



**J.H. Workman Middle School**  
*Audit of School Internal Accounts*  
*For the Year Ended June 30, 2016*

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Office of Internal Auditing  
October 2016

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

Audit Team:  
**Brad Mostert, CFE**  
*Senior Auditor*

## Preface

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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 J.H. Workman 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.



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Escambia County School District  
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## Executive Summary

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**J.H. Workman Middle 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, J.H. Workman Middle 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.

**One adjusting journal entry was recommended.**

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

- To transfer the graduating class account's remaining balance at year-end to the General account.

**Our testing resulted in one audit finding.**

Our testing resulted in one audit finding:

- The L2121 Accounts Payable account was not utilized properly for all credit cards.

**The school's overall fund balance as of June 30, 2016 was \$47,911.67.**

The overall fund balance reported by the school at June 30, 2016 was \$47,911.67. 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

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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, J.H. Workman Middle 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.

J.H. Workman Middle School last received a full audit in the 2012-2013 fiscal year. There was one matter that rose to the level of an audit finding. There was a finding related to documentation of evidence of receipt of goods, which was determined to be adequately addressed during a subsequent follow-up audit.

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

**School administration has been consistent for several years.**

The school has had the same principal and bookkeeper in place since the previous audit.

## Objective

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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

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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

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**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.**

**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.

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 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

**No known conflicts of interest were identified.**

**Control Risk for J.H. Workman Middle School 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.**

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

<b>Summary of Fund Activity</b>	
Beginning Cash Balance, 7/1/2015	\$ 53,536.40
Total Receipts	107,948.46
Total Disbursements	(113,607.61)
Total Net Journal Entries	(65.58)
Ending Cash Balance, 6/30/2016	\$ 47,811.67
Audit Adjustments	-
Ending Fund Balance, 6/30/2016, Per Skyward	<u>\$ 47,811.67</u>
Cash Balance per Confirmation(s)	\$ 48,083.83
Outstanding Deposits	-
Outstanding Checks	(272.16)
Other Reconciling Items	-
Ending Fund Balance, 6/30/2016, Per Confirmation(s)	<u>\$ 47,811.67</u>

**One adjusting journal entry was recommended and processed.**

We noted one adjusting journal entry that was necessary.

**One finding related to the timeliness of utilizing the L2121 account was identified.**

During fieldwork, we recommended a journal entry be processed for \$25.04 to transfer the remaining graduating class account to the General account.

**After fieldwork, but prior to the issuance of this report, the school implemented our recommendation to process the journal entry mentioned above.**

Findings

*Proper Utilization of the L2121 Account*

During our audit, we reviewed credit card statements for the appropriate use of the L2121 Accounts Payable account. The L2121 Accounts Payable account was not utilized for all school credit cards.

The Internal Funds Policy Manual gives specific guidelines regarding credit card purchases from internal funds. Section VIII, E of the Manual states, "Bookkeeper/Secretary makes the appropriate journal entry into the Skyward account system to record at the time of purchase using the Accounts Payable account L2121 to encumber the funds in the proper internal funds expense account."

See our recommendation in the Recommendations section below.

## Opinion

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**Financial information reconciles with bank statements and independent confirmations.**

**The majority of the school's transactions were processed in accordance with all applicable**

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.



**policies and procedures.**

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

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**Review policies and procedures related to the proper recording of credit card purchases.**

### Proper Utilization of the L2121 Account

In an effort to address the proper utilization of the L2121 Accounts Payable account, **we recommend that the principal and bookkeeper review the Internal Funds Policy Manual on the correct procedures for accounting for credit card purchases of all credit cards.**

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

# Management Response

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Mrs. Traci Ursrey  
Principal, ext. 223

Mrs. Wimberly Murphy  
Asst. Principal, ext. 224

Mrs. Julie Davidson  
IB MYP Coordinator, ext. 250

**J.H. Workman Middle School** 6299 Lanier Drive



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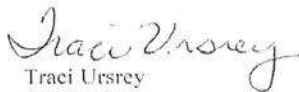
*Proud to be an IB MYP World School!*

November 21, 2016

Dear Mr. Bryant,

In our recent audit of school internal accounts, Workman Middle School had one audit finding. The L2121 accounts payable fund was not utilized properly for all credit cards. Our bookkeeper elected to use Purchase Orders instead of utilizing the L2121 account properly. This caused the monies to appear unencumbered to anyone running a report in Skyward. Ms. Gordon has already taken corrective measures to properly use the L2121 account. On October 4, 2016, she was in touch with Denise Patterson, a financial analyst with the school district, to have all of the credit cards set up to utilize the L2121 account. Ms. Gordon and I have agreed that from this point forward she will properly input all credit card charges into the L2121 account. I apologize for this oversight. It will not happen in the future.

Sincerely,

  
Traci Ursrey  
Principal

OK  
DJB  
12/1/2016

OK  
WAG  
12/1/16

Affirmative Action/ Equal Opportunity Employer