Warrington Elementary School

Audit of School Internal Accounts

For the Year Ended June 30, 2018

Office of Internal Auditing

August 2018

David J. Bryant, CPA, CIA, CFE, CGFM, CRMA

Director – Internal Auditing

Audit Team:

Brad Mostert, CFE

Senior Auditor

Armani Harris

Audit Intern

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 Warrington 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
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.
Warrington Elementary School received a full audit for the 2017-2018 fiscal year.	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, Warrington 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.
No audit findings were issued.	We noted some minor instances of violation of Board Policies and Florida Statutes. None of these infractions are deemed significant, nor do they exhibit a lack of internal controls sufficient to rise to the level of an audit finding; therefore, no formal response from the auditee is required. These matters were documented and provided to the principal and bookkeeper.
The school's overall fund balance as of June 30, 2018 was $22,096.41.	The overall fund balance reported by the school at June 30, 2018 was $22,096.41. 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 a recommendation. 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 issuance of the draft report to school administration.

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 2017-2018 fiscal year, Warrington Elementary School 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.

Warrington Elementary School last received a full audit in the 2014-2015 fiscal year. There were seven matters that rose to the level of audit findings. There were findings related to prior written approval on purchases, proper procedures related to voided checks, proper language not being included in Donation Request Letters, proper supporting documentation for credit card purchases, proper procedures for fundraisers, proper completion of the Request Purchase Utilizing Purchasing Card form, and the documentation of evidence of receipt of goods, which were determined to be addressed adequately during a subsequent follow-up audit.

The principal was reassigned and replaced in the next school year.

The school has had the same principal and bookkeeper in place since the previous audit. The school's previous principal was reassigned within the District on July 2, 2018, and was replaced the same day.

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

Detailed Results

Summary of Fund Activity		
Beginning Cash Balance, 7/1/2017	$	20,598.95
Total Receipts		8,468.74
Total Disbursements		(2,046.57)
Total Net Journal Entries		(4,924.71)
Ending Cash Balance, 6/30/2018	$	22,096.41
Audit Adjustments		-
Ending Fund Balance, 6/30/2018, Per Skyward	$	22,096.41
Cash Balance per Confirmation(s)	$	22,065.29
Outstanding Deposits		-
Outstanding Checks		-
Other Reconciling Items		31.12
Ending Fund Balance, 6/30/2018, Per Confirmation(s)	$	22,096.41

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.

As a result of our fieldwork, no additional adjusting journal entries were recommended.

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.

Other Comments

Deposits

Deposit slips included multiple days' worth of collections.

Our testing indicated deposit slips included multiple days' worth of 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."

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

Prepare a separate deposit slip for each day's worth of collections.

<u>Other</u>

Deposits

In an effort to more easily identify daily deposits, **we recommend the bookkeeper deposit each day's collections separately.**

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.

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

Management Response

As the results of the audit were generally favorable, with no significant observations or findings, a management response is not necessary or expected.