



Jim Allen Elementary School
Audit of School Internal Accounts
For the Year Ended June 30, 2016

Office of Internal Auditing
November 2016

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

Audit Team:
Jeremy Williams
Audit Administration Specialist

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 Jim Allen 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.



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

Jim Allen Elementary School 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, Jim Allen Elementary School 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.

Four adjusting journal entries were recommended.

Our audit procedures indicated matters which required adjustment of the school's records. Four adjusting journal entries were necessary:

- To record unrecorded interest on the school's CD.
- To correct the improper posting of fish fry expense to the General account.
- To correct the improper posting of flowers expense to the General account.
- To correct the improper posting of NSF fees to the Returned Checks account.

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

Our testing resulted in three audit findings.

Our testing resulted in three audit findings:

- Outdated purchasing card authorization forms utilized.
- Fundraiser request/reconciliation forms were not properly completed.
- Fundraiser Log Sheet was not utilized.

The school's overall fund balance as of June 30, 2016 was \$7,923.31.

The overall fund balance reported by the school at June 30, 2016 was \$7,923.31. 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 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, Jim Allen Elementary School received a full audit.

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

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.

School administration has been consistent.

Jim Allen Elementary School last received a full audit in the 2012-2013 fiscal year. There was a single matter that rose to the level of an audit finding. This finding was related to disbursements/expenditures not including evidence of receipt of goods, which was determined to be addressed adequately during a subsequent follow-up audit.

The school has had the same principal and secretary 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 Jim Allen Elementary 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.

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

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.

Detailed Results

Summary of Fund Activity	
Beginning Cash Balance, 7/1/2015	\$ 4,176.10
Total Receipts	64,795.45
Total Disbursements	(30,601.82)
Total Net Journal Entries	<u>(30,446.42)</u>
Ending Cash Balance, 6/30/2016	\$ 7,923.31
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	<u>\$ 7,923.31</u>
Cash Balance per Confirmation(s)	\$ 8,029.45
Outstanding Deposits	-
Outstanding Checks	(102.14)
Other Reconciling Items	<u>(4.00)</u>
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	<u>\$ 7,923.31</u>

Four adjusting journal entries were recommended.

We noted four adjusting journal entries that were necessary.

During fieldwork, we recommended a journal entry be processed for \$1.00 to record unrecorded interest as of year-end on the school's money market account.

We also recommended a journal entry be processed for \$15.00 to correct the improper posting of a fish fry event. The transaction was recorded to the G7000 General account instead of the F6080 Donations Unrestricted account.

We also recommended a journal entry be processed for \$59.99 to correct the improper posting of a flowers purchase for a bus driver. The transaction was recorded to the G7000 General account instead of the F6080 Donations Unrestricted account.

We also recommended a journal entry be processed for \$60.00 to correct the improper posting of NSF check fees. The transaction was recorded to the A1117 Returned Checks account instead of the G7000 General account.

All recommended journal entries were processed.

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

Our testing indicated that as of June 30, 2016, there were 3 accounts whose balances were in a deficit that totaled \$360.36 (i.e., over spent).

Journal entries were processed to cover deficit balances.

Section I, A.6 & A.7 of the Internal Funds Policy Manual states, "Purchases from internal funds shall not exceed the resources of the applicable student activity/project account, except for items acquired for resale or items authorized by school board rule. No school should incur a debt that cannot be paid off by the close of the current school year."

After fieldwork, but prior to the issuance of this report, the school processed journal entries to cover the deficit balances noted above.

One finding related to the use of an outdated Request Purchase Utilizing Purchasing Card form.

Findings

Request Purchase Utilizing Purchasing Card Forms

A review of the credit card expenditures by the school indicated that an outdated Request Purchase Utilizing Purchasing Card form was used to conduct transactions, which did not include the Authorization box.

The Internal Funds Policy Manual provides guidelines regarding Request Purchase Utilizing Purchasing Card forms. Section VIII, E.2 (b) of the Manual states, "All purchases must be listed on the Request Purchase Utilizing Purchasing Card form and approved by the Principal prior to the purchase." The most recent revision of the form is included in the Internal Funds Policy manual.

See our recommendation in the Recommendations section below.

One finding related to the proper completion of fundraiser request forms.

Fundraiser Request/Reconciliation Forms

A review of the Fundraiser Request/Reconciliation forms indicated there were previous revisions of the form used; as well as a lack of form completion by the staff for certain fundraising events conducted at the school.

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.

See our recommendation in the Recommendations section below.

One finding related to the lack of utilizing the Fundraiser Log Sheet.

Fundraiser Log Sheet

A review of the school files indicated the Fundraiser Log Sheet was not utilized to document fundraising events as exempted or non-exempted days.

Effective with the 2015-2016 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 the occurrence of any exempted events.

See our recommendation in the Recommendations section below.

Opinion

Financial information reconciles with bank statements and independent confirmations.

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

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.

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

Download the current revision of the Request Purchase Utilizing Purchasing Card form from District Website.

Request Purchase Utilizing Purchasing Card forms

In an effort to address the use of the outdated revision of the Request Purchase Utilizing Purchasing Card form, **we recommend the secretary download the most current version from the District's website and replace any older version.**

Review policies and procedures related to fundraising activities.

Fundraiser Request/Reconciliation form

In an effort to address the use of proper completion of the Fundraiser Request/Reconciliation form, **we recommend the principal and the secretary review the Internal Funds Policy Manual and instruct staff regarding the rules for fundraising activities.**

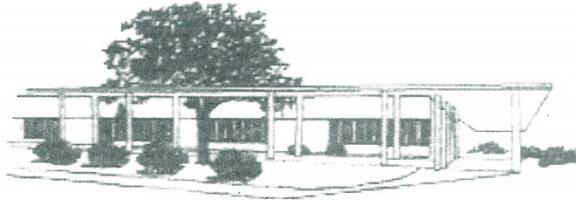
Review policies and procedures related to Fundraiser Log Sheet.

Fundraiser Log Sheet

In an effort to address the lack of documenting the occurrences of any exempted events, **we recommend the principal and the secretary review the Internal Funds Policy Manual's rules regarding the utilization and maintenance of a Fundraiser Log Sheet.**

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

Management Response



Rachel Watts
Principal

Susan Dorman
Assistant Principal

JIM ALLEN ELEMENTARY SCHOOL

1051 Hwy. 95-A North Cantonment, FL 32533 Phone: 937-2260

LM 12-15-16

December 6, 2016

Dear Mr. Bryant,

I am writing this letter in reference to our internal account audit findings from the Fiscal Year ending June 30th, 2016. The following is our plan of action on how the findings will be corrected to ensure the violations do not continue to occur.

Expenditures- Outdated approval form used
Plan of Action- Destroy all outdated forms, provide school personnel copies of the new form, review documentation for this fiscal year and utilize the correct form.

Fundraising Activities- Fundraising Log Report not used
Plan of Action- We will obtain a copy of the Fundraising Log Report and begin to use it by listing all fundraising events that have occurred thus far for 2016-2017 school year. We will continue to use the Fundraising Log Report for any future fundraising events.

Fundraising Activities- Properly completed form
Plan of Action- Destroy all outdated forms and continue to use the newest version, verify the sponsor's signature and date on each fundraising request form, review documentation for this fiscal year and utilize correct form.

Please let me know if you need any more information. Thank you.

Rachel H. Watts
Principal
(850) 937-2260 x 223

*OK DJB
12/15/16*