Escambia County
PUBLIC SCHOOLS

Scenic Heights 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

Jeanne Pilgrim
Audit Administration Specialist

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 Scenic Heights 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

Scenic Heights 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, Scenic Heights Elementary School (Scenic Heights) 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.

One adjusting journal entry was recommended.

Our audit procedures indicated matters that required adjustment of the school's records. One journal entry was necessary:

- To correct the improper posting of picture commissions to the Donations-Unrestricted account and Technology account.

This journal entry was 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 two audit findings.

Our testing resulted in two audit findings:

- Purchases were made without prior written approval.
- Receipts were not properly recorded.

The overall fund balance reported by the school at June 30, 2024 was $78,779.91. We have determined that the financial information

The school's overall fund balance as of June 30, 2024 was $78,779.91.

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, Scenic Heights 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.

School Administration has been consistent for several years.

Scenic Heights last received a full audit in the 2022-2023 fiscal year. There were three matters that rose to the level of an auditing finding. Those matters are included in the testing for this audit

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 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 Scenic Heights 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	$	75,163.03
Total Receipts		70,205.13
Total Disbursements		(21,053.73)
Total Net Journal Entries		(45,534.52)
Ending Cash Balance, 6/30/2024	$	78,779.91
Audit Adjustments		-
Ending Fund Balance, 6/30/2024, Per Skyward	$	78,779.91
Cash Balance per Confirmation(s)	$	79,026.84
Outstanding Deposits		-
Outstanding Checks		(246.93)
Other Reconciling Items		-
Ending Fund Balance, 6/30/2024, Per Confirmation(s)	$	78,779.91

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.

One adjusting journal entry was recommended.

As a result of our fieldwork, one adjusting journal entry was recommended:

- To correct the improper posting of picture commissions to the Donations – Unrestricted account and Technology account, we recommend a journal entry be processed for $5,769.50.

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

One finding related to lack of prior written approval.

Prior Written Approval

Our testing indicated purchases were made prior to the principal's written approval date, as evidenced on the approval forms for both check requests and credit card purchase requests.

The Internal Funds Policy Manual gives specific guidelines regarding the prior approval of purchases. 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 Oder. This must be done **BEFORE** the item is ordered and funds are obligated." In the case of credit card purchases, the Request Purchase Utilizing Purchasing Card approval form should be used.

See our recommendation in the Recommendations section below.

One finding related to improper recording of collections.

Receipts – Properly Recorded
Our testing indicated Monies Collected Forms (MCFs) were entered into Skyward with a date that was not the date collections were remitted to the bookkeeper.

Section VI, B.10 of the Internal Funds Policy Manual states, "The secretary/bookkeeper will verify that the items listed on the MCF re-add to the total amount listed and that the total on the MCF agrees with the money remitted and acknowledge receipt by signing and dating the MCF." Section VI, A.3 of the Manual states, "All money received by the school must be substantiated by using a Monies Collected Form (MCF) and an Official Receipt."

Section VI, C.3 of the Manual states, "The cash receipt, generated from the internal funds' software, post-date should be the bookkeeper's date listed at the bottom of the MCF, where he/she signs."

This is a repeat finding from 2019-2020.

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 prior written approval for expenditures.	<u>Prior Written Approval</u> In an effort to address purchases made prior to receiving written approval from the principal/designee, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures of obtaining prior written approval for expenditures**.
Review and instruct staff on policies and procedures related to the recording of receipts.	<u>Recording of Receipts</u> In an effort to address the improper recording of receipts, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual on the proper procedures for the recording of receipts.** We will follow-up on these recommendations approximately 90 days after the school's exit conference.

Management Response

Scenic Heights Elementary

A Five Star School
Shelly Cox, Principal
Kristin Arnold, Assistant Principal

October 15, 2024

Mr. David Bryant
Office of Internal Auditing
Escambia County School District
75 N. Pace Blvd.
Pensacola, FL 32505

Dear Mr. Bryant,

Based on the results of the 2023-24 internal account audit, I regret to report two audit findings. The two audit findings are as follows: (1) Prior Written Approval, (2) Receipts – Properly Recorded After receiving a copy of the report. I discussed the field notes and audit report with you in person. It was most helpful to meet with you and Mrs. Hart, our bookkeeper/secretary, and we will continue to work towards a perfect audit.

Mrs. Lisa Hart hired into the Escambia County School District in August of 2023. The audit findings in the report reflect her first 8 months of employment.

Finding 1 - *Purchases were made prior to the principal's written approval date.*
Several procedures are in place to ensure purchases are not made without my written approval. Employees may no longer place any online orders. All online orders are made by the secretary/bookkeeper to make certain that prior written approval is obtained as opposed to prior verbal approval.

Finding 2 - *Receipts Properly Recorded – Money's Collected Forms (MCFs) were entered into Skyward with a date that was not the date collections were remitted to the bookkeeper.*
This audit finding was corrected with the acquisition of knowledge. The bookkeeper is now aware that the Skyward date must match the MCF date.

As principal, I am responsible for monitoring the financial accounts at this school and the processes in place to ensure that transactions are processed in accordance with all applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. It is our goal to achieve a perfect audit.

Sincerely,

Shelly Cox
Principal

10-21-2024

3801 Cherry Laurel Drive Pensacola, FL 32504 • Phone (850) 494-5635 Fax (850) 494-5624

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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