



Brentwood Elementary
Audit of School Internal Accounts
For the Year Ended June 30, 2019

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

Office of Internal Auditing
November 2019

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MALCOLM THOMAS, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

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

Audit Team:
Jackie Baker
Internal Audit Technician

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 Brentwood Elementary School staff and other District personnel.

Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the principals, assistant principals, bookkeepers, secretaries, and various support personnel throughout the District for their cooperation and commitment.



Office of Internal Auditing
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Executive Summary

Brentwood received a full audit for the 2018-2019 fiscal year.

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 2018-2019 fiscal year, Brentwood Elementary School (Brentwood) received a full audit. This report documents the results of the audit.

Two adjusting journal entries were recommended.

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 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 correct the improper posting of a photography commission check to the Unrestricted Donations account.

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

Our testing resulted in 4 audit findings.

Our testing resulted in 4 audit findings:

- L2121 Accounts Payable account had a balance remaining at year end.
- Purchases were made without prior written approval.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Receipts were not properly recorded.

The school's overall fund balance as of June 30, 2019 was \$15,328.71.

The overall fund balance reported by the school at June 30, 2019 was \$15,328.71. 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 2018-2019 fiscal year, Brentwood 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.

Brentwood last received a full audit in the 2017-2018 fiscal year. There were six 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 Fundraising Request/Reconciliation form, purchases being made prior to receiving written approval, credit card statements were

The bookkeeper transferred on March 4 2019 and was replaced on April 8, 2019.

not signed by the principal or designee, the fundraising log not being utilized, and the monthly log report not being properly maintained. These findings were determined to be addressed adequately during a subsequent follow up audit.

The school has had the same principal in place since the previous audit. The school's previous bookkeeper transferred to another position in the district on March 4, 2019 and was replaced on April 8, 2019.

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, 2019. 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.

No known conflicts of interest were identified.

Control Risk for Brentwood has been assessed at moderate.

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 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.

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.

While performing our testing, a percentage of transactions is allowed to

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

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, 7/1/2018	\$ 22,252.07
Total Receipts	24,284.53
Total Disbursements	(14,608.10)
Total Net Journal Entries	(16,599.79)
Ending Cash Balance, 6/30/2019	\$ 15,328.71
Audit Adjustments	-
Ending Fund Balance, 6/30/2019, Per Skyward	\$ 15,328.71
Cash Balance per Confirmation(s)	\$ 15,471.46
Outstanding Deposits	-
Outstanding Checks	(108.78)
Other Reconciling Items	(33.97)
Ending Fund Balance, 6/30/2019, Per Confirmation(s)	\$ 15,328.71

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

Two adjusting journal entries were recommended.

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.

As a result of our fieldwork, 2 additional adjusting journal entries were recommended:

- To record unrecorded interest related to the investment account, we recommend a journal entry be processed for \$13.14.
- To correct the improper posting of a photography sales commission check to the F6080 Unrestricted Donations account, we recommended a journal entry be processed for \$1,070.00.

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

Surprise Cash Count

During a surprise cash count conducted in November 2018, we noted the auditor's re-count of funds indicated a \$6.00 shortage and corrections on MCF's were not initialed.

While these items noted were not handled properly, it is not deemed material enough to rise to the level of an audit finding.

One finding related to improper utilization of the L2121 Accounts Payable account and its ending balance.

L2121 Accounts Payable - Ending Balance

District year-end procedures require all schools to reconcile their L2121 Accounts Payable account and post final payments prior to the close of each fiscal year. As such, the balance at the beginning of each year should be zero. We noted that the L2121 account had a debit balance of \$1,191.86 in the current year. Debit balances indicate errors, unrecorded transactions, and/or a failure to follow District policy, along with an overall lack of financial oversight.

Section VIII, E, (2) (e) 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."

See our recommendations in the Recommendations section below.

One finding related to lack of prior written approval.

Prior Written Approval

Our testing indicated purchases were made prior to the principal's written approval date, as evidenced on the approval forms for both check requests and credit card purchase requests.

The Internal Funds Policy Manual gives specific guidelines regarding the prior approval of purchases. Section VIII, A of the Manual states, "All

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

disbursements require **prior written** approval of the Principal or his/her designated representative. 'Prior written approval' may consist of a properly completed Purchase Requisition/Request for Purchase Order. This must be done **BEFORE** the item is ordered and funds are obligated." In the case of credit card purchases, the Request Purchase Utilizing Purchasing Card approval form should be used.

See our recommendation in the Recommendations section below.

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.

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 recording of collections.

Receipts – Properly Recorded

Our testing indicated Monies Collected Forms (MCFs) were entered into Skyward with a date that was not the date collections were remitted to the bookkeeper.

Section VI, B.9 of the Internal Funds Policy Manual states, "The secretary/bookkeeper will verify that the items listed on the MCF re-add to the total amount listed and that the total on the MCF agrees with the money remitted and acknowledge receipt by signing and dating the MCF." Section VI, A.2 of the Manual states, "All money received by the school must be substantiated by using a Monies Collected Form (MCF) and an Official Receipt."

District personnel distributed an email on 8/15/16 stating, "The date of the Cash Receipt entered into Skyward should be the date you (*secretary/bookkeeper*) received the MCF from the teacher/sponsor, **not** the date of the actual deposit."

See our recommendation in the Recommendations section below.

Opinion

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.

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.

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

Seek assistance to reconcile the L2121 Accounts Payable account.

Monitor the L2121 Accounts Payable account to ensure these discrepancies do not reoccur.

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

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

L2121 Accounts Payable

In an effort to determine the true balance of the L2121 Accounts Payable account and to correct any errors, **we recommend the bookkeeper seek assistance from the District.**

We also recommend that the principal and bookkeeper monitor the balance in the account to ensure these discrepancies do not continue.

Prior Written Approval

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

Receipt of Goods

In an effort to address the 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**

Management Response



"Excellence! No Excuses!!"

Brentwood Elementary School

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Jennifer Sewell
Principal

Yaiza Rodgers
Secretary

Quinn Evans
Assistant Principal

Auditing Management Response Letter

Dear Mr. Bryant,

December 2, 2019

After reviewing the Internal Accounts Manual, meeting with Ms. Kiker, and speaking with my School Secretary, I have determined there was unintended negligence. After Ms. Kiker reviewed each of the findings with our school secretary and myself, we have addressed each finding appropriately. We have made notes and realized we did not understand the appropriate procedures regarding the 4 findings but understood now and would make those corrections going forward.

2018-19 Findings/Solutions

1. **L2121 Accounts Payable – Ending Balance** – The ending balance to the L2121 account was not brought to a \$0 balance at the end of the year. After seeking assistance from the district, we will make sure the account is brought to a \$0 balance by the end of the year.
2. **Prior Written Approval for Purchases:** Secretary recognizes that all approvals for purchases must be in advance and has made that adjustment. After reading the Internal Accounts Manual and meeting with the district, the secretary and the principal have communicated this process to the staff through a faculty meeting to make sure everyone is aware of this step process and will continue to monitor this process closely in the future.
3. **Expenditures: Evidence of receipt of goods** - No one person was verifying receipt of all goods and signing off on receipt; therefor, not all purchases had evidence of receipt of goods. After reading the Internal Accounts Manual, the secretary will receive all goods herself, review contents for correctness and sign off on receipt that all goods are correct and received.
4. **Recording of Receipts** – Dates on the money collected forms and the skyward submission dates did not match. After seeking assistance from the district, the secretary understands that each money collection form date must match the collection date entered into skyward.

Brentwood Elementary School is committed to properly monitoring and processing all financial responsibilities throughout the year and will ensure that appropriate adjustments are made accurately in the future.

Sincerely,


Jennifer Sewell


12/3/19