



District-Wide Report of School Internal Accounts

For the year ended June 30, 2015

Office of Internal Auditing
December 2015

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

Audit Team:
Michèle A. Kiker, CFE, CGAP, CRMA
Senior Auditor

Brad A. Mostert, CFE
Senior Auditor

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 District operational 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
www.escambia.k12.fl.us/iaudit
75 North Pace Blvd. – Suite 403
Pensacola, Florida 32505

Executive Summary – Internal Auditor’s Report

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2015. These accounts are included as agency funds in the School Board’s annual financial reports. These accounts and the annual financial statements are the responsibility of the District’s management.

As of June 30, 2014, the 50 schools’ internal accounts totaled \$2.81 million. During the fiscal year, \$6.86 million in net receipts were received and \$6.87 in net disbursements were made, which resulted in an ending balance as of June 30, 2015 of \$2.80 million.

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 transactions included in the schools’ internal accounts 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 Management Letter and Audit Comments sections of this report.

Background

Reporting Entity

The Escambia County District School Board school internal accounts are comprised of the individual account balances of 50 public schools and centers located within Escambia County, Florida. These schools and centers are governed by the Escambia County District School Board. The

School Board consists of five elected members, representing five geographical districts in Escambia County, Florida. The Superintendent of Schools is elected by the voters of Escambia County, Florida, and serves as the executive officer of the School Board.

Fund Accounting

In accordance with Florida Statutes, school internal funds are accounted for as an agency fund. This fund is organized into sub-funds that represent the individual schools and centers within the District. Each sub-fund is divided into seven classifications: Athletics, Music, Classes, Clubs, Departments, Trusts, and General. Not all schools utilize all classifications.

School internal funds are defined in the Policy 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.

Recognition

At the individual school level, school internal accounts recognize revenue and expenditures using the cash basis of accounting. At year-end, the accounts are adjusted to accrual basis for inclusion in the District's annual financial report. Given students are released in late May, and almost all revenue and expenditures in the school internal accounts are generated from student activity, there is usually no material accounts payable or receivable as of the fiscal year ended June 30.

Any material accounts payable or receivable is the result of activity between the individual schools and the District. The net payable to the District from school internal accounts was \$34,495.82 and \$8,617.60 for the years ended June 30, 2014 and 2015, respectively.

Segregation of Duties

Each school or center employs only one individual responsible for the handling of transactions related to internal accounts. The District has established internal controls to help ensure assets are not lost due to waste, abuse, mismanagement, errors or fraud. In prior audit years, it was noted that these internal controls did not appear adequate.

The District has taken steps to increase the awareness of the need for segregation of duties. Established controls include pre-numbered documents, transaction logs, required authorizations, timely

reconciliations, continued monitoring at multiple levels and increased timeliness of audits. These controls appear sufficient to mitigate concern over segregation of duties.

Governing Guidance

The internal accounts of the schools in the Escambia County District School Board are governed by Chapter 8 of the State Board of Education Rules (Chapter 8), Florida Statutes, School Board policy, and various policies and procedures established by the operating management of the District. These policies and procedures are comprehensive and appear adequate.

Much of the governing policies are incorporated into the recently updated Escambia County School District Internal Funds Policy Manual (Policy Manual). A copy of this Policy Manual is made available to operating management and to secretaries and school finance specialists who are responsible for school internal accounts.

Audit

Each year, our office audits the District's schools' internal accounts. The authority to conduct these audits is granted in accordance with Florida State Board of Education Rule 6A-1.087 and the Charter for the Office of Internal Auditing.

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. It is estimated that approximately \$3 million flows through outside support organizations annually, which would otherwise flow through school internal accounts.

In addition, the activity of charter schools, which are separate not-for-profit corporations each with a separate board of directors, does not flow through District school internal accounts. As such, their financial activity, which was approximately \$9.5 million for the fiscal year ended June 30, 2015, **is not included** in this report and **is not audited** by the Office of Internal Auditing. Audits of the charter schools' financial statements are conducted by an independent certified public accountant.

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

State Board of Education Rule 6A-1.087 states that the 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 District's schools as of and for the fiscal year ended June 30, 2015. 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 the District's management.

Methodology

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. The fieldwork phase involves testing procedures being applied to the financial records of the school. Finally, the reporting phase consists of communicating the results of the audit to the relevant

parties. Each phase consists of specific steps taken to ensure an audit is done in accordance with professional standards and currently accepted practices.

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).

The financial information for all schools is then combined and presented in this report. In addition, compliance matters which were noted at numerous individual schools are summarized and communicated in the Audit Comments section of this report.

Financial Information

ELEMENTARY SCHOOLS	AUDITED BEGINNING BALANCE 7/1/2014	RECEIPTS	DISBURSEMENTS	NET JOURNAL ENTRIES	ADJUSTED DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2015
Hellen Caro	\$ 57,996.90	\$ 101,590.13	\$ 84,717.33	\$ 23,578.92	\$ 108,296.25	\$ 51,290.78
Jim Allen	5,781.09	43,905.97	23,747.78	21,763.18	45,510.96	4,176.10
Bellview	9,524.27	67,159.42	44,354.90	17,604.82	61,959.72	14,723.97
Bratt	40,575.81	81,134.58	69,297.65	25,747.20	95,044.85	26,665.54
Brentwood	16,876.30	31,380.83	15,458.39	10,396.43	25,854.82	22,402.31
N.B. Cook	49,785.87	122,512.64	57,101.39	45,891.12	102,992.51	69,306.00
Cordova Park	43,083.35	103,292.75	31,328.42	52,264.01	83,592.43	62,783.67
Ensley	22,354.39	50,374.37	42,143.18	8,573.35	50,716.53	22,012.23
Ferry Pass	15,257.84	19,539.60	5,548.35	17,710.86	23,259.21	11,538.23
Montclair	6,790.05	9,418.92	3,362.72	4,596.40	7,959.12	8,249.85
Myrtle Grove	22,244.98	22,848.02	28,998.10	(102.16)	28,895.94	16,197.06
Navy Point	37,947.03	16,514.49	3,084.13	13,823.89	16,908.02	37,553.50
Oakcrest	11,815.31	23,178.32	8,891.04	11,871.68	20,762.72	14,230.91
Pine Meadow	91,680.87	62,764.87	51,838.06	(723.57)	51,114.49	103,331.25
Pleasant Grove	54,821.36	48,954.24	25,445.72	21,877.65	47,323.37	56,452.23
Scenic Heights	18,499.43	53,975.40	28,901.02	14,800.76	43,701.78	28,773.05
O.J. Semmes	9,017.60	12,028.73	4,825.72	8,619.06	13,444.78	7,601.55
Sherwood	13,588.64	34,260.01	15,037.06	17,815.84	32,852.90	14,995.75
A.K. Suter	40,101.23	27,936.80	17,292.76	13,575.91	30,868.67	37,169.36
Warrington	12,918.24	16,601.05	11,652.59	1,615.83	13,268.42	16,250.87
C.A. Weis	9,583.83	15,386.28	2,638.31	12,025.09	14,663.40	10,306.71
West Pensacola	31,374.54	16,532.75	6,373.22	11,250.80	17,624.02	30,283.27
Reinhardt Holm	25,389.72	15,282.18	14,927.68	12.00	14,939.68	25,732.22
Lincoln Park	4,471.89	21,549.87	10,530.32	9,738.60	20,268.92	5,752.84
Longleaf	22,371.81	23,573.79	14,532.21	8,874.42	23,406.63	22,538.97
L.D. McArthur	46,880.65	137,734.56	124,214.55	8,508.12	132,722.67	51,892.54
Beulah	39,326.55	38,011.82	16,380.39	13,937.39	30,317.78	47,020.59
R.C. Lipscomb	100,634.45	95,139.94	46,839.36	61,313.93	108,153.29	87,621.10
Blue Angels	52,428.66	70,492.22	39,946.45	27,024.01	66,970.46	55,950.42
Molino Park	17,135.87	51,273.55	16,566.82	35,378.05	51,944.87	16,464.55
Global Learning	13,163.54	52,284.73	27,633.16	30,249.91	57,883.07	7,565.20
TOTAL ELEMENTARY	\$ 943,422.07	\$ 1,486,632.83	\$ 893,608.78	\$ 549,613.50	\$ 1,443,222.28	\$ 986,832.62

SECONDARY SCHOOLS	AUDITED BEGINNING BALANCE 7/1/2014	RECEIPTS	DISBURSEMENTS	NET JOURNAL ENTRIES	ADJUSTED DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2015
Bellview Middle	\$ 42,415.69	\$ 43,528.59	\$ 24,954.13	\$ 24,168.64	\$ 49,122.77	\$ 36,821.51
Ransom Middle	62,465.83	272,776.94	236,704.85	48,295.37	285,000.22	50,242.55
Escambia High	193,676.69	378,950.14	399,217.23	(22,327.36)	376,889.87	195,736.96
Ferry Pass Middle	72,139.24	130,414.63	98,920.23	24,903.50	123,823.73	78,730.14
Pensacola High	173,478.62	492,665.57	283,847.85	250,883.46	534,731.31	131,412.88
J.M. Tate High	293,621.67	612,942.37	603,631.29	(2.00)	603,629.29	302,934.75
Ernest Ward Middle	66,813.85	76,968.71	22,220.67	60,435.76	82,656.43	61,126.13
Warrington Middle	4,431.32	24,250.04	22,615.21	212.73	22,827.94	5,853.42
J.H. Workman Middle	54,146.52	117,258.60	117,925.65	(56.93)	117,868.72	53,536.40
Brown-Barge Middle	50,382.05	54,199.52	24,409.85	27,795.41	52,205.26	52,376.31
W.J. Woodham Middle	20,066.41	62,009.41	34,878.95	21,741.05	56,620.00	25,455.82
Pine Forest High	162,075.83	366,250.47	254,609.28	102,802.72	357,412.00	170,914.30
B.T. Washington High	205,392.11	573,565.29	294,971.58	255,369.68	550,341.26	228,616.14
James C. Bailey Middle	127,299.97	200,629.86	178,205.78	216.17	178,421.95	149,507.88
Northview High	107,067.92	278,369.31	138,928.14	132,136.38	271,064.52	114,372.71
West Florida Tech. High	79,617.24	592,436.15	588,646.76	(9,039.94)	579,606.82	92,446.57
TOTAL SECONDARY	\$ 1,715,090.96	\$ 4,277,215.60	\$ 3,324,687.45	\$ 917,534.64	\$ 4,242,222.09	\$ 1,750,084.47
CENTERS						
McMillan Pre-K	\$ 2,395.43	\$ 3,084.91	\$ 1,664.92	\$ 1,388.18	\$ 3,053.10	\$ 2,427.24
George Stone	71,138.63	1,038,404.71	1,138,224.24	(4,944.25)	1,133,279.99	(23,736.65)
Escambia Westgate	75,910.67	54,509.63	14,154.71	29,729.56	43,884.27	86,536.03
TOTAL CENTERS	\$ 149,444.73	\$ 1,095,999.25	\$ 1,154,043.87	\$ 26,173.49	\$ 1,180,217.36	\$ 65,226.62
TOTAL ALL LOCATIONS	\$ 2,807,957.76	\$ 6,859,847.68	\$ 5,372,640.10	\$ 1,493,321.63	\$ 6,865,661.73	\$ 2,802,143.71

Management Letter

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2015, and have issued our opinions included in the Executive Summary-Internal Auditor's Report section of this report. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

In planning and performing our audit of the schools' management of their internal accounts for the year ended June 30, 2015, we considered the School Board's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on whether transactions were made in accordance with applicable Florida Statutes, State Board of Education rules, and policies and procedures established by the Escambia County District School Board, not to provide assurance on internal controls.

During our audit, we became aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and assuring compliance with applicable laws, rules, regulations, policies and/or procedures. We feel these matters have risen to the level where it is necessary to bring them to management's attention. The matters are discussed in the Audit Comments section of this report.

We also performed follow-up procedures on those matters discussed in last year's report. Some of those matters are considered reasonably resolved, and as such, are not included in these comments.

In addition, two specific schools had individual audit results of significant concern. Separate audit reports were issued for these two schools which detailed the schools' deficiencies and non-compliance.

We have discussed some of the audit comments with various school-based personnel during the performance of our audit and would be pleased to discuss them with District management at any time. We recommend District management continue to provide training and assistance to secretaries and school finance specialists, including training related to matters discussed in the Audit Comments section of this report.

We will review the status of the comments during our next audit of the schools' internal accounts.

Audit Comments

Comment No. 1: Timely Deposits of Monies Collected

Of the seventeen schools receiving full audit procedures, three schools (17.65%) had multiple instances where deposits were not made in a timely manner.

Chapter 8 states, "All money collected must be deposited intact to a depository as frequently as feasible and as dictated by sound business practices. IN ANY EVENY, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT."

Note: Repeat Comment.

2010-2011 percentage of schools was 17.85%.

2009-2010 percentage of schools was 17.39%.

2006-2007 percentage of schools was 17.24%.

Comment No. 2: Lack of Proper Language in Donation Request Letters

Of the seventeen schools receiving full audit procedures, three schools (17.65%) had multiple instances where donation request letters did not include the proper language.

The Florida Constitution states adequate provision shall be made for a free public school.

Section XIV (C) of the Policy Manual states, "Schools are authorized to solicit donations from parents and the general public to supplement the normal curricular activities provided by the District. **It should be made clear that such solicitations are strictly voluntary and no student will be prevented from participating** in an activity if their parents choose not to contribute."

On its website, the District has provided examples of proper donation request letters.

Note: Repeat Comment.

2013-2014 percentage of schools was 20.83%.

2007-2008 percentage of schools was 18.51%.

2005-2006 percentage of schools was 34.78%.

Comment No. 3: Monthly General Ledger Review

Of the seventeen schools receiving full audit procedures, three schools (17.65%) had multiple instances where evidence of monthly general ledger review by account sponsors was not properly documented.

A review of the schools' records indicated instances of monthly general ledger reports distributed to account sponsors, but a significant number of account sponsors failed to document their review by initialing the Monthly Log Report.

Section II (H) of the Policy Manual states, "Detailed Account Ledger Reports need to be distributed to all account sponsors monthly for their review. Evidence of this internal control should be documented by having each sponsor initial the Monthly Log Report indicating they agree with the activity and balance in their account(s). A copy of this Monthly Log Report should be included in the monthly reports you submit to Auditing."

The District has provided assistance in creating school specific Monthly Log Reports.

Note: Repeat Comment.

2012-2013 percentage of schools was 18.52%.

2010-2011 percentage of schools was 14.28%.

2009-2010 percentage of schools was 17.39%.

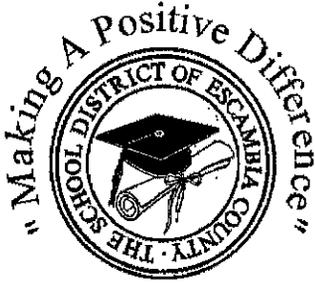
Comment No. 4: Smart Snacks – Fundraisers

Of the seventeen schools receiving full audit procedures, none (100%) maintained records documenting the occurrence of any exempted events and one school (5.88%) exceeded the number of school days allowed to conduct exempted fundraisers.

Effective with the 2014-2015 school year, competitive food and beverage items sold to students during the school day must meet the nutrition standards for competitive food as defined and required in 7 CFR 210.11. Exemptions from nutrition standards cannot exceed the maximum number of school days allowed to conduct exempted fundraisers. Records must be maintained documenting occurrences of any exempted events.

A Fund Raising Log was created by the Office of Internal Auditing to document the occurrence of any exempted events for the schools audited. During 2015-2016, the District provided a copy of this log to all schools with the requirement to utilize the document to record all fund raising events and to identify those considered to be an exempted fundraiser.

Management Response (See Attached)



Memorandum

To: David Bryant
Director Internal Auditing

From: Debbie Fussell *DF*
Director Accounting Operations

Date: January 19, 2016

Subject: 2014-2015 School Internal Accounts Audit

The four comments noted in the audit report are all basic procedures that are generally covered during routine training sessions. Training is offered to secretaries and bookkeepers throughout the school year. The financial analyst meets with each school who receives audit findings to discuss each finding and to assist the bookkeeper/secretary resolve the issue. We will continue to provide the training opportunities to help schools achieve compliance with the Internal Funds Policies and Procedures.

We appreciate your support and professionalism.