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Memorandum

TO: Malcolm Thomas, Superintendent

FROM: David J. Bryant, Director
Office of Internal Auditing

DATE: March 13, 2013

SUBJECT: R.C. Lipscomb Elementary School
Interim Internal Accounts Audit

We have completed our interim audit of the internal accounts of R.C. Lipscomb Elementary School for the period ended January 31, 2013.

EXECUTIVE SUMMARY

Due to the school's lack of compliance with established policies and procedures noted in the 2012 year end audit, an opinion on the overall financial position was not issued. A recommendation was made to perform an interim audit. We have audited the financial transactions of the internal accounts of R.C. Lipscomb Elementary as of and for the period ended January 31, 2013. Our interim audit included examining, on a test basis, supporting documentation for various transactions of the school's internal accounts.

It should be noted that the current Principal was promoted to the current role in July 2012. The Secretary has been in her current role at Lipscomb since July 2007. An exit conference discussing the 2012 year end audit was conducted on October 17, 2012. This conference discussed each finding in detail to help the Principal and Secretary understand each weakness and develop effective work methods and procedures to improve the school's records and ensure compliance.

The significant deficiencies (findings) noted in the 2011-2012 audit were:

- Disbursements did not include a properly completed Purchase Requisition/Request for Purchase Order.
- Disbursements were missing or had incomplete supporting documentation.
- Receipts did not include a properly completed Monies Collected Form (MCF) (changes not initialed, account sponsor/teacher date or signature missing, and/or secretary/bookkeeper date or signature missing).
- Receipt of monies contained deposit composition issues (discrepancies between the composition {cash/checks} of receipts per MCFs and the composition of the deposit slip).

The findings noted in the interim audit period ended January 31, 2013 were:

- Disbursements did not include a properly completed Purchase Requisition/Request for Purchase Order.

- Receipts did not include a properly completed Monies Collected Form (MCF) (changes not initialed).
- Fundraising Request/Reconciliation Forms were not properly completed.

It appears there are weaknesses related to receipt of goods, late fees and deposit composition. These exceptions were insufficient to rise to the level of a finding.

It appears two of the four findings in the 2011-2012 audit have not been corrected and, as indicated above, one additional finding was noted during the interim audit. In addition, there were three additional weaknesses noted that did not rise to the level of an audit finding.

It appears the school has made an effort to improve work methods and procedures. The Principal has implemented evaluating the internal accounts records each month when reviewing the bank reconciliation along with the monthly reports and tagging items not in compliance with District policies and procedures. These tagged items are used for the Secretary's review and to gauge the monthly progress of compliance. Although these efforts are commended and the organization of the school's records reflects certain improvements, **there continues to be deficiencies in various internal control procedures.**

DETAILED RESULTS

Background

State Board of Education Rule 6A-1.087 states that the School Board is responsible for the administration and control of schools' internal accounts and in connection therewith shall provide for an audit of those accounts. Due to the school's lack of compliance with established policies and procedures noted in the 2012 year end audit, an opinion on the overall financial position was not issued. A recommendation was made to perform an interim audit. We have audited the financial transactions of the internal accounts of R.C. Lipscomb Elementary as of and for the period ended January 31, 2013.

Objective

The objective of this review was to examine the 2012-2013 internal accounts activity, follow-up on previous findings, evaluate the processes in place, and to document improvements and/or any continued or new weaknesses since the 2012 year end audit.

Scope

The audit involved conducting a comprehensive evaluation of the school's management of their internal accounts for the period ended January 31, 2013. We planned and performed our audit to obtain reasonable assurance that transactions were made in accordance with applicable policies and laws.

The interim audit included examining, on a test basis, the transactions from July 1, 2012 through January 31, 2013.

Testing Results

The following is a list of testing areas that presented a weakness significant enough to rise to the level of a finding:

Disbursements

- Approval
20% of transactions tested (3 out of 15) included various issues related with proper approval. These issues include failure to document approval through use of the required authorization form or any other approval document, failure to ensure prior approval, or failure to properly indicate an approval

amount sufficient enough to cover the total purchase price. **This is a repeat weakness indicated in our audit of the 2011-2012 internal accounts, as well as, 2010-2011 audit of internal accounts.**

Receipts

- Documentation
33% of transactions tested (4 out of 12) included an issue related to documenting the collection. MCFs were not properly completed (alterations were not initialed). **This is a repeat weakness indicated in our audit of the 2011-2012 internal accounts, as well as, 2010-2011 audit of internal accounts.**

Fundraisers

- Documentation
50% of the fundraisers tested (2 out of 4) included an issue related to the Fundraising Request/Reconciliation Form. The issue includes a failure to properly and timely complete the financial reconciliation and sponsor signature section of the form. **(Note: This is a repeat weakness indicated in our audit of the 2010-2011 audit of internal accounts.)**

Other Weaknesses

- Receipt of Goods
One disbursement tested included an issue related to evidence of receipt of goods. This disbursement was a Suntrust bill which included 10 out of 17 invoices without evidence of receipt of goods.
- Late Fees
One disbursement tested included evidence indicating a late fee was paid due to a late payment on a credit card.
- Deposit Composition
Three deposits tested indicated collection composition discrepancies. One deposit included book fair collections where the supporting documentation (student listings) did not agree with the total listed on the MCF. This was a finding in the 2011-2012 audit of internal accounts.

The weaknesses related to receipt of goods, late fees and deposit composition were insufficient to rise to the level of a finding during this interim audit.

Noteworthy Accomplishments

The school has made an effort to improve various work methods and procedures. The Principal has implemented evaluating the internal accounts records each month when reviewing the bank reconciliation along with the monthly reports and tagging items not in compliance with District policies and procedures. These tagged items are used for the Secretary's review and to gauge the monthly progress of compliance. In an effort to encourage continued success and improvement, the Principal and Assistant Principal review errors and mistakes with the Secretary. The Secretary is encouraged to view these instances as "learning opportunities." (Note: Some of the exceptions noted in our audit were items identified by the Principal during her monthly review.)

The school has updated the supporting documentation (student listings) for book fair collections by including a total for each column listed on the collection form.

The school has invested in CDs as recommended during our 2012 year end audit.

The school has organized the 2012-2013 internal accounts records in a neat and orderly manner.

Conclusions/Results

It appears R.C. Lipscomb Elementary has not corrected two of the four findings from the 2011-2012 audit: 1) Proper completion of Purchase Requisition/Request for Purchase Orders and 2) Proper completion of MCFs. It also appears that a new weakness (when compared to the prior year audit) has been indicated in the area of Fundraising Request/Reconciliation Forms. In addition, it appears there are weaknesses related to receipt of goods, late fees and deposit composition. These exceptions were insufficient to rise to the level of a finding.

The Principal, as well as our office, recognizes the efforts and improvement made by the Secretary and encourages continued progress; however, there continues to be deficiencies in various internal control processes.

Recommendations

In an effort to continuously improve work methods and procedures, we recommend the following:

We recommend both the Principal and Secretary continuously review the relevant State Board of Education rules and policies and procedures established the School Board, with emphasis in the areas of proper approval of disbursements, proper completion of MCFs, fundraiser documentation, receipt of goods, and timely payments.

We recommend staff training with the school personnel to ensure proper methodologies are communicated and understood, with emphasis in the areas of proper completion of RFPs, MCFs, and fundraiser reconciliation forms.

We recommend a year end audit be performed for the 2012-2013 school year to determine the effectiveness of any corrective actions taken as a result of this interim audit.

Statement on Auditing Standards

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

DJB/jlc

Audit Team

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 School Board Members
 Norm Ross, Deputy Superintendent
 Terry St. Cyr, Assistant Superintendent – Finance and Business Services
 Susan Sanders, Principal – Lipscomb Elementary School
 Marcia Doerfler, Secretary – Lipscomb Elementary School