them and warned of disciplinary action if this happens again.*

Principal of Royal Palm Beach High: *Concurs. (1) Continued PD [professional development] regarding MCRs. (2) The change fund issue has been corrected. (3) Stipend document custodian is now the custodian for adult ed, and Athletic Director has been retrained for ticket sellers report.*

Principal of Suncoast High: *Concurs. Emails sent to staff on 3/25/19 and 3/27/19. MCR for Boys’ Lacrosse handled by AD due to supervision issue. It was the only way to get it deposited that evening.*

Principal of Wellington Landings Middle: *Concurs. This [controls in prenumbered documents] has been addressed and the new procedure will be followed moving forward.*

Office of the CFO: *Management reviewed the Report related to Unannounced Cash Counts at Six Sample Schools and has the following responses to recommendations.*

A. Money Collection-

a. Sponsor should record their own entries in Section 1 of the Drop Safe Log.

- **Management concurs** – *The sponsor initiating the MCR should be the same person that makes the entry on the Drop Safe Log, this will establish chain of custody.*

- b. Sponsors should keep yellow copies of Money Collection Report (MCR) as a temporary receipt to compare with Official Receipt.**
- **Management concurs** – All items for deposit should be recorded accurately on a MCR on the day of collection. Upon receipt of the Official School Cash Receipt the sponsor should match it up with the yellow portion of the MCR to verify the deposit was processed correctly. Any discrepancies should be discussed with the Treasurer. eLM Training is available and mandatory for all teacher/sponsors collecting funds on behalf of the school.
- c. Monies collected should be put into the drop safe daily and deposited to the bank within 5 working days after collection.**
- **Management concurs** – Sponsors are trained to deposit funds daily and not hold funds overnight. Treasurers are instructed to process deposits at a minimum of once weekly to ensure funds are deposited to bank within 5 working days.
- d. DOE Rules, Section III – 1.4(c), states “all money collected must be deposited intact to a depository”. Funds are required to be turned in and deposited 100% intact; and refunds should be made by school checks.**
- **Management concurs** – The DOE requirement is stated in the required Teacher/Sponsor Cash Receipts eLM training.
- e. Monies collected should be supported by all required information on the MCR.**
- **Management concurs** – See response to recommendation ‘b’ above.
- B. Control in Prenumbered Documents** – Document Custodian should conduct periodic inventory of prenumbered documents and record on the Prenumbered Document Inventory Register (PBSD0160).
- Management Concurs** – Document Custodian and Principal eLM trainings cover this important requirement.

(Please see page 9.)

– End of Report –

Management's Response
Office of the CFO



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CHIEF FINANCIAL OFFICER

DONALD E. FENNOY II, Ed.D.
SUPERINTENDENT

MEMORANDUM

TO: Lung Chiu, Inspector General

FROM: Michael J. Burke, Chief Financial Officer *MJB*

DATE: June 3, 2019

SUBJECT: **Response to Unannounced Cash Counts at Six Sample Schools**

RECEIVED
JUN - 3 2019
INSPECTOR GENERAL

Management reviewed the Report related to Unannounced Cash Counts at Six Sample Schools and has the following responses to recommendations.

A. Money Collection –

- a. Sponsors should record their own entries in Section 1 of the Drop Safe Log.
 - **Management concurs** – The sponsor initiating the MCR should be the same person that makes the entry on the Drop Safe Log, this will establish chain of custody.
- b. Sponsors should keep yellow copies of Money Collection Report (MCR) as a temporary receipt to compare with Official Receipt.
 - **Management Concurs** - All items for deposit should be recorded accurately on a MCR on the day of collection. Upon receipt of the Official School Cash Receipt the sponsor should match it up with the yellow portion of the MCR to verify the deposit was processed correctly. Any discrepancies should be discussed with the Treasurer. eLM Training is available and mandatory for all teacher/sponsors collecting funds on behalf of the school.
- c. Monies collected should be put into the drop safe daily and deposited to the bank within 5 working days after collection.
 - **Management Concurs** – Sponsors are trained to deposit funds daily and not hold funds overnight. Treasurers are instructed to process deposits at a minimum of once weekly to ensure funds are deposited to bank within 5 working days.
- d. DOE Rules, Section III – 1.4(c), states “*all money collected must be deposited intact to a depository*”. Funds are required to be turned in and deposited 100% intact; and refunds should be made by school check.
 - **Management Concurs** - This DOE requirement is stated in the required Teacher/Sponsor Cash Receipts eLM training.
- e. Monies collected should be supported by all required information on the MCR.
 - **Management Concurs** – See response to recommendation ‘b’ above.

- B. Control in Prenumbered Documents – Document Custodian should conduct periodic inventory of prenumbered documents and record on the Prenumbered Document Inventory Register (PBSD0160) –
- **Management Concurs** – Document Custodian and Principal eLM trainings cover this important requirement.

MJB/NS:mw

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