



**Pine Forest High School**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2017*

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Office of Internal Auditing  
September 2017

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*Director – Internal Auditing*

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## 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 Pine Forest 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, secretaries, and various support personnel throughout the District for their cooperation and commitment.



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## Executive Summary

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**Pine Forest High 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, Pine Forest 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.

**Two adjusting journal entries were recommended.**

Our audit procedures indicated matters that required adjustment of the school's records. Two journal entries were necessary:

- To transfer the carryover balance from the prior year in the Reimbursable by District account.
- To transfer the remaining balance of two Graduated Seniors accounts to the General account.

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

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

Our testing resulted in four audit findings:

- Disbursements/expenditures lacked initials and dates on receiving slips or invoices as evidence of receipt of goods.
- The L2121 Accounts Payable account was not properly utilized as it relates to the timely recording of credit card purchases.
- Fundraiser Log was not properly maintained.
- The Monthly Log Report was not properly maintained.

**The school's overall fund balance as of June 30, 2017 was \$193,918.87.**

The overall fund balance reported by the school at June 30, 2017 was \$193,918.87. 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, Pine Forest High 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.

Pine Forest High School last received a full audit in the 2014-2015 fiscal year. There were two matters that rose to the level of audit findings. There were findings related to the documentation of evidence of receipt of goods and the proper maintenance of the monthly log report, which were determined to be addressed adequately during a subsequent follow-up audit.

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

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

## Objective

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The purpose of our audit was to determine whether the financial information contained in the internal accounts reconciles with bank statements and corresponding independent bank confirmations, and to determine compliance of transactions included in those same internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. We also sought to determine whether any instances of non-compliance were severe enough to render the financial information unreliable.

We have conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal 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.**

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

### **Control Risk Assessment**

At the beginning of each audit, the two prior audits and work papers, as well as any follow-up audits, are reviewed. We also determine whether there have been any significant personnel changes (i.e., principal, 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 Pine Forest High 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.

**For our purposes, exceptions of greater than or equal to 20% of the total population may exist before an audit finding is issued.**

### **Transactional Samples**

Statistical sampling for attributes has been chosen. This method allows conclusions to be drawn about the population based on statistical inference. If after testing we determine the sample does not provide adequate coverage of the total population, auditor judgment and discussion with the Director of Internal Auditing are used to determine whether additional sampling methodologies are necessary (judgmental sampling, whole population, etc.).

### The Fieldwork Phase

The fieldwork phase involves transactional testing of the school's internal accounts. The items in each of our samples are tested for compliance with applicable Florida Statutes, State Board of Education Rules, Board Policies, contract terms and conditions, and grantor restrictions.

While performing our testing, a percentage of transactions is allowed to contain compliance violations before it is determined to be an audit finding. For our purposes, an audit finding is a recurring issue that is present in greater than or equal to 20% of the sample. In addition, due to seriousness or materiality, a single compliance violation could also result in an audit finding.

Upon the completion of fieldwork, exit conferences to discuss the results of the audit are conducted with principals and secretaries/bookkeepers, if necessary.

### The Reporting Phase

Upon the completion of the planning and fieldwork phases of an audit, the results of those phases are compiled into an easily readable and understandable format (i.e., the audit report). The report is presented to, and approved by, the Audit Committee and the School Board at the end of each audit cycle.

Financial information from full audits is combined with information from limited audits and compiled into a District-Wide Report on Internal Accounts.

## Detailed Results

<b>Summary of Fund Activity</b>	
Beginning Cash Balance, 7/1/2016	\$ 147,437.07
Total Receipts	347,815.51
Total Disbursements	(125,033.27)
Total Net Journal Entries	(176,300.44)
Ending Cash Balance, 6/30/2017	\$ 193,918.87
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	<u>\$ 193,918.87</u>
Cash Balance per Confirmation(s)	\$ 196,462.04
Outstanding Deposits	-
Outstanding Checks	(3,268.17)
Other Reconciling Items	725.00
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	<u>\$ 193,918.87</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.

As a result of our fieldwork, two additional adjusting journal entries were recommended:

To transfer the remaining balances in the C3150.000 and C3150.001 Senior accounts, we recommend a journal entry be processed for \$3,156.94.

To transfer the remaining balance in the F6255 Reimbursable by District account created by a carryover balance from the prior year, we recommend a journal entry be processed for \$324.39.

**After fieldwork, but prior to the issuance of this report, the school implemented our recommendations to process all journal entries mentioned above.**

**Two adjusting journal entries were recommended.**

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

Findings

*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 2014-2015.

See our recommendation in the Recommendations section below.

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

*L2121 Account – Proper Utilization*

Our testing indicated the L2121 Accounts Payable was utilized, but not properly. Purchases made with the Wal-Mart credit card were recorded at the time of payment of the statement, rather than at the time of each individual purchase or weekly.

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.

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

*Fundraising Log Sheet - Proper Completion*

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

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.

**One finding related to the improper completion of the Monthly Log Report.**

*Monthly Log Report – Proper Completion*

Our testing indicated the Monthly Log Report was not properly completed as evidence of the teachers/sponsors receiving a monthly general ledger printout (account ledger report) of their account activity. Some accounts lacked initials for all months.

The Internal Funds Policy Manual provides specific guidelines to be followed for the receipt of monies. As an internal control, at the end of each month, the secretary/bookkeeper is to provide a general ledger of each account to the account sponsors. These reports give the opportunity for those remitting monies to review their accounts on a timely basis for any discrepancies or posting errors. As evidence of this procedure, the account sponsor is to initial a Monthly Log Report.

This is a repeat audit finding from 2014-2015.

See our recommendation in the Recommendations section below.

Other Comments

*Supporting Documentation – other*

**Security personnel working at school sponsored events lacked District employee identification.**

Our testing indicated an absence of District employee identification for security personnel providing services for school sponsored events.

See our recommendation in the Recommendations section below.

**Principal sponsored accounts missing from Monthly Log Report.**

*Monthly Log Report – principal accounts*

Our testing indicated the accounts sponsored by the principal were missing from the Monthly Log Report. The principal verified that a detailed account ledger report of all of her accounts were provided on a monthly basis for review.

See our recommendation in the Recommendations section below.

## Opinion

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Our opinion is divided into two major areas: whether or not the financial information reported by the school reconciles with corresponding bank statements and independent bank confirmations; and an assessment of the compliance of transactions included in the internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. An overall assessment is also made as to whether any instances of non-compliance were severe enough to render the financial information unreliable. We believe our audit provides a reasonable basis for our opinion, findings, and

**The financial information reconciled with bank statements and independent confirmations.**

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

recommendations.

We have determined that the financial information reported reconciles with bank statements and independent bank confirmations.

In our opinion, the majority of transactions included in the school's internal accounts were processed in accordance with all applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board.

We have also determined that the instances of non-compliance noted above and elsewhere in this report do not have a material effect and are not severe enough to render the financial information unreliable.

## Recommendations

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**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 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 all credit card purchases.**

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

### Fundraising Log Sheet

In an effort to address the proper completion of the Fundraising Log, **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.**

**Review and instruct staff on policies and procedures related to the Monthly Log Report.**

### Monthly Log Report

In an effort to address the proper completion of the Monthly Log Report, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of the Monthly Log Report.**

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

**Include employee declaration statement for event workers.**

Other

*Supporting Documentation – other*

In an effort to address the lack of District employee identification for security personnel, as well as ticket takers/sellers, **we recommend revising the internal form to include a declaration statement of “I am not a District Employee” for the user to notate.**

Note: We provided the bookkeeper with sample copies of forms used at other schools. The bookkeeper has added the declaration statement to the school’s internal form.

**Include principal sponsored accounts on the Monthly Log Repot.**

*Monthly Log Report – principal accounts*

In an effort to address the absence of all accounts, specifically principal sponsored accounts, from the Monthly Log Report, **we recommend that all principal sponsored accounts be included in the Monthly Log Report for the principal to initial upon receipt. It is acceptable to group the principal accounts together on the Monthly Log Report for convenience of initialing.**

# Management Response

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**Laura Touchstone, Principal**

Jeff Elliott, Assistant Principal  
Bryan Freeman, Assistant Principal

## Memorandum

To: David Bryant, Director of Internal Auditing  
From: Laura Touchstone, Principal   
Re: Audit Findings for 2016-2017  
Date: October 30, 2017

The following are my responses to the findings that were presented on October 19, 2017, that is highlighted in the Audit Findings Report for the fiscal year ending on June 30, 2017.

### **Finding: Evidence of Receipt of Goods**

Condition: 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.

School Action: The Internal Funds Policy Manual will be reviewed by the principal and bookkeeper. The principal will instruct the staff of the proper procedure for documenting receipt of goods.

Bookkeeper Action: This finding was due to a lack of understanding regarding this policy as it pertains to Warehouse Orders. Immediately following the exit conference, the bookkeeper consulted with the principal's secretary and school secretary to discuss the finding and the policy regarding proof of receipt for all Internal Account Warehouse Orders. Moving forward, the principal's secretary and school secretary will ensure the bookkeeper receives a copy of the packing slip, including a signature and date, documenting the receipt of the items ordered.

### **Finding: L2121 Account – Proper Utilization**

Condition: Our testing indicated the L2121 Accounts Payable was utilized but not properly. Purchases made with the Wal-Mart credit card were recorded at the time of payment of the statement, rather than at the time of each individual purchase or weekly.

School Action: The principal and bookkeeper will review the Internal Funds Policy Manual regarding the proper procedures for accounting for all credit card purchases.

## Management Response (Continued)

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**Bookkeeper Action:** The recommendation has already been implemented for all processes necessary to pay the October Walmart bill as suggested by the auditors in the exit conference. Moving forward, these actions will continue for all future Walmart transactions and payments.

**Finding: Fundraising Log Sheet – Proper Completion**

**Condition:** Our testing indicated that the Fundraising Log did not contain all fundraising events for the school year.

**School Action:** The principal and bookkeeper will review the Fundraising Log Sheet, Manual, and Fundraising Guidelines. The principal will instruct the staff on the proper completion of the Fundraising Log Sheet.

**Bookkeeper Action:** Previously, fundraisers were added to the log as they concluded and monies were deposited. As recommended at the exit conference, information is currently being added to the Fundraiser Log as the fundraisers are approved or at the latest on a weekly basis. Moving forward, the bookkeeper will continue this practice to ensure the Fundraiser Log is accurate and up to date.

**Finding: Monthly Log Report – Proper Completion**

**Condition:** Our testing indicated the Monthly Log Report was not properly completed as evidence of the teachers/sponsors receiving a monthly general ledger printout (account ledger report) of their account activity. Some accounts lacked initials for all months.

**School Action:** The principal will meet with all account sponsors to reiterate the importance of maintaining the monthly log reports. The bookkeeper will copy the administrators on email communications sent to account sponsors. The administrators will intervene as needed and document the lack of maintenance on the teacher's evaluation. The Monthly Log Report will be printed and posted in a visible location in the bookkeeper's office so that it is a visual reminder for all club sponsors and the bookkeeper.

**Bookkeeper Action:** In addition to the initial email reminder regarding Account Snapshot Reports being placed in teacher/sponsor boxes, those who do not come by within a week to sign off on the Monthly Log Report will receive a follow up email that will be copied to the principal. The bookkeeper has strategically placed the Monthly Log Report on her desk so it is visible to all account holders. Moving forward, these continued practices will ensure more accurate documentation in a timely fashion.

As the principal of Pine Forest High School, I fully understand the importance of adhering to all district policies and procedures regarding internal funds. The priority is and will be to implement corrective actions that will resolve all audit findings.

OK OJB  
11/6/17