



R.C. Lipscomb Elementary School
Audit of School Internal Accounts
For the Year Ended June 30, 2018

Office of Internal Auditing
August 2018

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Director – Internal Auditing

Audit Team:
Jeremy Williams
Audit Administration Specialist

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 R.C. Lipscomb 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
Escambia County School District
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Executive Summary

R.C. Lipscomb Elementary School received a full audit for the 2017-2018 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 2017-2018 fiscal year, R.C. Lipscomb Elementary School 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.

Four adjusting journal entries were recommended.

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

- To record unrecorded interest for the school's CD.
- To correct the improper posting to the School Wide Fundraiser – T-Shirt account.
- To correct the improper posting to the P.E. account.
- To correct the improper posting to the School Wide Fundraiser account.

Our testing resulted in 6 audit findings.

Our testing resulted in 6 audit findings:

- Bank Reconciliations were not all completed timely.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Proper procedures were not followed regarding the handling of voided checks.
- Credit card statements were not signed by the principal, indicating review and verification of the reconciliations.
- Journal entries lacked adequate support to determine propriety.
- The Monthly Log Report was not properly maintained.

The school's overall fund balance as of June 30, 2018 was \$137,621.34.

The overall fund balance reported by the school at June 30, 2018 was \$137,621.34. 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

Outside support organizations are not included in this report

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 2017-2018 fiscal year, R.C. Lipscomb Elementary School received a full audit.

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**

and are not audited by our office.

audited by the Office of Internal Auditing.

R.C. Lipscomb Elementary School last received a full audit in the 2015-2016 fiscal year. There were 7 matters that rose to the level of audit findings. There were findings related to the proper completion of the Purchase Requisition/Request for Purchase Order form (RFP), documentation of evidence of receipt of goods, proper completion of the Monies Collected form (MCF), initialing of changes made to MCFs, deposit composition, proper completion of the Fundraising Request/Reconciliation form, and various issues related to the L2121 – Accounts Payable account. After conducting 2 subsequent follow-up audits, our office determined that 2 of the 7 audit findings were not corrected. This resulted in the engagement of a “full” audit for the 2017-2018 school year for R.C. Lipscomb Elementary School.

School Administration has been consistent for several years.

The school has had the same principal and bookkeeper in place since the previous audit.

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, 2018. 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 R.C. Lipscomb Elementary School 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, 7/1/2017	\$ 111,724.81
Total Receipts	23,260.50
Total Disbursements	(24,558.53)
Total Net Journal Entries	(72,805.44)
Ending Cash Balance, 6/30/2018	\$ 137,621.34
Audit Adjustments	-
Ending Fund Balance, 6/30/2018, Per Skyward	\$ 137,621.34
Cash Balance per Confirmation(s)	\$ 138,019.13
Outstanding Deposits	-
Outstanding Checks	(516.00)
Other Reconciling Items	118.21
Ending Fund Balance, 6/30/2018, Per Confirmation(s)	\$ 137,621.34

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.

Four adjusting journal entries were recommended.

As a result of our fieldwork, 4 additional adjusting journal entries were recommended:

- To record unrecorded interest related to the investment account, we recommended a journal entry be processed for \$42.79.
- To correct the improper posting of a Hospitality receipt to the F6276.00002 School Wide Fundraiser T-Shirt Sales account, we recommended a journal entry be processed for \$30.00.
- To correct the improper posting of a Book Fair receipt to the E5170 P.E. account, we recommended a journal entry be processed for \$1,933.34.
- To correct the improper posting of a School Wide Fundraiser Spring receipt to the F6276 School Wide Fundraiser account, we recommended a journal entry be processed for \$730.00.

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

Careless Work Methods

Based on the results of this audit, the bookkeeper continues to make numerous careless errors similar to those mentioned in previous audits. Examples of discrepancies due to carelessness include, but are not limited to, incorrect check amounts, incorrect cash amounts, and incorrect check numbers listed on deposit slips. The discrepancies in amounts caused small shortages to occur.

While we are confident that the bookkeeper possesses the requisite skills, expertise, and experience, it is unclear what the reasons are for the continued careless mistakes.

This is a repeat comment from 2015-2016.

See our recommendation in the Recommendations section below.

Findings

Bank Reconciliations - Timeliness

Our testing indicated bank reconciliations were not completed timely.

The Internal Funds Policy Manual gives specific guidelines regarding the reconciliations of bank statements. 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.

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 (or initials) indicating verification of the quantity of the items ordered, and a date indicating when the goods were received.

This is a repeat audit finding from 2015-2016.

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

One finding related to the timeliness of bank reconciliations.

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

	and that all items ordered were received.”
	See our recommendation in the Recommendations section below.
One finding related to the proper handling of voided checks.	<p><i>Voided Checks</i></p> <p>Voided checks examined did not have the check defaced with “void” written across the face.</p> <p>The Internal Funds Policy Manual Section IX, G.1 states, “When an error is made in writing a check, or for some other reason the document is spoiled, it shall be marked ‘VOID’ and a new check prepared. The signature line should be cut out. All voided/spoiled checks must be retained and filed in numerical order with cancelled checks.”</p>
One finding related to principal’s failing to sign credit card statements.	<p><i>Regions Credit Card Statements</i></p> <p>Our testing indicated that credit card statements were not completed properly. The credit card statements were not signed by the principal, indicating review and verification of the reconciliations.</p> <p>Effective November 1, 2017, the District changed the IA Pcard from BBVA Compass Bank to Regions Bank and implemented new procedures.</p> <p>See our recommendation in the Recommendations section below.</p>
One finding related to the propriety of journal entries.	<p><i>Journal Entries – Propriety</i></p> <p>Our testing indicated a lack of support for the propriety of journal entries for purchases made by the school. This included improperly completed purchase request forms missing both the name and the account number to which the purchase should be charged. Therefore, we were unable to confirm the propriety of the journal entries made for the purchases.</p> <p>The Internal Funds Policy Manual provides specific guidelines to be followed for the expenditures from school internal funds. Section VIII, A.1 of the Manual states, “All 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, or a properly prepared Internal Funds Purchase Order.” PCard purchases are to follow the same guidelines as disbursements and the Request Purchase Utilizing Purchasing Card form is expected to be properly completed by listing the account name and number to be charged for the purchase.</p> <p>See our recommendation in the Recommendations section below.</p>

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 as evidence of the teachers/sponsors receiving a monthly general ledger printout (account ledger report) of their account activity.

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

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

Review policies and procedures related to bank reconciliations.

Bank Reconciliations – Timeliness

In an effort to address the timeliness of bank reconciliations, **we recommend that the principal and secretary review the Internal Funds Policy Manual pertaining to bank reconciliations. We also recommend the principal select a specific day of the month to review the bank reconciliation to ensure it is completed timely. We recommend bank reconciliations should be attempted as soon as the bank statement is received. In addition, in cases where reconciliations require assistance from District personnel, we recommend keeping the first attempt at reconciliation as evidence of timeliness in case the reconciliation is not completed by the end of the following month.**

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 proper evidence of 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 voided checks.

Voided Checks

In an effort to address the proper handling of voided checks, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper procedure for handling voided checks.**

Review procedures related to Regions credit card statements.

Regions Credit Card Statements

In an effort to ensure that proper procedures are followed regarding Regions credit card statements, **we recommend the principal and bookkeeper review the instructions distributed by the District for proper procedures related to Regions credit card statements.**

Review and instruct staff on policies and procedures related to proper completion of purchasing card form.

Journal Entries – Propriety

In an effort to address the propriety of journal entries for purchases made by the school, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct school staff on the proper procedures related to credit card purchases, including the proper completion of the required form.**

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.**

Establish effective work habits and expectations.

Other

Careless Work Methods

In an effort to address the insufficient work methods of the bookkeeper, **we recommend the principal meet with the bookkeeper to determine the cause of the performance issues. The principal should re-orient the bookkeeper with effective work habits, establish performance expectations, and evaluate the bookkeeper's performance.**

We will follow-up on these recommendations approximately 90 days after the school's exit conference.

Management Response

R. C. Lipscomb Elementary School

10200 Ashton Brosnahan Road
Pensacola, Florida 32534
(850) 494-5760, Fax: (850) 494-5722

Susan Sanders, Principal

Dr. Barbara Quarells, Assistant Principal

A SCHOOL OF EXCELLENCE BOUND FOR DISTINCTION

November 15, 2018

To: Mr. David Bryant, Director of Internal Auditing

Re: Audit of Internal Accounts: R.C. Lipscomb Elementary School

Recently, I met with Michele Kiker and Jeremy Williams from the Office of Internal Auditing. We discussed each of the 6 audit findings and strategies to correct them. I appreciate the time they spent discussing our audit with my secretary and me. I am very disappointed that we have 6 audit findings, but am pleased with the corrections that have been made from our previous audit. We have a plan in place to correct the new findings as well as maintain the correction of the previous findings. Below are each of the 6 findings including a description of a corrective plan. I am hopeful these actions will meet your approval.

Finding: Bank Reconciliations were not completed timely.

Correction: Rather than my secretary bringing me the bank statement at the end of the month, I have set the 15th of each month as the date that we will sit down to reconcile our bank statement. With a regular scheduled date, she will know to have it ready by that date.

Finding: There was no evidence of receipt of goods verification on items shipped to the school.

Correction: The secretary is the only one who checks in shipments to the school. She claims there is often not an invoice in the box to initial and date. Our new policy will be to print the invoice from the original order in the event there is not one in the box. She will initial and date the printed copy to file with the records as receipt of shipment. All other invoices included in shipments will be initialed and dated by her and filed with the records as receipt of shipment.

Finding: Proper procedures were not followed regarding the handling of voided checks.

Correction: The secretary will write 'VOID' on any voided check in addition to cutting off the signature line. She did cut off the signature line on our voided checks, but did not realize she needed to also write 'VOID'.

Accredited by The Southern Association of Colleges and Schools



Management Response

Finding: Credit card statements were not signed by the principal indicating review and verification of the reconciliations.

Correction: I review credit card statements monthly and will begin signing the actual statement at the time of my review.

Finding: Journal entries lacked adequate support to determine propriety.

Correction: The secretary highlighted a Request for Purchase Form indicating all areas that need to be filled out by the account holder. We reviewed the RFP with the account holders at our Leadership Team meeting on November 5, 2018. The area that had not been filled out, causing the finding, was including the account # or name. This will be included on all RFP's moving forward.

Finding: The Monthly Log Report was not properly maintained.

Correction: The Monthly Log Report is currently initialed by all account holders at our monthly leadership meetings. The secretary claims she put the Monthly Log Report in the final box she turned in at the end of June. I do know that it is signed every month. Each account holder receives a copy of their account and signs it at the meeting. We will continue this practice.

I will continue to discuss strategies my secretary can implement that will help her stay focused and eliminate distractions. She is very knowledgeable and quite capable of completing her job. She is aware that she is easily distracted and desires to be more focused. My back-up secretary will begin reviewing records with my secretary on Fridays. This will not only help my back-up secretary become more familiar with our bookkeeping, but will also potentially help discover errors. I feel confident the findings can all be corrected. We will be extremely diligent in working to correct each and every finding on this audit.

Thank you so much for the time and effort put forth by your department. If any other information is needed, I will be happy to provide it.

Sincerely,



Susan Sanders

(DLC)

DJB

11/19/18

P.T.
11/16/18