





Agenda Item Details

Meeting	Feb 21, 2023 - REGULAR MEETING AGENDA (5:30 PM)
Category	44. Internal Auditing
Subject	A. School Internal Accounts Audit Reports
Type	Action
Fiscal Impact	No
Budgeted	No
Recommended Action	Acceptance of the school internal accounts audit reports.

Each year, we audit the internal accounts of the schools. As part of this process, a sample of schools receive audits with full procedures (financial and compliance), with the remaining schools receiving audits with limited procedures. Audits receiving full procedures are presented to the Board individually. Audits receiving limited procedures are included in the District-wide report. All audited schools are then combined into a District-wide audit report on schools internal accounts. These reports have been presented to and accepted by the Audit Committee, a standing committee of the Board. The reports are being presented to the Board for their review and entry into the minutes.

 [School Internal Accounts Audits - Elementary.pdf \(2,183 KB\)](#)

 [School Internal Accounts Audits - High.pdf \(692 KB\)](#)

 [School Internal Accounts Audits - Centers.pdf \(446 KB\)](#)

Motion & Voting

Acceptance of the school internal accounts audit reports.

Motion by Bill Slayton, second by David Williams.

Final Resolution: Motion Carries

Yes: Kevin Adams, Paul Fetsko, David Williams, Patty Hightower, Bill Slayton

Workflow

Workflow Feb 8, 2023 2:09 PM :: Submitted by David Bryant. Routed to David Bryant for approval.

Feb 8, 2023 2:12 PM :: Final approval by David Bryant

Last Modified by Holley DeWees on February 21, 2023



Brentwood Elementary School
Audit of School Internal Accounts
For the Year Ended June 30, 2022

Office of Internal Auditing
September 2022

David J. Bryant, CPA, CIA, CFE, CGFM, CRMA
Director – Internal Auditing

Audit Team:
Jeanne Pilgrim
Audit Administration Specialist

Trent Strickling
Audit Intern

Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of Brentwood Elementary School staff and other District personnel.

Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the principals, assistant principals, bookkeepers, secretaries, and various support personnel throughout the District for their cooperation and commitment.



Office of Internal Auditing
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Executive Summary

Brentwood received a full audit for the 2021-2022 fiscal year.

Our office audits the internal accounts of the District’s schools annually. The authority to conduct these audits is granted by the School Board of Escambia County in the Charter for the Office of Internal Auditing.

These audits are conducted on a rotating basis with a sample of schools receiving “full” audits each year, and the other schools receiving “limited” audits. For each full audit, extensive testing procedures are applied to internal funds accounts. Limited audits include cash procedures and reconciliation to independent bank confirmations. For the 2021-2022 fiscal year, Brentwood Elementary School (Brentwood) received a full audit. This report documents the results of the audit.

Two adjusting journal entry was recommended.

The purpose of our audit was to determine whether the financial information reported in the internal accounts reconciles with bank statements and corresponding independent bank confirmations, and to determine compliance of transactions included in those same internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. We also sought to determine whether any instances of non-compliance were severe enough to render the financial information reported by the school unreliable. We believe our audit provides a reasonable basis for our opinion, findings, and recommendations.

Our audit procedures indicated matters that required adjustment of the school’s records. Two journal entry were necessary:

- To correct the improper posting of picture commissions to the Unrestricted Donations account.
- To correct a deficit balance in the Restricted Donations account.

These journal entries were processed by the bookkeeper in the following school year.

Our testing resulted in four audit findings.

Our testing resulted in four audit findings:

- Purchases were made without prior written approval.
- Request Purchase Utilizing Purchasing Card forms were not properly completed.
- The signing-in/out of credit cards was not properly completed.
- The Gift Card Log was not utilized.

The school’s overall fund balance as of June 30, 2022 was \$19,372.24.

The overall fund balance reported by the school at June 30, 2022 was \$19,372.24. We have determined that the financial information reported by the school reconciles with bank statements and independent bank confirmations.

In our opinion, the majority of transactions included in the school’s internal

The majority of transactions included in the school’s internal accounts were processed in accordance with applicable policies and procedures.

accounts were processed in accordance with all applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board.

We have also determined that the instances of non-compliance noted above and elsewhere in this report do not have a material effect and are not severe enough to render the financial information unreliable.

This report contains recommendations. The Executive Summary is intended to highlight the various aspects of the report. The full report should be read to understand the basis of our recommendations. We will follow-up on these recommendations approximately 90 days after the school’s exit conference

Background

Each year, our office audits the District’s schools’ internal accounts. The authority to conduct these audits is granted by the School Board of Escambia County in the Charter for the Office of Internal Auditing.

School internal funds are defined in the Internal Funds Policy Manual (the Manual) as “all monies collected and disbursed by school personnel within a school, for the benefit of the school, or a school sponsored activity.” As further explained in the Manual, “School internal funds shall be used to supplement activities approved by the school board when the District budgetary funds are not available or have been exhausted.” More plainly, internal funds include everything from money found on campus to collections from ticket sales for athletic events.

Each year, District schools receive either a “full” audit (including all procedures listed in the Methodology section below), or a “limited” audit, where only certain procedures are performed (such as obtaining third-party confirmation for all cash and investment accounts and reconciliation of bank statements and confirmations). For the 2021-2022 fiscal year, Brentwood received a full audit.

Outside support organizations are not included in this report and are not audited by our office.

Outside support organizations (school booster clubs and parent teacher associations) affiliated with this school that operate independent of a school’s internal accounts **are not included** in this report and **are not audited** by the Office of Internal Auditing.

Brentwood last received a full audit in the 2018-19 fiscal year. There were four matters that rose to the level of audit findings. There were findings related to the incorrect ending balance on the accounts payable L2121, prior written approval for disbursements, documentation of evidence of receipt of goods, and properly recorded receipts all of which

The bookkeeper transferred schools in August 2022, and was subsequently replaced during the next school year.

were determined to be addressed adequately during a subsequent follow-up audit.

The school's previous bookkeeper transferred schools in August 2022, and was subsequently replaced during the next school year.

Objective

The purpose of our audit was to determine whether the financial information contained in the internal accounts reconciles with bank statements and corresponding independent bank confirmations, and to determine compliance of transactions included in those same internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. We also sought to determine whether any instances of non-compliance were severe enough to render the financial information unreliable.

We have conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing, and have planned and performed our audit to obtain reasonable assurance that transactions were made in accordance with applicable policies and laws and that the financial information presented is reliable.

We believe our audit provides a reasonable basis for our opinion, findings, and recommendations.

Scope

The State Board of Education Redbook, Chapter 8, Section I, 1(b) states that the District School Board is responsible for the administration and control of school's internal accounts and in connection therewith shall provide an audit of those accounts. Pursuant to this rule, we have audited the financial transactions of the internal accounts of the school as of and for the fiscal year ended June 30, 2022. These accounts are the responsibility of the principal of that school.

Methodology

The audit consists of three phases: planning, fieldwork, and reporting.

Each audit consists of three phases, containing specific steps to ensure it is done in accordance with professional standards and current accepted practice.

The Planning Phase

The planning phase serves as the initial stage of an audit, where the auditor determines which schools are audited, ensures his or her independence, assesses the overall control environment and risk factors, and selects the samples of transactions to be tested.

School Sample

Rather than auditing 100% of schools each year, a system of rotation is utilized that is based primarily on school classification (i.e., elementary, middle, high).

Ensuring Independence

An independence statement is completed for each school. This statement contains the signature of each auditor certifying that there are no conflicts of interest and that they are free from bias. **No known conflicts were identified.**

No known conflicts of interest were identified.

Control Risk Assessment

At the beginning of each audit, the two prior audits and work papers, as well as any follow-up audits, are reviewed. We also determine whether there have been any significant personnel changes (i.e., principal, bookkeeper).

Each school's bookkeeper and principal are given internal control questionnaires to complete prior to their audit beginning. We review the responses, and discuss any items of concern with the appropriate staff. These questionnaires represent only a portion of our assessment of the overall control environment.

Control risk for Brentwood has been assessed at moderate.

Based on our experience with the school, control risk is assessed at moderate. Therefore, our audit procedures are limited to those in the audit program. If control risk is assessed at a level higher than moderate, additional procedures may be performed.

Transactional Samples

Statistical sampling for attributes has been chosen. This method allows conclusions to be drawn about the population based on statistical inference. If after testing we determine the sample does not provide adequate coverage of the total population, auditor judgment and discussion with the Director of Internal Auditing are used to determine whether additional sampling methodologies are necessary (judgmental sampling, whole population, etc.).

The Fieldwork Phase

For our purposes, exceptions of greater than or equal to 20% of the total population may exist before an audit finding is issued.

The fieldwork phase involves transactional testing of the school’s internal accounts. The items in each of our samples are tested for compliance with applicable Florida Statutes, State Board of Education Rules, Board Policies, contract terms and conditions, and grantor restrictions.

While performing our testing, a percentage of transactions is allowed to contain compliance violations before it is determined to be an audit finding. For our purposes, an audit finding is a recurring issue that is present in greater than or equal to 20% of the sample. In addition, due to seriousness or materiality, a single compliance violation could also result in an audit finding.

Upon the completion of fieldwork, exit conferences to discuss the results of the audit are conducted with principals and secretaries/bookkeepers, if necessary.

The Reporting Phase

Upon the completion of the planning and fieldwork phases of an audit, the results of those phases are compiled into an easily readable and understandable format (i.e., the audit report). The report is presented to, and approved by, the Audit Committee and the School Board at the end of each audit cycle.

Financial information from full audits is combined with information from limited audits and compiled into a District-Wide Report on Internal Accounts.

Detailed Results

Summary of Fund Activity	
Beginning Cash Balance, 7/1/2021	\$ 17,231.76
Total Receipts	15,393.52
Total Disbursements	(2,383.57)
Total Net Journal Entries	(10,869.47)
Ending Cash Balance, 6/30/2022	\$ 19,372.24
Audit Adjustments	-
Ending Fund Balance, 6/30/2022, Per Skyward	<u>\$ 19,372.24</u>
Cash Balance per Confirmation(s)	\$ 19,372.24
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	-
Ending Fund Balance, 6/30/2022, Per Confirmation(s)	<u>\$ 19,372.24</u>

General Ledger Review

Throughout the year and prior to the school’s closing of their records at year end, we may review various reports, transactions, and supporting documentation of the school. The purpose of this review is to recommend adjusting journal entries, reclassifications, or other necessary actions which we feel will result in more accurate reporting and/or compliance with established rules, policies, and procedures. Any recommended entries or actions are traditionally completed prior to the close of the school’s records, and are therefore included in the reported June 30 financial information, unless otherwise indicated.

Two adjusting journal entries were recommended.

As a result of our fieldwork, two additional adjusting journal entry was recommended:

- To correct the improper posting of picture commissions to the F6080 Unrestricted Donations account, we recommended a journal entry be processed for \$1,179.43.
- To correct a deficit balance in the F6081 Restricted Donations account, we recommended a journal entry be processed for \$50.59.

After fieldwork, but prior to the issuance of this report, the school implemented our recommendation to process the journal entry mentioned above.

Findings

Prior Written Approval

One finding related to lack of prior written approval.

Our testing indicated purchases were made prior to the principal’s written approval date, as evidenced on the approval forms for both check requests and credit card purchase requests.

This is a repeat audit finding from 2018-2019.

The Internal Funds Policy Manual gives specific guidelines regarding the prior approval of purchases. Section VIII, A.1 of the Manual states, “All disbursements require **prior written** approval of the Principal or his/her designated representative. ‘Prior written approval’ may consist of a properly completed Purchase Requisition/Request for Purchase Oder. This must be done **BEFORE** the item is ordered and funds are obligated.” In the case of credit card purchases, the Request Purchase Utilizing Purchasing Card approval form should be used.

See our recommendation in the Recommendations section below.

Request Purchase Utilizing Purchasing Card forms

One finding related to improper completion of purchasing card forms.

Our testing indicated Request Purchase Utilizing Purchasing Card forms were not properly completed.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for internal funds credit card purchases. Section VIII, E.2 (b),

(f) of the Manual states, “All purchases must be listed on the Request Purchase Utilizing Purchasing Card form and approved by the Principal prior to the purchase...If another person is making an order over the internet or phone then the ‘Authorization to Assign to Another Person to Make this Purchase’ section must be filled out and signed by the cardholder; this is for one vendor at a time only.” In addition, the account name/number to be charged and the requestor’s signature are expected to be completed.

See our recommendation in the Recommendations section below.

Credit Card Sign-in/out Log

Our testing indicated the documentation of the signing-in/out of credit cards was not properly completed.

The Internal Funds Policy Manual gives specific guidelines for the documentation of signing-in/out credit cards. Section VIII. E.2(i) states, “Purchase Cards must be locked up by the card manager. When a purchasing request has been approved, the card will be signed out to the cardholder and must be signed back in within 2 days after the purchase date, unless prior approval has been given by the Principal to keep the card for an extended period of time due to a particular purpose. An example would be a P-Card is needed for out of county travel or in county travel that extends past the school hours of Friday and into the weekend or until Cardholder returns from the trip. **(The card should not be checked out for the entire school year, but rather for each purchase.)**”

See our recommendation in the Recommendations section below.

Gift Card Log

Our testing indicated a Gift Card Log was not utilized.

The Internal Funds Policy Manual gives specific guidelines concerning the purchases of gift cards. Sections IV, M.2 through M.5 states, “Gift cards may be purchased by check payable to the vendor. If the vendor does not accept checks, the check can be payable to the bookkeeper or the requestor. The bookkeeper or the requestor can then purchase the gift cards with the funds. The appropriate account should be charged. The receipt for the gift cards must be attached to the check stub along with the Gift Card Log. A Gift Card Log should be maintained with the date purchased, purchased by, vendor, dollar amount, gift card serial number, purpose and recipient’s name. The teacher must sign for the gift card when picked up, verifying receipt. The recipient must sign for the gift card when picked up, verifying receipt. The Gift Card Log should be kept with each group of gift cards. See Appendix A – Gift Card Log. Until disbursed, gift cards and log should be maintained in a secure, locked area.”

See our recommendation in the Recommendations section below.

One finding related to the documentation of the credit card sign-in/out log.

One finding related to the lack of utilization of the Gift Card Log.

Opinion

The financial information reconciled with bank statements and independent confirmations.

The majority of the school's transactions were processed in accordance with all applicable policies and procedures.

Our opinion is divided into two major areas: whether or not the financial information reported by the school reconciles with corresponding bank statements and independent bank confirmations; and an assessment of the compliance of transactions included in the internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. An overall assessment is also made as to whether any instances of non-compliance were severe enough to render the financial information unreliable. We believe our audit provides a reasonable basis for our opinion, findings, and recommendations.

We have determined that the financial information reported reconciles with bank statements and independent bank confirmations.

In our opinion, the majority of transactions included in the school's internal accounts were processed in accordance with all applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board.

We have also determined that the instances of non-compliance noted above and elsewhere in this report do not have a material effect and are not severe enough to render the financial information unreliable.

Recommendations

Review and instruct staff on policies and procedures related to prior written approval for expenditures.

Review and instruct staff on policies and procedures related to proper completion of purchasing card forms.

Review and instruct staff on policies and procedures related to the use of the credit card log.

As there were four audit findings identified during our audit for the 2021-2022 fiscal year, our recommendations are issued as a part of this report.

Prior Written Approval

In an effort to address purchases made prior to receiving written approval from the principal/designee, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures of obtaining prior written approval for expenditures.**

Request Purchase Utilizing Purchasing Card Forms

In an effort to address the improper completion of purchasing card forms, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct school staff on the proper procedures related to credit card purchases, including prior written approval.**

Credit Card Sign-in/out Log

In an effort to address the documentation of credit cards being signed-in/out, **we recommend the principal and bookkeeper review the Internal Funds**

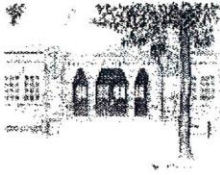
Review and instruct staff on policies and procedures related to the purpose and use of the gift card log.

Policy Manual and instruct staff on the proper procedures related to the use of credit cards.

Gift Card Log

In an effort to address the lack of utilizing a Gift Card Log, we recommend the principal and the bookkeeper review the Internal Funds Policy Manual's rules regarding the utilization and maintenance of a Gift Card Log.

We will follow-up on these recommendations approximately 90 days after the school's exit conference.



Brentwood Elementary School

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Dr. Timothy Smith: Superintendent
Jennifer Sewell: Principal
Meghan Holliday: Assistant Principal
Carmen Gustafson: School Secretary

December 13, 2022


To: ECSD Internal Auditing Department,

The purpose of this letter is to provide the reason and the correction for four audit findings for Brentwood Elementary School.

1. **Prior Written Approval for Purchases:** 7/19 purchases were made without prior written approval by the principal. This happened because the previous school secretary, Yaiza Rodgers, was skipping these steps and the principal did not notice it. This will not happen again as the principal and the new school secretary, Carmen Gustafson, have discussed this issue. She and I will both make sure I have read and signed all purchase forms BEFORE the purchase is made.
2. **Credit Card Purchases:** 3/12 purchases did not have the proper name and account number documented on it. This happened because the previous secretary was moving too quickly and overlooked these steps. The new school secretary and I have reviewed this matter and she and I will make sure these 2 items are listed on every credit card purchase from now on.
3. **Principal's Credit Card Not Signed-In and Out Properly:** Previous secretary thought she could sign it out herself since she was the card manager. The new secretary had actually corrected that earlier this school year once she discovered this mistake. However, the new ruling now says that the card manager CAN sign the principal's card in and out if the card manager is on school grounds at the time. The principal and new secretary have discussed this new procedure and both understand and will follow the new procedures.
4. **Gift Card Purchases:** The previous secretary did not have the gift card receiver sign the form that they received it. We do not normally give gift cards so this was a new type of gift given and it was accidentally done incorrectly. The new secretary and I have discussed this issue and have made adjustments to make sure this task is done if we ever do purchase gift cards.

Respectfully,

Jennifer Sewell


12-13-2022