

# 2019

Clay County District School Board – Internal  
Accounts

Financial Statement

For Fiscal Year Ended June 30, 2019

**FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITOR’S REPORT**

**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS  
CLAY COUNTY DISTRICT SCHOOL BOARD  
GREEN COVE SPRINGS, FLORIDA**

**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

### Report on the Financial Statement

We have audited the accompanying statement of fiduciary net position of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District) as of June 30, 2019, and the related notes to the financial statement as listed in the table of contents.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## INDEPENDENT AUDITOR'S REPORT

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Internal Accounts of the District, as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the accompanying financial statement presents only the fiduciary net position of the Internal Accounts and does not purport to, and does not, present fairly the financial position of the District as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the statement of fiduciary net position of the Internal Accounts. The Schedule of Changes in Assets - By School is presented for additional analysis and is not a required part of the financial statement.

The Schedule of Changes in Assets - By School is the responsibility of management of the District and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2020, on our consideration of the District's Agency Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Internal Accounts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Internal Accounts' internal control over financial reporting and compliance.



March 20, 2020  
Ocala, Florida

**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**JUNE 30, 2019**  
**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**

	<b>Total 2019</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 3,753,040
<b>Total Assets</b>	<u>3,753,040</u>
<b>Liabilities</b>	
Accounts Payable	68,873
Due to Students and Student Organizations	<u>3,684,167</u>
<b>Total Liabilities</b>	<u>3,753,040</u>
<b>Net Position</b>	<u>\$ -</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENT**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**CLAY COUNTY DISTRICT SCHOOL BOARD – GREEN COVE SPRINGS, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

The financial statement of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District) has been prepared to conform to generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1001.51(11)(f), the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies:

**Reporting Entity**

The District and its Governing Board are organized and operated under Section 4, Article IX, of the constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Clay County. Management of the District is independent of county and city governments. The membership of the Governing Board of the District (the Board) consists of five members elected by county-wide vote for overlapping four-year terms. The Superintendent is elected and acts as chief executive officer of the District.

For financial reporting purposes, the accompanying financial statement includes only the activity accounted for in the Internal Accounts of the District and does not purport to present financial position and results of operations for the District as a whole. The District does, however, prepare an entity-wide annual financial report, which also includes the Internal Accounts, which can be obtained from the District's administrative offices.

The Internal Accounts are a single fiduciary fund of the District as follows:

■ **Fiduciary Fund Type**

- **Agency Fund**—to account for resources of the Internal Accounts, which are used to administer monies collected at the District's schools in connection with school, student athletic, class and club activities, and financial aid fee collections and expenditures. The fund is made up of all of the internal account activity of the District's forty-three elementary, junior or middle, high schools, a virtual K-12, and an adult community education center and are unbudgeted public funds under the control and supervision of the District, with individual school principals having day-to-day responsibility over their respective schools.

The collection and disbursement of Internal Accounts is performed in accordance with Florida Statutes, school board rules, and the financial and program cost accounting and reporting for Florida Schools Manual, published by the Florida Department of Education.

The District accounts for student activity funds in an agency fund because the fund is custodial in nature and does not measure the results of operations.

**Basis of Accounting**

The accompanying financial statement is prepared on the accrual basis of accounting.

**NOTES TO FINANCIAL STATEMENT**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**CLAY COUNTY DISTRICT SCHOOL BOARD – GREEN COVE SPRINGS, FLORIDA**

**Cash and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes; thus, all bank balances of the Internal Accounts of the District are fully insured or collateralized.

Per Section 230.23(10)(k), Florida Statutes, school boards should have policies pertaining to the investment of school funds that are not needed for immediate expenditures. The District's investment policy established permitted investments, asset allocation limits and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. The District has a formal investment policy that allows listed investment and investment types including Registered Investment Companies (Mutual Funds), Intergovernmental Investment Pools, and other investments permitted by Section 218.415, Florida Statutes. Investments classified as cash equivalents include money market mutual funds, Florida Education Investment Trust, and Florida PRIME. As of the year ended June 30, 2019, the District's Internal Accounts had \$1,415,302 invested in funds of the District reported as cash equivalents. Further information on the District's cash and investments can be found in the notes to the District-wide annual financial statements.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Encumbrances**

Encumbrance accounting, under which purchase orders are recorded to reserve an applicable appropriation, is used by the Internal Accounts.

**Risk Management**

The Internal Accounts are exposed to various risks of loss related to theft of, damage to, and destruction of assets. The District provides commercial insurance to cover these risks of loss to the Internal Accounts.

**Upcoming GASB Pronouncement**

GASB Statement No. 84, effective in 2020, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds, which will require a change to the way the District has been reporting its Internal Accounts. Depending upon the degree of administrative involvement (defined primarily as degree of spending control) maintained by the District, Internal Account activity will now be reported in either Fiduciary Custodial Accounts, the General Fund, or possibly Special Revenue Funds. The District will review the activities of the Internal Accounts and determine the level of administrative involvement/spending control that it would like to maintain, which will inform the financial reporting treatment of this activity under the new standard.

## **SUPPLEMENTARY INFORMATION**



**SCHEDULE OF CHANGES IN ASSETS - BY SCHOOL**  
**AGENCY FUND**  
**STUDENT ACTIVITY FUNDS - INTERNAL ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**

	Beginning Balance June 30, 2018	Additions	(Deletions)	Ending Balance June 30, 2019
Adult Community Education	\$ 26,095	\$ 39,119	\$ (53,272)	\$ 11,942
Argyle Elementary	35,778	110,137	(101,962)	43,953
Bannerman Learning Center	7,772	36,475	(34,480)	9,767
Charles E. Bennett Elementary	16,338	90,898	(90,976)	16,260
Clay High	427,881	711,828	(695,523)	444,186
Clay Hill Elementary	14,570	56,662	(61,706)	9,526
Clay Virtual Academy	1,049	1,768	(2,369)	448
Coppergate Elementary	22,915	43,590	(54,539)	11,966
Discovery Oaks Elementary	-	94,909	(82,454)	12,455
Doctors Inlet Elementary	11,696	72,071	(79,881)	3,886
Fleming Island Elementary	43,994	156,650	(171,124)	29,520
Fleming Island High	501,725	1,356,182	(1,304,575)	553,332
Green Cove Springs Jr. High	87,983	180,068	(166,095)	101,956
Grove Park Elementary	6,690	35,285	(37,708)	4,267
Keystone Heights Elementary	49,277	126,702	(127,389)	48,590
Keystone Heights High	231,423	454,040	(408,977)	276,486
Lake Asbury Elementary	50,113	122,614	(138,828)	33,899
Lake Asbury Jr. High	115,535	286,127	(299,061)	102,601
Lakeside Elementary	21,195	68,878	(59,687)	30,386
Lakeside Jr. High	123,346	214,162	(188,067)	149,441
McRae Elementary	27,289	79,155	(76,364)	30,080
Middleburg Elementary	16,257	54,133	(53,941)	16,449
Middleburg High	378,755	657,686	(692,011)	344,430
Montclair Elementary	26,725	52,785	(61,384)	18,126
Oakleaf High School	252,800	974,559	(910,098)	317,261
Oakleaf Jr. High	125,402	218,805	(228,003)	116,204
Oakleaf Village Elementary	68,631	143,054	(165,380)	46,305
Orange Park Elementary	38,279	83,193	(79,122)	42,350
Orange Park High	168,833	622,381	(613,323)	177,891
Orange Park Jr. High	97,024	145,355	(132,304)	110,075
Paterson Elementary	80,008	214,004	(184,947)	109,065
Plantation Oaks Elementary	42,296	136,481	(135,409)	43,368
RideOut Elementary	21,724	81,018	(78,626)	24,116
Ridgeview Elementary	21,283	68,920	(68,099)	22,104
Ridgeview High School	175,469	700,506	(717,432)	158,543
S. Bryan Jennings Elementary	15,522	43,499	(42,843)	16,178
Shadowlawn Elementary	27,965	112,931	(118,330)	22,566
Swimming Pen Creek Elementary	15,753	46,077	(46,779)	15,051
Thunderbolt Elementary	73,722	140,521	(142,840)	71,403
Tynes Elementary	43,085	125,735	(129,251)	39,569
W. E. Cherry Elementary	14,973	74,177	(75,496)	13,654
Wilkinson Elementary	27,251	87,525	(95,328)	19,448
Wilkinson Jr. High	81,585	203,199	(200,847)	83,937
<b>Total</b>	<u>\$ 3,636,006</u>	<u>\$ 9,323,864</u>	<u>\$ (9,206,830)</u>	<u>\$ 3,753,040</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statement of fiduciary net position of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District) as of June 30, 2019, and the related notes to the financial statement, and have issued our report thereon dated March 20, 2020. Our report on the financial statement includes a paragraph explaining that the financial statement includes only the fiduciary net position of the Internal Accounts and does not include other funds of the District.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Internal Accounts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's Internal Accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Internal Accounts' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

■ **2019-01—Segregation of Duties**

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit of the Internal Accounts, we identified instances where the bookkeeper is the sole individual responsible for depositing cash, preparing disbursements, recording transactions into the general ledger, and reconciling bank statements. This condition is common across internal accounts in school districts across the state of Florida and is not unique to the District. The District has recognized this weakness and has established and implemented detect controls to mitigate this risk, including monthly review and approval of the principal's report and the bank reconciliation by each principal, a monthly account is provided to each school sponsor or instructor for their account, and monthly reviews performed by the internal audit department.

We recommend that the District continue its existing efforts to mitigate the segregation of duties issues and continue to emphasize the importance of detection controls over cash receipting and bank deposits.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Internal Accounts' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in the accompanying management letter dated March 20, 2020.

**Internal Account's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying management's response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Internal Accounts' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Internal Accounts' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 20, 2020  
Ocala, Florida

## MANAGEMENT LETTER

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

### Report on the Financial Statement

We have audited the financial statement of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated March 20, 2020. Our report on the financial statement include a paragraph explaining that the financial statement includes only the fiduciary net position of the Internal Accounts and does not include other funds of the District.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.880, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, dated March 20, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been made to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below:

Tabulation of Uncorrected Audit Findings		
2018-2019 FY Finding Number	2017-2018 FY Finding Number	2016-2017 FY Finding Number
2019-01	2018-01	n/a
2019-02	2018-02	n/a
2019-03	2018-03	n/a
2019-04	2018-04	n/a
2019-05	2018-05	n/a

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## MANAGEMENT LETTER

### Financial Condition and Management

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Internal Accounts did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Internal Accounts. It is management's responsibility to monitor the Internal Accounts' financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we communicate the results of our determination as to whether the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes. (Section 1011.035, Florida Statutes, provides that district school boards shall prominently post on their Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). This does not apply to the Internal Accounts.

### Additional Matters

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have the following recommendations:

#### 2019-02—Timely Deposit of Receipts and Cash Collections

Per the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual (the Red Book) incorporated into rule by reference in Rule 6A-1.001, Florida Administrative Code, pursuant to the requirements of Sections 237.01 and 237.02, Florida Statutes, funds collected must be deposited within five working days after receipt.

Per the Red Book Chapter 8, Section III, 1.4 (b), "Collections made outside of the school office must be turned in to the school office no later than the next business day". Per School Board Internal Accounts Manual, Collection Procedures, monies received during school hours are to be turned in to the school bookkeeper the same day as collected. During the audit we noted several instances where the money was held by a teacher beyond the next business day. We recommend that the District stress the importance of following school board policy to minimize the risk of loss or theft of cash.

#### 2019-03—Preapproval of Purchases

Per the Red Book Chapter 8, Section III, 3.2 (a), "a signed commitment from the principal or designee(s) must be on file before any purchase is made". Per School Board Policies and Procedures, a purchase order shall

## **MANAGEMENT LETTER**

be issued and manually signed and dated by the principal or his/her appointed designee and, in some instances, by the School Board's purchasing department, to initiate the purchase of any and all equipment, supplies, materials, and services. During our audit, several instances were noted where this policy was not followed. This process helps to ensure that no purchases are made where adequate resources may not be available to fund that purchase.

During our review of club account balances we also noted one school with several negative account balances. Per Red Book Chapter 8, Section III, 2.4 (c), "at no time shall a trust account have a deficit".

We recommend that the principals, as the persons ultimately responsible for all purchases, encourage teachers/sponsors to obtain and file purchase orders prior to any purchases being made.

### **2019-04—Fundraising Events Lacking Documented Approval**

During our testing we noted several fundraiser forms in which the principal's approval was obtained after the event had already started or the principal's signature was not provided at all.

Per the Redbook, Chapter 8, Section 2.3(e), a financial report shall be filed with the principal's office at the close of each fundraising activity. Section 2.4 goes on to note that each fundraising activity shall have the approval of the organization sponsor and the principal.

In order to substantiate the previous items required, per the Redbook, these items would need to be documented. Unable to provide documentation would be noted as an exception. We recommend reviewing the process utilized for approval and documentation of fundraisers to ensure the proper forms are completed and retained to be in accordance with Chapter 8 of the Redbook.

### **2019-05—Dual Signatures**

As an essential compensating control to the incompatible duties of the bookkeeper, dual signatures are required on all check disbursements. We noted during internal control inquiry one instance during the audit where a check was issued with only one signature. We recommend that appropriate procedures be followed to ensure that all checks are manually signed by two individuals. Additionally, we recommend that principals review canceled checks on the bank statement each month to ensure all checks issued are properly signed by two individuals.

### **2019-06—District Employee Compensation**

During our audit, it was discovered there has been several instances of internal accounts being utilized to pay district employees directly, which in some cases included providing employees gift cards.

Per Section II (6) of Chapter 8 of the Redbook:

"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. Employees of the school district who are compensated for additional services, such as working at athletic events, shall be paid through the school district payroll department or, when appropriate, as prescribed by district school board rules".

Compensation to employees includes cash and cash equivalent items. Gift cards would fall under the classification of cash equivalent.

## MANAGEMENT LETTER

We recommend management address this issue with all related staff to ensure that all payment to district employees are compensated through the District's payroll department.

### **2019-07—Unclaimed Property**

During our audit, it was discovered that there were some instances in which checks were voided and not replaced or remitted to the state in accordance with Florida Statue.

We would recommend the review of relevant escheat property rules and ensure they are being followed properly. Florida Statue 717.117 establishes the process for reporting unclaimed property to the state, this should be reviewed in conjunction with the districts unclaimed property that is remitted annually.

### **2019-08—Use of Principle Discretionary and General Fund**

During our audit, it was discovered that some school's funds are being disbursed directly from the General Account for benefit of faculty and staff, which is comingled with funds that were raised through clubs and student activity.

Per the Redbook, funds collected by and used for the benefit of faculty and staff may be exempt from the preceding requirements at the option of the district school board.

To abide by the Redbook and to ensure funds are not utilized for purposes other then what they are restricted for, we recommend a separate staff account should be used for tracking purposes for funds and expenditures related faculty and staff.

### **2019-09—Change Fund**

During our visits, we noted that change funds held by athletic directors were not remitted back to the bookkeeper to be secured nor did the athletic directors have a safe or other means to properly secure the change fund when not in use. Access to cash on hand should be limited and secured when not in use, to mitigate theft.

Per the Redbook "an adequate system of internal controls shall be maintained in order to safeguard the assets of the school internal funds".

We recommend management review internal controls over cash, as well as the physical access to cash, to ensure the safeguard of assets of the internal funds.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District School Board members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



March 20, 2020  
Ocala Florida





## CLAY COUNTY DISTRICT SCHOOLS

900 WALNUT STREET, GREEN COVE SPRINGS, FL 32043

P (904) 336-6500 F (904) 336-6536 W [oneclay.net](http://oneclay.net)

### SUPERINTENDENT OF SCHOOLS

Addison G. Davis

### BOARD MEMBERS:

Janice Kerekes, District 1  
Carol Studdard, District 2  
Tina Bullock, District 3  
Mary Bolla, District 4  
Ashley Gilhousen, District 5

## DISCOVERING ENDLESS POSSIBILITIES

*Clay County District Schools is an Equal Opportunity Employer.*

February 5, 2020

To: Members of the Board and Superintendent  
Clay County District Schools

Re: Purvis Gray & Company Internal Accounts Audit Response

Please accept the following written response to the Internal Accounts preliminary and tentative audit findings by Purvis Gray & Company for the fiscal year ended June 30, 2019. Please note that corrective measures have been taken to incorporate processes to prevent a repeat of these audit findings.

### **2019-01 – Segregation of Duties**

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit of the Internal Accounts, we identified instances where the bookkeeper is the sole individual responsible for depositing cash, preparing disbursements, recording transactions into the general ledger, and reconciling bank statements. This condition is common across internal accounts in school districts across the state of Florida and is not unique to the District. The District has recognized this weakness and has established and implemented detect controls to mitigate this risk, including monthly review and approval of the principal's report and the bank reconciliation by each principal, a monthly account is provided to each school sponsor or instructor for their account, and monthly reviews performed by the internal audit department.

We recommend that the District continue its existing efforts to mitigate the segregation of duties issues and continue to emphasize the importance of detection controls over cash receipting and bank deposits.

**District's Response:** The District acknowledges that Segregation of Duties is an important element of internal control and has a policy in the Board approved Internal Accounts Manual that establishes procedures to provide for checks and balances. Since the secretary/bookkeepers' duties include bank deposits, posting monies collected into the system and performing bank reconciliation, there is not an appropriate level of segregation of duties if they are also the initial collector of monies. To provide for proper segregation of duties, the secretary/bookkeeper cannot collect monies under any circumstances.



### **2019-02 Timely Deposit of Receipts and Cash Collections**

Per the Financial and Program Cost Accounting and Reporting for Florida Schools manual (the Red Book) incorporated into rule by reference in Rule 6A-1.001, Florida Administrative Code, pursuant to the requirements of Sections 237.01 and 237.02, Florida Statutes, funds collected must be deposited within five working days after receipt.

Per the Red Book Chapter 8, Section III, 1.4 (b), "Collections made outside of the school office must be turned in to the school office no later than the next business day". Per School Board Internal Accounts Manual, Collection Procedures, monies received during school hours are to be turned in to the school bookkeeper the same day as collected. During the audit we noted several instances where the money was held by a teacher beyond the next business day. We recommend that the District stress the importance of following school board policy to minimize the risk of loss or theft of cash.

**District's Response:** Our Internal Accounts Manual established procedure is that money received by all persons must be deposited with the school bookkeeper or principal's designee the same day as collected. Persons who fail to turn in cash collected each day will be held personally liable for any loss. All money collected must be deposited intact as frequently as feasible and as dictated by sound business practice. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT. NO FUNDS WILL BE HELD IN THE SCHOOL OVER A WEEKEND OR HOLIDAY PERIOD. In many instances such as after school extra-curricular activities held in the evenings and weekends, sponsors, coaches and adjunct coaches know that it's a policy to submit monies collected to the bookkeeper first business day after the event.

The Business Affairs Department is in the process of updating the Internal Accounts policy to strengthen procedures and reinforce the importance of timely deposits. Ongoing training is provided to the school bookkeepers on current policy and procedure that includes the collection of monies. Additionally, the district has provided recommendations on options to safeguard monies collected such as installing a safe with a built-in-slot for afterhours depository. The safe would be accessible to staff members after business hours to ensure monies collected are protected from theft and loss of funds. A night depository safe would help ensure that the policy is followed and take the burden of safekeeping from all staff members.

### **2019-03 Preapproval of Purchases**

Per the Red Book Chapter 8, Section III, 3.2 (a), "a signed commitment from the principal or designee(s) must be on file before any purchase is made". Per School Board Policies and Procedures, a purchase order shall be issued and manually signed and dated by the principal or his/her appointed designee and, in some instances, by the School Board's purchasing department, to initiate the purchase of any and all equipment, supplies, materials, and services. During our audit, several instances were noted where this policy was not followed. This process helps to ensure that no purchases are made where adequate resources may not be available to fund that purchase.

During our review of club account balances we also noted one school with several negative account balances. Per Red Book Chapter 8, Section III, 2.4 (c), "at no time shall a trust account have a deficit".

We recommend that the principals, as the persons ultimately responsible for all purchases, encourage teachers/sponsors to obtain and file purchase orders prior to any purchases being made.

**District's Response:** Red Book 8 Section II, 3.2 (a) provides that the school principal is fully responsible for all purchases and purchase commitments requiring present or future disbursements of internal fund monies. A signed commitment from the principal or designee(s) must be on file before any purchase is made. Vendors shall be notified

of this policy. No purchase shall be made unless sufficient resources are available, except for inventory items that will be held for resale.

The Internal Accounts Coordinator will provide training for bookkeepers to ensure that all bookkeepers are using the software system to encumber the funds for each activity's account via a purchase order. The encumbrance will appear on the coaches' and sponsors' monthly activity accounts. This will ensure that activity accounts will not have negative balances.

We will use your recommendation to the principals, as the person ultimately responsible for all purchases, to encourage teachers/sponsors to obtain and file purchase orders prior to any purchase being made. We will have a workshop and training for the bookkeepers as well as review each school monthly to make sure policy is being followed.

#### **2019-04 Fundraising Events Lacking Documented Approval**

During our testing we noted several fundraiser forms in which the principal's approval was obtained after the event had already started or the principal's signature was not provided at all.

Per the Redbook, Chapter 8, Section 2.3(e), a financial report shall be filed with the principal's office at the close of each fundraising activity. Section 2.4 goes on to note that each fundraising activity shall have the approval of the organization sponsor and the principal.

In order to substantiate the previous items required, per the Redbook, these items would need to be documented. Unable to provide documentation would be noted as an exception. We recommend reviewing the process utilized for approval and documentation of fundraisers to ensure the proper forms are completed and retained to be in accordance with Chapter 8 of the Redbook.

**District's Response:** The Internal Accounts Coordinator will provide training for bookkeepers to review policy and procedure on obtaining the appropriate documentation required for fundraiser activities. The training will emphasize the requirements of obtaining the signature of the principal and the date on the fundraiser form prior to the activity occurring.

#### **2019-05 Dual Signature**

As an essential compensating control to the incompatible duties of the bookkeeper, dual signatures are required on all check disbursements. We noted during internal control inquiry one instance during the audit where a check was issued with only one signature. We recommend that appropriate procedures be followed to ensure that all checks are manually signed by two individuals. Additionally, we recommend that principals review canceled checks on the bank statement each month to ensure all checks issued are properly signed by two individuals.

**District's Response:** The Internal Accounts Coordinator will provide training for bookkeepers to reemphasize procedures regarding the requirements of obtaining two signatures for check disbursements. Additionally, the Internal Accounts Coordinator reviews all canceled checks on the bank statement of each school each month to ensure the policy is being followed. When it is shown that a check was issued with only one signature both the principal and bookkeeper are notified via monthly report review emails. They are instructed to ensure that all checks are issued in accordance with policy.

### **2019-06 District Employee Compensation**

During our audit, it was discovered there have been several instances of internal accounts being utilized to pay district employees directly, which in some cases included providing employees gift cards.

Per Section II (6) of Chapter 8 of the Redbook: "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. Employees of the school district who are compensated for additional services, such as working at athletic events, shall be paid through the school district payroll department or, when appropriate, as prescribed by district school board rules".

Compensation to employees includes cash and cash equivalent items. Gift cards would fall under the classification of a cash equivalent.

We recommend management address this issue with all related staff to ensure that all payments to district employees are compensated through the District's payroll department.

**District's Response:** Current policy dictates that employees of the school district who are compensated for additional services, such as working at athletic events, shall be paid through the school district payroll department. To reinforce this rule we have implemented a new process including the creation of an extra-curricular compensation form with a document review trail to ensure any compensation are processed through the District's payroll department.

### **2019-07 Unclaimed Property**

During our audit, it was discovered that there were some instances in which checks were voided and not replaced or remitted to the state in accordance with Florida Statue.

We would recommend the review of relevant escheat property rules and ensure they are being followed properly. Florida Statue 717.117 establishes the process for reporting unclaimed property to the state, this should be reviewed in conjunction with the district's unclaimed property that is remitted annually.

**District's Response:** The Internal Accounts Coordinator will provide training for bookkeepers to reemphasize the Florida Statue 717.117 process for reporting unclaimed property to the state annually. Training will include specific directions to Bookkeepers on how to not void checks that have not been cashed and are considered unclaimed. Additionally, the Internal Accounts Coordinator reviews voided checks on each school's monthly report to ensure the process is being followed. If checks are voided without proper documentation of unclaimed property, letters having been sent to the vendor and received back, both principal and bookkeeper are notified by email. The bookkeeper is then instructed to send the unclaimed property letter or make phone calls to see if the check is lost, misplaced or not needed.

### **2019-08 Use of Principal's Discretionary and General Fund**

During our audit, it was discovered that some school's funds are being disbursed directly from the General Account for benefit of faculty and staff, which is commingled with funds that were raised through clubs and student activity.

Per the Redbook, funds collected by and used for the benefit of faculty and staff may be exempt from the preceding requirements at the option of the district school board. To abide by the Redbook and to ensure funds are not utilized for purposes other than what they are restricted for, we recommend a separate staff account should be used for tracking purposes for funds and expenditures related faculty and staff.

**District's Response:** The Internal Accounts procedures will be updated to identify an additional account labeled Staff Activity Account. The intent of this account is to separately identify and account for internal fund monies used to purchase items for faculty and staff. The newly created account will differentiate between the funds used for faculty and staff and the funds used for the entire student body.

### **2019-09 Change Fund**

During our visits, we noted that change funds held by athletic directors were not remitted back to the bookkeeper to be secured nor did the athletic directors have a safe or other means to properly secure the change fund when not in use. Access to cash on hand should be limited and secured when not in use, to mitigate theft.

Per the Redbook "an adequate system of internal controls shall be maintained in order to safeguard the assets of the school internal funds".

We recommend management review internal controls over cash, as well as the physical access to cash, to ensure the safeguard of assets of the internal funds.

**District's Response:** The Internal Accounts procedures will be updated to direct bookkeepers to establish a Change Fund Log. This Change Fund Log will require bookkeepers to have the sponsors sign when using the change fund. After each school day event, the change fund will be returned to the bookkeeper and signed back in using the log. If the event ends after normal working hours, either (1) an Administrator will make themselves present at the event to secure the funds in a secure, locked depository, or (2) school will install a secure "night drop" type depository that allows sponsors to drop funds after-hours. Sponsors shall not hold change funds overnight under any circumstance.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Susan Legutko", is written over a horizontal line.

Dr. Susan Legutko,  
Assistant Superintendent of Business Affairs

CC: Mary Kay Kirk, Internal Accounts Coordinator  
Mrs. Sonya Findley, Director of Finance