Pensacola High School

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

Office of Internal Auditing
October 2019

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

JAN 21 2020

MALCOLM THOMAS, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

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

PHS received a full audit for the 2018-2019 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.

Three adjusting journal entries were recommended.

Our audit procedures indicated matters that required adjustment of the school's records. Three journal entries were necessary:

- To record unrecorded interest for the school's 3 certificates of deposit.

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

Our testing resulted in 3 audit findings.

Our testing resulted in 3 audit findings:

- Receipts were not properly recorded.
- Deposits were not properly handled.
- The Monthly Log Report was not properly maintained and completed.

The school's overall fund balance as of June 30, 2019 was $132,845.48.

The overall fund balance reported by the school at June 30, 2019 was $132,845.48. 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

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

accordance with applicable policies and procedures.

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, PHS 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.

PHS last received a full audit in the 2016-2017 fiscal year. There were seven matters that rose to the level of audit findings. There were findings related to the timeliness of bank reconciliations, financial oversight of deficit balances, the documentation of evidence of receipt of goods, timeliness of deposits, disorganization of deposit records, exceeding the allotted amount of exempt days, and proper maintenance of the ticket inventory log, which were determined to be addressed adequately during a

subsequent follow-up audit.

The bookkeeper transferred to another position during the fiscal year and was replaced in the same year.

The school has had the same principal in place since the previous audit. The school's previous bookkeeper transferred to another position at the school on October 8, 2018. The replacement bookkeeper started on August 27, 2018.

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.

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 PHS 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, 7/1/2018	$	126,660.65
Total Receipts		417,742.31
Total Disbursements		(214,104.60)
Total Net Journal Entries		(197,452.88)
Ending Cash Balance, 6/30/2019	$	132,845.48
Audit Adjustments		-
Ending Fund Balance, 6/30/2019, Per Skyward	$	132,845.48
Cash Balance per Confirmation(s)	$	142,117.09
Outstanding Deposits		-
Outstanding Checks		(9,264.39)
Other Reconciling Items		(7.22)
Ending Fund Balance, 6/30/2019, Per Confirmation(s)	$	132,845.48

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.

Three adjusting journal entries were recommended.

As a result of our fieldwork, 3 additional adjusting journal entries were recommended:

- To record unrecorded interest related to the school's investment accounts, we recommended journal entries be processed for $110.49, $169.14, and $49.59.

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

Findings

Receipts – Properly Recorded

One finding related to improper recording of collections.

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."

See our recommendation in the Recommendations section below.

Deposits – Properly Handled

One finding related to improper handling of deposits.

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 improper completion of the Monthly Log Report.

Monthly Log Report – Proper Completion
Our testing indicated the Monthly Log Report was not properly completed and maintained.

The Internal Funds Policy Manual provides specific guidelines to be followed for the receipt of monies. As an internal control, at the end of each month, the secretary/bookkeeper is to provide a general ledger of each account to the account sponsors. These reports give the opportunity for those remitting monies to review their accounts on a timely basis for any discrepancies or posting errors. As evidence of this procedure, the account sponsor is to initial a Monthly Log Report.

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 the recording of receipts.	Recording of Receipts In an effort to address the improper recording of receipts, **we recommend the principal and bookkeeper review the official guidance provided by the District via email on 8/15/16, which details the proper procedures for the recording of receipts.**
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 <u>each</u> day's collections.**
Review and instruct staff on policies and procedures related to the Monthly Log Report.	Monthly Log Report In an effort to address the improper completion of the Monthly Log Report, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to the Monthly Log Report.**
	We will follow-up on these recommendations approximately 90 days after issuance of the draft report to school administration.

Management Response

PENSACOLA HIGH SCHOOL

David M. Williams
Principal

Jessica Canales
Assistant Principal

Bryan Freeman
Assistant Principal

"Home of the Fighting Tigers"

500 West Maxwell Street
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Laura Brewer
IB Coordinator

Casey Thiele
Athletic Director

November 13, 2019

Dear Mr. Bryant,

This letter is in reference to the Audit findings for the Internal Accounts Audit for Fiscal Year ending June 30th, 2019.

I am listing the findings along with the reason why these compliance violations happened and our plan of action to ensure this violation does not continue.

- **Receipts – Properly Recorded.** The reason that the bookkeeper was not properly recording the receipts was because the deposits were not being separated individually by date. The bookkeeper was using the date of deposit when recording each cash receipt into Skyward. The violation will be corrected once the bookkeeper makes separate deposit slips for each day and uses the date that she receives the funds to record in Skyward.
- **Deposits – Properly Handled.** The reason for this finding was that the bookkeeper was not aware that each day needed its own deposit slip regardless of whether the funds were going to be deposited that day or not. The plan of action to ensure this violation does not continue is that the bookkeeper will put a deposit together each day separately.
- **Monthly Log Report**. The reason for this finding would be that the bookkeeper was new to the procedure of having Sponsors/Teachers to sign for their monthly statements and that the Sponsors/Teachers would fail to come and initial the log. The plan of action to ensure that this violation does not continue is to change the way Sponsors/Teachers with accounts are notified that their statements are ready for the month. Initially the Sponsors/Teachers with accounts are notified in a group email with all other Sponsors/Teachers and are given a date to comply. After that date specified, the Sponsors/Teachers will be notified by email individually copying the Principal and Assistant Principals with a final date to pick up and initial their monthly log report.

Pensacola High School will make every effort in the future to be in compliance with all Internal Accounts Policies and Procedures to avoid findings during our audits.

If you have any questions, please do not hesitate to contact me at (850)595-1500 x225.

Sincerely,

David M. Williams, Principal
Pensacola High School
DMW/mat

AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER
An Escambia County School District School