



**Scenic Heights Elementary School**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2016*

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Office of Internal Auditing  
October 2016

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

Audit Team:  
**Jeremy Williams**  
*Audit Administration Specialist*

## 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 Scenic Heights 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

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**Scenic Heights 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, Scenic Heights 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 journal entries were necessary:

- To transfer the remaining balance of the 5<sup>th</sup> grade graduating class account to the General account.
- To transfer the remaining balance of the 5<sup>th</sup> grade graduating class sub-accounts to the General account.
- To correct the improper posting of mascot cups expense to the Donations - Unrestricted account.
- To record an unrecorded credit card purchase to the faculty fund account.

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

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

Our testing resulted in six audit findings:

- Bank reconciliations were not completed in a timely manner.
- Disbursements/expenditures lacked initials and dates on receiving slips or invoices as evidence of receipt of goods.

- Cash collections for book fairs were not identified per each student.
- Deposit slips were not properly completed.
- Donation letters for field trips did not contain the required proper language.
- PTA collections were handled by District employees.

**The school’s overall fund balance as of June 30, 2016 was \$30,016.49.**

The overall fund balance reported by the school at June 30, 2016 was \$30,016.49. 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

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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.

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

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, Scenic Heights Elementary 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.

Scenic Heights Elementary School last received a full audit in the 2012-2013 fiscal year. There were five matters that rose to the level of an audit finding. There were findings related to the proper completion of request forms for fundraising activities, the proper utilization of budgeted funds, a monthly log report not utilized for all accounts, changes/corrections not initialed on Monies Collected Forms, and prior written approval given for purchases. All of the matters were determined to be adequately addressed during a subsequent follow-up audit.

**School administration has been consistent for several years.**

The school has had the same principal and secretary in place since the previous audit.

## 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).

### **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

**Control Risk for Scenic Heights 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.**

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 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

<b>Summary of Fund Activity</b>	
Beginning Cash Balance, 7/1/2015	\$ 28,773.05
Total Receipts	65,013.65
Total Disbursements	(41,870.21)
Total Net Journal Entries	(21,900.00)
Ending Cash Balance, 6/30/2016	\$ 30,016.49
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	\$ 30,016.49
Cash Balance per Confirmation(s)	\$ 29,879.08
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	137.41
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	\$ 30,016.49

**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 \$73.91 to transfer the remaining balance in the C3007 5<sup>th</sup> Grade account to the G7000 General account as required per District guidelines.

We also recommended a journal entry be processed for \$2.31 to transfer the combined remaining balance of the C3007.002 & C3007.003 5<sup>th</sup> Grade sub-accounts to the G7000 General account as required per District guidelines.

We also recommended a journal entry be processed for \$30.00 to correct the improper posting of a mascot cups expense. The transaction was recorded to the F6080 Donations Unrestricted account instead of the F6100 Faculty Fund account.

We also recommended a journal entry be processed for \$61.85 to record an unrecorded credit card purchase. The transaction was recorded to the F6100 Donations Unrestricted account as both a debit and a credit, which cancelled each other.

**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.**

**Chromebooks not added to Destiny inventory system.**

Chromebooks

A review of the general ledger indicated the purchase of Chromebooks in the current year and prior year using the school's internal purchasing card. Communication with the technology coordinator of the school indicated that all Chromebooks purchased were not added to the Destiny inventory system as required by District policy.

See our recommendation in the Recommendations section below.

**One finding related to the timely completion of bank reconciliations.**

Findings

*Completion of Bank Reconciliation in a Timely Manner*

A review of the school's bank reconciliations indicated bank statements not reconciled in a timely manner.

The Internal Funds Policy Manual gives specific guidelines for the completion of bank reconciliations. Section IX, E of the Manual states, "Bank statements should be reconciled as soon as received, and absolutely no later than the last day of the following month."

See our recommendation in the Recommendations section below.

**One finding related to the lack of evidence of receipt of goods.**

*Receipt of Goods*

Our testing indicated invoices/packing slips used as supporting documentation for expenditures did not include evidence indicating receipt of goods. This evidence would include a signature, verifying the quantity of the items ordered, and a date, indicating when the goods were received.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for expenditures. Section VIII, D of the Manual states, "When the items purchased are received, the goods should be checked to ensure the items are correct and not damaged. The person receiving the items should initial and date the receiving slip or invoice to document their review and that all items ordered were received."

See our recommendation in the Recommendations section below.

**One finding related to improper procedures for accounting for book fair collections.**

*Monies Collected Forms – Book Fair*

Our testing included Monies Collected Forms (MCFs) that were not properly completed for book fair activity. Cash collections were listed as a total on the MCF instead of identified per each student.

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.

**One finding related to the proper completion of deposit slips.**

*Properly Completed Deposit Slips*

A review of the deposits by the school indicated that last names instead of check numbers were used to list individual checks on the deposit slips.

The Internal Funds Policy Manual provides specific guidelines to be followed for the composition of the deposit slip. These guidelines mention specific procedures to be followed concerning the indication of checks listed on the deposit slip. Section VI, C.5 of the Manual states, “All currency and check numbers must be listed on the deposit slip.”

See our recommendation in the Recommendations section below.

**One finding related to the lack of proper language contained in donation letters.**

*Proper Language for Donation Letters*

A review of the donation letters for field trips issued by different grade levels indicated there were instances where the proper language was absent.

The Internal Funds Policy Manual provides specific guidelines regarding donation requests. Section XIV, A of the Manual states, “No student may be charged a fee as a condition of enrollment in a class leading towards graduation.” Fees and other charges may be applied to a few programs or activities as listed in the manual. In addition, Section XIV, C of the 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. However, you may remind students and parents that the lack of donations can, and most likely will, limit or eliminate some activities later in the term when funds for the class have been exhausted. ”

See our recommendation in the Recommendations section below.

**One finding related to the improper handling of PTA collections.**

*Handling of PTA Collections*

During a surprise cash count conducted at the school, we noted that the front office staff were accepting collections on behalf of the PTA. These funds were then held in the custody of school staff until a PTA representative retrieved the funds from the school.

The Internal Funds Policy Manual states in Section I, A.1 that, “All funds collected or handled by District employees during normal working hours

or in connection with school sponsored activities shall be included in the internal funds of the school, unless accounted for at the District level.” PTA collections not accounted for in internal funds must be handled by PTA representatives.

See our recommendation in the Recommendations section below.

## Opinion

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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

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**Ensure all Chromebooks are in Destiny system.**

### Chromebooks

In an effort to address the proper accounting of Chromebook inventory, **we recommend the principal and technology coordinator ensure all purchased Chromebooks have successfully been accounted for in the Destiny inventory system.**

**Review policies and procedures related to bank reconciliations.**

### Bank Reconciliations - Timeliness

In an effort to address the timeliness of bank reconciliations, **we recommend that the principal and secretary review the Internal Funds**

**Policy Manual pertaining to bank reconciliations. We also recommend the principal select a specific day of the month to review the bank reconciliation to ensure it is completed timely. We recommend bank reconciliations should be attempted as soon as the bank statement is received. In addition, in cases where reconciliations require assistance from District personnel, we recommend keeping the first attempt at reconciliation as evidence of timeliness in case the reconciliation is not completed by the end of the following month.**

Receipt of Goods

**Review policies and procedures related to receipt of goods.**

**In an effort to address proper evidence of receipt of goods, we recommend the principal and secretary review the Internal Funds Policy Manual and instruct staff on the rules regarding the proper procedure of documenting receipt of goods.**

Monies Collected Forms – Book Fair

**Review policies and procedures related to accounting for book fair proceeds.**

**In an effort to address the improper documentation of book fair collections, we recommend the principal and secretary review the Internal Funds Policy Manual and instruct school staff on the proper procedures to properly document book fair collections.**

Deposit Slips

**Review policies and procedures related to deposit slip completion.**

**In an effort to address the proper completion of deposit slips, we recommend the principal and secretary review the Internal Funds Policy Manual pertaining to the proper format for completing deposit slips.**

Donation Letters

**Review policies and procedures related to the use of proper language concerning donation letters.**

**In an effort to address the use of proper language contained in donation letters, we recommend that the principal ensure that all donation letters distributed contain the appropriate language. Sample letters are included in Appendix A of the Internal Funds Policy Manual.**

PTA Collections

**Install a PTA lockbox on site to house collections.**

**To address the proper handling of collections of PTA funds not accounted for in internal funds, we recommend the school allow the PTA to place a lockbox on the premises to ensure collections are not handled by District employees.**

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

# Management Response

*Scenic Heights Elementary School*

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Mary Ellen Wiggins  
Principal

Melissa Sams  
Secretary

Alicia LaFrance  
Assistant Principal

Jennifer Etheredge  
Guidance Counselor

To: David Bryant, Director of Internal Auditing

From: Mary Ellen Wiggins, Principal *MEW*

Date: 12/12/2016

Subject: Audit Findings

*MEW 12/12/16*

**Finding:** Bank reconciliations were not completed in a timely manner.

- This finding is a result of a shortfall in prioritizing and scheduling from the secretary of the bank reconciliations.
- The principal and secretary have met and agreed on scheduling the bank reconciliation submissions on the 10<sup>th</sup> of every month in Skyward.

**Finding:** Disbursements / expenditures lacked initials and dates on receiving slips or invoices as evidence of receipt of goods.

- This finding is a result of an absence of assigning one person as the goods receiver.
- The secretary will be the sole receiver of all goods coming into Scenic Heights. If the secretary is absent, then her backup, Lisa Kucinski (admin clerk), will be the receiver.

**Finding:** Cash collections for book fairs were not identified per each student.

- This finding has occurred due to the previous training of the secretary and the media specialist. While the MCF's were present, the classroom rosters were not.
- This finding situation has been rectified by handing over the responsibilities of the Scholastic Book Fair to Scenic Heights PTA during the 2016-2017 year.

**Finding:** Deposit slips were not properly completed.

- This finding is a result of the secretary failing to remember to input the check number on the deposit slip.
- The secretary has gone over the Procedures for Deposits in the Internal Funds Policy manual on pg. 19.

**Finding:** Donation letters for field trips did not contain the required proper language.

- The first grade field trip to the First City Art Center donation letter had a wording oversight.
- All donation letters will pass through the principal's office for approval.

**Finding:** PTA collections were handled by District employees.

- This finding is a result of PTA yearbook funds had been turned into the front office and handed to the admin clerk. The clerk then turned the funds over to the PTA.
- Our school recently had a training on handling school funds. The admin clerk went through the training. The PTA now has a lock box in place for all PTA funds to be placed.

(OK) DJB  
12/13/16