




### 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**



**J.M. Tate High School**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2022*

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Office of Internal Auditing  
August 2022

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

Audit Team:  
**McKenzie Lane, CFE**  
*Senior Auditor*

**Ann V. McIntyre, CPA**  
*Auditor*

**Jeanne Pilgrim**  
*Audit Administration Specialist*

**Trent Strickling**  
*Audit Intern*

## Preface

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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 J.M. Tate High 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.



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# Executive Summary

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**Tate 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, J.M. Tate High School (Tate) received a full audit. This report documents the results of the audit.

**One 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. One journal entry was necessary:

- To record unrecorded interest for one of the school’s CDs.

**Our testing resulted in three audit findings.**

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

Our testing resulted in three audit findings:

- There was no evidence of receipt of goods verification on items shipped to the school.
- Request Purchase Utilizing Purchasing Card forms were not properly completed.
- Fundraiser Request/Reconciliation Forms were not completed for certain events.

**The school’s overall fund balance as of June 30, 2022 was \$517,216.67**

The overall fund balance reported by the school at June 30, 2022 was \$517,216.67. We have determined that the financial information reported by the school reconciles with bank statements and independent bank confirmations.

**The majority of transactions included in the school’s**

In our opinion, the majority of transactions included in the school’s internal accounts were processed in accordance with all applicable Florida Statutes,

**internal accounts were processed in accordance with applicable policies and procedures.**

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

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

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, Tate received a full audit.

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.

Tate last received a full audit in the 2019-2020 fiscal year. There were two matters that rose to the level of audit findings. There were findings related to properly maintained saleable inventory and prior written approval for expenditures, which were determined to be addressed adequately during a subsequent follow-up audit.

**The previous principal was reassigned and replaced in the next school year.**

The school’s previous principal, prior to this audit, was reassigned schools at year-end of the 2020-2021 school year. The school has had the same bookkeeper in place since the previous audit.

## Objective

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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

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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

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**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 Tate 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

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

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

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<b>Summary of Fund Activity</b>	
Beginning Cash Balance, 7/1/2021	\$ 464,241.74
Total Receipts	729,028.51
Total Disbursements	(257,335.90)
Total Net Journal Entries	<u>(418,717.68)</u>
Ending Cash Balance, 6/30/2022	\$ 517,216.67
Audit Adjustments	-
Ending Fund Balance, 6/30/2022, Per Skyward	<u>\$ 517,216.67</u>
Cash Balance per Confirmation(s)	\$ 536,586.27
Outstanding Deposits	-
Outstanding Checks	(19,257.98)
Other Reconciling Items	<u>(111.62)</u>
Ending Fund Balance, 6/30/2022, Per Confirmation(s)	<u>\$ 517,216.67</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.

**One adjusting journal entry were recommended.**

As a result of our fieldwork, one additional adjusting journal entries was recommended:

- To record unrecorded interest related to the A1118.05 investment account, we recommended a journal entry be processed for \$111.62.

**After fieldwork, but prior to the issuance of this report, the school implemented our recommendations to process all journal entries mentioned above.**

Findings

*Evidence of Receipt of Goods*

**One finding related to lack of evidence of receipt of goods.**

Our testing indicated invoices/packing slips used as supporting documentation for expenditures did not include evidence indicating receipt of goods. This evidence would include a signature and initials indicating verification of the quantity of the items ordered, and a date indicating when the goods were received.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for expenditures. Section VIII, D.4, (e) of the Manual states, "When the items purchased are received, the goods should be checked to ensure the items are correct and not damaged. The person receiving the items should initial and date the receiving slip or invoice to document their review and that all items ordered were received."

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.

**One finding related to improper completion of the FRR forms.**

*Fundraiser Request/Reconciliation Forms – Proper Completion*

Our testing indicated Fundraiser Request/Reconciliation (FRR) forms were not present.

Chapter 8 Section III, 4.4 of the State Board of Education Rules states all fundraisers shall be planned to finance a specific objective and have the approval of the organization sponsor and the principal. In addition, the principal shall maintain control over the activity. The requirements of the rule are met through the proper completion of the Fundraising Request/Reconciliation Form.

The Fundraising Guidelines Handbook approved by the School Board explains the use of the Fundraising Request/Reconciliation Form. The Handbook states, “Completing Section I of this form will document the authorization of the fundraiser...At the conclusion of your fundraiser, complete Section II of the Fundraising Request/Reconciliation Form...Review school internal funds reports to verify accuracy of postings to your account...Evaluate the success of your fundraising activity.”

See our recommendation in the Recommendations section below.

## Opinion

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**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

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**Review and instruct staff on policies and procedures related to evidence required to indicate receipt of goods.**

### Receipt of Goods

In an effort to address the lack of proper evidence for receipt of goods, we **recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedure of documenting receipt of goods.**

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

### 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.**

**Review and instruct staff on policies and procedures related to fundraising activities.**

### Fundraising Request/Reconciliation Forms

In an effort to address the improper completion or lack of Fundraising Request/Reconciliation forms, we **recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with fundraising activities.**

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

# Management Response

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Laura Touchstone  
Principal

Deborah Long      Melanie McElhane  
Assistant Principal      Assistant Principal

To: David Bryant, Director of Internal Auditing  
McKenzie Lane, Senior Internal Auditor

From: Laura Touchstone

Date: January 27, 2023

Subject: 2021-2022 Internal Audit

Please note the following findings and corrective actions pertaining to Tate High School's 2021-2022 audit.

**Evidence of Receipt of Goods:** Invoices/packing slips used as supporting documentation for expenditures did not include evidence indicating receipt of goods.

Action: Principal and bookkeeper will review the Internal Funds Policy Manual and instruct staff on the proper procedure of documenting receipt of goods.

**Request Purchase Utilizing Purchasing Card Forms:** Request Purchases Utilizing Purchasing Card Forms were not properly completed.

Action: Principal and bookkeeper will review the Internal Funds Policy Manual and instruct school staff on the proper procedures related to credit card purchases, including prior written approval.

**Fundraiser Request/Reconciliation Forms:** Fundraiser Request/Reconciliation Forms were not present.

Action: Principal and bookkeeper will review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with fundraising activities.

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