



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

Office of Internal Auditing
September 2017

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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 Bellview 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, and various support personnel throughout the District for their cooperation and commitment.



Office of Internal Auditing
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Executive Summary

Bellview Elementary 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 Elementary School received a full audit. This report documents the results of the audit.

Our testing resulted in four 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 four audit findings:

- Deposits were not made in a timely manner.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Fundraiser Request/Reconciliation (FRR) forms were not completed properly.
- The Fundraising Log Sheet was not utilized.

The school's overall fund balance as of June 30, 2017 was \$21,066.38.

The overall fund balance reported by the school at June 30, 2017 was \$21,066.38. 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, Bellview 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.

Bellview Elementary School last received a full audit in the 2015-2016 fiscal year. There were two matters that rose to the level of audit findings. There were findings related to the proper completion of credit card forms and prior written approval for disbursements, which were determined to be addressed adequately during a subsequent follow-up audit.

The bookkeeper left the school and was replaced in the same school year.

The school has had the same principal in place since the previous audit. The school's previous bookkeeper left the school on March 28, 2017, and was replaced on April 17, 2017.

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.

No known conflicts of interest were identified.

Control Risk for Bellview Elementary School has been assessed at moderate.

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 and 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

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 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	\$ 17,719.10
Total Receipts	79,054.13
Total Disbursements	(52,532.82)
Total Net Journal Entries	(23,174.03)
Ending Cash Balance, 6/30/2017	\$ 21,066.38
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	\$ 21,066.38
Cash Balance per Confirmation(s)	\$ 21,165.99
Outstanding Deposits	-
Outstanding Checks	(99.61)
Other Reconciling Items	-
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	\$ 21,066.38

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.

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

Findings

Deposit Timeliness

Our testing indicated deposits were not made in a timely manner. The overwhelming majority of these deposits that were not deposited in a timely manner were related to the child care program.

Chapter 8, Section III, 1.4 of the State Board of Education Rules states, "Collections made outside of the school office must be turned in to the school office no later than the next business day...Any 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."

One finding related to deposit timeliness.

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

Section VI, A.4 of the Internal Funds Policy Manual states, "Collections from teachers must be turned in daily to the bookkeeper. Teachers who fail to turn in cash collected each day may be held personally liable for loss or theft."

This is a repeat audit finding from 2013-2014.

See our recommendation in the Recommendations section below.

Evidence of Receipt of Goods

Our testing indicated invoices/packing slips used as supporting documentation for disbursements 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 2013-2014.

See our recommendation in the Recommendations section below.

One finding related to improper completion of the FRR forms.

Fundraising Forms – Proper Completion

Our testing indicated that the school did not utilize a Fundraiser Request/Reconciliation (FRR) form for 5th Grade Hat Day and that an old version of the form was used for the bookfair.

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 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

One finding related to lack of utilizing a Fundraising Log Sheet.

to your account...Evaluate the success of your fundraising activity.”

See our recommendation in the Recommendations section below.

Fundraising Log Sheet

Our testing indicated that the school did not utilize a Fundraising Log Sheet.

Effective with the 2016-17 school year, the District implemented utilizing the Fundraising Log Sheet to document all fundraising activity and identify the occurrence of exempted events.

See our recommendation in the Recommendations section below.

Other Comments

Grant Tracking

Grant activity was recorded with non-grant activity.

Our testing indicated that no supporting documentation was available to determine whether any restrictions existed on an Exxon grant received by the school. A review of the general ledger indicated grant activity was recorded with non-grant activity.

See our recommendation in the Recommendations section below.

Opinion

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.

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 deposits.

Deposit Timeliness

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

Review and instruct staff on 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 procedure of documenting receipt of goods.**

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

Fundraising Request/Reconciliation Forms

In an effort to address this lack of properly completed Fundraising Request/Reconciliation forms, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with fundraising activities.**

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

Fundraising Log Sheet

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

In the future, track grant-related items separately from other sources.

Other

Grant Tracking

In an effort to address grant activity, **we recommend that additional care is given in the future to track grant-related items separately from other sources of activity.**

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

Management Response



Bellview Elementary School

"Empowering Learners, Impacting Futures!"

4425 Bellview Avenue
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(850) 941-6060 FAX (850) 941-6062

Mrs. Melissa Groff, Principal Mrs. Laura Carroll, Assistant Principal

TO: David J. Bryant, Director
Office of Internal Auditing

FROM: Melissa Groff, Principal
Bellview Elementary School

DATE: October 31, 2017

SUBJECT: Audit Findings for Fiscal Year Ending 6/30/17
Bellview Elementary School- Cost Center 0051

On September 20, 2017, I participated in the exit interview in reference to the internal funds audit at Bellview Elementary School. During the 2016-2017 school year, Bellview Elementary School had the transition of a new secretary, which has allowed us to review all systems in place and make adjustments accordingly.

Finding 1- Timeliness of Deposits

It was found that timeliness of deposits, specifically the account sponsor remitting collections to the bookkeeper was an issue. Upon further investigation, we learned that the after school program was receipting funds early in the week and not remitting collections to the bookkeeper on the same day. This issue will be resolved in the future by having a meeting with the after school program coordinator to discuss the expectations and scheduling periodic check ins between the bookkeeper and the after school coordinator.

Finding 2- Evidence of receipt of goods

The finding referenced a lack of documentation of quantity of goods received by initial and date. All deliveries to the school are delivered to the bookkeeper's office. Since most of our deliveries come from Amazon, there were often times not a packing slip. Our new secretary/bookkeeper, from this point forward, will be receiving items by utilizing a screenshot or printout of the invoice when a packing slip is not available, and receiving by quantity, initial, and date on this printout when needed.

Finding 3- Fundraising Activities- Properly completed form

The finding indicated that the fundraising form used for some of the fundraisers was an old form. We have created a folder with all necessary forms, which was given to teachers during their annual training related to financial information. All account sponsors have directions and are equipped with the proper materials to complete this task properly in the future.

Finding 4- Fundraising Activities- Fundraiser log not utilized

A fundraiser log was not being utilized and was not handed over to the new secretary/bookkeeper in the transition. Now that this was brought to our attention, the fundraising log is in use and is kept in a central location for all account sponsors and administration to access.

If you have any further questions, please do not hesitate to contact me.

OK DJB
11/6/17

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