



Molino Park Elementary 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:
Brad Mostert
Senior Auditor

Stewart Parnell
Auditing Intern

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 Molino Park 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
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Executive Summary

Molino Park 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, Molino Park 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.

Two adjusting journal entries were recommended.

Our audit procedures indicated a matter that required adjustment of the school's records. Two adjusting journal entries were necessary to address this concern:

- To correct the improper posting of the Compass credit card rebate for the current and prior years.

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

Our testing resulted in two audit findings.

Our testing resulted in two audit findings:

- Fundraiser Request/Reconciliation forms were not present for two fundraising activities.
- Bookfair MCFs were not properly completed.

The school's overall fund balance as of June 30, 2016 was \$18,415.73.

The overall fund balance reported by the school at June 30, 2016 was \$18,415.73. We have determined that the financial information reported by the school reconciles with bank statements and independent bank confirmations.

The majority of transactions

In our opinion, the majority of transactions included in the school's

included in the school’s internal accounts were processed in accordance with applicable policies and procedures.

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, Molino Park 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.

The previous principal retired on June 30, 2016 and was replaced

The school’s previous principal retired on June 30, 2016, and was replaced by the current principal at the start of the next school year. The school’s

in the next school year.

secretary has been in place at the school for several years.

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.**

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.

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

No known conflicts of interest were identified.

Control Risk for Molino Park Elementary School has been assessed at moderate.

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

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	\$ 16,464.55
Total Receipts	68,585.71
Total Disbursements	(24,120.09)
Total Net Journal Entries	<u>(42,514.44)</u>
Ending Cash Balance, 6/30/2016	\$ 18,415.73
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	<u>\$ 18,415.73</u>
Cash Balance per Confirmation(s)	\$ 18,439.37
Outstanding Deposits	-
Outstanding Checks	(23.64)
Other Reconciling Items	-
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	<u>\$ 18,415.73</u>

Two adjusting journal entries were recommended.

We noted two adjusting journal entries that were necessary.

During fieldwork, we recommended two journal entries be processed for a total of \$1,091.30 to correct the improper posting of the Compass credit card rebates.

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 fundraising activities.

Findings

Fundraising Activities - Properly Completed Form

Our testing indicated that two out of five fundraising activities did not have a Fundraising Request/Reconciliation form present.

This is a repeat audit finding from 2011-2012.

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

One finding related to bookfair collections.

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.

Bookfair Receipts - Properly Completed MCFs

Our testing indicated that Monies Collected Forms (MCFs) were not properly completed for bookfair activity. The MCF listed checks separately, but did not include individual student names and amounts for cash collections, only a total amount collected. A class roster is an acceptable means to identify individual students, but one was not utilized.

The Internal Funds Policy Manual gives specific guidelines to be followed for the receipt of monies. Section VI, B.4 of the Manual states, "When collecting funds from a group of students for a field trip or book fair, a class roster or list may be attached to the MCF indicating the students that have paid and the amount of each payment."

See our recommendation in the Recommendations section below.

Opinion

Financial information 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 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 and instruct staff on policies and procedures related to fundraising activities.

Fundraising Activities - Properly Completed Form

In an effort to address the lack of a properly completed Fundraising Request/Reconciliation form, **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.

Review and instruct staff on policies and procedures related to bookfair activities.

Bookfair Receipts - Properly Completed MCFs

In an effort to address the lack of a properly completed MCF for bookfair activities, **we recommend the principal and secretary review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with bookfair activities.**

Management Response



Phone 850-587-5265 Fax 850-587-2340

Lisa Arnold
Principal

Quinn Evans
Assistant Principal

TO: David Bryant, Director, Internal Auditing

FROM: Lisa Arnold, Principal

DATE: November 17, 2016

RE: Audit Findings

Dear Mr. Bryant,

I am writing this letter in response to our audit findings at Molino Park Elementary. I have reviewed the Internal Policy Manual for each of the areas cited. The following are audit findings for the 2015-2016 school year along with responses to each:

1. Fundraiser Request/Reconciliation Forms: The Relay for Life event was viewed as a charity drive not as a fundraiser. The secretary has already implemented a plan to correct this issue. The secretary went over the procedure for completing the Fundraiser Request/Reconciliation Form with the Relay for Life chairperson. The principal will monitor that this procedure is done correctly.
2. Monies Collected Forms: This area was in reference to the Book Fair. This was an oversight on the part of the school. The secretary reviewed the Internal Policy Manual and a plan has been implemented for correcting this finding. The secretary will ensure that class rosters are printed to reference which students bring in money for the Book Fair. She will review this procedure with the Media Specialist prior to each Book Fair. The principal will monitor that this procedure is done correctly.

Please let me know if you need any additional information.

Sincerely,

Lisa Arnold
Principal

Handwritten initials and date:
JRW
11/17/16
⑥F DJB
11/30/16