




Agenda Item Details

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| 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



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

Office of Internal Auditing
October 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 Sherwood Elementary 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
Escambia County School District
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Executive Summary

Sherwood 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, Sherwood Elementary School (Sherwood) received a full audit. This report documents the results of the audit.

Our testing resulted in three audit findings.

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 testing resulted in three audit findings:

- Purchases were made without prior written approval.
- A credit card log was not utilized.
- There was no evidence of receipt of goods verification on items shipped to the school.

The school’s overall fund balance as of June 30, 2022 was \$13,617.06.

The overall fund balance reported by the school at June 30, 2022 was \$13,617.06. 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 internal accounts were processed in accordance with applicable policies and procedures.

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.

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, Sherwood 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.

Sherwood last received a full audit in the 2019-2020 fiscal year. There was one matter that rose to the level of an audit finding. The finding was related to the proper utilization of budgeted funds.

School Administration has been consistent for several years.

The school has had the same principal and bookkeeper in place since the previous audit.

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 for 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 Sherwood 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.

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

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 | \$ 11,216.61 |
| Total Receipts | 22,109.71 |
| Total Disbursements | (1,037.15) |
| Total Net Journal Entries | (18,672.11) |
| Ending Cash Balance, 6/30/2022 | \$ 13,617.06 |
| Audit Adjustments | - |
| Ending Fund Balance, 6/30/2022, Per Skyward | <u>\$ 13,617.06</u> |
| | |
| Cash Balance per Confirmation(s) | \$ 13,617.06 |
| Outstanding Deposits | - |
| Outstanding Checks | - |
| Other Reconciling Items | - |
| Ending Fund Balance, 6/30/2022, Per Confirmation(s) | <u>\$ 13,617.06</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 finding related to lack of prior written approval.

Findings

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.

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 Order. 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.

One finding related to the lack of utilizing a Credit Card Log.

Credit Card Log

Our testing indicated documentation of a credit card sign-in/out log was not utilized during the school year. **T-7**

Section VIII, E.2(d) of the Manual states, "Cardholders cannot check out the credit card until all approvals have been given in writing. Once all paperwork has been approved and signed then the cardholder can sign out the P-Card from the Card Manager."

See our recommendation in the Recommendations section below.

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

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.

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 the Credit Card Log.

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

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.**

Credit Card Log

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

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.**

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

Management Response



Sherwood Elementary School
Tammy Douglas, Principal
Jennifer Collins, Assistant Principal

December 8, 2022

Dear Mr. Bryant,

The 2021-2022 Internal Audit Report and the Internal Audit Field Notes show three areas or findings that Sherwood Elementary School needs to address.

2021-2022 Audit Findings

1. Purchases were made without prior written approval.

Solution: My secretary and I have reviewed the Internal Funds Policy Manual regarding the proper procedures of obtaining prior written approval for expenditures. I have instructed my secretary not to make any purchases or release purchase cards without the proper paperwork and approval signatures. I have instructed my staff in the proper procedure of obtaining approval *prior* to making purchases.

2. Lack of utilizing a Credit Card Log.

Solution: My secretary and I have reviewed the Internal Funds Policy Manual regarding the utilization and maintenance of a Credit Card Log. I have verified that my secretary is utilizing a Credit Card Log according to the Policy and Procedures in the Internal Funds Policy Manual.

3. Lack of proper evidence for the receipt of goods.

Solution: My secretary and I have reviewed the Internal Funds Policy Manual regarding the proper procedure of documenting receipt of goods. I have instructed my staff on the proper procedure of documenting receipt of goods.

Sherwood Elementary School is committed to adhering to the Policy and Procedures set forth by Escambia County School District in the Internal Funds Manual. I will be monitoring my staff throughout the year to ensure they are following the procedures and being financially responsible to our school and Escambia School District.

Sincerely

Tammy Douglas
Principal
Sherwood Elementary School

C. Janak
12/9/2022

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