



N.B. Cook 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 N.B. Cook 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

N.B. Cook 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, N.B. Cook 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.

Journal entries were processed by the Office of Internal Auditing.

There was a vacancy in the bookkeeper position for the months of May and June 2017, and the school required assistance to complete the processing of transactions. As District personnel were occupied by various matters at other schools, the Office of Internal Auditing assisted in the processing of said transactions. A total of thirty-three journal entries were made for the months of May and June 2017 prior to the close of the school's records, for a total dollar figure of \$59,102.77. The majority of these entries were related to the L2121 Accounts Payable account and monthly interest.

One additional adjusting journal entry was recommended.

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

- To transfer 2014-2015 coupon sales collections from the Charity Drives account to the General account.

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

Our testing resulted in six audit findings.

Our testing resulted in six audit findings:

- Bank reconciliations were not all completed timely.
- The A1117 NSF/Returned Checks account was not properly maintained.
- Purchases were made without prior written approval.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Fundraiser Request/Reconciliation Forms were not completed for certain events.
- The Fundraising Log Sheet did not contain all fundraising events.

The school's overall fund balance as of June 30, 2017 was \$64,481.52.

The overall fund balance reported by the school at June 30, 2017 was \$64,481.52. 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, N.B. Cook 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.

N.B. Cook Elementary School last received a full audit in the 2013-2014 fiscal year. There were 10 matters that rose to the level of audit findings. There were findings related to proper completion of the Fundraising Request/Reconciliation form, obtaining prior written approval for expenditures, the documentation of evidence of receipt of goods, obtaining superintendent approval for expenditures greater than or equal to \$7,500.00, proper completion of the Request Purchase Utilizing Credit Card (RPCard) form, timeliness of deposits, proper procedures for donation letters, proper utilization of budgeted funds, the propriety of journal entries, and properly completed Request for Purchase (RFP) forms, which were determined to be addressed adequately during a subsequent follow-up audit.

There were changes to both the principal and bookkeeper during the year under audit.

During the 2016-2017 fiscal year, the principal was replaced. The replacement was temporary (January through June) until the current principal started on July 1, 2017. The school’s previous bookkeeper retired on June 8, 2017, and was replaced in July of the following 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).

Ensuring Independence

An independence statement is completed for each school. This statement contains the signature of each auditor certifying that there are no conflicts

Steps have been taken to offset an identified conflict of interest.

of interest and that they are free from bias. As mentioned previously, the bookkeeper retired on June 8, 2017. In an effort to assist the District, that was assisting other schools in various matters, the Office of Internal Auditing completed the processing of journal entries for May and June. **We have implemented steps to offset an identified conflict of interest. The auditor responsible for the processing of school transactions has not been involved in the audit, and therefore will not be auditing their own work.**

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.

Control Risk for N.B. Cook Elementary School has been assessed at moderate.

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.

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 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	\$ 77,151.92
Total Receipts	94,110.70
Total Disbursements	(47,547.97)
Total Net Journal Entries	(59,233.13)
Ending Cash Balance, 6/30/2017	\$ 64,481.52
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	<u>\$ 64,481.52</u>
Cash Balance per Confirmation(s)	\$ 64,007.67
Outstanding Deposits	-
Outstanding Checks	(158.62)
Other Reconciling Items	632.47
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	<u>\$ 64,481.52</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

Thirty-three journal entries were processed for the months of May and June 2017.

financial information, unless otherwise indicated.

The Office of Internal Auditing assisted in processing transactions for the months of May and June 2017, as the bookkeeper retired on June 8, 2017. As District personnel were occupied by various matters at other schools, the Office of Internal Auditing assisted in the processing of said transactions. A total of thirty-three journal entries were made for the months of May and June 2017 prior to the close of the school's records, for a total dollar figure of \$59,102.77. These entries were mostly related to the L2121 Accounts Payable account and monthly interest.

One additional adjusting entry was recommended.

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

To transfer 2014-2015 coupon sales collections from the F6044 Charity Drives account to the G7000 General account.

After fieldwork, but prior to the issuance of this report, the school implemented our recommendation to process the journal entry mentioned above.

One finding related to the timeliness of bank reconciliations.

Findings

Bank Reconciliations - Timeliness

Our testing indicated that four of 12 bank reconciliations were not completed timely.

The Internal Funds Policy Manual gives specific guidelines regarding the reconciliations of bank statements. 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 not properly maintaining the NSF/Returned Checks account.

NSF/Returned Checks - Proper Procedures

Our testing indicated that the A1117 NSF/Returned Checks account has not been properly maintained, as there has been carryover from several prior years into the current year.

The Internal Funds Policy Manual gives specific guidelines for the handling of returned checks. Section VII, D(1) of the Manual states, "If all efforts have been made to collect restitution for a returned check and all attempts have been unsuccessful, the check will need to be written off as bad debt."

See our recommendation in the Recommendations section below.

One finding related to lack of prior written approval for expenditures.

Prior Written Approval

Our testing indicated purchases were made prior to the principal's written approval date, as evidenced on the approval forms for expenditure requests.

This is a repeat audit finding from 2013-2014 and 2010-2011.

The Internal Funds Policy Manual gives specific guidelines regarding the prior approval of purchases. Section VIII, A of the Manual states, "All disbursements require **prior written** approval of the Principal or his/her designated representative. 'Prior written approval' may consist of a properly completed Purchase Requisition/Request for Purchase Order. This must be done **BEFORE** the item is ordered and funds are obligated." In the case of credit card purchases, the Request Purchase Utilizing Purchasing Card approval form should be used.

See our recommendation 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.

This is a repeat audit finding from 2013-2014.

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 FRR forms not utilized.

Fundraising Forms - Proper Completion

Our testing indicated fundraising activities whereby the Fundraiser Request/Reconciliation (FRR) forms were not utilized.

This is a repeat audit finding from 2013-2014.

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

One finding related to the improper completion of the Fundraising Log.

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

See our recommendation in the Recommendations section below.

Fundraising Log Sheet - Proper Completion

Our testing indicated that the Fundraising Log did not contain all fundraising events.

Effective with the 2016-2017 school year, the District implemented utilizing the Fundraiser Log Sheet to document all fundraising activity and identify the occurrence of any exempted events.

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.

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

Review and instruct staff on policies and procedures related to timely reconciliation of bank statements.

Select a specific day of the month to ensure reconciliations are completed timely.

Work with District personnel to determine appropriate corrective actions for the NSF/Returned Checks account.

Review and instruct staff on policies and procedures related to prior written approval for expenditure requests.

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

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

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

Bank Reconciliations - Timeliness

In an effort to address the timely completion of bank reconciliations, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to the reconciliation of bank statements.**

We also recommend the principal select a specific day of the month to ensure bank accounts are reconciled in a timely manner.

NSF/Returned Checks - Proper Procedures

In an effort to address the improper maintenance of the A1117 NSF/Returned Checks account, **we recommend the bookkeeper work with District personnel to determine the appropriate actions to be taken.**

Prior Written Approval

In an effort to address purchases made prior to receiving written approval from the principal/designee, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures of obtaining prior written approval for expenditures.**

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.**

Fundraising Request/Reconciliation Forms

In an effort to address the lack of utilizing the 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.**

Fundraising Log Sheet

In an effort to address the proper completion of the Fundraising Log Sheet, **we recommend the principal and the bookkeeper review the Fundraising Log Sheet, the Manual, and the Fundraising Guidelines, and**

instruct staff on the proper completion of the Fundraising Log Sheet.

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

Management Response



N. B. COOK ELEMENTARY
SCHOOL OF THE ARTS
ARTS BASED ON ACADEMICS

LARRY KNIGHT
PRINCIPAL
JENNIFER COLLINS
ASSISTANT PRINCIPAL

To: David Bryant, Director
Office of Internal Auditing

From: Larry Knight, Principal 
N.B. Cook Elementary School

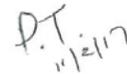
Date: November 2, 2017

This memo is in response to the audit findings for the fiscal year ending June 30, 2017. I am the new principal at N.B. Cook. The school secretary is new to N.B. Cook as well. Therefore, neither of us were present during the year of these findings and cannot explain why the audit findings occurred. However, please find my response to the findings describing how we will address these issues in the statements below:

- I. Bank Reconciliations-Timeliness: I have met with the bookkeeper and we have agreed that bank statements will be on my desk within forty-eight hours of receipt in order for them to be reconciled.
- II. NSF Checks-Proper procedures: Assistance from district personnel has been requested to resolve this finding.
- III. Disbursements-Receipt of Goods Evidence: All packages received will be checked by the school secretary prior to disbursement of the goods.
- IV. Disbursements-Prior Written Approval: Procedures for internal funds expenditures are listed in our school's faculty and staff handbook. These procedures were also reviewed with our faculty and staff during our preschool week.
- V. Fundraising Activities-Properly Completed Form: Procedures for fundraisers have been outlined in our school's faculty and staff handbook. These procedures were also reviewed with faculty and staff during our preschool week. All fundraising activities require prior approval by the principal or assistant principal.
- VI. Fundraising Activities-Log Properly Completed: Procedures for fundraisers have been outlined in our school faculty and staff handbook. These procedures were also reviewed with faculty and staff during our preschool week. The bookkeeper has been trained on properly maintaining the log. This log will be monitored at the completion of each fundraiser.

As principal, I understand the importance of monitoring and maintaining our records for our internal funds and will be sure that we are following district guidelines. Please let me know if further information is needed.

 OSB
11/2/17


P.T.
11/2/17

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