



Bellview Elementary School
Audit of School Internal Accounts
For the Year Ended June 30, 2016

Office of Internal Auditing
October 2016

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

Audit Team:
Jeremy Williams
Audit Administration Specialist

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 Bellview 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.



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Executive Summary

Bellview Elementary School received a full audit for the 2015-2016 fiscal year.

Our office audits the internal accounts of the District's schools annually. The authority to conduct these audits is granted in accordance with Florida State Board of Education Rule 6A-1.087 and 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 2015-2016 fiscal year, Bellview Elementary School 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 correct the improper posting of teacher appreciation expense to the School Wide Fundraiser account.
- To transfer the remaining balance of the 5th grade graduating class account to the General account.

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

Our testing resulted in two audit findings.

Our testing resulted in two audit findings:

- Purchases were made absent prior written approval.
- Purchasing card authorization forms were not properly completed.

The school's overall fund balance as of June 30, 2016 was \$17,719.10.

The overall fund balance reported by the school at June 30, 2016 was \$17,719.10. We have determined that the financial information reported by the school reconciles with bank statements and independent bank

The majority of transactions included in the school's internal accounts were processed in accordance with applicable policies and procedures.

confirmations.

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

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

Each year, our office audits the District's schools' internal accounts. The authority to conduct these audits is granted in accordance with Florida State Board of Education Rule 6A-1.087 and 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 2015-2016 fiscal year, Bellview Elementary School 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.

There was a change in the principal position during fieldwork.

Bellview Elementary School last received a full audit in the 2013-2014 fiscal year. There were five matters that rose to the level of an audit finding. These findings related to the proper completion of request forms for expenditures, the proper utilization of budgeted funds, evidence of receipt of goods, timeliness of deposits and properly completed Monies Collected Forms. All were determined to be addressed adequately during a subsequent follow-up audit.

During the fieldwork of our audit, a principal change occurred. The prior principal transferred to another school on 6/30/16 and the subsequent principal began on 7/1/16.

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 have conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing, and have planned and performed our audit to obtain reasonable assurance that transactions were made in accordance with applicable policies and laws and that the financial information presented is reliable.

We believe our audit provides a reasonable basis for our opinion, findings, and recommendations.

Scope

State Board of Education Rule 6A-1.087 states that the School Board is responsible for the administration and control of school's internal accounts and in connection therewith shall provide for an audit of those accounts. Pursuant to this rule, we have audited the financial transactions of the internal accounts of the school as of and for the fiscal year ended June 30, 2016. These accounts are the responsibility of the principal of

that school.

Methodology

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

Each audit consists of three phases, containing specific steps to ensure it is done in accordance with professional standards and current accepted practice.

The Planning Phase

The planning phase serves as the initial stage of an audit, where the auditor determines which schools are audited, ensures his or her independence, assesses the overall control environment and risk factors, and selects the samples of transactions to be tested.

School Sample

Rather than auditing 100% of schools each year, a system of rotation is utilized that is based primarily on school classification (i.e., elementary, middle, high).

Ensuring Independence

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.**

No known conflicts of interest were identified.

Control Risk Assessment

At the beginning of each audit, the two prior audits and work papers, as well as any follow-up audits, are reviewed. We also determine whether there have been any significant personnel changes (i.e., principal, secretary/bookkeeper).

Each school's secretary/bookkeeper and principal are given internal control questionnaires to complete prior to their audit beginning. We review the responses, and discuss any items of concern with the appropriate staff. These questionnaires represent only a portion of our assessment of the overall control environment.

Control Risk for Bellview Elementary School has been assessed at moderate.

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.

Transactional Samples

Statistical sampling for attributes has been chosen. This method allows conclusions to be drawn about the population based on statistical

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

inference. If after testing we determine the sample does not provide adequate coverage of the total population, auditor judgment and discussion with the Director of Internal Auditing are used to determine whether additional sampling methodologies are necessary (judgmental sampling, whole population, etc.).

The Fieldwork Phase

The fieldwork phase involves transactional testing of the school's internal accounts. The items in each of our samples are tested for compliance with applicable Florida Statutes, State Board of Education Rules, Board Policies, contract terms and conditions, and grantor restrictions.

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.

The Reporting Phase

Upon the completion of the planning and fieldwork phases of an audit, the results of those phases are compiled into an easily readable and understandable format (i.e., the audit report). The report is presented to, and approved by, the Audit Committee and the School Board at the end of each audit cycle.

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, 7/1/2015	\$ 14,723.97
Total Receipts	89,429.84
Total Disbursements	(64,418.40)
Total Net Journal Entries	(22,016.31)
Ending Cash Balance, 6/30/2016	\$ 17,719.10
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	\$ 17,719.10
Cash Balance per Confirmation(s)	\$ 17,844.54
Outstanding Deposits	-
Outstanding Checks	(170.44)
Other Reconciling Items	45.00
Ending Fund Balance, 6/30/201X, Per Confirmation(s)	\$ 17,719.10

Two adjusting journal entries were recommended.

We noted two adjusting journal entries that were necessary.

During fieldwork, we recommended a journal entry be processed for \$78.19 to transfer the remaining balance in the C3007 5th Grade account to the G7000 General account as required per District guidelines.

We also recommended a journal entry be processed for \$54.05 to correct the improper posting of a teacher appreciation expense. The transaction was recorded to the F6276 School Wide Fundraiser account instead of the F6246 PBS account.

All recommended journal entries were processed.

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

One finding related to prior written approval for purchases.

Findings

Prior Written Approval

A review of the disbursements created by the school indicated there were purchases reimbursed with school funds that were made prior to the written approval of the principal.

This is a repeat audit finding from 2012-2013.

The Internal Funds Policy Manual gives specific guidelines concerning the

One finding related to the proper completion of purchasing card forms.

prior approval of purchases. Section VIII, A 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 Order, or a properly prepared Internal Funds Purchase Order. This must be done **BEFORE** the item is ordered and funds are obligated."

See our recommendation in the Recommendations section below.

Request Purchase Utilizing Purchasing Card forms

Our testing indicated the Request Purchase Utilizing Purchasing Card forms were not properly completed by the requester of the purchase.

This is a repeat audit finding from 2013-2014.

The Internal Funds Policy Manual gives specific guidelines regarding documentation for internal funds credit card purchases. Section VIII, E.2 (b) of the Manual states, "All purchases must be listed on the Request Purchase Utilizing Purchasing Card form and approved by the Principal prior to the purchase...If another person is making an order over the internet or phone then the 'Authorization to Assign to Another Person to Make this Purchase' section must be filled out and signed by the cardholder." In addition, the account name/number to be charged and the requestor's signature are expected to be completed.

See our recommendation in the Recommendations section below.

Opinion

Financial information reported reconciles with bank statements and independent confirmations.

Our opinion is divided into two major areas: whether or not the financial information reported by the school reconciles with corresponding bank statements and independent bank confirmations; and an assessment of the compliance of transactions included in the internal accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. An overall assessment is also made as to 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.

The majority of transactions

We have determined that the financial information reported reconciles with bank statements and independent bank confirmations.

In our opinion, the majority of transactions included in the school's

included in the school's internal accounts were processed in accordance with all applicable policies and procedures.

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.

Recommendations

Review policies and procedures related to prior written approval for purchases.

Prior Written Approval

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 pertaining to the approval of disbursements and instruct school staff on the proper procedures.**

Review policies and procedures related to proper completion of purchasing card form.

Request Purchase Utilizing Purchasing Card form

In an effort to address the proper completion of the Request Purchase Utilizing Purchasing Card forms, **we recommend the principal and the bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of the Request Purchase Utilizing Purchasing Card form.**

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

Management Response



Bellview Elementary School

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Pensacola, FL 32526
(850) 941-6060 FAX (850) 941-6062*

Melissa Groff, Principal
Beverly Cook, Guidance Counselor

Brandi Gentry, Assistant Principal
Leah Mashburn, Secretary

TO: David J. Bryant, Director
Office of Internal Auditing

FROM: Melissa Groff, Principal
Bellview Elementary School

DATE: November 28, 2016

SUBJECT: Audit Findings for Fiscal Year Ending 6/30/16
Bellview Elementary School- Cost Center 0051

I participated in the exit interview in reference to the internal funds audit at Bellview Elementary School. Although I was not the Principal of Bellview Elementary School during the 2015-2016 school year, I will respond to the findings and ensure the proper steps are taken to prevent future findings.

Finding 1- Credit Cards- properly completed authorization form

Five of twenty purchases tested included an incomplete RFP. Upon further investigation of these findings, it was determined that many times, the Assistant Principal's purchasing card was used for purchase when the RFP was signed by the Principal for approval without a requester's signature. It is our current and continued practice to ensure that all RFP forms are completed by a requester prior to my approval. It is determined prior to approval how and by whom the purchase will be made and whether or not the authorization box needs to be utilized. Upon my approval, the purchase is then made. When making the request for purchase myself, I will always ensure that my card is the one that is used for purchase in order to properly align with the RFP.

Finding 2- Disbursements- Prior written approval

Six of thirty disbursements tested indicated purchases were made prior to obtaining prior written approval for disbursement. All staff members that have, in the past, been allowed to make purchases and be reimbursed have been reminded of the requirement for prior written approval. Staff members know that there will be no disbursement of funds if prior approval has not occurred. In addition to this, it is my goal to reduce the number of disbursements that occur at all. It has been communicated to all staff members that with prior notice and approval, in most cases, there is also time for a purchasing card to be utilized. Since coming onboard as Principal, I have not allowed any staff members to be added as vendors for disbursement. It is my goal to keep this very limited.

If you have any further questions, please do not hesitate to contact me.

Handwritten signature
11/28/16
Handwritten initials
DJB
11/30/16