Agenda Item Details

Meeting	Feb 20, 2024 - REGULAR MEETING AGENDA (5:30 PM)
Category	44. Internal Auditing
Subject	B. School Internal Accounts Audit Reports
Access	Public
Type	Action, Reports
Fiscal Impact	No
Budgeted	No
Recommended Action	Acceptance of the school internal accounts audit reports.

Public Content

Each year, we audit the internal accounts of the schools. As part of this process, a sample of schools receive audits with full procedures (financial and compliance), with the remaining schools receiving audits with limited procedures. Audits receiving full procedures are presented to the Board individually. Audits receiving limited procedures are included in the District-wide report. All audited schools are then combined into a District-wide audit report on schools internal accounts. These reports have been presented to and accepted by the Audit Committee, a standing committee of the Board. The reports are being presented to the Board for their review and entry into the minutes.

School Internal Accounts Audits - Elementary.pdf (10,725 KB)

School Internal Accounts Audits - Middle.pdf (1,359 KB)

School Internal Accounts Audits - High.pdf (2,112 KB)

School Internal Accounts Audits - Centers.pdf (1,749 KB)

Workflow

Workflow	Feb 7, 2024 3:36 PM :: Submitted by David Bryant. Routed to David Bryant for approval. Feb 7, 2024 3:36 PM :: Final approval by David Bryant

Motion & Voting

Acceptance of the school internal accounts audit reports.

Motion by Paul Fetsko, second by Bill Slayton.
Final Resolution: Motion Carries
Yes: Kevin Adams, Paul Fetsko, David Williams, Patty Hightower, Bill Slayton

Last Modified by Holley DeWees on February 20, 2024

Escambia County
PUBLIC SCHOOLS

Success Academy

Audit of School Internal Accounts
For the year ended June 30, 2023

Office of Internal Auditing
September 2023

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

Audit Team:
McKenzie Lane
Senior Auditor

Jeanne Pilgrim
Audit Administration Specialist

Aaron Hirst
Audit 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 Success Academy 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.

Executive Summary

Our office audits the internal accounts of the District's schools annually. The authority to conduct these audits is granted by the School Board of Escambia County in 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 2022-2023 fiscal year, Success Academy received a full audit. This report documents the results of the audit.

Success Academy received a full audit for the 2022-2023 fiscal year.

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 correct the improper posting of Vending Commissions to the General account.
- To transfer the remaining balance of the Graduating class account to the General account.

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

Minor instances of non-compliance are documented in the audit field notes.

We noted some minor instances of violation of Board Policies and Florida Statutes. These matters were documented and provided to the principal and bookkeeper.

Two audit findings were issued.

Our testing resulted in two audit findings:

- There was no evidence of receipt of goods verification on items shipped to the school.
- The signing-in/out of credit cards was not properly completed.

The school's overall fund balance as of June 30, 2023 was $1,260.80.

The overall fund balance reported by the school at June 30, 2023 was $1,260.80. 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 by the School Board of Escambia County in 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 2022-2023 fiscal year, Success Academy received a full audit.

Outside support organizations are <u>not</u>

Outside support organizations (school booster clubs and parent teacher associations) affiliated with this school that operate independent of a

included in this report and are not audited by our office.

school's internal accounts **are not included** in this report and **are not audited** by the Office of Internal Auditing.

Success Academy last received a full audit in the 2021-2022 fiscal year. There were three matters that rose to the level of audit findings. There were findings related to the documentation of evidence of receipt of goods, proper completion of the Request Purchase Utilizing Purchasing Card form, and prior written approval for disbursements.

School Administration has been consistent for several years.

The school has had the same principal and bookkeeper in place since the previous audit. The current bookkeeper retired during June 2023 and was replaced at the beginning of the next 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 believe our audit provides a reasonable basis for our opinion, findings, and recommendations.

Scope

Florida Statute 1011.07 states that the School Board is responsible for the administration and control of school's internal accounts. The Redbook requires school boards to provide for an annual audit of those accounts. Pursuant to this rule, we have audited the financial transactions of the internal accounts of the District's schools as of and for the fiscal year ended June 30, 2023. These accounts are the responsibility of the individual principals at each school. Oversight of these accounts and the annual financial statements are the responsibility of District management.

Methodology

Based on a rotating audit schedule, each year District schools receive either a "full" audit (including extensive testing of transactions), 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 year ended June 30, 2023, 28 schools were selected for "full" audits.

The audit consists of three phases: planning, fieldwork, and reporting.

Each individual school audit consists of three phases: planning, fieldwork, and reporting.

The planning phase includes steps taken by the auditor to familiarize himself or herself with the school, and to determine their approach to the audit. 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.** 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.

No known conflicts of interest were identified.
Control risk for Success Academy has been assessed at moderate.

The fieldwork phase involves the application of testing procedures to the financial records of the school. 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.

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

Finally, the reporting phase consists of communicating the results of the audit to the relevant parties in an easily readable and understandable format. Each phase consists of specific steps taken to ensure an audit is done in accordance with professional standards and currently accepted practices. 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, 7/1/2022	$	2,350.24
Total Receipts		3,486.26
Total Disbursements		(1,169.89)
Total Net Journal Entries		(3,405.81)
Ending Cash Balance, 6/30/2023	$	1,260.80
Audit Adjustments		-
Ending Fund Balance, 6/30/2023, Per Skyward	$	1,260.80
Cash Balance per Confirmation(s)	$	1,260.80
Outstanding Deposits		-
Outstanding Checks		-
Other Reconciling Items		-
Ending Fund Balance, 6/30/2023, Per Confirmation(s)	$	1,260.80

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.

Two adjusting journal entries were recommended.

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

- To correct the improper posting of Vending Commissions to the Graduating account, we recommended a journal entry be processed for $310.00.
- To transfer the remaining balance of the Graduating class account to the General account, we recommended a journal entry be processed for $15.29.

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

Minor instances of non-compliance are documented in the audit field notes.

During our fieldwork, we noted minor instances of non-compliance, which are not included in this report. We documented these matters

in our audit field notes, which were provided to the bookkeeper and principal.

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 and 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 2021-2022.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for expenditures. Section VIII, D.4, (e) 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.

Credit Card Sign-in/out Log

One finding related to the documentation of the credit card sign-in/out log.

Our testing indicated the documentation of the signing-in/out of credit cards (purchase cards) was not properly completed.

The Internal Funds Policy Manual gives specific guidelines for the documentation of signing-in/out credit cards (purchase cards). Section VIII, E.2(d) of the Manual states, "Cardholders cannot check out the credit card until all approvals have been given in writing. Once all paperwork has been approved and signed then the cardholder can sign out the P-Card from the Card Manager." Section VIII, E.2(i) states, "Purchase Cards must be locked up by the card manager. When a purchasing request has been approved, the card will be signed out to the cardholder and must be signed back in within 2 days after the purchase date, unless prior approval has been given by the Principal to keep the card for an extended period of time due to a particular purpose. An example would be a P-Card is needed for out of county travel or in county travel that extends past the school hours of Friday and into the weekend or until Cardholder returns from the trip. **(The card should not be checked out for the entire school year, but rather for each purchase.)**"

See our recommendation in the Recommendations section below.

Opinion

	Our responsibility is to express an opinion on the compliance of the transactions included in the accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board, and to determine if the schools' financial records reconcile with corresponding bank statements and independent bank confirmations. During our evaluation, we also assessed the adequacy and effectiveness of the schools' system of internal controls.
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 schools' internal accounts where a full audit was performed were generally consistent with applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. In addition, we determined the schools' financial records reconcile with bank statements and independent bank confirmations.
The financial information reconciled with bank statements and independent confirmations.	We determined the internal controls established by the District appear comprehensive, adequate, and effective. During our audit, we did become aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and/or assuring compliance with applicable laws, rules, regulations, policies and/or procedures. These matters are communicated in the Detailed Results section. 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.	<u>Receipt of Goods</u> In an effort to address the lack of proper evidence for 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 the policies and procedures related to the documentation of the credit card sign-in/out log.	<u>Credit Card Sign-in/out Log</u> In an effort to address the documentation of credit cards being signed-in/out, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to the use of the credit cards.**

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

Management Response

Success Academy

Second Chance

Mrs. Dawn Gibbs, Principal — David Joiner, Assistant Principal

Dec. 13, 2023

Dear Mr. David Bryant,

We had two findings during our internal audit process that we would like to address from our Exit Conference.

- Sign-in/out of credit cards not properly completed
- Expenditures-Receipt of Goods Evidence

* The expenditure receipt was a repeat finding from the previous year. This year there was only one receipt without the received documentation. We have developed a process for receiving items shipped to the school and should have this rectified for the current year. With regard to the signing in/out of credit cards we know that this is the appropriate process and we have been abiding by it. I know that I signed in and out my card each time I used it, but our audit fell between a staff change and for some reason the sign-in/out form that I had used was not found. We continue to use the process as directed and will make sure that we have additional copies of these records before they are sent out. I understand the importance of maintaining accurate and timely records within the internal budget and I am confident the new procedures will result in improved audit reports for Success Academy. If I can be of further assistance, please don't hesitate to contact me at 850-941-6100.

Sincerely,

Dawn Gibbs
Principal

12/14/23

* 7 items tested
6 did not have receipt of good documentation (85.71%)

DJB
12/18/23