



J.M. Tate High School
Audit of School Internal Accounts
For the Year Ended June 30, 2016

Office of Internal Auditing
October 2016

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

Audit Team:
Michèle A. Kiker, CFE, CGAP, CRMA
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 J.M. Tate High 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.



Office of Internal Auditing
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Executive Summary

THS 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, J.M. Tate High School (THS) 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.

Fourteen adjusting journal entries were recommended.

Our audit procedures indicated matters which required adjustment of the school's records. Fourteen journal entries were necessary to address various concerns:

- To reverse the unnecessary transfer processed to cover a deficit balance in the School Store account.
- To transfer the remaining balance of the Graduated Seniors account to the General account.
- To correct the improper posting of an expense to the Senior account.
- To correct the improper posting of ten separate vending commission receipts to the Facilities Rental account.
- To correct the improper posting of a donation to the Facilities account.

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

Our testing resulted in three audit findings.

Our testing resulted in three audit findings:

- Purchases were made absent prior written approval.
- The L2121 Accounts Payable account was not properly utilized as it relates to the timely recording of credit card purchases.
- The T(3) travel form for out-of-county travel was not utilized.

The school's overall fund balance as of June 30, 2016 was \$350,228.21.

The overall fund balance reported by the school at June 30, 2016 was \$350,228.21. 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 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

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

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, J.M. Tate High 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.

THS last received a full audit in the 2013-2014 fiscal year. There were no matters that rose to the level of an audit finding.

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

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

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, 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 THS 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.

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.

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

Detailed Results

Summary of Fund Activity	
Beginning Cash Balance, 7/1/2015	\$ 302,934.75
Total Receipts	732,304.89
Total Disbursements	(232,090.13)
Ending Cash Balance, 6/30/2016	\$ 350,228.21
Audit Adjustments	
Ending Fund Balance, 6/30/2016, Per Skyward	\$ 350,228.21
Cash Balance per Confirmation(s)	\$ 360,741.17
Outstanding Deposits	-
Outstanding Checks	(10,942.96)
Other Reconciling Items	430.00
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	\$ 350,228.21

Fourteen adjusting journal entries were recommended.

We noted fourteen journal entries that were necessary.

During fieldwork, we recommended a journal entry (JE) be processed for \$3,195.74 to reverse JE #158673 that transferred funds from the G7000 General account to the G7100 School Store account to cover a deficit balance. Remaining saleable inventory at year end is an acceptable cause for a deficit balance.

We also recommended a journal entry be processed for \$3,787.00 to correct the improper handling of the graduating class account's balance. Previous years' graduating class balances were transferred to the C3155 Graduated Seniors account instead of the G7000 General account.

We also recommended a journal entry be processed for \$1,055.50 to correct the improper posting of a credit card purchase recorded by JE #153347. The charge posted to the C3150 Senior account instead of the D4820 Student Council account.

We also recommended ten journal entries be processed for a total of \$2,702.08 to correct the improper posting of various vending commission receipts. Portions of these receipts were recorded to the F6090 Facilities Rental account instead of the A1005 Athletic account (\$2,657.32) and F6100 Faculty Fund account (\$44.76), which is more appropriate based on the location of the vending machines.

Finally, we recommended a journal entry be processed for \$109.00 to

All recommended journal entries were processed.

correct the improper posting of a donation, receipt #6530. A donation from Konan Ice was recorded to the F6090 Facilities Rental account instead of the F6080 Donations Unrestricted account.

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

One finding related to purchases made prior to principal's approval date.

Finding(s)

Prior Written Approval

Our testing indicated an inconsistent practice of policy regarding prior written approval for expenditures. Invoices/cash register receipts used as supporting documentation for expenditures 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 (Manual) gives specific guidelines regarding the prior approval of purchase. Section VIII, A 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 timeliness of utilizing the L2121 account.

Proper Utilization of the L2121 Account

Our testing indicated the L2121 Accounts Payable account was utilized, but not properly. Purchases were recorded at the time of payment of the statement, rather than at the time of each individual purchase.

The Manual provides specific guidelines regarding credit card purchases from internal funds. Section VIII, E.2e 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 to encumber the funds in the proper internal funds expense account." This process is to keep account balances current and to avoid overspending.

See our recommendation in the Recommendations section below.

One finding related to the failure to utilize the T(3) travel forms.

Utilization of the T(3) Travel Form

Our testing indicated the T(3) travel form for out-of-county travel was not utilized.

The Manual provides specific guidelines regarding documentation for travel expenditures. Section XI, 4 of the Manual states, "The completed T(3) travel reimbursement form should be completed with all appropriate signatures as verification of actual expenses paid and filed with any internal fund checks processed for the specified traveler." Section XI, 1 states, "For additional information regarding travel you should refer to the District's Travel Claim Procedures (manual)."

The District's Travel Claim Procedures manual states, "The travel reimbursement form for out-of-county travel is the yellow T(3) form...The same information that was provided on the authorization form T(2) is included on the T(3) Form. However, all information is based on actual data rather than estimates...*Reminder:* For liability purposes and compliance with state statute, a T(2) and T(3) are required for travel regardless of how payment is made."

Opinion

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.

Financial information reconciles with bank statements and independent confirmations.

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 all 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.

Recommendations

Review policies and procedures related to prior written approval for expenditures.

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 on the proper procedures of obtaining prior written approval for expenditures.**

Review policies and procedures related to recording of credit card purchases timely.

Utilizing L2121

In an effort to address the proper utilization of the L2121 Accounts Payable account, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual on the proper procedures for accounting for credit card purchases.**

Review policies and procedures related to the documentation of out-of-county travel.

Utilizing the T(3) Travel Form

In an effort to address the proper utilization of the T(3) travel form, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and the District's Travel Claim Procedures manual on the proper procedures to document out-of-county travel.**

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

Management Response



Laurie Bedford
Assistant Principal
Curriculum & Instruction

Rick Shackle
Principal

Deborah Long
Assistant Principal
Facilities & Planning

To: David Bryant
Director, Internal Auditing

From: Rick Shackle *RS* *LM*

Date: December 5, 2016

Subject: 2015-2016 Internal Accounts Audit

Please note the following findings and corrective actions pertaining to Tate High School's 2015-16 audit:

Expenditures – prior written approval -- review policy with all cardholders and address consequences for unauthorized purchases.

Credit card purchases – utilization of L2121 -- Mrs. Overson, bookkeeper, will process journal entries at the time of purchase.

Travel – utilization of T3 forms -- individuals traveling and representing Tate High School will receive additional training pertaining to the process involving T2 and T3 forms.

If you have any questions or would like to discuss the findings further, please don't hesitate to contact me.

(OK) DJB
12/5/16

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