APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

DEC 15 2020

DR. TIMOTHY A. SMITH, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

Bellview Middle School

Audit of School Internal Accounts
For the Year Ended June 30, 2020

Office of Internal Auditing
October 2020

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

Audit Team:
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Senior Auditor

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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of Bellview Middle 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.

Office of Internal Auditing
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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 2019-2020 fiscal year, Bellview Middle School (Bellview) received a full audit. This report documents the results of the audit.

Bellview received a full audit for the 2019-2020 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 record unrecorded interest for the school's CD.
- To transfer the remaining balance of the Promotions & Public Relations account to the General account.

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

Our testing resulted in 4 audit findings.

Our testing resulted in 4 audit findings:

- Request Purchase Utilizing Purchasing Card forms were not properly completed.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Fundraiser Request/Reconciliation Forms were not properly completed, or utilized at all.
- The Ticket Inventory Log was not properly maintained.

The school's overall fund balance as of June 30, 2020 was $49,164.40.

The overall fund balance reported by the school at June 30, 2020 was $49,164.40. 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 2019-2020 fiscal year, Bellview received a full audit.

Outside support organizations are <u>not</u> included in this report and are <u>not</u> 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 **<u>are not included</u>** in this report and **<u>are not audited</u>** by the Office of Internal Auditing.

Bellview last received a full audit in the 2018-2019 fiscal year. There were two matters that rose to the level of audit findings. There were findings related to the proper completion of the Request Purchase Utilizing Purchasing Card form, and proper recording of receipts, which were determined to be addressed adequately during a subsequent follow-up

audit.

The bookkeeper retired and was replaced during the school year.

The school has had the same principal in place since the previous audit. The school's previous bookkeeper retired on December 20, 2019, and was replaced on January 27, 2020.

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 Auditing, 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

The State Board of Education Redbook, Chapter 8, Section I, 1(b) states that the District 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, 2020. These accounts are the responsibility of the principal of that school.

Methodology

The audit consists of 3 phases: planning, fieldwork, and reporting.

Each audit consists of 3 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 2 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 Bellview 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 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, 7/1/2019	$	43,190.79
Total Receipts		43,411.72
Total Disbursements		(17,049.21)
Total Net Journal Entries		(20,388.90)
Ending Cash Balance, 6/30/2020	$	49,164.40
Audit Adjustments		-
Ending Fund Balance, 6/30/2020, Per Skyward	$	49,164.40
Cash Balance per Confirmation(s)	$	49,395.21
Outstanding Deposits		-
Outstanding Checks		(229.00)
Other Reconciling Items		(1.81)
Ending Fund Balance, 6/30/2020, Per Confirmation(s)	$	49,164.40

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, 2 additional adjusting journal entries were recommended:

- To record unrecorded interest related to the A1118 investment account, we recommended a journal entry be processed for $1.81.
- To transfer the remaining balance in the G7200 Promotions & Public Relations account, we recommended a journal entry be processed for $1,000.00.

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 improper completion of purchasing card forms.

Findings

Request Purchase Utilizing Purchasing Card forms

Our testing indicated Request Purchase Utilizing Purchasing Card forms were not properly completed.

This is a repeat audit finding from 2018-2019.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for internal funds credit card purchases. Section VIII, E.2 (b) of the Manual states, "All purchases must be listed on the Request Purchase Utilizing Purchasing Card form and approved by the Principal prior to the purchase...If another person is making an order over the internet or phone then the 'Authorization to Assign to Another Person to Make this Purchase' section must be filled out and signed by the cardholder; this is for one vendor at a time only."

In addition, Section VIII, E.2 (C) of the Manual states, "It is acceptable to list either the account name or account number on the 'Purchase Requisition/Request Utilizing the P-Card Form.'"

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 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 2017-2018.

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 improper completion of the FRR forms.

Fundraiser Request/Reconciliation Forms – Proper Completion
Our testing indicated Fundraiser Request/Reconciliation (FRR) forms were not properly completed or present.

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."

See our recommendation in the Recommendations section below.

One finding related to lack of maintaining the Ticket Inventory Log.

Ticket Inventory Log
During our audit, we reviewed the inventory logs for the tickets used for events held at the school. Although a ticket inventory log was utilized, it was not maintained properly.

The Internal Funds Policy Manual provides specific guidance regarding ticket inventory. Section II, J of the Manual states, "All checks and tickets must be pre-numbered and perpetual inventories of each must be maintained. Inventories must show the beginning and ending numbers of all pre-numbered documents acquired and issued. In all cases where tickets are used, ticket reports and unsold tickets must be available for audit."

See our recommendation in the Recommendations section below.

Opinion

Our opinion is divided into 2 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 proper completion of purchasing card forms.

Request Purchase Utilizing Purchasing Card Forms

In an effort to address the improper completion of purchasing card forms, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct school staff on the proper procedures related to credit card purchases, including prior written approval.**

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 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 policies and procedures related to fundraising activities.

Fundraising Request/Reconciliation Forms

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

Review and instruct staff on policies and procedures related to the Ticket Inventory Log.	Ticket Inventory Log In an effort to address the improper completion of the Ticket Inventory Log, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with the maintenance of the Ticket Inventory Log.** We will follow-up on these recommendations approximately 90 days after the school's exit conference.

Bellview Middle School

"Home of the Warriors"

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Melia Adams, Principal

Tara Palasciano, Assistant Principal

November 10, 2020

David Bryant, Director of Internal Auditing
Escambia County School District
Office of Internal Auditing
75 North Pace Blvd.
Pensacola, FL 32505

Dear Mr. Bryant:

The follow audit findings were reviewed and have been addressed as indicated below:

- *Receipt of Goods*: It was determined that the receiving slip or invoice items was not initialed and dated by the person receiving the goods. The bookkeeper now understands that all items received must be verified, initialed and dated on the packing slip. Office staff has been informed that all incoming boxes must go through the bookkeeper for verification.
- *Credit Cards – Properly completed authorization form*: It was determined that the Request Purchase Utilizing Purchasing Card (Pcard) Form did not include either the account name or account number. The bookkeeper will now insure that the requester completes all forms with either the account name or account number of the funding being used.
- *Fundraising Activities – Fundraiser Request/Reconciliation Forms*: It was determined that the specific purpose for the fundraiser was not listed on the Fundraiser Request/Reconciliation Form. The bookkeeper will insure that the requester of the fundraiser indicate how the funds are going to be spent before the form is submitted for approval. All teachers/sponsors have been informed that the purpose must be indicated on the form.
- *Basketball Tickets – Ticket Inventory Log*: It was determined that the beginning inventory number ranges were not indicated in the log and tickets used for two events were not indicated on the log. The bookkeeper now understands that all logs must indicate the starting ticket roll number, color, ending number and be indicated on all logs.

The current bookkeeper was hired in February 2020 after the December 2019 retirement of the previous bookkeeper. I have met and reviewed the audit findings with the current bookkeeper as a plan of action moving forward to ensure these violations do not reoccur.

Sincerely,

Melia Adams