



**Bellview Middle School**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2017*

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Office of Internal Auditing  
September 2017

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

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

**Michèle Kiker, CFE, CGAP, CRMA**  
*Senior Auditor*

## 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 Bellview Middle 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.



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## Executive Summary

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**Bellview Middle School 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, Bellview Middle School received a full audit. This report documents the results of the audit.

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

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 resulted in one audit finding:

- The L2121 Accounts Payable account was not properly utilized as it relates to the timely recording of credit card purchases.

**The school's overall fund balance as of June 30, 2017 was \$32,076.54.**

The overall fund balance reported by the school at June 30, 2016 was \$32,076.54. 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.

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, Bellview Middle 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.

Bellview Middle School last received a full audit in the 2015-2016 fiscal year. There was one matter that rose to the level of audit findings. There was a finding related to the proper maintenance of the ticket inventory log, which was determined to be addressed adequately during a subsequent follow-up audit.

**The bookkeeper transferred and was replaced during the school year.**

The school has had the same principal in place since the previous audit. The school's previous bookkeeper transferred on October 02, 2016, and was replaced on October 31, 2016.

## 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 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

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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, 2017. 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.**

**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 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.

**No known conflicts of interest were identified.**

**Control Risk for Bellview Middle 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.**

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, 7/1/2016	\$ 41,619.27
Total Receipts	44,088.60
Total Disbursements	<u>(27,638.58)</u>
Ending Cash Balance, 6/30/2017	\$ (25,992.75)
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	<u>\$ 32,076.54</u>
Cash Balance per Confirmation(s)	\$ 32,428.39
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	<u>(351.85)</u>
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	<u>\$ 32,076.54</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.

**No adjusting journal entries were recommended.**

As a result of our fieldwork, no additional journal entries were recommended.

Finding

*L2121 Account – Proper Utilization*

**One finding related to improper utilization of the L2121 Accounts Payable account.**

Our testing indicated the L2121 Accounts Payable was utilized, but not properly. Purchases were not recorded in a timely manner consistent with District policy.

The Manual provides specific guidelines regarding credit card purchases from internal funds. Section VIII, E.2e of the Manual states, “Bookkeeper/Secretary makes the appropriate journal entry into the Skyward accounting system to record at the time of purchase using the Accounts Payable account L2121 to encumber the funds in the proper internal funds expense account.” This process is to keep account balances current and to avoid overspending.

See our recommendation in the Recommendations section below.

Other Comments

*Money Orders/Cashier’s Checks*

**Non-cash items not identified by number.**

Our testing indicated two instances of the cashier’s checks being identified as “CC” or “Cashier’s Check” on the MCF and identified by “CC” and the last four numbers of the item on the deposit slip.

The Internal Funds Policy Manual gives specific guidelines to be followed for the receipt of monies. These guidelines mention specific procedures to be followed concerning indication of whether the monies were remitted in cash or check, requirements of the teacher or sponsor to sign the monies collected form, and verification by the Secretary/Bookkeeper of the monies collected and the counter signature on the forms.

While money orders and cashier’s checks are not listed specifically in the policy manual, it is reasonable practice to identify non-cash items using the

identifying numbers located on the document for accountability purposes.

See our recommendation in the Recommendations section below.

## Opinion

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**The financial information reconciled 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.

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

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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**Review policies and procedures related to accounting for credit card purchases.**

### Utilizing L2121

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

**List identifying numbers for non-cash items on both the MCF and deposit slip.**

### Other

#### *Money Orders/Cashier's Checks*

In an effort to better identify non-cash items, **We recommend the bookkeeper identify non-cash items (i.e. cashier's checks and money**

**orders) by listing the last four digits of the item on both the MCF and deposit slip.**

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

# Management Response



"Home of the Warriors"

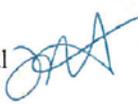
## Bellview Middle School

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Melia Adams,  
Principal

Tara Palasciano,  
Assistant Principal

TO: David Bryant, Director  
Internal Auditing

FROM: Melia Adams, Principal 

DATE: October 16, 2017

RE: Bellview Middle School Audit Findings Fiscal Year Ended 6/30/17

*OK  
V. Gibowski  
10/19/17*

Bellview Middle School respectfully submits its response to the following audit finding for Fiscal Year ending 6/30/17.

Audit finding: L2121 Accounts Payable account was not properly utilized as it relates to the timely recording of credit card purchases.

Finding response: The bookkeeper will utilize account L212 as the holding bucket so that credit card payments will be completed once a week instead of waiting until the end of the month regarding credit card purchases.

Thank you.

Cc: Vicki Gibowski, Director of Middle School Education  
School files

*OK  
DSB  
11/6/17*