




Agenda Item Details

Meeting	Feb 20, 2024 - REGULAR MEETING AGENDA (5:30 PM)
Category	44. Internal Auditing
Subject	B. School Internal Accounts Audit Reports
Access	Public
Type	Action, Reports
Fiscal Impact	No
Budgeted	No
Recommended Action	Acceptance of the school internal accounts audit reports.


Public Content

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 \(10,725 KB\)](#)

 [School Internal Accounts Audits - Middle.pdf \(1,359 KB\)](#)

 [School Internal Accounts Audits - High.pdf \(2,112 KB\)](#)

 [School Internal Accounts Audits - Centers.pdf \(1,749 KB\)](#)

Workflow

Workflow Feb 7, 2024 3:36 PM :: Submitted by David Bryant. Routed to David Bryant for approval.
Feb 7, 2024 3:36 PM :: Final approval by David Bryant

Motion & Voting

Acceptance of the school internal accounts audit reports.

Motion by Paul Fetsko, second by Bill Slayton.

Final Resolution: Motion Carries

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

Last Modified by Holley DeWees on February 20, 2024



Escambia County
PUBLIC SCHOOLS

Scenic Heights Elementary School
*Audit of School Internal Accounts
For the year ended June 30, 2023*

Office of Internal Auditing
September 2023

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

Audit Team:
Jeanne Pilgrim
Audit Administration Specialist

Austin Hahnlein
Audit Intern

Aaron Hirst
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 Scenic Heights 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.

Executive Summary

Scenic Heights received a full audit for the 2022-2023 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 2022-2023 fiscal year, Scenic Heights Elementary School (Scenic Heights) received a full audit. This report documents the results of the audit.

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.

One adjusting journal entry was recommended.

Our audit procedures indicated a matter that required adjustment of the school’s records. One journal entry was necessary:

- To void the improper posting of a purchase for teacher appreciation expenses to the Faculty Fund account.

This journal entry was processed by the bookkeeper in the following school year.

Minor instances of non-compliance are documented in the audit field notes.

We noted some minor instances of violation of Board Policies and Florida Statutes. These matters were documented and provided to the principal and bookkeeper.

Our testing resulted in three audit findings.

Our testing resulted in three audit findings:

- Bank Reconciliations were not completed in a timely manner.
- The signing-in/out of credit cards was not properly completed.
- Teacher/Sponsors did not receive Account Ledger Reports when initialing the monthly log.

The school’s overall fund balance as of June 30, 2022 was \$101,384.15

The overall fund balance reported by the school at June 30, 2022 was \$101,384.15. 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 2022-2023 fiscal year, Scenic Heights received a (full) audit.

Outside support organizations are not

Outside support organizations (school booster clubs and parent teacher associations) affiliated with this school that operate independent of a

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

school's internal accounts **are not included** in this report and **are not audited** by the Office of Internal Auditing.

Scenic Heights 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 completion of receipts, which was determined to be addressed adequately during a subsequent follow-up audit.

School Administration has been consistent for several years.

The school has had the same principal and bookkeeper in place since the previous audit. Prior to the issuance of this report, the bookkeeper resigned and was subsequently replaced.

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

Scope

Florida Statute 1011.07 states that the School Board is responsible for the administration and control of school's internal accounts. The Redbook requires school boards to provide for an annual audit of those accounts. Pursuant to this rule, we have audited the financial transactions of the internal accounts of the District's schools as of and for the fiscal year ended June 30, 2023. These accounts are the responsibility of the individual principals at each school. Oversight of these accounts and the annual financial statements are the responsibility of District management.

Methodology

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

No known conflicts of interest were identified.

Control risk for Scenic Heights has been assessed at moderate.

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

Based on a rotating audit schedule, each year District schools receive either a “full” audit (including extensive testing of transactions), 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 year ended June 30, 2023, 28 schools were selected for “full” audits.

Each individual school audit consists of three phases: planning, fieldwork, and reporting.

The planning phase includes steps taken by the auditor to familiarize himself or herself with the school, and to determine their approach to the audit. 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.** 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.

The fieldwork phase involves the application of testing procedures to the financial records of the school. 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.

Finally, the reporting phase consists of communicating the results of the audit to the relevant parties in an easily readable and understandable format. Each phase consists of specific steps taken to ensure an audit is done in accordance with professional standards and currently accepted practices. 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, 7/1/2022	\$ 72,619.94
Total Receipts	54,339.48
Total Disbursements	(20,471.50)
Total Net Journal Entries	(5,103.77)
Ending Cash Balance, 6/30/2023	\$ 101,384.15
Audit Adjustments	-
Ending Fund Balance, 6/30/2023, Per Skyward	<u>\$ 101,384.15</u>
Cash Balance per Confirmation(s)	\$ 101,384.15
Outstanding Deposits	-
Outstanding Checks	
Other Reconciling Items	
Ending Fund Balance, 6/30/2023, Per Confirmation(s)	<u>\$ 101,384.15</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 was recommended.

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

- To void the improper posting of a purchase for a teacher appreciation expense from the Faculty Fund account to the General account we recommended a journal entry be processed for \$64.68.

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

Findings

Bank Reconciliations

Our testing indicated bank reconciliations were not completed prior to the last day of the following month.

One finding related to the timeliness of bank reconciliations.

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

The Internal Funds Policy Manual gives specific guidelines for the completion of bank reconciliations. Section IX, G of the Manual states, "Bank statements should be reconciled as soon as received, and absolutely no later than the last day of the following month.

See our recommendation in the Recommendations section below.

Credit Card Sign-in/out Log

Our testing indicated that the bookkeeper did not utilize a credit card log.

The Internal Funds Policy Manual gives specific guidelines for the documentation of signing-in/out credit cards (purchase cards). 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." 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.

One finding related to the lack of providing general ledger reports to the teacher/sponsors.

Monthly Log Report – Proper Utilization

Our testing indicated the teacher/sponsors did not receive a copy of the general ledger report when asked to initial the monthly log.

The Internal Funds Policy Manual provides specific guidelines to be followed for the receipt of monies. As an internal control, at the end of each month, the secretary/bookkeeper is to provide a general ledger of each account to the account sponsors. These reports give the opportunity for those remitting monies to review their accounts on a timely basis for any discrepancies or posting errors. As evidence of this procedure, the account sponsor is to initial a Monthly Log Report.

See our recommendation in the Recommendations section below.

OTHER

Bookkeeper Backup

While not listed in this report as an audit finding, it is important to note

that our testing indicated that there was no trained back-up for the bookkeeper in the event of her absence. **This did result in an audit finding in the area of Bank Reconciliations; therefore, our recommendation will be included under the same heading.**

Selection I, B.1 of the Manual states, “The primary person designated to maintain internal funds records shall have an appointed ‘backup’ person in case of emergency or extended periods of absence.”

Opinion

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

The financial information reconciled with bank statements and independent confirmations.

Our responsibility is to express an opinion on the compliance of the transactions included in the accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board, and to determine if the schools’ financial records reconcile with corresponding bank statements and independent bank confirmations. During our evaluation, we also assessed the adequacy and effectiveness of the schools’ system of internal controls.

In our opinion, the majority of transactions included in the schools’ internal accounts where a full audit was performed were generally consistent with applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. In addition, we determined the schools’ financial records reconcile with bank statements and independent bank confirmations.

We determined the internal controls established by the District appear comprehensive, adequate, and effective. During our audit, we did become aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and/or assuring compliance with applicable laws, rules, regulations, policies and/or procedures. These matters are communicated in the Detailed Results section.

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 policies and procedures related to the timeliness of bank

Bank Reconciliations

In an effort to address the timeliness of bank reconciliations, we recommend the principal and bookkeeper review the Internal Funds

reconciliations. Select a specific date of the month for completion.

Appoint employee to be trained as a bookkeeper backup.

Review and instruct staff on the policies and procedures related to the documentation of the credit card sign-in/out log.

Review and instruct staff on the policies and procedures related to initialing the monthly log report.

Policy Manual on the proper completion of bank reconciliations. In addition, we recommend the principal select a specific day of the month for the bookkeeper to complete the bank reconciliation.

We also recommend that the bookkeeper have a trained back-up in the event of emergency or an extended absence.

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

Monthly Report Log

In an effort to address the teacher/sponsors not receiving a copy of the general ledger report when asked to initial the monthly log, we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to initialing the monthly log report.

Management Response

Scenic Heights Elementary

Shelly Cox, Principal
Kristin Arnold, Assistant Principal

December 05, 2023

Mr. David Bryant
Office of Internal Auditing
Escambia County School District
75 N. Pace Blvd.
Pensacola, FL 32505

Dear Mr. Bryant,

Based on the results of the 2022-23 internal account audit, I regret to report three audit findings. The three audit findings are as follows: (1) Bank Reconciliations, (2) Credit Card Sign-in/out Log, (3) Monthly Log Report. After receiving a copy of the report, I discussed the field notes and audit report with Michele Kiker, auditor. It was most helpful to meet with Ms. Kiker and we will continue to work towards a perfect audit.

During the 2022-23 school year, the secretary/bookkeeper for Scenic Heights Elementary was unexpectedly out of work for extended periods of time. In the second semester of that school year, the secretary did not return to work, and we were without a secretary/bookkeeper for the remainder of that school year and the beginning of the following school year. All three of the audit findings are a result of not having a secretary/bookkeeper during most of the 2022-23 school year.

Bank Reconciliations - Bank reconciliations were not completed prior to the last day of the following month.

Throughout the school year, I was always vigilant in monitoring all incoming mail for any bills or statements that I would need district assistance in handling. Because we never received a bank statement in the mail, I did not think to ask for assistance in monthly reconciliation. When it was brought to my attention, I realized that our bank statements are all online, so I obtained paper copies from the bank and submitted them to Pam Riley, for assistance.

Credit Card Sign-in/out Log - The bookkeeper did not utilize a credit card log.

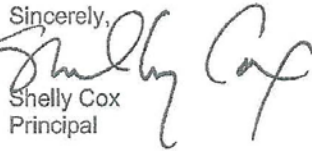
After the secretary/bookkeeper went on permanent disability, there was no utilization of a credit card log. I am the only card holder on campus and my card is kept in the vault. When we needed to make a purchase, I removed the card from the vault, made the purchase, and then returned to card to the vault. The location of the credit card log was unknown, which is why it was not submitted with the files for audit nor used when we were without a secretary/bookkeeper.


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Monthly Log Report – Proper Utilization - The teacher/sponsors did not receive a copy of the general ledger when asked to initial the monthly log.

Once we were permanently without a secretary/bookkeeper, I, as principal, signed the monthly log report for all accounts. I was able to obtain a full ledger report from the district but did not have access to each individual account ledger. The monthly log report that reflects my signature on all accounts would have been the months that sponsors were not given a ledger report.

All of this considered, I understand that as principal, I am responsible for monitoring the financial accounts at this school and will diligently continue to monitor the process in place to ensure that transactions are processed in accordance with all applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board.

Sincerely,

Shelly Cox
Principal


DJB
12/15/23

C4
12/15/23