Success Academy

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

Office of Internal Auditing
September 2019

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

JAN 21 2020

MALCOLM THOMAS, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

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

Audit Team:
Michèle A. Kiker, CFE, CGAP, CRMA
Senior Auditor

Preface

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

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

This engagement was conducted with the full cooperation of Success Academy staff and other District personnel.

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

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

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

Office of Internal Auditing
Escambia County School District
www.escambia.k12.fl.us/iaudit
75 North Pace Blvd. – Suite 403
Pensacola, Florida 32505

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, Success Academy School (Success) received a full audit. This report documents the results of the audit.

Success 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.

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 offset a deficit balance in the Faculty Funds account created by overspending.
- To offset a deficit balance in the General account created by overspending.

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

Our testing resulted in 6 audit findings.

Our testing resulted in 6 audit findings:

- Bank Reconciliations were not all completed in a timely manner.
- Proper checks were not utilized.
- Debit card was utilized.
- Monies Collected Forms (MCFs) were not properly completed.
- Receipts were not properly recorded.
- A Monthly Log Report was not utilized.

The school's overall fund balance as of June 30, 2019 was $2,887.29.

The overall fund balance reported by the school at June 30, 2019 was $2,887.29. 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 not processed in accordance with applicable policies and procedures.

In our opinion, the majority of transactions included in the school's internal accounts were not 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, Success Academy 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.

The principal was assigned during 2017-2018.

There was a principal change during 2017-2018, at which time the school began operating internal funds.

The secretary transferred to another position within the

The secretary failed to perform the bookkeeping duties and District personnel had to assist with processing transactions through 6/30/2019. The

school and a new secretary was hired in the next school year.

secretary transferred to another position within the school and a new secretary was hired at the beginning of the next school year.

Objective

The purpose of our audit was to determine whether the financial information contained in the internal accounts reconciles with bank statements and corresponding independent bank confirmations, and to determine compliance of transactions included in those same internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. We also sought to determine whether any instances of non-compliance were severe enough to render the financial information unreliable.

We 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.

<u>The Planning Phase</u>
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 Success 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.).

<u>The Fieldwork Phase</u>
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, exceptions of greater than or equal to 20% of the total population may exist before an audit finding is issued.

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	$	267.46
Total Receipts		1,040.73
Total Disbursements		-
Total Net Journal Entries		1,579.08
Ending Cash Balance, 6/30/2019	$	2,887.27
Audit Adjustments		-
Ending Fund Balance, 6/30/2019, Per Skyward	$	2,887.27
Cash Balance per Confirmation(s)	$	2,887.27
Outstanding Deposits		-
Outstanding Checks		-
Other Reconciling Items		-
Ending Fund Balance, 6/30/2019, Per Confirmation(s)	$	2,887.27

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: (examples)

- To offset the deficit balance in the Faculty Fund account, we recommended a journal entry be processed for $171.48.
- To offset the deficit balance in the General account, we recommended a journal entry be processed for $168.42.

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

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

During our fieldwork, we noted minor instances of non-compliance which are not included in this report. We documented these matters in our audit field notes which were provided to the bookkeeper and principal.

Findings

Bank Reconciliations

One finding related to the timeliness of bank reconciliations.

Our testing indicated bank reconciliations were not completed prior to the last day of the following month.

The Internal Funds Policy Manual gives specific guidelines for the completion of bank reconciliations. Section IX, E of the Manual states, "Bank statements should be reconciled as soon as received, and absolutely no later than the last day of the following month.

See our recommendation in the Recommendations section below.

Disbursements – Checks

One finding related to improper checks.

Our testing indicated cashier checks were utilized instead of pre-numbered printed checks.

Chapter 8, Section III, 1.2 of the State Board of Education Rules states, "Each school shall have only one checking account…all disbursements will be made by checks drawn on this account."

The Internal Funds Policy Manual gives specific guidelines for disbursements. Section VIII, D of the Manual states, "Except for petty cash items, all disbursements must be made by check. Pre-numbered, printed checks must be used."

See our recommendation in the Recommendations section below.

One finding related to utilization of a debit card.

Debit Card
Our testing indicated a debit card was utilized instead of an internal account purchasing card acquired through the District.

The Internal Funds Policy Manual gives specific guidelines for expenditures. Section VIII, E.1(a) of the Manual states, "The Internal Accounts Purchasing Card program is available to all schools in the Escambia County School District."

See our recommendation in the Recommendations section below.

One finding related to improper completion of MCFs.

Monies Collected Forms
Our testing indicated that Monies Collected forms were not completed properly.

The Internal Funds Policy Manual gives specific guidelines to be followed for the receipt of monies. These guidelines mention specific procedures to be followed concerning indication of whether the monies were remitted in cash or check, requirements of the teacher or sponsor to sign the monies collected form, and verification by the bookkeeper of the monies collected and the counter signature on the forms.

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.

One finding related to lack of utilizing the Monthly Log Report.

Monthly Log Report
Our testing indicated a Monthly Log Report was not utilized.

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 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 not processed in accordance with all applicable policies and procedures.

In our opinion, the majority of transactions included in the school's internal accounts were <u>not</u> 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 policies and procedures related to the timeliness of bank reconciliations. Select a specific date of the month for completion.

<u>Bank Reconciliations</u>
In an effort to address the timeliness of bank reconciliations, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper completion of bank reconciliations. In addition, we recommend the principal select a specific day of the month for the bookkeeper to complete the bank reconciliation.**

Review policies and procedures

<u>Disbursements – Checks</u>
In an effort to address the lack of utilizing the proper check form, **we**

related to utilizing checks. Place an order for proper checks.	**recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper checks to use. In addition, we recommend the school place an order for pre-numbered printed checks drawn on the checking account.**
Cease usage of the debit card. Review policies and procedures related to credit cards. Request the proper credit card.	Debit Card In an effort to address the lack of utilizing the proper type of purchasing card, **we recommend the school cease use of the debit card immediately. We also recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper credit card to use. Finally, we recommend the principal contact District personnel to acquire the proper internal accounts purchasing card.**
Review and instruct staff on policies and procedures related to proper completion of MCFs.	Monies Collected Forms In an effort to address the improper completion of MCFs, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of MCFs.**
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 and instruct staff on policies and procedures related to the Monthly Log Report.	Monthly Log Report In an effort to address the lack of utilizing a Monthly Log Report, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual regarding the general ledger review process, and the utilization and maintenance of a Monthly Log Report.**
	We will follow-up on these recommendations approximately 90 days after issuance of the draft report to school administration.

Success Academy

Second Chance

Mrs. Dawn Gibbs, Principal

David Joiner, Assistant Principal

Nov. 18, 2019

Dear Mr. David Bryant,

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

- Bank reconciliations-timeliness
- Disbursements-Proper checks
- Debit Card Utilized
- Receipts-Properly recorded
- Monthly Log Report

The primary problem with the above findings were accredited to the fact that we did not have anyone on site who was managing the accounts other than the principal. Since that time a new secretary has been hired and trained so all of the above items have been addressed and corrected at this time.

- Receipts- Properly Completed MCF

This finding has also been addressed and corrected by having the new secretary training staff on how to properly complete MCF as new accounts develop.

I understand the importance of maintaining accurate and timely records within the internal budget and I am confident the new procedures will result in an improved audit reports for Success Academy. If I can be of further assistance, please don't hesitate to contact me at 850-619-7754.

Sincerely,

Dawn Gibbs

Dawn Gibbs

/s/ [illegible]
11/19/19
OK