



Pensacola High School
Audit of School Internal Accounts
For the Year Ended June 30, 2017

Office of Internal Auditing
September 2017

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

Audit Team:
Brad Mostert, CFE
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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 Pensacola 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, 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
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Executive Summary

Pensacola High received a full audit for the 2016-2017 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 2016-2017 fiscal year, Pensacola High 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.

Our testing in the prior audit indicated that the L2121 Accounts Payable account had a debit balances of \$21,744.53 and \$24,476.53 for the 2014-2015 and 2015-2016 fiscal years, respectively. As discussed in the Detailed Results section below, District personnel assisted the school in determining 208 appropriate correcting entries related to the school's improper maintenance of the L2121 account for the 2014-2015 and 2015-2016 fiscal years. After these entries, the L2121 account was correct and entries were being made appropriately, with District assistance, for the 2016-2017 fiscal year.

Based on discussion with District personnel and review of the school's L2121 account, we noted that the account was not being utilized appropriately for the 2017-2018 fiscal year. After fieldwork, but prior to the issuance of this report, we noted transactions (through October 2017) totaling \$22,867.38 were not recorded in the school's financial activity.

One adjusting journal entry was recommended.

Our audit procedures indicated a matter that required the adjustment of the school's records. One adjusting journal entry was necessary:

- To transfer expenses related to gift card purchases for employees from the Lacrosse account to the Faculty Fund account.

This journal entry was processed by the bookkeeper in the following school year.

Our testing resulted in 7 audit findings.

Our testing resulted in 7 audit findings:

- Bank reconciliations were not all completed in a timely manner.
- The bookkeeper and principal failed to exercise appropriate financial oversight regarding deficit balances.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Deposits were not made in a timely manner.
- Deposit records were not maintained in an organized manner.
- The allotted amount of exempt days for fundraising activities was significantly exceeded.
- The Ticket Log was not properly maintained.

The school's overall fund balance as of June 30, 2017 was \$82,076.15.

The overall fund balance reported by the school at June 30, 2017 was \$82,076.15. 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 2016-2017 fiscal year, Pensacola 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.

Pensacola High School last received a full audit in the 2015-2016 fiscal year. There were seven matters that rose to the level of audit findings. There were findings related to the failure of the principal and bookkeeper to exercise adequate financial oversight, the documentation of evidence of receipt of goods, proper completion of the Request Purchase Utilizing Purchasing Card form, the payment of late fees and finance charges, the proper completion of Monies Completed Forms (MCFs), proper completion of the Fundraising Request/Reconciliation form, and proper utilization of the L2121 Accounts Payable account, 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 bookkeeper moved to a different position at the school in December 2016 and was replaced in January 2017.

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

The bookkeeper took a different position at the school and was replaced during the school year.

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 Auditors, 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, 2017. 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).

No known conflicts of interest were identified.

Control Risk for Pensacola High 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.

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, bookkeeper).

Each school's 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 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, 7/1/2016	\$ 84,756.94
Total Receipts	508,467.03
Total Disbursements	(200,096.68)
Total Net Journal Entries	<u>(311,051.14)</u>
Ending Cash Balance, 6/30/2017	\$ 82,076.15
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	<u>\$ 82,076.15</u>
Cash Balance per Confirmation(s)	\$ 89,310.44
Outstanding Deposits	-
Outstanding Checks	(7,256.29)
Other Reconciling Items	<u>22.00</u>
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	<u>\$ 82,076.15</u>

General Ledger Review

Throughout the year and prior to the school’s closing of their records at year end, we may review various reports, transactions, and supporting documentation of the school. The purpose of this review is to recommend adjusting journal entries, reclassifications, or other necessary actions which we feel will result in more accurate reporting and/or compliance with established rules, policies, and procedures. Any recommended entries or actions are traditionally completed prior to the close of the school’s records, and are therefore include in the reported June 30 financial information, unless otherwise indicated.

208 journal entries totaling \$156,508.48 were processed by District personnel prior to year-end close.

Our testing in the prior audit indicated that the L2121 Accounts Payable account had a debit balances of \$21,744.53 and \$24,476.53 for the 2014-2015 and 2015-2016 fiscal years, respectively. As a result of this issue, District personnel assisted the school in determining the appropriate adjusting entries to correct the account balance. District personnel processed a total of 208 journal entries before year-end close, for a total of \$156,508.48.

One additional adjusting journal entry was recommended.

As a result of our fieldwork, one additional adjusting journal entry was recommended:

To move expenses for gift card purchases for District employees recorded in the A1100.001 Lacrosse account to the F6100.000 Faculty Fund account, we recommend a journal entry be processed for \$200.00.

One finding related to the timely reconciliation of bank statements.

Findings

Completion of Bank Reconciliation in a Timely Manner

A review of the school's bank reconciliations indicated that bank statements were 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 a lack of financial oversight and deficit balances.

Financial Oversight - Deficit Balances

Our testing indicated that as of June 30, 2017, there were 26 accounts with a deficit balance, totaling \$69,143.68.

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."

The bookkeeper's (Senior School Finance Specialist) essential job functions include, "Reviewing all requests for purchases to ensure compliance with budgetary parameters and school policy."

This is a repeat audit finding from 2015-2016.

See our recommendations in the Recommendations section below.

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

Evidence of 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 (or initials) indicating verification of 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."

This is a repeat audit finding from 2015-2016.

See our recommendation in the Recommendations section below.

One finding related to the timeliness of deposits.

Timeliness of Deposits

Our testing indicated that deposits were not made within five working days after receipt of funds.

Chapter 8, Section III, 1.4(c) of the State Board of Education Rules states, "All money collected must be deposited intact to a depository as frequently as feasible and as dictated by sound business practices. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT."

The Internal Funds Policy Manual, Section VI, C.1 states, "Funds collected shall be deposited as frequently as feasible, preferably daily. In any event, funds collected must be deposited within five (5) working days after receipt. Under no circumstances shall funds be left on the school premises except in a secure safe or vault. Any District employee who fails to remit funds each day shall be liable for any loss."

This is a repeat audit finding from 2013-2014.

See our recommendation in the Recommendations section below.

One finding related to the organization of deposit records.

Organization of Records - Deposits

During the year, there was a bookkeeper change at the school. The new bookkeeper started in January 2017. During our testing of deposits, we noted that the new bookkeeper did not keep the deposit slips separate for each day's collections (as noted above). We also found loose MCFs in the records, which made it difficult to associate them with a related deposit

slip. This made the testing of our original sample impractical, as the Deposit Journal from Skyward reports collections by day. Some of our replacement sample items selected did not appear to have all related MCFs attached to the deposit slips, and therefore could not be tested for composition. For those items tested for composition, it appears that all funds received were deposited, because the bank reconciliations were completed, and no issues were identified.

Due to the disarray of the school's deposit records mentioned above, it is unclear whether all amounts received by the school as indicated on the loose MCFs were deposited appropriately.

One finding related to exceeding the allotted number of exempt days.

Fundraising Activities – Exempt Days

Our testing indicated that the school exceeded its allotted amount of exempt days for fundraising activities by 102 days.

Smart Snack Guidelines state, "Each district school board is permitted to grant a special exemption from the nutrition standards for competitive foods as specified above for the purpose of conducting infrequent school-sponsored fundraisers, not to exceed the following maximum number of school days per school campus each year: ... Senior High Schools - 15 days."

See our recommendation in the Recommendations section below.

One finding related to the proper maintenance of the Ticket Log.

Maintaining Ticket Inventory Log

During our audit, we reviewed the inventory logs for the tickets used for events held at the school. Although a ticket inventory log was maintained, the tickets listed as remaining in inventory did not match the actual remaining inventory of tickets.

See our recommendation in the Recommendations section below.

Deposit slips included multiple days' worth of collections.

Other Comments

Deposits

Our testing indicated deposit slips included multiple days' worth of collections.

The Internal Funds Policy Manual provides specific guidelines regarding deposits. Section VI, C of the Manual states, "...Total the actual amount of cash and checks on hand. Print the Bank Deposit Journal...The total of cash, checks and money orders on hand and the total on the Bank Deposit Journal (*reports total per day*) should match. Prepare a bank deposit slip in duplicate."

Scholarships awarded lack supporting documentation.

Supporting Documentation

Our testing indicated the scholarships awarded lacked supporting documentation.

See our recommendation in the Recommendations section below.

District-provided Fundraising Log Sheet was not utilized.

Fundraising Log Sheet

Our testing indicated that the bookkeeper was not utilizing the District-provided Fundraising Log Sheet.

See our recommendation in the Recommendations section below.

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.

The financial information reconciled 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 and instruct staff on policies and procedures related

Bank Reconciliations - Timeliness

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

to bank reconciliations.

Policy Manual and instruct staff on the proper procedures of performing bank reconciliations timely.

Develop and monitor compliance with plan to make accounts whole.

Financial Oversight – Deficit Balances

In an effort to address the lack of financial oversight present at the school, **we recommend the principal develop a plan of action to make these accounts whole again, and continue to monitor compliance with this plan.**

Review and instruct staff on the policies and procedures related to evidence required to indicate receipt of goods.

Receipt of Goods

In an effort to address the proper evidence of receipt of goods, **we recommend the principal and bookkeeper review the internal Funds Policy Manual and instruct staff on the proper procedures of documenting receipt of goods.**

Review and instruct staff on the policies and procedures related to deposits.

Deposit Timeliness

In an effort to address the timeliness of deposits, **we recommend that principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures for deposits.**

Develop a method to ensure that the school’s deposit records remain organized.

Organization of Records - Deposits

In an effort to address the disorganization of the school’s deposit records, **we recommend that the bookkeeper develop a method to ensure that the records are organized and that all related MCFs are included in each day’s deposit packet.**

Seek additional training, as needed.

We also recommend that the bookkeeper continue to seek additional training, as needed.

Review and instruct staff on the policies and procedures related to utilizing exempt days.

Fundraising Activities - Exempt Days Exceeded

In an effort to address the exceeding of allotted exempt days, **we recommend that the principal and bookkeeper review Smart Snack Guidelines and instruct staff on the proper procedures related to utilizing exempt days.**

Review and instruct staff on the policies and procedures related to the Ticket Log.

Ticket Log

In an effort to address the lack of proper maintenance of the Ticket Log, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to the Ticket Log.**

Handle same-day collections separately.

Other

Deposit Slips

In an effort to address collections from different days being included on one deposit slips, **we recommend the bookkeeper handle same-day**

collections separately. We recommend the bookkeeper ensure the total of the deposit slip(s) agree with the total of same-day collections. This would be the case no matter if deposits are made daily or held for a few days; there would be a separate deposit slip for each day's collections.

Attach scholarship award letters.

Supporting Documentation

In an effort to provide supporting documentation for scholarships awarded, **we recommend attaching the scholarship award letters.**

Utilize the Fundraising Log Sheet provided to all schools by the District.

Fundraising Log Sheet

In an effort to address the bookkeeper utilizing a form other than the one provided by the District, **we recommend the bookkeeper utilize the Fundraising Log Sheet provided to all schools by the District.**

Management Response



PENSACOLA HIGH SCHOOL

Alexa Meyer



David M. Williams
Principal

Jessica Canales
Assistant Principal

Al Marsh
Assistant Principal



"Home of the Fighting Tigers"

500 West Maxwell Street
Pensacola, Florida 32501
(850) 595-1500
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Laura Brewer
IB Coordinator

Casey Thiele
Athletic Director

October 27, 2017

Mr. David Bryant, Director of Auditing
75 N. Pace Blvd.
Pensacola, FL 32501

RE: Exit Conference

Mr. Bryant,

I am addressing the findings from our 2016-2017 audit from your department. Please see the listed findings and the reasons why the violation occurred at Pensacola High and a detailed plan of action ensuring that these violations will not occur again:

Findings:

1. Bank Reconciliations were not all completed in a timely manner.
2. The bookkeeper and principal failed to exercise appropriate financial oversight regarding deficit balances.
3. There was no evidence of receipt of goods verification on items shipped to the school.
4. Deposits were not made in a timely manner.
5. Deposit records were not maintained in an organized manner.
6. The allotted amount of exempt days for fundraising activities was significantly exceeded.
7. The Ticket Log was not properly maintained.

Reason for Compliance Violations:

1. Bookkeeper was overwhelmed with multiple tasks and did not prioritize her completing Bank Reconciliations.
2. An oversight on behalf of the bookkeeper to keep the principal informed of negative balances on accounts that were overspent.
3. The packing slips were not asked for by the bookkeeper, nor did the front office staff give them to the bookkeeper, for the goods that were purchased and shipped to that teacher.

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An Escambia County School District School

Management Response (Continued)

4. The bookkeeper did not make it a priority of making deposits on time.
5. The bookkeeper did not organize the deposit records with the deposits.
6. The bookkeeper was not conscious of the allotted exempt days for fundraising activities.
7. The bookkeeper did not keep the tickets logs properly.

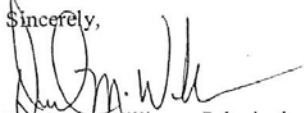
Plan of Action:

1. Principal and bookkeeper will review Internal Funds and make sure that the Bank Reconciliation are done within the time frame according to district policy.
2. Principal will follow up on the plan of action for accounts that are non-compliant, and will continue to monitor and keep all accounts in compliance. Failure to comply will result in frozen accounts.
3. Make sure that all packing slips/invoice/screen shot of goods received are turned in to the bookkeeper and include initials and date as evidence of verification of quantity received for compliance on that account in which they are purchased from. Office personnel retrained to immediately upon receipt of goods give the bookkeeper the packing slips/invoice/screen shot.
4. Make deposits within 24 hours of receipt of funds. Back-up personnel assigned in case the bookkeeper is absent, and a drop box has been provided. Bookkeeper is to review school district policy on depositing collected funds.
5. Deposit records will be kept organized with the MCF's for that day of deposit.
6. Assistant Principal in charge of student activities will formulate a master calendar of events.
7. Bookkeeper will review school district procedural guidelines for ticket logs. Administration will receive a copy of every event log to check for compliance.

Here at Pensacola High School, we strive to adhere to all district policies and procedures. I will closely monitor all areas that we fell short on and will keep you informed and will contact the auditing department or Mrs. Patterson if we have any questions regarding procedures. Also, administration will reiterate the proper bookkeeping procedures and responsibilities with entire faculty and staff.

If you need anything further from me or my bookkeeper, please do not hesitate to contact me at (850)595-1500 ext. 225 or the bookkeeper at ext. 230.

Sincerely,



David M. Williams, Principal
Pensacola High School

OK
DJB
11/1/17

AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER
An Escambia County School District School