



District-Wide Report of School Internal Accounts

For the year ended June 30, 2018

Office of Internal Auditing
November 2018

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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 District operational 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, and various support personnel throughout the District for their cooperation and commitment.



Office of Internal Auditing
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Executive Summary

We have audited the internal accounts of the Escambia County School District's (the District) schools for the year ended June 30, 2018. These accounts are included as agency funds in the School Board's annual financial reports. These accounts and the annual financial statements are the responsibility of District management.

Based on a rotating audit schedule, each year District schools receive either a "full" audit (including extensive testing of transactions), 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). Once all audits are complete, the financial information for all schools is then combined and presented in this report. In addition, compliance matters which were noted at numerous individual schools are summarized and communicated in the Detailed Results section below.

As of June 30, 2017, the 51 schools' internal accounts totaled \$3.23 million. During the fiscal year, \$7.38 million in net receipts were received and \$7.18 million in adjusted disbursements (disbursements plus net journal entries) were made, which resulted in an ending balance as of June 30, 2018 of \$3.43 million.

In our opinion, the transactions included in the schools' internal accounts were generally consistent with applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. In addition, we determined the schools' financial records reconcile with bank statements and independent bank confirmations.

We determined the internal controls established by the District appear comprehensive, adequate, and effective. During our audit, we did become aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and/or assuring compliance with applicable laws, rules, regulations, policies and/or procedures. We feel these matters have risen to the level where it is necessary to bring them to management's attention. The matters are discussed in the Detailed Results section below.

We have communicated the audit results with various school-based and District-level personnel during the performance of our audits. We recommend District management continue to provide training and assistance to bookkeepers, including training related to matters discussed in the Detailed Results section below.

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 during the subsequent school year.

Background

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, our office audits these internal accounts, based on authority granted in accordance with Florida Statute 1011.07, the Florida Department of Education’s Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook), and the Charter for the Office of Internal Auditing.

These accounts are comprised of the individual account balances of 51 public schools and centers located within Escambia County, Florida. These schools and centers are governed by the Escambia County School District’s School Board, which consists of five elected members, representing five geographical districts in the county. The Superintendent of Schools is elected by the voters of the county, and serves as the executive officer of the School Board.

In accordance with Florida Statutes, school internal accounts are accounted for as an agency fund. This fund is organized into sub-funds that represent the individual schools and centers within the District. Each sub-fund is divided into seven classifications: Athletics, Music, Classes, Clubs, Departments, Trusts, and General. Not all schools utilize all classifications.

At the individual school level, internal accounts recognize revenue and expenditures using the cash basis of accounting. At year-end, the accounts are adjusted to the accrual basis for inclusion in the District’s annual financial report. Given that students are released in late May, and almost all revenue and expenditures in internal accounts are generated from student activity, there are usually no material accounts payable or receivable as of the fiscal year ended June 30.

Any material accounts payable or receivable are the result of activity

between the individual schools and the District. The net payable to the District from school internal accounts was \$22,930.20 and \$41,811.27 for the years ended June 30, 2017 and 2018, respectively.

The internal accounts of the schools in the District are governed by Chapter 8 of the State Board of Education Rules (Chapter 8), Florida Statutes, School Board policy, and various policies and procedures established by the operating management of the District.

Much of the governing policies are incorporated into the Manual. A copy of the Manual is made available to operating management and to bookkeepers who are responsible for school internal accounts.

Outside support organizations (school booster clubs and parent teacher associations) affiliated with the District's schools 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. It is estimated that approximately \$3 million flows through outside support organizations annually, which would otherwise flow through school internal accounts.

In addition, the activity of charter schools, which are separate not-for-profit corporations each with a separate board of directors, does not flow through District school internal accounts. As such, their financial activity, which was approximately \$7.9 million for the fiscal year ended June 30, 2018, **is not included** in this report and **is not audited** by the Office of Internal Auditing. Audits of the charter schools' financial statements are conducted by other independent certified public accountants.

Objective

The purpose of this report is to compile the financial information for all 51 schools and centers in the District, and to document any compliance violations that were pervasive throughout all schools that received a "full" audit.

We believe our audits provide a reasonable basis for our opinion, findings, and recommendations.

Scope

Florida Statute 1011.07 states that the School Board is responsible for the administration and control of school's internal accounts. The Redbook requires school boards to provide for an annual audit of those accounts.

Pursuant to this rule, we have audited the financial transactions of the internal accounts of the District's schools as of and for the fiscal year ended June 30, 2018. These accounts are the responsibility of the individual principals at each school. Oversight of these accounts and the annual financial statements are the responsibility of District management.

Methodology

Based on a rotating audit schedule, each year District schools receive either a "full" audit (including extensive testing of transactions), 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 year ended June 30, 2018, 20 schools were selected for "full" audits.

Each individual school audit consists of three phases: planning, fieldwork, and reporting. The planning phase includes steps taken by the auditor to familiarize himself or herself with the school, and to determine their approach to the audit. The fieldwork phase involves the application of testing procedures to the financial records of the school. Finally, the reporting phase consists of communicating the results of the audit to the relevant parties in an easily readable and understandable format. Each phase consists of specific steps taken to ensure an audit is done in accordance with professional standards and currently accepted practices.

Detailed Results

Audit Comments

Our testing indicated that there were 5 matters that were significant enough to be brought to management's attention.

Evidence of Receipt of Goods

Of the 20 schools that received "full" audits, 5 (25.00%) had multiple instances where 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), verifying the quantity of the items ordered, and a date, indicating when the goods were received.

This was a repeat comment from previous district-wide reports:

2016-2017 Percentage of Schools - 47.06%

2015-2016 Percentage of Schools - 24.00%

2013-2014 Percentage of Schools - 20.83%

The Manual gives specific guidelines regarding documentation for expenditures. Section VIII, D states, "When the items purchased are received, the goods should be checked to ensure the items are correct and not damaged. The person receiving the items should initial and date the receiving slip or invoice to document their review and that all items ordered were received."

See our recommendation in the Recommendations section below.

Regions Credit Card Statements – Proper Procedures

Of the 20 schools receiving "full" audits, 7 (35.00%) had multiple instances where proper procedures were not followed for reviewing credit card statements.

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

See our recommendation in the Recommendations section below.

Fundraising Activities

Of the 20 schools receiving "full" audits, 4 (20.00%) had multiple instances where Fundraiser Request/Reconciliation forms were not completed properly.

This was a repeat comment from previous district-wide reports:

2016-2017 Percentage of Schools - 29.41%

2015-2016 Percentage of Schools - 20.00%

2013-2014 Percentage of Schools - 45.83%

Chapter 8 Section III, 4.4 of the State Board of Education Rules states all fundraisers shall be planned to finance a specific objective and have the approval of the organization sponsor and the principal. In addition, the principal shall maintain control over the activity. The requirements of the rule are met through the proper completion of the Fundraising Request/Reconciliation Form.

The Fundraising Guidelines Handbook approved by the School Board explains the use of the Fundraising Request/Reconciliation Form. The Handbook states, "Completing Section I of this form will document the authorization of the fundraiser...At the conclusion of your fundraiser, complete Section II of the Fundraising Request/Reconciliation Form...Review school internal funds reports to verify accuracy of postings to your account...Evaluate the success of your fundraising activity."

See our recommendation in the Recommendations section below.

Monthly Log Report

Of the 20 schools receiving “full” audits, 4 (20.00%) had Monthly Log Reports that were not completed properly.

This was a repeat comment from previous district-wide reports:

2014-2015 Percentage of Schools - 17.65%

2012-2013 Percentage of Schools - 18.52%

2010-2011 Percentage of Schools - 14.28%

The Manual gives 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 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.

Fundraising Log Sheet

Of the 20 schools receiving “full” audits, 4 (20.00%) had Fundraising Log Sheets that were not completed properly:

- Fundraising Log Sheet was not utilized
- All fundraising events were not listed
- Fundraising Log Sheet could not be located for the audit

This was a repeat comment from previous district-wide reports:

2016-2017 Percentage of Schools - 35.29%

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

See our recommendation in the Recommendations section below.

Other Matters

Our testing also indicated 2 matters that, while not serious enough to rise to the level of audit findings, we feel should be brought to the attention of District management.

Request for Purchase Utilizing Purchasing Card Form (RPhcard Form)

The District has adapted the purchasing card form utilized for District budgeted purchasing cards for use with the internal funds purchasing cards. One requirement for that form is that only one vendor may be included on any single form. This creates the need to complete multiple forms for related purchases, if those purchases are made from different vendors. This creates potential inefficiencies, both in having to use

multiple forms and the time required to complete those forms.

See our recommendation in the Recommendations section below.

District Budgeted Funds for Regular Operations

We noted that the schools' District budgeted funds for regular operations are not being spent. For the 20 schools in our sample, we noted that the remaining balances of District budgeted funds ranged from \$12.43 (0.12%) to \$84,107.30 (67.33%). The average remaining balance was in excess of \$10,000, representing 30% of budgeted funds for these schools. While financial conservatism is encouraged, the District provides these funds with the expectation that they be utilized for the current student population.

See our recommendations in the Recommendations section below.

Opinion

Our responsibility is to express an opinion on the compliance of the transactions included in the accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board, and to determine if the schools' financial records reconcile with corresponding bank statements and independent bank confirmations. During our evaluation, we also assessed the adequacy and effectiveness of the schools' system of internal controls.

In our opinion, the majority of transactions included in the schools' internal accounts where a full audit was performed were generally consistent with applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. In addition, we determined the schools' financial records reconcile with bank statements and independent bank confirmations.

We determined the internal controls established by the District appear comprehensive, adequate, and effective. During our audit, we did become aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and/or assuring compliance with applicable laws, rules, regulations, policies and/or procedures. These matters are communicated in the Detailed Results section.

Recommendations

The District provides specialized training throughout the year, and issues various reminders to bookkeeper via e-mail. **We encourage the District to continue to provide this training, and to include training specifically related to the following issues identified as findings:**

- Evidence of Receipt of Goods
- Procedures for Regions Credit Card Statements
- Fundraising Activities
- Monthly Log Forms
- Fundraising Log Sheets

RPCard Form

In the interest of efficiency, **we recommend that the District consider allowing school sponsors and principals to group expenditures by task (or project) and include all necessary vendors on one RPCard Form.**

District Budgeted Funds for Regular Operations

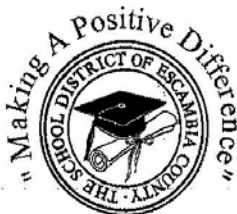
To ensure faculty and students receive all necessary instructional materials and supplies, **we recommend the District establish procedures to encourage utilizing allocated funds.** Potential procedures could include performing a mid-year evaluation to determine the status of each school's remaining budgeted funds, re-allocating any excess remaining budgeted funds to other District schools, and/or specialized training to principals on their ability to transfer funds between different line items.

Appendix A – Financial Information

	AUDITED BEGINNING BALANCE 7/1/2017			ADJUSTED RECEIPTS DISBURSEMENTS		AUDITED ENDING BALANCE 6/30/2018		
Hellen Caro	\$	80,823.43	\$	77,449.38	\$	96,390.64	\$	61,882.17
Jim Allen		11,801.89		44,396.23		41,440.43		14,757.69
Bellview		21,066.38		98,473.84		106,536.73		13,003.49
Bratt		31,553.23		112,580.76		98,496.37		45,637.62
Brentwood		18,751.26		28,912.00		25,411.19		22,252.07
N.B. Cook		64,481.52		75,667.48		52,794.87		87,354.13
Cordova Park		55,941.62		91,164.19		80,158.76		66,947.05
Ensley		25,180.34		81,253.62		78,188.13		28,245.83
Ferry Pass		13,866.33		19,267.61		17,655.92		15,478.02
Montclair		6,259.70		14,161.90		14,001.62		6,419.98
Myrtle Grove		21,228.99		32,860.94		30,629.41		23,460.52
Navy Point		43,554.68		28,396.34		22,466.91		49,484.11
Oakcrest		12,734.58		18,491.91		18,825.70		12,400.79
Pine Meadow		137,444.29		56,152.64		54,984.54		138,612.39
Pleasant Grove		47,870.67		51,765.08		56,436.05		43,199.70
Scenic Heights		11,506.47		59,764.26		41,500.64		29,770.09
O.J. Semmes		10,193.34		13,960.40		11,206.41		12,947.33
Sherwood		15,420.20		20,081.79		23,077.93		12,424.06
A.K. Suter		25,270.66		37,527.36		48,268.19		14,529.83
Warrington		20,598.95		8,468.74		6,971.28		22,096.41
C.A. Weis		9,030.64		14,489.57		16,127.68		7,392.53
West Pensacola		31,198.26		12,152.03		11,869.47		31,480.82
Reinhardt Holm		30,909.21		22,123.01		19,170.28		33,861.94
Lincoln Park Primary		16,191.07		23,380.86		34,722.10		4,849.83
Longleaf		10,315.70		17,735.49		20,255.98		7,795.21
Success Academy		-		-		(267.46)		267.46
L.D. McArthur		56,482.16		171,837.38		158,805.53		69,514.01
Beulah		63,052.56		35,579.75		33,553.81		65,078.50
R.C. Lipscomb		111,724.81		123,260.50		97,363.97		137,621.34
Blue Angels		40,440.35		70,492.19		63,423.00		47,509.54
Molino Park		21,133.50		47,342.93		42,955.94		25,520.49
Global Learning Academy		10,615.63		49,511.85		48,618.18		11,509.30
TOTAL ELEMENTARY	\$	1,076,642.42	\$	1,558,702.03	\$	1,472,040.20	\$	1,163,304.25

Appendix A - Financial Information (Continued)

	AUDITED BEGINNING BALANCE 7/1/2016	RECEIPTS	ADJUSTED DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2017
Bellview Middle	\$ 32,076.54	\$ 51,414.89	\$ 40,990.33	\$ 42,501.10
Ransom Middle	52,793.53	215,770.87	206,345.98	62,218.42
Escambia High	220,333.28	331,628.07	355,505.05	196,456.30
Ferry Pass Middle	79,506.02	88,244.07	91,576.01	76,174.08
Pensacola High	82,076.15	396,834.25	352,249.75	126,660.65
J.M. Tate High	418,393.26	771,419.26	802,990.24	386,822.28
Ernest Ward Middle	66,187.60	114,082.97	104,161.93	76,108.64
Warrington Middle	10,887.97	45,509.96	42,363.45	14,034.48
J.H. Workman Middle	40,506.30	94,351.52	83,580.89	51,276.93
Brown-Barge Middle	63,801.16	72,717.90	71,880.68	64,638.38
W.J. Woodham Middle	32,672.38	74,067.60	95,415.72	11,324.26
Pine Forest High	193,918.87	328,789.78	354,756.81	167,951.84
B.T. Washington High	243,274.97	637,258.83	551,537.95	328,995.85
James C. Bailey Middle	153,056.26	144,399.40	149,018.32	148,437.34
Northview High	122,206.84	268,711.99	252,865.38	138,053.45
West Florida Tech. High	198,964.40	725,393.78	691,896.22	232,461.96
TOTAL SECONDARY	\$ 2,010,655.53	\$ 4,360,595.14	\$ 4,247,134.71	\$ 2,124,115.96
McMillan Pre-K	\$ 1,843.30	\$ 3,797.93	\$ 3,670.77	\$ 1,970.46
George Stone	58,569.43	1,417,114.32	1,423,455.15	52,228.60
Escambia Westgate	84,357.82	35,208.44	30,242.27	89,323.99
TOTAL CENTERS	\$ 144,770.55	\$ 1,456,120.69	\$ 1,457,368.19	\$ 143,523.05
TOTAL ALL LOCATIONS	\$ 3,232,068.50	\$ 7,375,417.86	\$ 7,176,543.10	\$ 3,430,943.26



Memorandum

To: David Bryant
Director Internal Auditing

From: Debbie Fussell *DF*
Director, Accounting Operations

Date: November 15, 2018

Subject: 2017-2018 District-Wide Report of School Internal Funds

The comments noted in the audit report are basic procedures that are included in training sessions offered to secretaries and bookkeepers throughout the school year. As an additional measure, the financial analyst meets with each school who receives audit comments to discuss each finding and to assist the bookkeeper/secretary resolve the issues. Furthermore, the worker's compensation check writing responsibilities have been reassigned to another analyst freeing up more time to devote to schools on an individual basis. The district will continue to provide training opportunities and individual assistance as needed to help schools achieve compliance with the Internal Funds Policies and Procedures.

We will review the procedures and consider modifications to the purchasing card form to allow for grouping related expenditures by project/event on a single form to improve efficiency. The Budgeting Department will be consulted regarding the spending of district budgeted funds.

We appreciate your support and professionalism.