



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

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APPROVED  
ESCAMBIA COUNTY SCHOOL BOARD

Office of Internal Auditing  
November 2019

JAN 21 2020

MALCOLM THOMAS, SUPERINTENDENT  
VERIFIED BY RECORDING SECRETARY

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

Audit Team:  
**Armani Harris**  
*Auditing Intern*

## 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 Montclair 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.



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## Executive Summary

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**Montclair 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, Montclair Elementary School (Montclair) 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.

**Our testing resulted in 5 audit findings.**

Our testing resulted in 5 audit findings:

- There was no evidence of receipt of goods verification on items shipped to the school.
- Deposits were not properly handled.
- Receipts were not deposited in a timely manner.
- Fundraiser Request/Reconciliation Forms were not properly completed.
- The Fundraising Log Sheet was not utilized.

**The school's overall fund balance as of June 30, 2019 was \$2,741.22.**

The overall fund balance reported by the school at June 30, 2019 was \$2,741.22. 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 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, Montclair 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.

Montclair last received a full audit in the 2015-2016 fiscal year. There were no matters that rose to the level of an auditing finding.

**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 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

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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

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**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.

No known conflicts of interest were identified.

Control Risk for Montclair 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

#### **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 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.

issued.

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                    | \$ 6,419.98 |
| Total Receipts                                      | 11,782.36   |
| Total Disbursements                                 | (2,161.70)  |
| Total Net Journal Entries                           | (13,299.42) |
| Ending Cash Balance, 6/30/2019                      | \$ 2,741.22 |
| Audit Adjustments                                   | -           |
| Ending Fund Balance, 6/30/2019, Per Skyward         | \$ 2,741.22 |
|                                                     |             |
| Cash Balance per Confirmation(s)                    | \$ 2,702.22 |
| Outstanding Deposits                                | 69.00       |
| Outstanding Checks                                  | (30.00)     |
| Other Reconciling Items                             | -           |
| Ending Fund Balance, 6/30/2019, Per Confirmation(s) | \$ 2,741.22 |

#### 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 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 handling of deposits.

*Deposits – Properly Handled*

Our testing indicated deposits did not include a separate deposit slip for each full day's collections.

The Internal Funds Policy Manual provides specific guidelines regarding deposits. Section VI, C of the Manual states, "...Total the actual amount of cash and checks on hand. Print the Bank Deposit Journal...The total of cash, checks and money orders on hand and the total on the Bank Deposit Journal (*reports total per day*) should match. Prepare a bank deposit slip in duplicate."

District personnel distributed an email on 8/15/16 stating, "The date of the Cash Receipt entered into Skyward should be the date you received the MCF from the teacher/sponsor, not the date of the actual deposit. Keep in mind Skyward is date driven and there should be a separate deposit slip for each unique date. Meaning, everyday should have its own deposit slip regardless if you go to the bank or not. Most schools will run a deposit journal report at the end of the day; this report should equal the total on your deposit slip for the end of that day."

See our recommendation in the Recommendations section below.

One finding related to the timeliness of deposits.

*Timeliness of Deposits*

Our testing indicated deposits were not made within five working days after receipt of funds.

Chapter 8, Section III, 1.4(c) of the State Board of Education Rules states, "All money collected must be deposited intact to a depository as frequently

**One finding related to improper completion of the FRR forms.**

as feasible and as dictated by sound business practices. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT.”

The Internal Funds Policy Manual, Section VI, C.1 states, “Funds collected shall be deposited as frequently as feasible, preferably daily. In any event, funds collected must be deposited within five (5) working days after receipt. Under no circumstances shall funds be left on the school premises except in a secure safe or vault. Any District employee who fails to remit funds each day shall be liable for any loss.”

See our recommendation in the Recommendations section below.

*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 improper completion of the Fundraiser Log Sheet.**

*Fundraiser Log Sheet*

Our testing indicated the Fundraiser Log Sheet was not properly completed and maintained.

Effective with the 2016-17 school year, the District implemented utilizing the Fundraising Log Sheet to document all fundraising activity and identify the occurrence of exempted events.

See our recommendation in the Recommendations section below.

Other Comments

*Request Purchase Utilizing Purchasing Card forms*

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

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, the account name/number to be charged and the requestor's signature are expected to be completed.

The results of our testing would traditionally have resulted in an audit finding. Both the account name and number were not included on the Pcard forms as required by the District. We were able to verify that the accounts charged agreed with the partial information listed on the Pcard forms. We, therefore, will not issue an audit finding, but will discuss the matter with the principal during an exit conference.

## Opinion

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**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

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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 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 policies and procedures related to the handling of deposits.**

### Handling of Deposits

In an effort to address the improper handling of deposits, we recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper procedures related to the proper handling of deposits.

**Implement a check and balance for collections and deposits.**

We also recommend the bookkeeper ensure that the total of the deposit slips(s) agrees with the total of same-day collections and the total of the Bank Deposit Journal for each day. This should be the case whether deposits are made daily or are held for a few days; there should be a separate deposit slip for each day's collections.

**Review and instruct staff on policies and procedures related to the timeliness of deposits.**

### Timeliness of Deposits

In an effort to address the timeliness of deposits, we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to deposits.

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

### Fundraising Request/Reconciliation Forms

In an effort to address the improper completion or 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 Fundraiser Log Sheet.**

### Fundraiser Log Sheet

In an effort to address the lack of utilizing a Fundraiser Log Sheet, we recommend the principal and the bookkeeper review the Internal Funds Policy Manual's rules regarding the utilization and maintenance of a Fundraiser Log Sheet.

We will follow-up on these recommendations approximately 90 days after issuance of the draft report to school administration.

## Management Response

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# *Montclair Elementary School*

820 Massachusetts Avenue

Pensacola, Florida 32505

Phone: (850) 595-6969 Fax: (850) 595-6968

Hollie Wilkins  
Principal

Rhonda Robinson  
Secretary

Dawn Morris  
Assistant Principal

## **MEMORANDUM**

**TO:** David Bryant  
Director of Internal Auditing

**FROM:** Hollie Wilkins  
Principal

**DATE:** December 5, 2019

**SUBJECT:** Audit Management Response

This is the first audit for my secretary Mrs. Rhonda Robinson as she completed her first year as secretary the year I was transferred to Montclair Elementary. During that same year, I requested spot audits for Montclair to insure things were in order since she was a new secretary and I was new to the school.

The 2018-2019 full audit resulted in five findings and was reported that Montclair had "the majority of transaction included in the school's internal accounts were processed in accordance with applicable policies and procedures."

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

Audit revealed that invoices/packing slips used as supporting documentation for expenditures did not always include evidence of receipt of goods through signature and date received. In an effort to correct this problem, teachers will be instructed to not remove received boxes from Mrs. Robinson's office until they are notified by Mrs. Robinson that the box is ready for pick-up. Mrs. Robinson will open all boxes and check receipt of goods as directed through the Internal Funds Policy Manual and notify teachers when the process is complete and the box is ready for pick up.

### **Finding Two: Deposits-Properly Handled**

Audit found that deposits did not include a separate deposit slip for each full day's collection. This error has been corrected since August when Mrs. Robinson was made aware of the issue. She now implements the process correctly and has a separate deposit slip for each days collections.

**Finding Three: Timeliness of Deposits**

Audit testing indicated that deposits were not made within 5 days of receipt. Mrs. Robinson will schedule to go to the bank every Tuesday afternoon and every Friday afternoon to ensure that deposits are made within 5 days as well as insure that money is not left at the school over the weekend.

**Finding Four: Fundraiser Request/Reconciliation Forms-Proper Completion**

Testing indicated that Fundraiser Request/Reconciliation Forms were not properly completed or present. Montclair does not participate in any school wide fundraising activities and as a result Mrs. Robinson was not familiar with the proper fundraising procedures. The only fundraising activity included in this audit was "Jean Day" for teachers in an effort to raise funds for the Hospitality Fund. Since this did not include students, Mrs. Robinson was unaware that this would be considered a fundraiser and needed to follow the proper Fundraising Procedure. The school secretary will read the Fundraising Guidelines Handbook and train the faculty, especially the Hospitality Chair, on the proper procedures.

**Finding Five: Fundraiser Log Sheet**

Audit sample revealed that the Fundraiser Log Sheet was not properly completed and maintained. As described above, Mrs. Robinson will review the Fundraising Guidelines Handbook and train the faculty on proper procedures.

*P. Thomas*  
*12/9/19*