



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

Office of Internal Auditing
September 2017

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

Audit Team:
Michèle Kiker, CFE, CGAP, CRMA
Senior Auditor

Mark Helmus
Auditing Intern

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 Sherwood Elementary 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.



Office of Internal Auditing
Escambia County School District
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Executive Summary

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

Our testing resulted in three 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 three audit findings:

- Disbursements/expenditures lacked initials and dates on receiving slips or invoices as evidence of receipt of goods.
- Donation letters did not contain the proper language.
- Fundraising Request/Reconciliation Form was not utilized for all fundraising events.

The school's overall fund balance as of June 30, 2017 was \$15,420.20.

The overall fund balance reported by the school at June 30, 2017 was \$15,420.20. 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, Sherwood 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.

Sherwood Elementary last received a full audit in the 2013-2014 fiscal year. There was one matter that rose to the level of audit finding. There was a finding related to the proper language not being present in all donation request letters.

The principal transferred to N.B. Cook Elementary at year-end

The school's previous principal transferred to N.B. Cook Elementary on June 30, 2017 and was replaced by the current principal at the start of the

and was replaced in the next school year.

next school year. The school's bookkeeper has been in place at the same school for several years.

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 of interest and that they are free from bias. **No known conflicts were identified.**

Control Risk Assessment

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

Each school’s bookkeeper and principal are given internal control questionnaires to complete prior to their audit beginning. We review the responses, and discuss any items of concern with the appropriate staff. These questionnaires represent only a portion of our assessment of the overall control environment.

Based on our experience with the school, control risk is assessed at moderate. Therefore, our audit procedures are limited to those in the audit program. If control risk is assessed at a level higher than moderate, additional procedures may be performed.

Transactional Samples

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

The Fieldwork Phase

The fieldwork phase involves transactional testing of the school’s internal

No known conflicts of interest were identified.

Control Risk for Sherwood Elementary 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.

accounts. The items in each of our samples are tested for compliance with applicable Florida Statutes, State Board of Education Rules, Board Policies, contract terms and conditions, and grantor restrictions.

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

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

The Reporting Phase

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

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

Detailed Results

Summary of Fund Activity	
Beginning Cash Balance, 7/1/2016	\$ 17,290.21
Total Receipts	33,170.76
Total Disbursements	35,040.77
Ending Cash Balance, 6/30/2017	\$ 15,420.20
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	<u>\$ 15,420.20</u>
Cash Balance per Confirmation(s)	\$ 15,480.24
Outstanding Deposits	-
Outstanding Checks	\$ (60.04)
Other Reconciling Items	-
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	<u>\$ 15,420.20</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 included in the reported June 30 financial information, unless otherwise indicated.

No adjusting journal entries were recommended.

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

Findings

Evidence of Receipt of Goods

One finding related to lack of 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,

One finding related to lack of proper language in donation request letters.

“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.

Donation Request Letters

Our testing indicated a donation request letter did not contain the required language for the collection of the field trip monies. Due to the sensitivity of the matter, any donation request letter found which omits the required wording of “voluntary” and “no student will be prevented from participating” (or intent of such) will result in an audit finding.

The Internal Funds Policy Manual provides specific guidelines regarding donation requests. Section XIV, A of the Manual states, “No student may be charged a fee as a condition of enrollment in a class leading towards graduation.” Fees and other charges may be applied to a few programs or activities as listed in the manual. In addition, Section XIV, C of the Manual states, “Schools are authorized to solicit donations from parents and the general public to supplement the normal curricular activities provided by the District. It should be made clear that such solicitations are strictly voluntary and no student will be prevented from participating in an activity if their parents choose not to contribute. However, you may remind students and parents that the lack of donations can, and most likely will, limit or eliminate some activities later in the term when funds for the class have been exhausted.”

Note: This is a repeat audit finding from 2013-2014.

See our recommendation in the Recommendations section below.

One finding related to lack of fundraising forms for all activities.

Fundraising Activities – Request/Reconciliation Form

Our testing indicated that the school did not utilize the Fundraiser Request/Reconciliation Form for two fundraising activities tested. The same two fundraising activities were not included on the Fundraiser Log Sheet.

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

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 recommendations in the Recommendations sections below.

Opinion

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

The financial information reconciled with bank statements and independent confirmations.

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

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

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

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

Recommendations

Review and instruct staff on policies and procedures related 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 use of proper language in donation request letters.

Donation Request Letters

In an effort to address the proper language included in donation request letters, **we recommend that the principal review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with donation request letters. We also recommend that the principal ensure that all donation request letters distributed contain the appropriate language. Sample letters are included in Appendix A of the Internal Funds Policy Manual.**

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

Fundraising Activities – Fundraiser Request/Reconciliation Form

In an effort to address the failure of utilizing the Fundraiser Request/Reconciliation Form and the Fundraiser Log Sheet, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with fundraising activities.**

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

Management Response



Sherwood Elementary School
501 Cherokee Trail
Pensacola, FL 32506
Ph: 453-7420 Fax: 453-7466

Kristen Danley,
Principal
Sunday Tindell,
Assistant Principal
David Vaughn,
Curriculum Coordinator

October 5, 2017

Dear Mr. Bryant,

After meeting with Mrs. Kiker, reviewing the Internal Funds Policy Manual, and reviewing the audit findings; I do feel these items should not be an issue moving forward. As the incoming new principal of Sherwood Elementary this year, I held a faculty meeting at the beginning of the school year to go over procedures that addressed these findings.

2016-2017 Findings/Solutions

1. **Receipt of Goods** - I feel this violation might have occurred when our Secretary was out and other personnel were not aware of the procedure. To prevent this from occurring again, we have set up one point of contact for documenting receipt of goods. I also discussed this procedure with all faculty members during the beginning of the year faculty meeting.
2. **Donation Request Letters** - I feel teachers lacked an example of the proper language that must be included in donation letters. As an incoming new principal, I held a faculty meeting that went over proper guidelines that included a master letter in their faculty handbook with specific language required for donation letters. The Secretary is the only one that can place the letter on letterhead allowing her to double check that language before the letter is printed.
3. **Fundraising Activities - Fundraiser Request/Reconciliation Form** - I feel teachers were not properly trained in the procedures for fundraiser requests/reconciliation forms. This was also covered in our beginning of the year faculty meeting and faculty were provided examples in their faculty handbook of the steps and forms that are necessary.

Sherwood Elementary School is committed to properly monitoring and processing all financial responsibilities throughout the year. Even though we covered these items in our beginning of the year faculty meeting and provided examples in our faculty handbook, I will have our Secretary review them at faculty meetings throughout the year.

Sincerely,


Kristen Danley

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10/5/17