



**Global Learning Academy**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2016*

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Office of Internal Auditing  
October 2016

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*Director – Internal Auditing*

Audit Team:  
**Michèle Kiker, CFE, CGAP, CRMA**  
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## 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 Global Learning Academy 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  
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Pensacola, Florida 32505

## Executive Summary

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**Global Learning Academy received a full audit for the 2015-2016 fiscal year.**

Our office audits the internal accounts of the District's schools annually. 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.

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 2015-2016 fiscal year, Global Learning Academy 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.

**Eleven adjusting journal entries were recommended.**

Our audit procedures indicated matters that required adjustment of the school's records. Eleven adjusting journal entries were necessary to address these concerns:

- To correct the improper posting of a picture commission check to the Unrestricted Donations account.
- To transfer the year-end balance of the 5th Grade account to the General account.
- To correct a deficit balance in the 5th Grade account created by overspending.
- To correct a voided check that was not processed correctly by Skyward.
- To record unrecorded earned interest.
- To correct the improper posting of student incentive expenses to the 2nd Grade account, creating a deficit balance.
- To correct a deficit balance in the Grant account.
- To correct the improper posting of volunteer luncheon expenses to the School Wide account, creating a deficit balance.
- To correct a remaining balance in the Reimbursable by District

account created by failing to process a reimbursement request in the 2014-2015 fiscal year.

- To reverse an incorrect book fair expense amount.
- To record correct book fair expense amount.

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

**Additional journal entries are expected.**

Additional journal entries are expected to be processed in the following school year by District personnel to address matters related to the L2121 Accounts Payable account. See comment below.

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

Our testing resulted in three audit findings:

- Fundraiser Request/Reconciliation forms were not completed properly.
- The L2121 Accounts Payable account had a debit balance at year-end considered material.
- Monies Collected Forms (MCFs) were not properly completed.

**The school's overall fund balance as of June 30, 2016 was \$8,367.44.**

The overall fund balance reported by the school at June 30, 2016 was \$8,367.44. 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.

The balance of the L2121 Accounts Payable account is expected to be zero at year-end or have a credit balance made up of unpaid June purchases. We noted that the L2121 account had a debit balance of \$2,834.18 in the current year. Debit balances indicate errors, unrecorded transactions, and/or a failure to follow District policy, along with an overall lack of financial oversight.

In reviewing the L2121 account further, we noted various issues including numerical/mathematical errors, payment posting discrepancies, and the failure to post credit card transactions to the school's individual accounts.

We noted approximately \$997 in charges that appear to be unrecorded in the L2121 Accounts Payable account, as well as incorrect amounts recorded. The exact extent of the issues related to this account is unclear. Failure to post expense transactions to the individual accounts causes these accounts to be overstated.

**The financial information reported by the school cannot be relied upon.**

Individual accounts did not contain all financial activity; and were not monitored properly, as account sponsors did not detect the discrepancies.

Given the significant nature and amount of adjusting journal entries required and the unknown extent of the L2121 account discrepancies, we consider the financial information reported by the school 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 in accordance with Florida State Board of Education Rule 6A-1.087 and 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 2015-2016 fiscal year, the school 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.

Global Learning Academy last received a full audit in the 2013-2014 fiscal year. There were five matters that rose to the level of audit findings. There were findings related to the documentation of evidence of receipt

**The secretary retired at year-end and was replaced in the next school year.**

of goods, proper completion of the Request Purchase Utilizing Purchasing Card form, proper language not being present in Donation Request Letters, proper completion of the Fundraiser Request/Reconciliation form, and proper utilization of budgeted funds, which were determined to be addressed adequately during a subsequent follow-up audit.

The school has had the same principal in place since the previous audit. The school's previous secretary retired on June 30, 2016, and was replaced during the next school year.

## 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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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 school as of and for the fiscal year ended June 30, 2016. 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).

**No known conflicts of interest were identified.**

### **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.**

### **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, secretary/bookkeeper).

Each school's secretary/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 the school 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

<b>Summary of Fund Activity</b>	
Beginning Cash Balance, 7/1/2015	\$ 7,565.20
Total Receipts	73,561.74
Total Disbursements	(33,743.63)
Total Net Journal Entries	(39,015.87)
Ending Cash Balance, 6/30/2016	\$ 8,367.44
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	<u>\$ 8,367.44</u>
Cash Balance per Confirmation(s)	\$ 8,686.26
Outstanding Deposits	-
Outstanding Checks	(331.37)
Other Reconciling Items	12.55
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	<u>\$ 8,367.44</u>

**Eleven adjusting journal entries were recommended.**

We noted eleven adjusting journal entries that were necessary:

To correct the improper posting of receipt #303 for a picture commission check, we recommended a journal entry be processed for \$294.28. The receipt was recorded to the F6080 Unrestricted Donations account, and needed to be transferred to the G7000 General account.

To transfer the year-end balance in the C3007 5th Grade account to the G7000 General account, we recommended a journal entry be processed for \$0.94.

To correct the deficit balance in the C3007.001 5th Grade account created by overspending, we recommended a journal entry be processed for \$86.50.

To correct voided check #1061 that was not processed correctly by the Skyward system, we recommended a journal entry be processed for \$257.64.

To record unrecorded earned interest related to the investment account, we recommended a journal entry be processed for \$0.70.

To correct the improper posting of student incentive expenses to the C3004.001 2nd Grade account, which created a deficit balance, we recommended a journal entry be processed for \$28.84.

To correct the deficit balance in the F6120 Grant account created by overspending, we recommended a journal entry be processed for \$229.61.

To correct the improper posting of a volunteer luncheon expense to the F6276 School Wide Fundraiser account, which created a deficit balance, we recommended a journal entry be processed for \$102.68.

To transfer the remaining balance in the F6255 Reimbursable by District account created by the failure to process a reimbursement request in a previous year, we recommended a journal entry be processed for \$199.57.

To reverse journal entry #165889 that was recorded for an incorrect amount for a book fair expense to the E5120 Library account, we recommended a journal entry be processed for \$2,030.59.

To properly record a book fair expense to the E5120 Library account, we recommended a journal entry for \$1,710.81 be processed.

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

**Collections were held in safekeeping for extended period of time.**

Surprise Cash Count

During a surprise cash count conducted in April 2016, we noted checks and associated MCFs dated February and March in the secretary's desk drawer and the safe. The secretary was unaware that these collections were received and placed in her desk during her absence. These funds were subsequently deposited.

While these collections were not handled properly, it is not deemed material enough to rise to the level of an audit finding.

See our recommendation in the Recommendations section below.

**One finding related to fundraising activities.**

Findings

*Fundraising Activities - Properly Completed Form*

Our testing indicated that all five fundraising activities tested had Fundraiser Request/Reconciliation forms that were either completed improperly, or not present.

This is a repeat audit finding from 2013-2014.

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.

**One finding related to the L2121  
Accounts Payable account.**

*L2121 Accounts Payable - Ending Balance*

District year-end procedures require all schools to reconcile their L2121 Accounts Payable account and post final payments prior to the close of each fiscal year. As such, the balance at the beginning of each year should be zero. We noted that the L2121 account had a debit balance of \$2,834.18 in the current year. Debit balances indicate errors, unrecorded transactions, and/or a failure to follow District policy, along with an overall lack of financial oversight.

In reviewing the L2121 account further, we noted various issues including numerical/mathematical errors, payment posting discrepancies, and the failure to post credit card transactions to the school's individual accounts.

We reviewed each Compass purchasing card statement, and noted approximately \$997 in charges that appear to be unrecorded in the L2121 Accounts Payable account, as well as incorrect amounts recorded. The exact extent of the issues related to this account is unclear. Failure to post expense transactions to the individual accounts causes these accounts to be overstated.

The District has established an internal control whereby account sponsors are to review their account activity each month, and attest to each account's completeness and accuracy by initialing a monthly account log. It is clear that the individual accounts did not contain all financial activity; however, the monthly log was completed by the account sponsors. It does not appear that the accounts were effectively monitored.

Section VIII, E, (2) (e) of the Manual states, "Bookkeeper/Secretary makes the appropriate journal entry into the Skyward accounting system to record at the time of purchase using the Accounts Payable account L2121

**One finding related to the proper completion of MCFs.**

to encumber the funds in the proper internal funds expense account.”

See our recommendations in the Recommendations section below.

Journal entries are expected to be processed during the following school year by District personnel to correct the ending balance of the L2121 Accounts Payable account and resolve the associated individual account discrepancies.

*Monies Collected Forms - Proper Completion*

Our testing indicated that MCFs were not completed properly. The issues present included verified funds boxes not being checked, teachers/sponsors failing to include signatures, changes not initialed, and the secretary failing to include signatures.

The Internal Funds Policy Manual gives specific guidelines to be followed for the receipt of monies. These guidelines mention specific procedures to be followed concerning indication of whether the monies were remitted in cash or check, requirements of the teacher or sponsor to sign the monies collected form, and verification by the Secretary/Bookkeeper of the monies collected and the counter signature on the forms.

See our recommendation in the Recommendations section below.

## Opinion

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**Financial information reported reconciles with bank statements and independent confirmations.**

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.

**The majority of the school’s transactions were processed in accordance with applicable rules.**

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.

Given the significant nature and amount of adjusting journal entries required and the unknown extent of the L2121 account discrepancies, we consider the financial information reported by the school unreliable.

## Recommendations

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**Develop an action plan in the event secretary is absent for an extended period of time.**

### Safekeeping of Collections

Collections received during an extended absence by the secretary were placed in safekeeping without her knowledge. These collections were located during a surprise cash count. While this situation appears to be an isolated incident, **we recommend the principal and secretary develop an action plan should the secretary be absent for an extended period of time. The plan should include a back-up person to perform essential duties, a designated and secure area for storage of undeposited funds, and prompt notification to the secretary upon her return of any undeposited funds or other important matters.**

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

### Fundraising Activities - Properly Completed Form

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

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

**Seek assistance to reconcile the L2121 Accounts Payable account.**

### L2121 Accounts Payable – Various

In an effort to determine the true balance of the L2121 Accounts Payable account and to correct any errors, **we recommend the secretary seek assistance from the District.**

**Monitor the account's balance to ensure these discrepancies do not reoccur.**

**We also recommend that the principal and secretary monitor the balance in the account to ensure these discrepancies do not continue.**

**Instruct staff on proper review of accounts.**

### General Ledger Review

In an effort to ensure individual accounts have the correct balance, are not overstated due to transactions not being recorded, or do not contain other errors, **we recommend the principal and secretary review the Internal Funds Policy Manual and instruct account sponsors to review their general ledger for both completeness and accuracy.**

**Review policies and procedures**

### Monies Collected Forms - Properly Completed Form

In an effort to address the improper completion of MCFs, **we recommend**

related to the proper completion  
of MCFs.

the principal and secretary review the Internal Funds Policy Manual and  
instruct staff on the proper completion of MCFs.

# Management Response

## GLOBAL LEARNING ACADEMY

100 North "P" Street  
Pensacola, FL 32505  
850-430-7560



Judy La Bounty, Principal

Re: Audit Findings Fiscal Year Ended 6/30/16

Date: December 9, 2016

Dear Mr. Bryant,

The purpose of this letter is to respond to the audit findings for Global Learning Academy. Before I begin, I want to inform you that the school secretary retired at the end of the 2015-2016 school year. Our new secretary was appointed on June 06, 2016. She is attending training and reviewing the Internal Funds Policy Manual in order to familiarize herself with the specific guidelines regarding policies and procedures. Together we will ensure the effective and efficient operations of internal accounts.

**Audit Finding: Fundraising Activities - Properly Completed Form**

Testing indicated that forms were either completed improperly or not present.

The principal and secretary met with the faculty and staff at the beginning of this school year to instruct them on the correct procedures and policies associated with fundraising activities. The principal/designee and secretary will ensure that all sections have been completed properly.

**Audit Finding: L2121 Accounts Payable – Various**

It was noted that the L2121 account had a debit balance.

The principal, assistant principal and school secretary met with Michele Kiker and Brad Mostert, Senior Auditors. They shared detailed information in regards to the debit balance. The secretary will seek assistance from the district in an effort to reconcile the L2121 Accounts Payable account. We will monitor the account's balance to ensure these discrepancies do not reoccur.

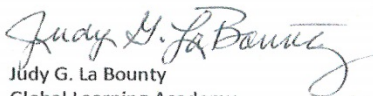
**Audit Finding: Monies Collected Form**

Testing indicated that the MCF's were not completed properly.

The principal and secretary met with the faculty and staff at the beginning of this school year to review policies and procedures related to the proper completion of the Monies Collected Form. The principal/designee and secretary will ensure that all sections have been completed properly.


If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Judy G. La Bounty

Global Learning Academy  
100 North "P" Street  
Pensacola, FL 32505

*JLB*  
12/12/16

 DJB  
12/13/16