Escambia County
PUBLIC SCHOOLS

Beulah Middle 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

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 Beulah Middle 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

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, Beulah Middle School (Beulah Middle) received a full audit. This report documents the results of the audit.

Beulah Middle received a full audit for the 2023-2024 fiscal year.

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.

Six adjusting journal entries were recommended.

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

- To correct the improper posting of vending machine commissions to the General account.
- To correct the posting of a faculty lunch to the Facilities Rental account.
- To reverse the transfer of funds from the Facilities Rental account to the Faculty Fund account and Promotions and Public Relations account.
- To reverse the transfer of funds from the Facilities Rental account to the Faculty Fund account.
- To correct the posting of the 2023-2024 Promotions and Public Relations allocation.
- To correct the posting of the purchase of promotional items in excess of allowable limits to the Promotions and Public Relations account and Faculty Fund 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:

- Monies Collected Forms (MCFs) were not properly completed.
- Gift cards were not properly handled.
- Proper transfers and account postings for purchases

The school's overall fund balance as of June 30, 2024 was $49,219.70.

The overall fund balance reported by the school at June 30, 2024 was $49,219.70. 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, Beulah Middle 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. Beulah Middle last received a full audit in the 2021-2022 fiscal year. There were three matters that rose to the level of audit findings. There were findings related to the proper procedures for the monthly log report, the proper handling of receipts, and the proper handling of deposits, 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's previous principal was reassigned in 2022-2023 school year, and was replaced during the next 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 Beulah Middle 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

For our purposes, exceptions of greater than or equal to 20% of the total population

may exist before an audit finding is issued.

the audit are conducted with principals and secretaries/bookkeepers, if necessary.

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	$	46,042.97
Total Receipts		129,687.80
Total Disbursements		(27,652.67)
Total Net Journal Entries		(98,858.40)
Ending Cash Balance, 6/30/2024	$	49,219.70
Audit Adjustments		-
Ending Fund Balance, 6/30/2024, Per Skyward	$	49,219.70
Cash Balance per Confirmation(s)	$	49,219.70
Outstanding Deposits		-
Outstanding Checks		-
Other Reconciling Items		-
Ending Fund Balance, 6/30/2024, Per Confirmation(s)	$	49,219.70

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, six additional adjusting journal entries were recommended:

Six adjusting journal entries were recommended.

- To correct the improper posting of vending machine commissions to the General account, we recommend a journal entry be processed for $680.84.
- To correct the improper posting of a faculty lunch to the Facilities Rental account, we recommend a journal entry be processed for $1,700.00
- To reverse the transfer of funds from the Facilities Rental account to the Faculty Fund and Promotions and Public Relations accounts, we recommend a journal entry be processed for $2,000.00.
- To reverse the transfer of funds from the Facilities Rental account to the Faculty Fund account, we recommend a journal entry be processed for $665.38.
- To correct the posting of the 2023-2024 Promotions and Public Relations allocation, we recommend a journal entry be processed for $1,000.00
- To correct the posting of the purchase of promotional items in excess of allowable limits to the Promotions and Public Relations account and Faculty Fund account, we recommend a journal entry be processed for $1,985.95.

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.

One finding related to improper completion of MCFs.

Findings

Monies Collected Forms – Proper Completion

Our testing indicated 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.

See our recommendation in the Recommendations section below.

One finding related to the improper handling of gift cards.

Gift Cards – Properly Handled

Our testing indicated gift cards were not properly handled.

The Internal Funds Policy Manual gives specific guidelines to be followed for the handling of gift cards. Section IV, M.2 states, "Gift cards can Not be purchased: a) With a P-card, b) As a holiday or other gift for employees, students, etc. EXCEPTION: Faculty funds may be used to purchase gift cards..." Section IV, M.1 states, "Gift cards may be purchased for student incentives or from the faculty funds. Gift cards must have a face value of $50.00 or less. A face value greater than $50.00 must have prior approval from the Internal Funds Department."

See our recommendation in the Recommendations section below.

One finding related to the improper transfers and/or postings.

Account Posting - Policies

Our testing indicated multiple improper transfers and expenditures improperly posted to various accounts, including the Facilities Rental account and the Promotions and Public Relations account.

The Internal Funds Policy Manual gives specific guidelines for the use of the Chart of Accounts and the fund type that should be used in posting transactions.

Section IV, N of the Manual states "Facility rental income should be deposited into the Facilities Rental account. Any significant balance of the fund may be used by the school for improvements and upkeep of the school campus."

Section VIII, J of the Manual states, "The state imposes a district-wide dollar limitation on expenditures for promotions and public relations and each school is allocated a portion of the District's limit each year. Promotions and Public Relations expenditures may not exceed the following amounts in any fiscal year: FTE > 1,000 = $1,000.00.

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 proper completion of MCFs.

Review and instruct staff on the policies and procedures related to the proper handling of Gift Cards.

Review and instruct staff on the policies and procedures related to allowable faculty, promotions and public relations, and facility rental expenditures and transfers.

<u>Monies Collected Forms</u>
In an effort to address the improper completion MCFs, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of MCFs.**

<u>Gift Cards – Properly Handled</u>
In an effort to address the improper handling of Gift Cards, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual's rules regarding the handling of gift cards.**

<u>Account Posting – Policies</u>
In an effort to address the improper transfer of funds and improper posting of promotion and public relations expenditures, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual's rules regarding allowable expenditures, transfers, and limits related to the Faculty Fund account, Facilities Rental account, and Promotions and Public Relations account limits.**

We will follow-up on these recommendations approximately 90 days after the school's exit conference.

Management Response

BEULAH MIDDLE SCHOOL
6001 Nine Mile Rd
Pensacola, Florida 32526
Office: (850) 316-3800 Fax: (850) 941-6008

Dr. Frank Murphy, Principal ***Brandi Gentry,*** Assistant Principal

To: David Bryant, Director of Internal Auditing

From: Frank Murphy, Principal

Re: Audit Findings for 2023-24

Date: October 1, 2024

The following are my responses to the findings that were presented in the Audit Findings Report for the fiscal year ending on June 30, 2024, for Beulah Middle School:

Finding: Monies Collected Forms

Issue:

There was evidence through the testing process that monies collected forms (MCF) were not properly completed.

Response/Corrective Action:

In an effort to address the issue Ms. Meredith Muncie, Bookkeeper, and myself will review the Internal Policy Manual and provide training to designated faculty and staff. A complete review and training of the proper completion of MCF's will be conduct by the close of October 2024.

Finding: Gift Cards

Issue:

The improper handling of gift cards, specifically purchase of gift cards with a P-card.

Response/Corrective Action:

In an effort to address the issue Ms. Meredith Muncie, Bookkeeper, and myself will review the Internal Policy Manual related to the rules and regulations regarding the purchase and handling of gift cards.

Account Posting – Policies

Issue: The improper transfer of funds and improper posting of promotion and public relations expenditures.

Response/Corrective Action:

In an effort to address the issue Ms. Meredith Muncie, Bookkeeper, and myself will review the Internal Policy Manual related to the rules and regulations regarding allowable expenditures, transfers, and limits related to the Faculty Fund account, Facilities Rental account, and Promotions and Public Relations account limits.

In closing, it is my expectation that all audit findings will be corrected using the necessary resources provided by the Internal Funds Policy Manual and district staff advisement. It is my goal that Beulah Middle School will have zero findings on future audits.

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