



Escambia County
PUBLIC SCHOOLS

James C. Bailey 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
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Audit Team:
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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 James C. Bailey 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

Bailey 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, James C. Bailey Middle School (Bailey) 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.

Eleven adjusting journal entries were recommended.

Our audit procedures indicated matters that required adjustment of the school's records. A total of eleven journal entries were recommended. Seven journal entries were related to on-site bus fuel charges. Four journal entries were related to supplemental pay for bus drivers.

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 six audit findings.

Our testing resulted in six audit findings:

- Proper account posting for purchases.
- There was no evidence of receipt of goods verification on items shipped to the school.
- Superintendent's approval for purchases over \$10,000.00

The school's overall fund balance as of June 30, 2024 was \$113,472.18.

- The signing-in/out of credit cards was not properly completed.
- Fundraiser Request/Reconciliation Forms were not properly completed.
- The Fundraising Log Sheet was not properly completed.

The overall fund balance reported by the school at June 30, 2024 was \$113,472.18. 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

Outside support organizations are not included in this report and are not audited by our office.

reconciliation of bank statements and confirmations). For the 2023-2024 fiscal year, Bailey received a full audit.

Outside support organizations (school booster clubs and parent teacher associations) affiliated with this school 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.

School Administration has been consistent for several years.

Bailey last received a full audit in the 2020-2021 fiscal year. There were no matters that rose to the level of an auditing finding.

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

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

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

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

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.

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.

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.

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	\$ 121,888.91
Total Receipts	73,094.05
Total Disbursements	(26,086.50)
Total Net Journal Entries	(55,424.28)
Ending Cash Balance, 6/30/2024	\$ 113,472.18
Audit Adjustments	-
Ending Fund Balance, 6/30/2024, Per Skyward	\$ 113,472.18
Cash Balance per Confirmation(s)	\$ 113,472.28
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	(.10)
Ending Fund Balance, 6/30/2024, Per Confirmation(s)	\$ 113,472.18

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, 11 additional adjusting journal entries were recommended:

- To correct the improper posting of bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$127.70.
- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$35.90.
- To correct the improper posting of bus driver supplemental pay to G7000 General account, we recommend a journal entry to be processed for \$72.74.
- To correct the improper posting of bus driver supplemental pay to G7000 General account, we recommend a journal entry to be processed for \$23.92.

Eleven adjusting journal entries were recommended.

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

One finding related to improper account posting.

One finding related to lack of evidence of receipt of goods.

- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry be processed for \$72.47.
- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$543.66.
- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$103.52.
- To correct the improper posting of bus driver supplemental pay to the G7000 General account, we recommend a journal entry to be processed for \$170.14.
- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$81.45.
- To correct the improper posting of bus driver supplemental pay to the G7000 General account, we recommend a journal entry to be processed for \$36.45.
- To correct the improper posting of onsite bus fuel charges to the G7000 General account, we recommend a journal entry to be processed for \$199.61.

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

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

Proper Account Posting

Our testing indicated several instances of improper account posting.

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 V, B. G7000 states "This category encompasses all other accounts for funds that are to be utilized for the general welfare of the student body."

See our recommendation in the Recommendations section below.

Evidence of Receipt of Goods

Our testing indicated 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

One finding related to lack of a Superintendent Approval form.

indicating verification of the quantity of the items ordered, and a date indicating when the goods were received.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for expenditures. 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."

See our recommendation in the Recommendations section below.

Superintendent Approval Form

Our testing indicated a purchase over \$10,000 did not include the Superintendent Approval Form.

Section VIII, I.2 of the Manual states, "Schools must obtain prior written authorization from the Superintendent for the following types of expenditures: a) Expenditures exceeding \$10,000 (See Appendix A – Approval of Expenditure(s) from Internal Funds), b) Equipment to be attached to the building or major equipment that requires use of public utilities, c) Buildings, permanent attachments to buildings, or other structures, d) Risers, bleachers or equipment involving risks."

See our recommendation in the Recommendations section below.

One finding related to the documentation of the purchasing card sign-in/out log.

Credit Card Sign-in/out Log

Our testing indicated the documentation of the signing-in/out of credit cards (purchase cards) was not properly completed.

The Internal Funds Policy Manual gives specific guidelines for the documentation of signing-in/out credit cards (purchase cards). Section VIII, E.2(d) of the Manual states, "Cardholders cannot check out the credit card until all approvals have been given in writing. Once all paperwork has been approved and signed then the cardholder must sign out the P-Card from the Card Manager." Section VIII, E.2(i) states, "Procurement 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. An example would be a P-Card is needed for out of county travel or in county travel that extends past the school hours of Friday and into the weekend or until Cardholder returns from the trip. (The card should not be checked out for the entire school year, but rather for each purchase.)"

See our recommendation in the Recommendations section below.

One finding related to improper completion of the Fundraiser Reconciliation Form.

Fundraiser Request/Reconciliation Forms – Proper Completion

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

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 lack of utilizing the Fundraiser Log Sheet.

Fundraiser Log Sheet

Our testing indicated the Fundraiser Log Sheet was not properly completed and maintained.

The Fundraising Guidelines Handbook approved by the School Board states, “Each district school board shall maintain records documenting the occurrence of any exempted school-sponsored fundraisers to demonstrate compliance with this rule.”

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 of concern related to required OSO information.

Other

Outside Support Organizations

During our testing, the Principal indicated that she did not have a process for ensuring annual authorization forms were completed for outside support organizations. In addition, the Principal indicated that she rarely or never receives the District-required documentation from outside support organizations.

Page 4 of the Outside Support Organizations Guidelines Manual states, “The OSO shall submit the following required documentation the principal of the host school: Articles of Incorporation, By-laws of the organization, 501(c)(3) registration, Annual Authorization Form,

annual proposed budget, annual prior year audit, annual registration with the Florida Department of State Division of Corporations, annual tax return, treasurer reports, and meeting minutes.”

See or recommendations in the Recommendations section below.

Opinion

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.

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.

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 posting to proper accounts.

Proper Account Posting

In an effort to ensure transaction are posted to the proper accounts, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on policies and procedures associated with posting to the G7000 General account and other accounts.**

Review and instruct staff on policies and procedures related to evidence required to indicate receipt of goods.

Receipt of Goods

In an effort to address the lack of proper evidence for receipt of goods, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedure of documenting receipt of goods.**

Review and instruct staff on policies and procedures related to purchases requiring Superintendent approval.

Superintendent Approval Form

In an effort to address the improper completion of Superintendent Approval forms, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the policies and procedures associated with purchases requiring Superintendent approval.**

Review and instruct staff on the policies and procedures related to the documentation of the credit card sign-in/out log.

Credit Card Sign-in/out Log

In an effort to address the documentation of credit cards being signed-in/out, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures related to the use of the credit cards.**

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 Fundraiser Log Sheet.

Fundraiser Log Sheet

In an effort to address the lack of utilizing a Fundraiser Log Sheet, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual's rules regarding the utilization and maintenance of a Fundraiser Log Sheet.**

Review Outside Support Organizations policies and procedures and instruct OSO to provide information.

Outside Support Organizations

In an effort to address required authorization and documentation for Outside Support Organizations, **we recommend the Principal review the District's Outside Support Organizations Guidelines Manual available on the Accounting Operations district webpage and instruct the OSO representative to provide the required information.**

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

Management Response

Jim C. Bailey Middle School

4110 Bauer Road
Pensacola, Florida 32506
(850) 492-6136
<https://fl50010989.schoolwires.net/jbms>



Tara Palasciano, Principal
Josh Jackson, Assistant Principal
Juanda Thomas, Assistant Principal

October 23, 2024

Dear Mr. David Bryant,

After reviewing our 2023-2024 Internal Audit, we see that there are some areas that we need to tighten up on procedures to ensure our future audits are clean. Now that it has been brought to my attention, I will work diligently alongside Mrs. Bunny Erdwins, Bailey's bookkeeper to ensure that we are following protocol. Our goal is to have a perfect audit in the future.

Sincerely,

A handwritten signature in blue ink that reads "Tara R. Palasciano". The signature is fluid and cursive, with the first name "Tara" being the most prominent.

Tara Palasciano

**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