

District School Board of Pinellas County, Florida

Investment Portfolio

June 30, 2015

Independent Auditors' Report

May 26, 2016

To the District School Board of Pinellas County, Florida
301 Fourth Street, SW
Largo, FL 33770

In accordance with our addendum dated October 22, 2013, we have agreed to do the following:

- Detailed review of investment activity during the year for the purpose of determining that all activities were in accordance with the District's investment policies and State guidelines.
- Review of monthly reconciliations of the District's general ledger accounts and the subsidiary (SymPro) reports. Determine that all reconciling items and subsequent adjustments were proper, and made on a timely basis. Determine that monthly reconciliations were properly reviewed and approved in a timely basis.
- Review of Information Technology controls as they relate to the investment portfolio and transactions within the portfolio to ensure controls are operating in accordance with the Investment Policy and adhere to current best practices.
- Review of SymPro monthly reports to ensure that data included in those reports is accurate and reliable for the purpose of Investment Oversight Committee decision making. Test report calculations for accuracy.
- Review the bonding of District personnel with access to District-owned investments.
- Review investment holdings to ensure the portfolio is in accordance with the approved Investment Policy of the District.
- Review reporting prepared by the Investment Manager to ensure that reporting is accordance with current GASB standards.
- Report our procedures in writing to management and present the results of the procedures listed above to the Investment Oversight Committee.

Please see the following pages for the results of these procedures.

- 1) **Procedure performed:** Detailed review of investment activity during the year for the purpose of determining that all activities were in accordance with the District's investment policies and State guidelines.

Results:

- a. As part of the District's investment policy, internal controls item C. states that:

"The Board shall receive two (2) copies of all transaction confirmations and investment account statements. One (1) copy will be sent to the Manager, Cash & Investments and retained in the cash management department files. The second copy will be sent under separate cover to the Associate Superintendent, Finance and Business Services. The Associate Superintendent, Finance and Business Services will review the confirmations and statements, initial them and return them to the Manager, Cash & Investments for retention in the cash management department files."

Based on a sample of transaction confirmation, the receipt and review process appears to be operating timely and effectively.

- 2) **Procedure performed:** Review of monthly reconciliations of the District's general ledger accounts and the subsidiary (SymPro) reports. Determine that all reconciling items and subsequent adjustments were proper, and made on a timely basis. Determine that monthly reconciliations were properly reviewed and approved in a timely basis.

Results:

- a. Based on a sample of monthly reconciliations, the review performed by the Director of Accounting and Associate Superintendent was performed on a timely basis.
- b. Reconciliations continue to include reconciling items which cannot be fully explained. An amount identified of approximately \$28,000 in the December 2014 reconciliation was recorded as interest earned in December 2014 to eliminate the unreconciled difference. Unexplained items could (1) become much larger in future months as the cause has not been determined, and (2) contribute to the delay in the reconciliation process and could impact the transparency and accuracy in reporting to the Investment Oversight Committee as well as the District Board. A similar finding was noted in the 2014 Investment Portfolio report.

- 3) **Procedure performed:** Review of Information Technology controls as they relate to the investment portfolio and transactions within the portfolio to ensure controls are operating in accordance with the Investment Policy and adhere to current best practices.

Results: Information technology controls appear to be operating in accordance with the Investment Policy and adhere to current best practices. It was noted that all investment activity including account access is password protected.

- 4) **Procedure performed:** Review of SymPro monthly reports to ensure that data included in those reports is accurate and reliable for the purpose of Investment Oversight Committee decision making. Test report calculations for accuracy.

Results:

- a. Three (3) of the Investment Oversight Committee's quarterly meetings were held greater than 60 days after the quarter's end. While the information reported to the Investment Oversight Committee for each quarter appeared to be accurately calculated, the reporting of the investment portfolio's performance was not timely. Once the Investment Oversight Committee completes their review of the investment reports, they are then submitted to the School Board. Four (4) of the School Board quarterly investment portfolio performance reports was provided greater than 75 days after the quarter's end. Timely and accurate reporting to the Board enables the Board to be well informed and implement any corrective actions in a timely fashion. Similar findings were noted in our 2014 Investment Portfolio report.
- b. One (1) of the quarterly investment performance and reporting was communicated via email to the Investment Oversight Committee in lieu of a formal meeting. No minutes were recorded as there were no communications regarding the investment performance for that quarter. While the information reported to the Investment Oversight Committee for the quarter appeared to be accurately calculated, there we no formal meeting minutes taken.

- 5) **Procedure performed:** Ensure that District personnel with access to District-owned investments are properly bonded.

Results: Based on review of insurance policy documents, it was noted that the District has coverage in place for Employee Theft with an insurance limit of \$5,000,000 and Computer Fraud with an insurance limit of \$5,000,000. Discussion with District personnel indicated that while some coverage is in place, the District should consider the amount of funds that are not covered by any insurance policy.

- 6) **Procedure performed:** Review investment holdings to ensure the portfolio is in accordance with the approved Investment Policy of the District.

Results: Investment holdings of the investment portfolio were in accordance with the approved Investment Policy of the District as of June 30, 2015.

- 7) **Procedure performed:** Review reports prepared by the Investment Manager to ensure that reporting is accordance with current GASB standards.

Results: Reports prepared by the Investment Manager appeared to be reported in accordance with current GASB standards. However, deficiencies were noted regarding the timeliness of reporting. See items (a) and (b) under procedure number four.

- 8) **Procedure performed:** Report our procedures in writing to management and present the results of the procedures listed above to the Investment Oversight Committee.

Results: This report was presented to the Investment Oversight Committee at the Pinellas County Schools administration building on May 26, 2016.

Other Matter:

- a. As part of the District's investment policy, internal controls item A states:

"Board accounts at financial institutions can only be opened and closed on two (2) signatures of the Associate Superintendent, Finance and Business Services; Executive Director, Budget and Resource Allocation; or the Director, Accounting. The Manager, Cash & Investments is prohibited from opening or closing Board accounts."

During the period under review the District has mailed Letters of Instructions containing the two (2) individuals with transaction authority and Incumbency Certificates listing five (5) individuals who have account authority. Both of these letters have been mailed to four (4) of the six (6) financial institutions used by the District, based on materiality. All Four (4) institutions noted that the authorized signor for the Chairperson of the District was the previous Chairperson. In addition two (2) of the institutions noted that there were only 2 (two) authorized signors and 2 (two) had on record that both the Investment Manager and Investment Specialist had full signing authority. The District should ensure that all financial institutions have proper authorizations on file. We had similar findings in our 2014 Investment Portfolio report.