Escambia County
PUBLIC SCHOOLS

Pine Meadow Elementary School

Audit of School Internal Accounts
For the year ended June 30, 2024

Office of Internal Auditing
September 2024

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

Audit Team:
Mindy Waldie
Auditor

Aaron Hirst
Audit Intern

Jacob Bruce
Audit Intern

Sara Heuer
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 Pine Meadow 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.

Executive Summary

Pine Meadow received a full audit for the 2023-2024 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 2023-2024 fiscal year, Pine Meadow Elementary School (Pine Meadow) 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.

Two adjusting journal entries were recommended.

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

- To cover deficit balance in Donations-Restricted account.
- To record unrecorded interest for the school's money market account.

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

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

We noted some minor instances of violation of Board Policies and Florida Statutes. These matters were documented and provided to the principal and bookkeeper.

Our testing resulted in three audit findings.

Our testing resulted in three audit findings:

- Sales tax on purchases was not properly handled.
- Fundraiser Request/Reconciliation Forms were not properly completed.
- Monthly Log procedures were not properly followed.

The school's overall fund balance as of June 30, 2024 was $116,382.90.

The overall fund balance reported by the school at June 30, 2024 was $116,382.90. 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

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 2023-2024 fiscal year, Pine Meadow received a full audit.

Outside support organizations are <u>not</u>

Outside support organizations (school booster clubs and parent teacher associations) affiliated with this school that operate independent of a

included in this report and are <u>not</u> audited by our office.	school's internal accounts **<u>are not included</u>** in this report and **<u>are not audited</u>** by the Office of Internal Auditing. Pine Meadow last received a full audit in the 2020-2021 fiscal year. There was one matter that rose to the level of an auditing finding. The finding was related to proper utilization of budgeted funds, which was determined to be addressed adequately during a subsequent follow-up audit.
There was a change in the school's bookkeeper since the previous audit.	The school has had the same principal in place since the previous audit. The school's bookkeeper changed during the 2023-2024 school year.

Objective

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

We believe our audit provides 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, 2024. 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, 2024, 23 schools were selected for "full" audits.

The audit consists of three phases: planning, fieldwork, and reporting.

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. 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.** 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.

No known conflicts of interest were identified.
Control risk for Pine Meadow has been assessed at moderate.

The fieldwork phase involves the application of testing procedures to the financial records of the school. 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.

For our purposes, exceptions of greater than or equal to 20% of the total population may exist before an audit finding is issued.

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. 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, 7/1/2023	$	108,173.10
Total Receipts		42,982.04
Total Disbursements		(11,236.19)
Total Net Journal Entries		(23,536.05)
Ending Cash Balance, 6/30/2024	$	116,382.90
Audit Adjustments		-
Ending Fund Balance, 6/30/2024, Per Skyward	$	116,382.90
Cash Balance per Confirmation(s)	$	116,528.26
Outstanding Deposits		-
Outstanding Checks		(175.00)
Other Reconciling Items		29.64
Ending Fund Balance, 6/30/2024, Per Confirmation(s)	$	116,382.90

General Ledger Review

Throughout the year and prior to the school's closing of their records at year end, we may review various reports, transactions, and supporting documentation of the school. The purpose of this review is to recommend adjusting journal entries, reclassifications, or other necessary actions which we feel will result in more accurate reporting and/or compliance with established rules, policies, and procedures. Any recommended entries or actions are traditionally completed prior to the close of the school's records, and are therefore included in the reported June 30 financial information, unless otherwise indicated.

Two adjusting journal entries were recommended.

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

- To cover the deficit in the Restricted-Donations account, we recommended a journal entry be processed for $11.00.
- To record unrecorded interest related to the money market account, we recommended a journal entry be processed for $6.39.

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

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

During our fieldwork, we noted minor instances of non-compliance, which are not included in this report. We documented these matters

in our audit field notes, which were provided to the bookkeeper and principal.

Findings

Sales Tax Payments

One finding related to proper handling of sales tax for purchases.

Our testing indicated that sales tax was not properly handled for purchases. Payment and/or reimbursement of sales tax was made when not required and/or permitted. Sales tax failed to be paid when required.

Section XII, A of the Manual states, "In general, all purchases made by a school which are deemed to be for educational purposes are tax exempt. The sales tax exemption cannot be used by any other organization or individual including District school board members, employees and students, except as directly related to a school purchase. The intent of this section is to identify when schools should be paying sales tax on purchases and/or on revenues collected. A general rule in determining whether sales tax should be paid on a school internal funds purchase is determined by "ownership" of the tangible personal property purchased. If the ownership passes from the school to an individual, then sales tax should be paid on the purchase unless the item is specifically tax exempt".

Section XII, C of the Manual states, "When required, the District prefers that taxes be paid directly to the vendor at the time of purchase to avoid having to file a tax return with the Florida Department of Revenue." Section IX, A(2) of the Manual states, "Sales tax cannot be reimbursed with the exception of purchases from the faculty account and items purchased for resale."

See our recommendation in the Recommendations section below.

Fundraiser Request/Reconciliation Forms – Proper Completion

One finding related to completion of the FRR forms.

Our testing indicated Fundraiser Request/Reconciliation (FRR) forms were not properly completed or present.

Chapter 8 Section III, 4.3 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.
One finding related to procedures for the Monthly Log Report.	*Monthly Log Report – Proper Procedures* Our testing indicated Monthly Log Report procedures were not properly followed. 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

	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.
The majority of the school's transactions were processed in accordance with all applicable policies and procedures **The financial information reconciled with bank statements and independent confirmations.**	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.

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 and instruct staff on policies and procedures related to sales tax.	Sales Tax on Purchases In an effort to address the proper handling of sales tax for purchases, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures for payment and non-payment of sales tax.**
Review and instruct staff on policies and procedures related to fundraising activities.	Fundraising Request/Reconciliation Forms In an effort to address the improper completion or lack of Fundraising Request/Reconciliation forms, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with fundraising activities.**
Review and instruct staff on policies and procedures related to the Monthly Log Report.	Monthly Log Report In an effort to ensure that proper procedures are followed regarding 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.**
	We will follow-up on these recommendations approximately 90 days after the school's exit conference.

Management Response

PINE MEADOW ELEMENTARY SCHOOL
10001 OMAR AVENUE
PENSACOLA, FL 32533
PHONE: 850-494-5630

Dawn Morris
Principal

Lisa Hale
Assistant Principal

October 8, 2024

Dear Mr. Bryant,

Pine Meadow Elementary has taken measures to prevent errors within our school budget.

Finding 1: Sales Tax Payments: Section XIII FL Payment/reimbursement of sales when sales tax was not required and Failure to pay sales tax when required.
Action: We have revisited the manual and there is a better understanding that when items are purchased from a faculty account and not used for educational purposes, the school must pay tax. For example: cards, flowers, staff parties, etc.

Finding 2: After speaking with our school secretary, Brandy King in regards to Fundraising Request/Reconciliation Forms: Section IV, B.4. "A fundraising Request/reconciliation form must be submitted to the principal prior to the beginning of any fundraising activity.
Action: Brandy and I have reviewed the Internal Funds Manual. We have revisited the fundraising rules and have developed a check off system to ensure that dates are properly added to the forms at the correct times. .

Finding 3 : Monthly Log Reports: Section II, H.3 Detailed Account Ledger Reports need to be distributed to all account sponsors for review.
Action: Folders have been made to share with school sponsors their monthly internal account balances. Brandy will also send a reminder email stating that the Account Ledger has been provided in the folder.

We are both better informed and will be conscious of making errors going forward.

Please let me know if additional measures should be taken.

Sincerely,
Mrs. Dawn Morris
Mrs.Dawn Morris
Proud Principal
Pine Meadow Elementary School

10-21-2024

Agenda Item Details

Meeting	Nov 19, 2024 - REGULAR MEETING AGENDA (5:30 PM)
Category	45. Internal Auditing
Subject	B. (ADD) School Internal Accounts Audit Reports
Type	Action, Reports
Fiscal Impact	No
Budgeted	No
Recommended Action	Acceptance of the school internal accounts audit reports.

Each year, we audit the internal accounts of the schools. As part of this process, a sample of schools receive audits with full procedures (financial and compliance), with the remaining schools receiving audits with limited procedures. Audits receiving full procedures are presented to the Board individually. Audits receiving limited procedures are included in the District-wide report. All audited schools are then combined into a District-wide audit report on schools internal accounts. These reports have been presented to and accepted by the Audit Committee, a standing committee of the Board. The reports are being presented to the Board for their review and entry into the minutes.

School Internal Accounts Audits - Elementary.pdf (8,143 KB)

School Internal Accounts Audits - Secondary and Centers.pdf (3,410 KB)

Motion & Voting

Acceptance of the school internal accounts audit reports.

Motion by Kevin Adams, second by Tom Harrell.
Final Resolution: Motion Carries
Yes: Kevin Adams, Paul Fetsko, David Williams, Carissa Bergosh, Tom Harrell

Workflow

Workflow	Nov 8, 2024 4:35 PM :: Submitted by David Bryant. Routed to David Bryant for approval. Nov 8, 2024 4:35 PM :: Approved by David Bryant. Routed to Shenna Payne for approval. Nov 8, 2024 4:36 PM :: Approved by Shenna Payne. Routed to Holley DeWees for approval. Nov 8, 2024 4:52 PM :: Final approval by Holley DeWees

Last Modified by Holley DeWees on November 19, 2024

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