Escambia County
PUBLIC SCHOOLS

District-Wide Report of School Internal Accounts

For the year ended June 30, 2023

Office of Internal Auditing

November 2023

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

Director – Internal Auditing

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.

Executive Summary

We have audited the internal accounts of the Escambia County School District's (the District) schools for the year ended June 30, 2023. 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, 2022, the 51 schools' internal accounts totaled $3.91 million. Since the previous audit, one school has been converted to a charter school. There have been no other school additions or closures since the previous audit. For all schools, a total of $7.58 million in net receipts were received and $7.39 million in adjusted disbursements (disbursements plus net journal entries) were made, which resulted in an ending balance as of June 30, 2023 of $4.10 million for the 50 remaining schools.

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 1011.42, 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 serves as the executive officer of the School Board.

Historically, the Superintendent has been elected by the voters of the county. In 2016, the voters voted to change from an elected superintendent to a superintendent hired and appointed by the Board. This change took effect in November 2020.

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.

In March 2020, the State Board of Education ordered all Florida schools to close. All school activities were canceled. Although the closure was

initially to be a temporary measure, students did not return to campuses for the rest of the school year. With almost all activities canceled, only minimal financial activity occurred at the schools. This limited activity continued through subsequent years. As such, the financial activity included in this report may not be indicative of a "normal" fiscal year and may not be comparable to the previous financial reports.

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 $160,889 and $146,473 for the years ended June 30, 2022 and 2023, 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.

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 $8 million per fiscal year, **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.

The activity of the Escambia County Public Schools Foundation (ECPSF), which is a separate not-for-profit entity with a separate board of directors, does not flow through District school internal accounts. As

such, funds held by ECPSF on behalf of the schools as of June 30, 2023, **are not included** in this report and are **not audited** by the Office of Internal Auditing.

Objective

The purpose of this report is to compile the financial information for all 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, 2023. 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, 2023, 28 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 four matters that were significant enough to be brought to management's attention.

Credit Card Sign In/Out Log

Of the 28 schools that received "full" audits, 14 (50.00%) had multiple instances where documentation of the signing-in/out of credit cards was not properly completed.

Section VIII. E.2(i) of the Manual states, "Purchase Cards must be locked up by the card manager. When a purchasing request has been approved, the card will be signed out to the cardholder and must be signed back in within 2 days after the purchase date, unless prior approval has been given by the Principal to keep the card for an extended period of time due to a particular purpose. The card should not be checked out for the entire school year, but rather for each purchase."

This is a repeat comment from previous district-wide reports:
2021-2022 Percentage of Schools – 33.33%

Receipt of Goods

Of the 28 schools that received "full" audits, 17 (60.71%) 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 and initials indicating verification of the quantity of the items ordered, and a date indicating when the goods were received.

Section VIII, D.4, (e) 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 and that all items ordered were received."

This is a repeat comment from previous district-wide reports:
2021-2022 Percentage of Schools – 38.10%
2019-2020 Percentage of Schools – 25.00%

2018-2019 Percentage of Schools – 26.92%

Request Purchase Utilizing Purchasing Card Forms
Of the 28 schools that received "full" audits, six (21.43%) had multiple instances where purchases were made without the proper completion of Request Purchase Utilizing Purchasing Card forms.

Section VIII, E.2 (b), (f) of the Manual states, "All purchases must be listed on the Request Purchase Utilizing Purchasing Card form and approved by the Principal prior to the purchase…If another person is making an order over the internet or phone then the 'Authorization to Assign to Another Person to Make this Purchase' section must be filled out and signed by the cardholder; this is for one vendor at a time only." In addition, the account name/number to be charged and the requestor's signature are expected to be completed.

Monies Collected Forms
Of the 28 schools that received "full" audits, seven (25.00%) had multiple instances where Monies Collected forms were not properly completed.

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.

<u>Other Matters</u>
Our testing also indicated matters, which may or may not be an exception included in the audit findings cited above, we feel should be brought to the attention of District management.

Idle Funds
The overall balance of school internal accounts has risen at an average rate of 4.93% per year in the last three fiscal years; rising from $3.45 million at June 30, 2020 to $4.10 million at June 30, 2023. Bank interest rates have risen significantly during that time period. While the majority of schools have invested in savings accounts and CDs, these investments are minimal. Correspondence with schools appears to indicate that principals are unsure of how to determine if excess funds are present and what amounts should be invested.

Chapter 8, Section III, 1.5(b) of the State Board of Education Rules states, "Internal funds that are temporarily idle shall, as required by law, be invested pursuant to policies of the district school board using any medium of investment legal for public funds…" Section II, E.1 of the

Manual further states, “The ultimate goal of cash flow management is to earn the highest possible amount of interest with your school’s funds. Thus, to earn the highest amount of interest possible, you shall place any funds in excess of those you need to pay ongoing or immediate bills into savings accounts or CDs.”

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 bookkeepers via e-mail. **We encourage the District to continue to provide this training, and to include training specifically related to the following matters identified as a finding at multiple schools:**

- Maintenance of Credit Card Sign In/Out Logs
- Recording Receipt of Goods on Purchase Documents
- Completion of Request Purchase Utilizing Purchasing Card Forms

- Completion of Monies Collected Forms

Other Matters

Idle Funds

To ensure schools are earning the highest possible amount of interest on cash balances, **we recommend the District assist school administration on how to determine if excess funds are present and provide guidance on proper levels of investment.**

Appendix A – Financial Information

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2023

ELEMENTARY	AUDITED BEGINNING BALANCE 7/1/2022	PRIOR YEAR ADJUSTMENT	RECEIPTS	DISBURSEMENTS	NET JOURNAL ENTRIES	ADJUSTED DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2023
A.K. Suter	$ 19,204.66	$ -	$ 35,271.64	$ 9,160.55	$ 25,584.23	$ 34,744.78	$ 19,731.52
Bellview	12,158.20	-	75,427.71	60,249.15	14,535.60	74,784.75	12,801.16
Beulah Elem	95,653.20	-	36,414.09	19,655.57	10,461.54	30,117.11	101,950.18
Blue Angels	67,378.61	-	51,051.90	12,942.67	30,324.81	43,267.48	75,163.03
Bratt	71,323.67	-	105,242.90	76,121.86	36,896.81	113,018.67	63,547.90
Brentwood	19,372.24	-	13,924.85	5,006.55	14,440.94	19,447.49	13,849.60
C.A. Weis	8,363.84	-	34,867.90	26,270.38	12,244.09	38,514.47	4,717.27
Cordova Park	57,122.90	-	70,490.89	32,654.26	38,717.66	71,371.92	56,241.87
Ensley	33,680.45	-	99,894.78	95,670.46	5,093.75	100,764.21	32,811.02
Ferry Pass Elem	12,113.29	-	14,140.51	6,085.59	13,271.01	19,356.60	6,897.20
Global Learning	9,868.98	-	54,504.93	37,078.84	20,049.50	57,128.34	7,245.57
Hellen Caro	72,572.25	-	47,785.68	6,909.06	47,496.95	54,406.01	65,951.92
Jim Allen	16,207.21	-	54,778.03	30,263.83	25,232.09	55,495.92	15,489.32
Kingsfield	62,134.44	-	43,421.39	3,329.13	31,101.38	34,430.51	71,125.32
L.D. McArthur	73,289.12	-	167,919.44	143,400.13	23,589.59	166,989.72	74,218.84
Lincoln Park	7,632.99	-	4,541.77	788.29	5,243.82	6,032.11	6,142.65
Longleaf	13,221.65	-	23,094.12	9,425.52	13,270.70	22,696.22	13,619.55
Molino Park	27,745.34	-	48,475.88	12,819.97	43,764.67	56,584.64	19,636.58
Montclair	5,504.15	-	12,385.47	1,746.53	14,272.15	16,018.68	1,870.94
Myrtle Grove	14,114.47	-	12,350.97	1,808.13	11,412.59	13,220.72	13,244.72
N.B. Cook	71,599.48	-	86,681.22	19,235.16	53,370.93	72,606.09	85,674.61
Navy Point	58,889.54	-	28,599.92	2,297.96	26,271.81	28,569.77	58,919.69
O.J. Semmes	12,358.84	-	30,695.23	3,600.11	6,874.77	10,474.88	32,579.19
Oakcrest	16,592.49	-	13,610.17	8,980.89	6,401.51	15,382.40	14,820.26
Pine Meadow	96,072.03	-	40,594.69	1,308.70	27,184.92	28,493.62	108,173.10
Pleasant Grove	52,483.14	-	32,368.63	9,345.07	24,742.57	34,087.64	50,764.13
R.C. Lipscomb	204,466.49	-	79,509.19	20,943.57	55,679.68	76,623.25	207,352.43
Reinhardt Holm	30,966.20	-	6,069.38	662.36	11,090.78	11,753.14	25,282.44
Scenic Heights	72,619.94	-	54,339.48	20,471.50	5,103.77	25,575.27	101,384.15
Sherwood	13,617.06	-	20,323.28	9,498.76	10,729.17	20,227.93	13,712.41
Warrington Elem	16,976.46	-	2,855.59	1,107.98	2,926.98	4,034.96	15,797.09
West Pensacola	20,354.52	-	11,838.80	789.78	10,647.02	11,436.80	20,756.52
TOTAL ELEMENTARY	**$ 1,365,657.85**	**$ -**	**$ 1,413,470.43**	**$ 689,628.31**	**$ 678,027.79**	**$ 1,367,656.10**	**$ 1,411,472.18**

Appendix A – Financial Information (continued)

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2023

SECONDARY	AUDITED BEGINNING BALANCE 7/1/2022	PRIOR YEAR ADJUSTMENT	RECEIPTS	DISBURSEMENTS	NET JOURNAL ENTRIES	ADJUSTED DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2023
Bellview Middle	$ 45,470.88	$ -	$ 17,079.59	$ 4,515.89	$ 20,055.68	$ 24,571.57	$ 37,978.90
Beulah Middle	46,533.33	-	104,705.35	26,986.57	78,209.14	105,195.71	46,042.97
Brown Barge Middle	51,061.06	-	60,764.05	27,506.76	39,816.55	67,323.31	44,501.80
Ernest Ward Middle	79,899.53	-	63,089.71	18,297.40	59,644.72	77,942.12	65,047.12
Ferry Pass Middle	78,731.61	-	76,936.20	20,297.76	56,195.34	76,493.10	79,174.71
J.H. Workman Middle	32,420.52	-	27,778.88	8,399.71	15,752.36	24,152.07	36,047.33
James C. Bailey Middle	114,651.00	-	67,689.65	27,460.28	32,991.46	60,451.74	121,888.91
Ransom Middle	53,885.32	-	115,574.04	44,015.94	75,552.41	119,568.35	49,891.01
Warrington Middle	9,118.40	-	22,659.16	16,783.48	14,994.08	31,777.56	-
B.T. Washington High	304,748.94	-	745,627.32	280,980.54	431,325.06	712,305.60	338,070.66
Escambia High	215,446.43	-	527,704.00	271,558.59	169,928.82	441,487.41	301,663.02
J.M. Tate High	517,216.67	-	929,917.91	326,996.07	570,939.22	897,935.29	549,199.29
Northview High	215,765.17	-	471,700.45	149,851.50	286,999.67	436,851.17	250,614.45
Pensacola High	170,059.61	-	416,112.39	183,410.76	249,625.02	433,035.78	153,136.22
Pine Forest High	235,907.77	-	421,860.16	168,485.03	295,434.06	463,919.09	193,848.84
West Florida Tech. High	213,790.04	-	821,828.08	333,844.57	469,358.55	803,203.12	232,415.00
TOTAL SECONDARY	**$ 2,384,706.28**	**$ -**	**$ 4,891,026.94**	**$ 1,909,390.85**	**$ 2,866,822.14**	**$4,776,212.99**	**$ 2,499,520.23**
CENTER							
Escambia Westgate	$ 98,872.66		15,468.54	1,626.81	7,653.62	9,280.43	$ 105,060.77
George Stone	56,749.72		1,254,081.22	1,120,352.58	111,558.38	1,231,910.96	78,919.98
Success Academy	2,350.24		3,486.26	1,169.89	3,405.81	4,575.70	1,260.80
TOTAL CENTERS	**$ 157,972.62**	**$ -**	**$ 1,273,036.02**	**$ 1,123,149.28**	**$ 122,617.81**	**$1,245,767.09**	**$ 185,241.55**
TOTAL ALL LOCATIONS	**$ 3,908,336.75**	**$ -**	**$ 7,577,533.39**	**$ 3,722,168.44**	**$ 3,667,467.74**	**$7,389,636.18**	**$ 4,096,233.96**

Management Response

Memorandum

To: David Bryant
Director Internal Auditing

From: Debbie Fussell
Director, Accounting Operations

Date: November 21, 2023

Subject: 2022-2023 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. 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 appreciate your support and professionalism.