

CAPE CORAL CHARTER SCHOOL AUTHORITY

**Consulting Services Relating to Internal Audit Findings
and Reportable Conditions**

Performed By: CliftonLarsonAllen LLP

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CliftonLarsonAllen

CliftonLarsonAllen LLP
6810 International Center Boulevard
Fort Myers, FL 33912-7129
239-226-9900 | fax 239-226-9950
CLAconnect.com

December 11, 2017
Honorable Chairperson and Members of the Board
Cape Coral Charter School Authority

CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) has completed for the Cape Coral Charter School Authority’s (“you,” “your,” or “the Authority”) a detailed review of the current status of findings reported in the Cape Coral Charter Schools – Internal Funds Audit completed by the Cape Coral City Auditor’s Office and issued on February 21 2017. Specifically, we performed the following procedures:

Part I –

- We developed a matrix identifying 18 findings and 3 reportable conditions described within the internal funds audit report. The grid was used to document procedures performed at each school to determine the current status of the findings and recommendations as well as the progress management has made implementing the recommendations made by the City Auditor’s Office. We identified all relevant personnel involved in the initiation, processing, and recording of transactions, as well as reconciliation and reporting of school internal funds. We performed interviews and requested documentation from those involved in the process.

Part II –

- We corroborated information gathered in our interviews and testing by inspecting documentation maintained at the schools. We also tested a sample of 60 cash receipts and 60 cash disbursements for the attributes necessary to remediate the findings conveyed in the Internal Audit report.
- CLA also was available to provide additional financial and operational consultative services to the Authority, namely, for the purpose of providing guidance to prepare the Authority for an Internal Funds financial audit in fiscal year 2018.

Our report is not suitable for any purpose other than to assist you with the items mentioned above. Consequently, our report is limited to be for your information and use only and should not be used by anyone else. In addition, our report is based on current circumstances. We have no responsibility to update our report for events and circumstances that occur after December 11, 2017.

Respectfully submitted,

CliftonLarsonAllen LLP

Andrew Laflin, CPA
Principal
(813)384-2711
Andrew.laflin@claconnect.com

I. SCOPE AND METHODOLOGY

Scope

The scope of our work encompassed all transactions processed between March and June 2017, and other procedural and policy update recommendations implemented through December 11, 2017, for each school and the Authority as a whole.

Methodology

Our first step was to conduct interviews with key individuals to document our understanding of the current status of the previously reported findings and recommendations. Our primary point of contact on this engagement was Britt Martin, Senior Management/Budget Analyst.

The next step consisted of testing a sample of receipts and disbursements for certain attributes based on the recommendations from the Internal Audit report. A sample size of 60 was used for both receipt and disbursement transaction cycles. The samples were split evenly among the 4 schools, consisting of 15 receipts and 15 disbursements tested at each school.

For each finding and reportable condition, we identified relevant planned procedures to address the applicable recommendation. Planned procedures included inquiries, inspection of documentation (including standardized forms, training materials, and the updated Standard Operating Guide), and observation through on-site visits of school campuses. **Exhibit A** depicts the previously reported findings and reportable conditions and related recommendations, CLA's planned procedures, and the results of those procedures.

II. ADDITIONAL OBSERVATIONS & RECOMMENDATIONS

Throughout our consultation procedures, we identified additional opportunities for strengthening the internal funds' operating environment as identified below:

- Receipting: The Financial and Program Cost Accounting and Reporting for Florida Schools, issued by the Florida Department of Education, (the "Redbook") requires within Chapter 8 that collections made outside of the school office must be turned in to the school office no later than the next business day (Section III, 1.4b.) and all funds collected must be deposited within five business days (Section II, 1.4c.). CLA recommends that all receipt documentation have a clear and auditable trail noting the date cash collections were initially received, the date cash collections were turned in to the school office, and the date that cash collections were deposited.
- Ticket Inventory: Redbook Chapter 8 Section III, 1.4f. requires that "...tickets shall be pre-numbered and perpetual inventories of each shall be maintained. Inventories shall show the beginning and ending numbers of all documents acquired and issued. For all cases in which tickets are used, ticket reports and unsold tickets must be available for audit. Any pre-numbered documents shall be accompanied by a certified statement of the numbers received." **Exhibit C** depicts an example of perpetual inventory of ticket sales.
- Undesignated Donations: The Authority periodically receives donations without any stipulations as to their use. Redbook Chapter 8 Section III, 3.5 identifies restricted expenditures, which include the following:
 - Equipment, supplies, forms, and postage for curricular or classroom use for which operating funds are available
 - Curricular-related travel, professional, technical, or consultant services, or other items for which operating funds are available
 - Salaries or other compensation for duties or assignments that are the responsibility of the school
 - Repairs and maintenance of equipment for which operating funds are available

Unless the Authority intends to use these undesignated donations for specific student activities or projects, such as athletics, music, or other clubs, then such amounts should be reported as contribution and donation revenue from local sources within the Authority's financial statements that can be used for specific operating purposes either determined by the Board (committed) or by the Superintendent and/or school principals (assigned). Furthermore, the Authority should include an appendix within its Standard Operating Guide that lists all recognized student clubs and activities for the upcoming school year. This listing should be evaluated to confirm that each listed club or activity serves in some manner the general welfare of the student body (thus, allowable for student internal fund accounting and reporting purposes).

- Qualified Public Depositories (QPDs): Based on the Standard Operating Guide update to maintain internal fund cash in a qualified public depository, for each audit year the following forms should be made available to the auditor:
 - Department of Financial Services form DFS-J1-1295: Public Deposit Identification and Acknowledgement Form. Note that this form only needs to be updated if specific bank and/or account information is updated. Additionally, this form should be completed each bank account.
 - Department of Financial Services form DFS-J1-1009: Public Depositor Annual Report to the Chief Financial Officer. Note this form is completed annually no later than November 30th, and lists the FEIN and Name of all QPDs in which the internal funds have cash deposited.

Exhibit A

Internal Audit Findings and Reportable Conditions Update Matrix

Exhibit A
Cape Coral Charter School Authority
Internal Audit Findings and Reportable Conditions Update Matrix

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
1. Internal Audit Findings and Recommendations				
1	Pre-numbered receipts were not used properly by staff. Forms were either incomplete or not appropriately recorded, resulting in the potential for unaccounted cash received.	All cash/check receipts should be documented at the boundary of collection. Management should design, implement and enforce internal controls to ensure that all receipts are captured, reported and deposited. These controls should include maintaining sequenced receipt books with receipt book control logs to record all receipt books given to staff ensuring there is an auditable record. On a long term basis, school management should acquire an accounting software system to automate the collection process while maintaining a good trackable and auditable record.	Inquire of each school on the use of receipt books, and if implemented, inspect books and control logs.	Inspected new numbered receipt books to be handed out to teachers and sign in/out log sheets on 7/24/17 to be implemented at the beginning of the 16/17 school year. Additionally, on 12/1/17 we inspected the receipt book inventory log for the primary business office, in which the bookkeepers at each school sign out individual receipt logs for each of the schools. In addition, we reviewed the individual receipt book inventory log for OHS, CME, OES, and OMS, which list each pre-numbered receipt book assigned to a respective issuer (typically a teacher of a particular classroom) and included issuer signature, sign in date, return date, and reviewer (secretary) signature once the receipt book is returned. The issuer is responsible for maintaining a log of all receipts throughout the school year within said receipt book.

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
2	<p>In many instances of the tested deposit population, deposits exceeded the required five business day deposit timeframe. Days from receipts to bank deposit ranged from 6 to 128 days.</p>	<p>1. Management should consider modification of the cash receipt reporting from an activity form to a daily form and require staff to turn in funds on a daily basis. 2. Secretaries should be required to prepare deposits timely and/or have a backup in place to perform this task daily.</p>	<p>1. Inquire of updated forms and inspect if updated. 2. Test a sample of transactions for timely deposit within 5 business days.</p>	<p>1. Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "All funds collected must be remitted to the Cash Custodian on a daily basis." Examples of required forms are also included as exhibits. 2. CLA selected a sample of 15 deposits from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – 2 deposits were made beyond the 5 business day limit. • OES – All deposits were made within the 5 business day limit. • OHS - 6 deposits were made beyond the 5 business day limit. • OMS – All deposits were made within the 5 business day limit.

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
3	In all four schools, acknowledgment letters for donations of \$250 or more were not sent to donors.	<ol style="list-style-type: none"> Schools should send donation acknowledgment letter to donors and keep a copy of the letter for their record A process should be identified to account, select, and assign responsibility for sending donor receipt letters for all donations over \$250. 	<ol style="list-style-type: none"> Test a sample of receipts and inspect donor letters for any donations over \$250 in the sample for implementation. Inquire of process updates. 	<p>CLA selected a sample of 15 deposits from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> CMES – Of the two donations tested, neither had documented donation letters. OES – 6 donations were tested and all properly included donation letters. OHS - 1 donation was tested and properly included a donation letter. OMS – No donations were selected in the sample. CLA requested an additional donation item for testing, and noted that an informal letter was included. The Internal Funds Money Handling training materials held on November 8, 2017 provided an example of a formal donor acknowledgement letter. CLA noted that this example is not included in the proposed Standard Operating Guide update. <p>Per inquiry of Britt Martin, secretaries will prepare letters as donations are received, and the principals will sign them. When deposit journal entries are prepared by City Finance, they will review to ensure letters are included as applicable.</p>
4	Collections (cash, checks, etc.) were unsecured in the classroom against theft and potential misappropriation.	Management should design a control and provide a policy to ensure cash and checks are secured in the classroom. This might include locking desk drawers or locking cash boxes in each classroom. Additionally, management should provide annual training to staff on safeguarding internal funds, raise awareness of policy, and turn in collections daily to the appropriate bookkeeper or secretary.	Inquiry and inspection of implemented safeguards, if any. Sample testing in item 3 above will determine whether cash is turned in daily.	Through inquiry of Britt Martin and inspection of a classroom, CLA noted that all teachers have locked desk drawers. The receipt documentation provided does not clearly define the date of collection within a classroom, as well as the date the funds are received by the appropriate bookkeeper or secretary. Note that Redbook Chapter 8, Section III, 1.4 specifies “Insofar as is practicable, all money should be collected in the school office. Collections made outside of the school office must be turned in to the school office no later than the next business day.”

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
5	Schools did not maintain an active file for Non-sufficient funds (NSF) checks and most were not referred to a collection agency.	The school board should mandate and provide adequate training on internal funds to staff and management.	Inquiry and inspection of implemented process.	Inspected log maintained by District Bookkeeper on 7/24/17 containing collection status. City Finance reconciles to the GL monthly.
6	Fund-raising activities were not approved by the Principal prior to the start of the events.	Management should follow policy and pre-approve all fundraisers on a specific form. These forms should then be retained as evidence of the pre-approval control and serve as a control log for anticipated receipts.	Inquire and inspect fundraising forms.	Form has been revised as of 4/18/17. Also noted in the Internal Funds Money Handling training materials held on November 8, 2017 that pre-approval by the Principal and filing of a financial report with the Principal (Red Book Chapter 8 requirements) were covered in the training.
7	Some purchases of small devices, such as iPads, kindles, headphones, and speakers were made using staff internal funds. This is not an allowed use of staff funds as stated by the Florida Department of Education, Chapter 8.	Recommend management train and remind staff on restricted expenditures. Also these restricted expenditures should be included in the operating budgeting process.	Inquire of training and Test a sample of expenditures, looking for restricted expenditures.	<p>CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • OMS – Noted one disbursement for video equipment that did not appear to have a specific trust purpose and should have been reported as an operating expenditure within the Authority’s general fund. • OHS – Noted one disbursement for a Google Employee Boot Camp. Employee related training would be considered an operating expenditure within the Authority’s general fund. • CMES – No operating expenditures were noted. • OES – No operating expenditures were noted. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017 that disbursements that should be reported as operating expenditures were covered in the training.</p>

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
8	The process of securing approval by the Principal on Expense Pre-Approval forms prior to purchases did not occur in some cases.	Recommend that management provide staff training annually and enforce the approval requirements for purchases.	Inquire of training and test a sample of disbursements, attempting to identify pre-approval where required.	<p>CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – Noted proper Principal Approval • OES - Noted proper Principal Approval • OHS – Noted one instance where Principal approval was not obtained. • OMS – Noted one instances where Principal approval was not obtained, and one instance where the signature of the Principal was dated after payment was already made. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017 that purchase approval requirements were covered.</p>
9	Purchase orders (POs) were not used for purchases over \$300 as required by the Charter School Standard Operating Guide policy.	Recommend management train and enforce policy annually. If this policy is not practical to execute, management should consider modifying the policy accordingly.	Inquire of training and Test a sample of disbursements, attempting to identify purchase orders where required.	<p>CLA selected a sample of 15 expenditures from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – Noted one disbursement over the threshold without a purchase order that was not otherwise exempted by policy. • OES - Noted three disbursements over the threshold without purchase orders that were not otherwise exempted by policy. • OHS – Noted one disbursement over the threshold without a purchase order that was not otherwise exempted by policy. • OMS – Noted two disbursements over the threshold without purchase orders that were not otherwise exempted by policy. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017 that purchase order requirements were covered.</p>

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
10	There was one incident where an employee was directly compensated using internal funds. This is not an allowed use of these funds as stated by the Florida Department of Education, Chapter 8.	Recommend the Charter School Governing Board mandate and provide adequate training on internal funds to staff and management.	Inquire of training and test a sample of disbursements, attempting to identify instances of employee compensation paid through internal funds.	No disbursements relating to employee compensation were identified. Noted in the Internal Funds Money Handling training materials held on November 8, 2017 that disbursements that should be reported as operating expenditures were covered in the training.
11	Charter School Authority has never provided an annual audit of the internal funds as required by Florida Department of Education, Chapter 8 and by Charter School Standard Operating Guide policy.	Recommend the Charter School Governing Board expand the scope of their annual CAFR audit to include a supplemental audit report on the internal funds annually.	Inquire of fiscal year 2018 audit plan.	CLA received a signed audit engagement letter dated March 21, 2017, for an Internal Funds audit beginning in fiscal year 2018.
12	Charter School Authority Management and staff have not had sufficient training and lack adequate knowledge of the policies and procedures and proper use of internal funds.	Recommend Charter School Authority management hold a training session for each school annually on the policies and procedures governing internal funds and staff should acknowledge they received this training.	Inquire of training.	Inspected Training on Internal Funds outline held on November 8, 2017. Training included roles and responsibilities, Redbook requirements, disbursements that should be reported as operating expenditures, cash handling, and other relevant topics. A sign in sheet was included as acknowledgement of training received.

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
13	Internal Funds Standard Operating Guide contained outdated information. Staff had implemented new procedures that had not been included in the Standard Operating Guide. Testing results showed that school staff and Charter School Authority management loosely followed the documented current policy and procedures.	Since the Charter School Governing Board originally approved the Standard Operating Guide, the Board should also approve all changes to these policies and procedures. Charter School Authority management should review current policy and procedures and make appropriate revisions. Also, Charter School Authority management needs to communicate these changes to staff and enforce them in all of the schools to ensure uniform practices on the internal funds.	Inquire of updates.	Per discussion with Britt Martin on November 20, 2017, the Standard Operating Guide has been updated with the exception of adding a section regarding the responsibilities of the Business Manager. Presentation to and approval of the Charter School Governing Board is expected at the December 12, 2017 meeting.
14	Schools did not periodically submit required financial reports to the Charter School Governing Board.	Charter School Authority management should provide quarterly financial reports of internal funds to the Charter School Governing Board.	Inquire with management and inspect quarterly financial reports.	Britt Martin provided the Cape Coral Charter School Authority Superintendent financial statements as of May 31, 2017, to the Charter School Governing Board, which included the Internal Funds balance sheet, and statements of Internal Fund account balances by school. The intent is to provide financial statements to the Charter School Governing Board on a quarterly basis beginning with the 12/31/17 quarter end.

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
15	Internal funds were used to purchase some electronic devices. Subsequently these devices were not tracked or tagged with the asset tracking system.	Charter School Authority management should inventory their devices and have their staff sign an agreement to return devices upon their leave. Guidance and process of property control should be included in the policies and procedures.	Inquire with management and inspect the updated Standard Operating Guide.	Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "An inventory of all capital equipment will be conducted annually. The documentation shall provide a list of inventory that is obsolete, damaged or otherwise removed from the inventory. New capital items will be added to the inventory at time of acquisition. Non-capital equipment purchases (i.e. tablets, etc.) shall be tracked on the IT inventory list. A copy of the list will be provided to the Charter School Accountant quarterly." Per inquiry of Britt Martin, the updated policy has not yet been enforced among the schools, but training is forthcoming. There was no evidence provided that electronic devices and other equipment were being tagged as inventory items on a consistent basis.
16	Credit Card Logs are not retained. This is a violation of Florida record retention laws.	Schools should maintain these records in compliance to State of Florida Record Retention law.	Evaluate existence of credit card logs at each school.	<ul style="list-style-type: none"> • CME – Noted Credit Card Control Log placed in use 11/7/16. • OES - Noted Credit Card Control Log placed in use during 2016/2017 school year. • OMS – Noted Credit Card Control Log placed in use 2/14/17. • OHS – Noted Credit Card Control Log placed in use 8/9/17.
17	The accounting for internal funds is done in Excel by school and fund codes. This workbook is not reconciled to the general ledger account balances in JD Edwards and balances are not maintained current. The workbook is updated weekly not daily. Lastly, prior versions of the file are not retained.	Charter School Authority management should evaluate accounting software options for the purpose of maintaining accurate, detailed and auditable accounting records for internal fund accounts. They may wish to consider the software used by the Lee County School District or potentially develop a method for using JD Edwards for this purpose. Whatever software is identified it must be accessible to school staff to provide timely balance information for each internal fund account.	Inquire management of software use.	Per Britt Martin, the internal funds are accounted for using the City's JD Edwards accounting software. Additionally, CLA noted general ledger detail requested for receipts and disbursements testing was exported from JD Edwards.

	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
18	Job descriptions for secretaries do not include their responsibilities of cash handling. Cash handlers should have cash handling training provided by the City of Cape Coral's Financial Services Department and receive a certificate.	Charter School Authority management should revise the secretary job description to include the responsibility of cash handling and require secretaries to attend cash handling training. Charter School Authority management should also consider incorporating this training into its policies and procedures.	Review the updated Standard Operating Guide and evaluate secretary participation in the cash handling training.	Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, generally the Principal's secretary will be assigned to act as the School's cash custodian. "The Cash Custodian is responsible for the daily collection of money, safe guarding of cash, depositing of money into the bank, and forwarding all supporting documentation to the Charter School Bookkeeper." Additionally, cash handling training was provided on July 26, 2017 and all 4 school secretaries were included on the sign in sheet. The November 14, 2017 revised Secretary job description also includes cash handling responsibilities.

2. Internal Audit Reportable Conditions and Recommendations

1	Charter School Authority has not specified how undesignated donations should be allocated. Therefore, this determination has been left to school staff. The practice has been to deposit all undesignated collections into "Staff Funds".	The Charter School Governing Board and Charter School Authority management should review and revise policies and procedures on the allocation of non-designated donations. Charter School Authority management should allocate funds strategically and with an approved monies for the benefit of the schools.	Review the updated Standard Operating Guide.	Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "All undesignated donations will be considered as follows: 25% to Principal's Discretionary Fund account and 75% to the Technology Fund account."
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	Internal Audit Findings/Reportable Conditions	Internal Audit Recommendation	Planned Procedure	Result
2	Two hundred payments were tested and we found one paid check request that exceeded the temporary approver's designated dollar amount.	The payment processor and designated approver should be aware of the authorized dollar amounts. Recommend attaching the limit authorization form with the payments as documentation. Charter School Authority management should have a written policy documenting the process.	Test a sample of disbursements, noting specifically instances of temporary approver privileges. Also inspect updates to the Standard Operating Guide.	CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17. There were no instances noted where a temporary approver was noted in place of the Superintendent. The updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting mentions certain instances where the Superintendent or "designee" approval is required; however, the process of assigning a designee and his or her authority in the absence of the Superintendent is not clearly described within the updated Standard Operating Guide.
3	The internal fund checking account cash balance exceeds the FDIC insurance limit of \$250,000.	Schools should either have different checking accounts to ensure money is insured by FDIC or diversify their deposits into a saving plan or an investment plan. Or the schools should modify their Standard Operating Guide to a policy they will comply with.	Review the updated Standard Operating Guide.	Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "Depositories in which internal funds are kept must be qualified public depositories, approved by the Charter School Governing Board, required to furnish the same type of security for deposits as required for other Charter School funds."

Exhibit B

**Management Responses to Findings and Reportable Conditions
Update Matrix**

Exhibit B
Cape Coral Charter School Authority
Management Responses to Findings and Reportable Conditions Update

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
1. Internal Audit Findings and Recommendations			
1	<p>Pre-numbered receipts were not used properly by staff. Forms were either incomplete or not appropriately recorded, resulting in the potential for unaccounted cash received.</p> <p>All cash/check receipts should be documented at the boundary of collection. Management should design, implement, and enforce internal controls to ensure that all receipts are captured, reported, and deposited. These controls should include maintaining sequenced receipt books with receipt book control logs to record all receipt books given to staff ensuring there is an auditable record. On a long-term basis, school management should acquire an accounting software system to automate the collection process while maintaining a good trackable and auditable record.</p>	<p>Inspected new numbered receipt books to be handed out to teachers and sign in/out log sheets on 7/24/17 to be implemented at the beginning of the 16/17 school year. Additionally, on 12/1/17 we inspected the receipt book inventory log for the primary business office, in which the bookkeepers at each school sign out individual receipt logs for each of the schools. In addition, we reviewed the individual receipt book inventory log for OHS, CME, OES, and OMS, which list each pre-numbered receipt book assigned to a respective issuer (typically a teacher of a particular classroom) and included issuer signature, sign in date, return date, and reviewer (secretary) signature once the receipt book is returned. The issuer is responsible for maintaining a log of all receipts throughout the school year within said receipt book.</p>	<p><i>Teachers and staff are properly using numbered receipt books for all monies collected and logs of all receipts are being maintained. Receipt books are returned to administration office for record keeping.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
2	<p>In many instances of the tested deposit population, deposits exceeded the required five business day deposit timeframe. Days from receipts to bank deposit ranged from 6 to 128 days.</p> <p>1. Management should consider modification of the cash receipt reporting from an activity form to a daily form and require staff to turn in funds on a daily basis. 2. Secretaries should be required to prepare deposits timely and/or have a backup in place to perform this task daily.</p>	<p>1. Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "All funds collected must be remitted to the Cash Custodian on a daily basis." Examples of required forms are also included as exhibits.</p> <p>2. CLA selected a sample of 15 deposits from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – 2 deposits were made beyond the 5 business day limit. • OES – All deposits were made within the 5 business day limit. • OHS - 6 deposits were made beyond the 5 business day limit. • OMS – All deposits were made within the 5 business day limit. 	<p><i>Staff are required to turn in all fund collections to the secretary daily. This process is improving and principals are contacted when a deposit is made beyond the five day limit.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
3	<p>In all four schools, acknowledgment letters for donations of \$250 or more were not sent to donors.</p> <p>1. Schools should send donation acknowledgment letter to donors and keep a copy of the letter for their record</p> <p>2. A process should be identified to account, select, and assign responsibility for sending donor receipt letters for all donations over \$250.</p>	<p>CLA selected a sample of 15 deposits from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – Of the two donations tested, neither had documented donation letters. • OES – 6 donations were tested and all properly included donation letters. • OHS - 1 donation was tested and properly included a donation letter. • OMS – No donations were selected in the sample. CLA requested an additional donation item for testing, and noted that an informal letter was included. The Internal Funds Money Handling training materials held on November 8, 2017 provided an example of a formal donor acknowledgement letter. CLA noted that this example is not included in the proposed Standard Operating Guide update. <p>Per inquiry of Britt Martin, secretaries will prepare letters as donations are received, and the principals will sign them. When deposit journal entries are prepared by City Finance, they will review to ensure letters are included as applicable.</p>	<p><i>Secretaries forward a copy of the donation letter along and donation check to the bookkeeper with the deposit. Secretaries keep a copy of the donation letter on file according to fund.</i></p>
4	<p>Collections (cash, checks, etc.) were unsecured in the classroom against theft and potential misappropriation.</p> <p>Management should design a control and provide a policy to ensure cash and checks are secured in the classroom. This might include locking desk drawers or locking cash boxes in each classroom. Additionally, management should provide annual training to staff on safeguarding internal funds, raise awareness of policy, and turn in collections daily to the appropriate bookkeeper or secretary.</p>	<p>Through inquiry of Britt Martin and inspection of a classroom, CLA noted that all teachers have locked desk drawers. The receipt documentation provided does not clearly define the date of collection within a classroom, as well as the date the funds are received by the appropriate bookkeeper or secretary. Note that Redbook Chapter 8, Section III, 1.4 specifies "Insofar as is practicable, all money should be collected in the school office. Collections made outside of the school office must be turned in to the school office no later than the next business day."</p>	<p><i>Whenever possible, all funds are turned in to the secretary the day they are collected. Occasionally, monies are secured in a locked drawer until the following business day and then sent to the office.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
5	<p>Schools did not maintain an active file for Nonsufficient funds (NSF) checks and most were not referred to a collection agency.</p> <p>The school board should mandate and provide adequate training on internal funds to staff and management.</p>	<p>Inspected log maintained by District Bookkeeper on 7/24/17 containing collection status. City Finance reconciles to the GL monthly.</p>	<p><i>An active file/log for NSF checks is current and the process of making referrals to collections is in progress. Our goal is to have all prior fiscal year NSF checks written off by February 2018.</i></p>
6	<p>Fundraising activities were not approved by the Principal prior to the start of the events.</p> <p>Management should follow policy and pre-approve all fundraisers on a specific form. These forms should then be retained as evidence of the pre-approval control and serve as a control log for anticipated receipts.</p>	<p>Form has been revised as of 4/18/17. Also noted in the Internal Funds Money Handling training materials held on November 8, 2017 that pre-approval by the Principal and filing of a financial report with the Principal (Red Book Chapter 8 requirements) were covered in the training.</p>	<p><i>Fundraising protocol training has been provided to Administrators and staff. Principals approve all fundraisers in advance. Our fundraiser form has been revised to include financial reporting information for principals. Principals will provide a final signature after the information has been completed. The bookkeeper will reconcile all fundraisers to JDE. Additional training will be provided on as-needed basis during the school year.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
7	<p>Some purchases of small devices, such as iPads, kindles, headphones, and speakers were made using staff internal funds. This is not an allowed use of staff funds as stated by the Florida Department of Education, Chapter 8.</p> <p>Recommend management train and remind staff on restricted expenditures. Also these restricted expenditures should be included in the operating budgeting process.</p>	<p>CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • OMS – Noted one disbursement for video equipment that did not appear to have a specific trust purpose and should have been reported as an operating expenditure within the Authority's general fund. • OHS – Noted one disbursement for a Google Employee Boot Camp. Employee related training would be considered an operating expenditure within the Authority's general fund. • CMES – No operating expenditures were noted. • OES – No operating expenditures were noted. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017, that disbursements that should be reported as operating expenditures were covered in the training.</p>	<p><i>Updates to the Internal Funds Manual and money handling procedure documents were created and distributed to all staff. Trainings on proper use of internal funds were held for secretaries on 8/18/17, 8/23/17, and 10/4/17. Training for principals and secretaries occurred on 11/8/17. Training was provided to all school staff on 11/13/17, 11/15/17, 11/16/17, and 11/29/17.</i></p>
8	<p>The process of securing approval by the Principal on Expense Pre-Approval forms prior to purchases did not occur in some cases.</p> <p>Recommend that management provide staff training annually and enforce the approval requirements for purchases.</p>	<p>CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – Noted proper Principal Approval • OES - Noted proper Principal Approval • OHS – Noted one instance where Principal approval was not obtained. • OMS – Noted one instances where Principal approval was not obtained, and one instance where the signature of the Principal was dated after payment was already made. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017, that purchase approval requirements were covered.</p>	<p><i>Staff received full training on proper money handling practices on November 8, 2017, in response to these issues.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
9	<p>Purchase orders (POs) were not used for purchases over \$300 as required by the Charter School Standard Operating Guide policy.</p> <p>Recommend management train and enforce policy annually. If this policy is not practical to execute, management should consider modifying the policy accordingly.</p>	<p>CLA selected a sample of 15 expenditures from each school, for a total of 60, for the period 3/1/17 through 6/30/17.</p> <ul style="list-style-type: none"> • CMES – Noted one disbursement over the threshold without a purchase order that was not otherwise exempted by policy. • OES - Noted three disbursements over the threshold without purchase orders that were not otherwise exempted by policy. • OHS – Noted one disbursement over the threshold without a purchase order that was not otherwise exempted by policy. • OMS – Noted two disbursements over the threshold without purchase orders that were not otherwise exempted by policy. <p>Noted in the Internal Funds Money Handling training materials held on November 8, 2017, that purchase order requirements were covered.</p>	<p><i>Staff received full training on proper money handling practices on November 8, 2017, in response to noncompliance. Principals are alerted by admin office if amounts exceed \$300.00. Exception to this rule is purchases using Amazon account where limits can exceed \$300.00 with approval from administration and cost savings documentation is provided with three quotes.</i></p>
10	<p>There was one incident where an employee was directly compensated using internal funds. This is not an allowed use of these funds as stated by the Florida Department of Education, Chapter 8.</p> <p>Recommend the Charter School Governing Board mandate and provide adequate training on internal funds to staff and management</p>	<p>No disbursements relating to employee compensation were identified. Noted in the Internal Funds Money Handling training materials held on November 8, 2017, that disbursements that should be reported as operating expenditures were covered in the training.</p>	<p><i>Proper use of Internal Funds was addressed in the November 8, 2017 training to staff and administrators.</i></p>
11	<p>Charter School Authority has never provided an annual audit of the internal funds as required by Florida Department of Education, Chapter 8 and by Charter School Standard Operating Guide policy.</p> <p>Recommend the Charter School Governing Board expand the scope of their annual CAFR audit to include a supplemental audit report on the internal funds annually</p>	<p>CLA received a signed audit engagement letter dated March 21, 2017, for an Internal Funds audit beginning in fiscal year 2018.</p>	<p><i>Internal Funds audits will be conducted annually.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
12	<p>Charter School Authority Management and staff have not had sufficient training and lack adequate knowledge of the policies and procedures and proper use of internal funds.</p> <p>Recommend Charter School Authority management hold a training session for each school annually on the policies and procedures governing internal funds and staff should acknowledge they received this training</p>	<p>Inspected Training on Internal Funds outline held on November 8, 2017. Training included roles and responsibilities, Redbook requirements, disbursements that should be reported as operating expenditures, cash handling, and other relevant topics. A sign-in sheet was included as acknowledgement of training received.</p>	<p><i>Training was recorded on November 8, 2017, for administrators and CABS and additional trainings were provided for staff (see above for training dates).</i></p>
13	<p>Internal Funds Standard Operating Guide contained outdated information. Staff had implemented new procedures that had not been included in the Standard Operating Guide. Testing results showed that school staff and Charter School Authority management loosely followed the documented current policy and procedures.</p> <p>Since the Charter School Governing Board originally approved the Standard Operating Guide, the Board should also approve all changes to these policies and procedures. Charter School Authority management should review current policy and procedures and make appropriate revisions. Also, Charter School Authority management needs to communicate these changes to staff and enforce them in all of the schools to ensure uniform practices on the internal funds.</p>	<p>Per discussion with Britt Martin on November 20, 2017, the Standard Operating Guide has been updated with the exception of adding a section regarding the responsibilities of the Business Manager. Presentation to and approval of the Charter School Governing Board is expected at the December 12, 2017 meeting.</p>	<p><i>The Standard Operating Guide for School Internal Funds update was completed in November. Presentation and approval of the Governing Board is expected on December 12, 2017.</i></p>
14	<p>Schools did not periodically submit required financial reports to the Charter School Governing Board.</p> <p>Charter School Authority management should provide quarterly financial reports of internal funds to the Charter School Governing Board.</p>	<p>Britt Martin provided the Cape Coral Charter School Authority Superintendent financial statements as of May 31, 2017, to the Charter School Governing Board, which included the Internal Funds balance sheet, and statements of Internal Fund account balances by school. The intent is to provide financial statements to the Charter School Governing Board on a quarterly basis beginning with the 12/31/17 quarter-end.</p>	<p><i>Presentation of financial statements to the Board will occur at the February meeting for quarter-end 12/31/17.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
15	<p>Internal funds were used to purchase some electronic devices. Subsequently these devices were not tracked or tagged with the asset tracking system.</p> <p>Charter School Authority management should inventory their devices and have their staff sign an agreement to return devices upon their leave. Guidance and process of property control should be included in the policies and procedures.</p>	<p><i>Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "An inventory of all capital equipment will be conducted annually. The documentation shall provide a list of inventory that is obsolete, damaged or otherwise removed from the inventory. New capital items will be added to the inventory at time of acquisition. Non-capital equipment purchases (i.e. tablets, etc.) shall be tracked on the IT inventory list. A copy of the list will be provided to the Charter School Accountant quarterly." Per inquiry of Britt Martin, the updated policy has not yet been enforced among the schools, but training is forthcoming. There was no evidence provided that electronic devices and other equipment were being tagged as inventory items on a consistent basis.</i></p>	<p><i>The Senior Accountant will keep an inventory of all capital equipment. IT departments will maintain an inventory list at each school site and submit quarterly. According to the Strategic Plan 2018 – 2020, an asset management system will be implemented in 2018 to track, tag, and inventory all capital equipment and maintain maintenance schedules. Training is forthcoming for charter school staff during the first quarter of next year.</i></p>
16	<p>Credit Card Logs are not retained. This is a violation of Florida record retention laws.</p> <p>Schools should maintain these records in compliance to State of Florida Record Retention law.</p>	<ul style="list-style-type: none"> • CME – Noted Credit Card Control Log placed in use 11/7/16. • OES - Noted Credit Card Control Log placed in use during 2016/2017 school year. • OMS – Noted Credit Card Control Log placed in use 2/14/17. • OHS – Noted Credit Card Control Log placed in use 8/9/17. 	<p><i>All schools are currently maintaining credit card logs</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
17	<p>The accounting for internal funds is done in Excel by school and fund codes. This workbook is not reconciled to the general ledger account balances in JD Edwards and balances are not maintained current. The workbook is updated weekly not daily. Lastly, prior versions of the file are not retained.</p> <p>Charter School Authority management should evaluate accounting software options for the purpose of maintaining accurate, detailed and auditable accounting records for internal fund accounts. They may wish to consider the software used by the Lee County School District or potentially develop a method for using JD Edwards for this purpose. Whatever software is identified it must be accessible to school staff to provide timely balance information for each internal fund account.</p>	<p>Per Britt Martin, the internal funds are accounted for using the City's JD Edwards accounting software. Additionally, CLA noted general ledger detail requested for receipts and disbursements testing was exported from JD Edwards.</p>	<p><i>Fund balance sheets are accounted for in JD Edwards and weekly updates are provided.</i></p>
18	<p>Job descriptions for secretaries do not include their responsibilities of cash handling. Cash handlers should have cash handling training provided by the City of Cape Coral's Financial Services Department and receive a certificate.</p> <p>Charter School Authority management should revise the secretary job description to include the responsibility of cash handling and require secretaries to attend cash handling training. Charter School Authority management should also consider incorporating this training into its policies and procedures.</p>	<p>Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, generally the Principal's secretary will be assigned to act as the School's cash custodian. "The Cash Custodian is responsible for the daily collection of money, safe guarding of cash, depositing of money into the bank, and forwarding all supporting documentation to the Charter School Bookkeeper." Additionally, cash handling training was provided on July 26, 2017, and all four school secretaries were included on the sign-in sheet. The November 14, 2017 revised Secretary job description also includes cash handling responsibilities.</p>	<p><i>Governing Board approved on November 10th 2017 the addition of new language in the job description for secretaries that included a specific description of cash handling responsibilities.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
2. Internal Audit Reportable Conditions and Recommendations			
1	<p>Charter School Authority has not specified how undesignated donations should be allocated. Therefore, this determination has been left to school staff. The practice has been to deposit all undesignated collections into "Staff Funds."</p> <p>The Charter School Governing Board and Charter School Authority management should review and revise policies and procedures on the allocation of non-designated donations. Charter School Authority management should also allocate funds strategically and with an approved monies for the benefit of the schools.</p>	<p>Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "All undesignated donations will be considered as follows: 25% to Principal's Discretionary Fund account and 75% to the Technology Fund account."</p>	<p><i>As a matter of clarification, 25% will be designated to the Authority's general fund to be used according to the principal's discretion, and 75% will be designated to the Authority's general fund to be used for technology-related purposes.</i></p>
2	<p>Two hundred payments were tested and we found one paid check request that exceeded the temporary approver's designated dollar amount.</p> <p>The payment processor and designated approver should be aware of the authorized dollar amounts. Recommend attaching the limit authorization form with the payments as documentation. Charter School Authority management should have a written policy documenting the process.</p>	<p>CLA selected a sample of 15 disbursements from each school, for a total of 60, for the period 3/1/17 through 6/30/17. There were no instances noted where a temporary approver was noted in place of the Superintendent. The updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting mentions certain instances where the Superintendent or "designee" approval is required; however, the process of assigning a designee and his or her authority in the absence of the Superintendent is not clearly described within the updated Standard Operating Guide.</p>	<p><i>The Superintendent is responsible for assigning a principal as a designee in his/her absence as a temporary approver. The Delegation of Authority Form must be completed in advanced and submitted to the Business Manager. This form has been revised to state the maximum expenditure is not to exceed the \$50,000. Copies will be made to the administrative staff and their secretaries for record keeping purposes.</i></p>

	Internal Audit Recommendation	CLA Result of Follow-Up Procedures	Management's Response
3	<p>The internal fund checking account cash balance exceeds the FDIC insurance limit of \$250,000.</p> <p>Schools should either have different checking accounts to ensure money is insured by FDIC or diversify their deposits into a saving plan or an investment plan. Or the schools should modify their Standard Operating Guide to a policy they will comply with.</p>	<p>Per the updated Standard Operating Guide to be approved at the December 12, 2017 Charter School Governing Board meeting, "Depositories in which internal funds are kept must be qualified public depositories, approved by the Charter School Governing Board, required to furnish the same type of security for deposits as required for other Charter School funds."</p>	<p><i>All depositories are qualified public depositories approved by the Governing Board.</i></p>

Exhibit C

Perpetual Ticket Inventory Example

2014-2015 Game Ticket List of Individual Games

Exhibit C
Cape Coral Charter School Authority
Perpetual Ticket Inventory Example

Date	Type	Opponent	Ticket Color	Beg Ticket #	End Ticket #	Number Attached to Sheet	Total Ticket Sold	Cost / Ticket	Total Cost	Deposit Date	Receipt Number	Receipt Amount	Variance	Variance Explanation
4/17/2017	Baseball	Ft. Meade	Blue	28483	28500	2	16	\$ 5.00	80.00	4/20/2017	8134	\$ 80.00	0.00	
5/16/2017	Baseball	Regionals	Blue	44798	45000	2	201	\$ 7.00	1407.00	5/22/2017	8282	\$ 1,400.00	-7.00	Comp Ticket approved by Athletic Direct
5/9/2017	Softball	Regionals	Orange	44453	44500	2	46	\$ 7.00	322.00	5/11/2017	8257	\$ 329.00	7.00	Donation
2/6/2017	Basketball - Boys	Districts	White	29896	30000	2	103	\$ 6.00	618.00	2/7/2017	7920	\$ 626.75	8.75	Donation
						8	366		\$ 2,427.00			\$ 2,435.75	\$ 8.75	

	Sold	Attached
Blue	217	4
Orange	46	2
White	103	2
	366	8

	Blue	White	Orange
Beginning Inventory from Prior Year:	398	75	-
Tickets Acquired during Fiscal Year:	9,000	6,000	6,000
Actual Inventory Beginning	9,398	6,075	6,000
Tickets Sold:	217	103	46
Tickets Attached to Forms:	4	2	2
Remaining Tickets	9,177	5,970	5,952
Ending Inventory Count	9,177	5,970	5,952
Variance:	-	-	-

Remaining tickets should be counted and available for audit purposes.