



Blue Angels 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:
Brad Mostert, CFE
Senior Auditor

Stewart Parnell
Auditing 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 Blue Angels 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.



Office of Internal Auditing
Escambia County School District
www.escambia.k12.fl.us/iaudit
75 North Pace Blvd. – Suite 403
Pensacola, Florida 32505

Executive Summary

Blue Angels 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, Blue Angels 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 a matter that required adjustment of the school's records. One adjusting journal entry was necessary:

- To transfer the year-end balance of the 5th Grade account to the Graduation Ceremonies account.
- To consolidate the general fund accounts to correct a deficit balance in the main account.

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

Our testing resulted in one audit finding.

Our testing resulted in one audit finding:

- Donation Request Letters did not contain the required language.

The school's overall fund balance as of June 30, 2016 was \$36,479.67.

The overall fund balance reported by the school at June 30, 2016 was \$36,479.67. 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 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, Blue Angels Elementary School received a full audit.

Outside support organizations are not included in this report and are not 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 **are not included** in this report and **are not audited** by the Office of Internal Auditing.

The school last received a full audit in the 2012-2013 fiscal year. There

School administration has been consistent for several years.

were no matters that rose to the level of an audit finding.

The school has had the same principal and secretary 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 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 Blue Angel 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 inference. If after testing we determine the sample does not provide adequate coverage of the total population, auditor judgment and

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

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

Two adjusting journal entries were recommended.

All recommended adjusting journal entries were processed.

One finding related to Donation Request Letters.

Summary of Fund Activity	
Beginning Cash Balance, 7/1/2015	\$ 55,950.42
Total Receipts	85,822.60
Total Disbursements	(48,356.66)
Total Net Journal Entries	(56,936.69)
Ending Cash Balance, 6/30/2016	\$ 36,479.67
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	\$ 36,479.67
Cash Balance per Confirmation(s)	\$ 36,479.67
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	-
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	\$ 36,479.67

We noted two adjusting journal entries that were necessary.

During fieldwork, we recommended a journal entry be processed for \$127.36 to transfer the year-end balance of the C3007 5th Grade account to the F6112 Graduation Ceremonies account.

We also recommended a journal entry be processed for \$5,648.08 to consolidate the general fund accounts and correct a deficit balance in the main account.

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

Finding

Donation Request Letters

Our testing indicated that three of 4 field trips tested had Donation Request Letters that did not contain the required language.

The Internal Funds Policy Manual provides specific guidelines regarding donation requests. Section XIV, A of the Manual states, "No student may be charged a fee as a condition of enrollment in a class leading towards graduation." Fees and other charges may be applied to a few programs or activities as listed in the manual. In addition, Section XIV, C of the Manual states, "Schools are authorized to solicit donations from parents and the general public to supplement the normal curricular activities provided by the District. It should be made clear that such solicitations are strictly

voluntary and no student will be prevented from participating in an activity if their parents choose not to contribute. However, you may remind students and parents that the lack of donations can, and most likely will, limit or eliminate some activities later in the term when funds for the class have been exhausted.”

See our recommendation in the Recommendations section below.

Opinion

Financial information reported reconciles with bank statements and independent confirmations.

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

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.

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 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 proper language and review all donation letters prior to distribution.

Donation Request Letters

In an effort to address the lack of required language in Donation Request Letters, **we recommend the principal review the Internal Funds Policy Manual on the proper language to include in donation letters. We also recommend the principal review all donation letters, including any standard field trip forms, to ensure that they contain the appropriate language. Sample letters are included in Appendix A of the Internal Funds Policy Manual.**

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

Management Response



Blue Angels Elementary School

1551 Dogtrack Road Pensacola, Florida 32506

Phone: 457-6356 www.escambia.k12.fl.us/schscnts/blue

To: Mr. David Bryant, Director of Internal Auditing

Date: November 17, 2016

Subject: Response to Audit

Please note that we had the following finding:

"Three of four field trips tested had a donation letter that did not contain proper language required for the collection of the field trip monies." U-8, U-9, U-10

This compliance violation occurred when classroom teachers "tweaked" the donation letter and omitted the proper language required for the collection of the field trip monies.

Our plan of action to address this finding occurred on October 19, 2016 which was the same day we were made aware of the finding. We created a standard donation letter complete with the proper language required for the collection of the field trip monies. Staff was notified via e-mail that it is mandatory that they utilize this letter for all field trip donation events. This plan of action will ensure that a violation of this nature will not occur in the future.

Most Sincerely,

Karen J. Montgomery

Principal

DM
11/17/16

OK DJB
11/30/16

Karen Montgomery - DONATION LETTERS

*From: Lisa King
To: Blue Angels Elem
Date: 10/19/2016 11:34 AM
Subject: DONATION LETTERS
Attachments: Blue Angels Field Trip Donation Letter.pdf*

Good Morning All,

*It has been brought to my attention by downtown that everyone is not utilizing the same donation letter from the District. It is **MANDATORY** that from here on out that **ALL** use the donation letter that is attached below. We are going to just fill in the blanks. If your chairperson has any questions by all means feel free to see me.*

*Lisa King
Secretary JJJ
Blue Angels Elementary
850-457-6356 x 222
Fax 850-457-6954
kingu@escambia.k12.fl.us*

God's grace keeps you with whatever we face. ~ Barbara

file:///C:/Users/KMontgomery/AppData/Local/Temp/XPgrpwise/58297F00ECSD_D1E1... 11/17/2016



Blue Angels Elementary School

1551 Dog Track Road
Pensacola, Florida 32506
Phone: 457-6356

Principal...Karen J. Montgomery

Assistant Principal...Christine Jenkins

Date:

Dear Parent:

The _____ grade class at _____ School will be taking a field trip.

Destination: _____

Date of Trip: _____

Approximate Departure Time: _____

Approximate Return Time: _____

This letter is a request for a contribution. We ask that each family contribute \$_____ (per student attending) toward the cost of this field trip. Doing so will help pay for the trip, thereby allowing us to schedule it as planned. Additional contributions are welcome and appreciated. Please make your check out to _____ School.

If you are unable to pay, your child will not be prevented from attending the field trip. If we do not receive enough contributions to cover the cost of the field trip, we may have to cancel the trip.

Thank you for your commitment to your child's education.

Sincerely,