



Pleasant Grove Elementary School

*Audit of School Internal Accounts
For the Year Ended June 30, 2017*

Office of Internal Auditing
September 2017

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

Audit Team:
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Senior Auditor

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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 Pleasant Grove 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
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Executive Summary

Pleasant Grove Elementary School received a full audit for the 2016-2017 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 2016-2017 fiscal year, Pleasant Grove 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.

Ten adjusting journal entries were recommended.

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

- To record unrecorded interest on the school's CD.
- To transfer the remaining balance of the graduating class account to the General account.
- To correct the improper posting of six separate vending commission receipts to the Unrestricted Funds account.
- To correct the improper posting of a purchase for staff members to the Unrestricted Donations account.
- To correct the improper posting of the Compass rebate to the General account.

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

Our testing resulted in five audit findings.

Our testing resulted in five audit findings:

- Request for Purchase forms (RFPs) were not properly completed.
- Monies Collected forms (MCFs) were not properly completed.

The school's overall fund balance as of June 30, 2017 was \$47,870.67.

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

- Receipts were not deposited in a timely manner.
- Fundraiser Request/Reconciliation (FRR) forms were not properly completed.
- The Fundraiser Log Sheet was not utilized.

The overall fund balance reported by the school at June 30, 2017 was \$47,870.67. We have determined that the financial information reported by the school 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.

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,

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

The bookkeeper retired at mid-year and was replaced at that time.

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 2016-2017 fiscal year, Pleasant Grove 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.

Pleasant Grove Elementary School last received a full audit in the 2015-2016 fiscal year. There were two matters that rose to the level of audit findings. There were findings related to the documentation of evidence of receipt of goods, and credit card late fees/finance charges, which were determined to be addressed adequately during a subsequent follow-up audit.

The school has had the same principal in place since the previous audit. The school's previous bookkeeper retired on December 16, 2016, and was replaced on January 2, 2017.

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 Auditors, 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, 2017. 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, bookkeeper).

Each school's 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 Pleasant Grove 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 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.

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

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 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, 7/1/2016	\$ 46,998.64
Total Receipts	37,606.74
Total Disbursements	(36,734.71)
Ending Cash Balance, 6/30/2017	\$ 47,870.67
Audit Adjustments	-
Ending Fund Balance, 6/30/2017, Per Skyward	\$ 47,870.67
Cash Balance per Confirmation(s)	\$ 47,940.09
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	(69.42)
Ending Fund Balance, 6/30/2017, Per Confirmation(s)	\$ 47,870.67

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 include in the reported June 30 financial information, unless otherwise indicated.

Ten adjusting journal entries were recommended.

As a result of our fieldwork, ten additional adjusting journal entries were recommended:

To record unrecorded interest to the A1118 investment account, we recommend a journal entry be processed for \$15.60.

To transfer the remaining balance in the C3007 5th Grade account, we recommend a journal entry be processed for \$129.18.

To correct the improper posting of six vending commissions to the F6080 Unrestricted Funds account, we recommend journal entries be processed for a total of \$260.47.

To correct the improper posting of a purchase for teacher tumblers charged

to the F6080 Unrestricted Donations account, we recommend a journal entry be processed for \$638.00.

To correct the improper posting of a Compass Bank rebate to the G7000 General account, we recommend a journal entry be processed for \$436.25.

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

Surprise Cash Count

During a surprise cash count conducted in April 2017, we noted several discrepancies. There was a difference of \$5.01 between the total cash/checks on hand and the total of the MCFs, MCFs were improperly completed, MCFs were not completed for checks received in the mail, checks did not have the “deposit only” endorsement on the back, and teachers sent money in the custody of students to the office.

While these collections were not handled properly, it is not deemed material enough to rise to the level of an audit finding.

Findings

Request for Purchase Forms - Proper Completion

Our testing indicated that RFPs were either completed improperly, or not present. In some instances, a purchase order was utilized in lieu of a RFP. A purchase order does not include the same information as required on a RFP.

The Internal Funds Policy Manual, Section VII, D, states, “No disbursement shall be made without the prior written approval of the Principal.... ‘Prior approval’ may consist of a **properly completed** Purchase Requisition/Request for Purchase Order form (RFP).” A properly completed RFP includes such fields as the account name and/or number to be charged and the teacher/sponsor signature.

See our recommendation in the Recommendations section below.

Monies Collected Forms – Proper Completion

Our testing indicated that MCFs were not completed properly. The issues present included MCF not utilized for checks received in the mail, changes/corrections not initialed, bookkeeper initialing changes/corrections instead of the teacher/sponsor, teachers/sponsors failing to include date, bookkeeper failing to include date, and failure to utilize the Unverified Funds form for collections placed in the lock box.

The Internal Funds Policy Manual gives specific guidelines to be followed for

One finding related to the improper completion of RFPs.

One finding related to the improper completion of MCFs.

One finding related to the timeliness of deposits.

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.

Timeliness of Deposits

Our testing indicated that deposits were not made in a timely manner.

Chapter 8, Section III, 1.4(c) of the State Board of Education Rules states, "All money collected must be deposited intact to a depository as frequently as feasible and as dictated by sound business practices. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT."

The Internal Funds Policy Manual, Section VI, C.1 states, "Funds collected shall be deposited as frequently as feasible, preferably daily. In any event, funds collected must be deposited within five (5) working days after receipt. Under no circumstances shall funds be left on the school premises except in a secure safe or vault. Any District employee who fails to remit funds each day shall be liable for any loss."

This is a repeat audit finding from 2012-2013.

See our recommendation in the Recommendations section below.

One finding related to the improper completion of the FRR forms.

Fundraiser Request/Reconciliation Forms - Proper Completion

Our testing indicated that fundraising activities tested had Fundraiser Request/Reconciliation (FRR) forms that were either completed improperly, or not present.

Chapter 8 Section III, 4.4 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 the lack of utilizing the Fundraiser Log Sheet.	<i>Fundraiser Log Sheet</i> Our testing indicated that the school did not utilize a Fundraiser Log Sheet. 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.
Deposit slips included multiple days’ collections.	<u>Other Comments</u> <i>Deposits</i> Our testing indicated deposit slips included multiple days’ worth of collections. The Internal Funds Policy Manual provides specific guidelines regarding deposits. Section VI, C of the Manual states, “...Total the actual amount of cash and checks on hand. Print the Bank Deposit Journal...The total of cash, checks and money orders on hand and the total on the Bank Deposit Journal (<i>reports total per day</i>) should match. Prepare a bank deposit slip in duplicate.” See our recommendation in the Recommendations section below.
Refunds issued did not contain adequate supporting documentation.	<i>Supporting Documentation – refunds</i> Our testing indicated the supporting documentation for refunds for a 4th grade fieldtrip was a listing of names to be refunded. This list of names is not considered evidence that the person paid and was entitled to a refund. See our recommendation in the Recommendations section below.
Charity drive collections were recorded with other types of activities.	<i>Charity Drive Activities</i> Our testing indicated activities for charity drives were recorded to the Unrestricted Donations account along with other types of activities. The District has accounts titled “Jump Rope for Heart” and “Relay for Life”. See our recommendation in the Recommendations section below.

Opinion

The financial information reconciled with bank statements and independent confirmations.

The majority of the school's transactions 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 the proper completion of RFPs.

Request for Purchase Forms

In an effort to address the improper completion of RFPs, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of the forms.**

Review and instruct staff on policies and procedures related to proper completion of MCFs.

Monies Collected Forms

In an effort to address the improper completion of MCFs, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper completion of MCFs.**

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 proper evidence of 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 the timeliness of deposits.

Deposits

In an effort to address the timeliness of deposits, **we recommend the principal and bookkeeper review the Internal Funds Policy Manual and instruct staff on the proper procedures associated with deposits.**

Review and instruct staff on policies and procedures related to fundraising activities.

Fundraising Request/Reconciliation Forms

In an effort to address the lack of properly completed 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 documenting fundraising activities, **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.**

Prepare a separate deposit slip for each day's worth of collections.

Other

Deposits

In an effort to more easily identify daily deposits, **we recommend the bookkeeper deposit each day's collections separately.**

We also recommend the bookkeeper ensure that the total of the deposit slips(s) agrees with the total of same-day collections and the total of the Bank Deposit Journal for each day. This should be the case whether deposits are made daily or are held for a few days; there should be a separate deposit slip for each day's collections.

Use original MCF as supporting documentation when issuing refunds.

Supporting Documentation - refunds

In an effort to provide adequate supporting documentation for the issuance of refunds, **we recommend the MCF showing the name and original collection be used as supporting documentation.**

Record charity drive activity to its own separate account.

Charity Drive Activities

In an effort to isolate the activities for charity drives, **we recommend the school request the "Jump Rope for Heart" and "Relay for Life" accounts be added to their chart of accounts and record charity drive activities to their own separate accounts.**

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

Management Response

Pleasant Grove Elementary School

3000 Owen Bell lane

Pensacola, FL 32507

(850)492-0233 FAX (850)492-6991

Pam Mullen
Principal

Julie Pearson
Assistant Principal

October 6, 2017

Mr. David Bryant
Auditor
Escambia County School District
75 N. Pace Blvd.
Pensacola, FL 32505

Dear Mr. Bryant,

Listed below are the audit findings for Pleasant Grove Elementary along with the actions that will be taken by the administration and staff to correct findings. We apologize for these findings and are working toward correcting them as our new administrative secretary continues to learn all policies and procedures.

*Request for Purchase forms (RFP) were not properly completed. There were several forms that were not completed correctly or missing the administrator's signature. The administrative secretary and administration have read the section in the Internal Funds Policy Manual and will retrain the teachers at the next faculty meeting.

*Monies Collected Forms (MCF) were not properly completed. Ten of the 44 receipts included an MCF form that was not properly completed. Keeping in mind that our administrative secretary in her first year, she is still learning policies and practices. After reviewing the Internal Funds Policy Manual, she has already been working with teachers to ensure these are completed correctly each time.

*Receipts were not deposited in a timely manner. Seven of the 31 deposits tested included matters of timeliness. Five instances were matters of the bookkeeper and the other two combined both the bookkeeper and the bookkeeper from the bank. My administrative secretary (bookkeeper) has already taken steps to correct this as she has reviewed the manual and is now making deposits regularly.

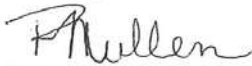
Management Response (Continued)

*Fundraiser Request/Reconciliation (FRR) forms were not properly completed. Two of the three random samples selected did not comply with the rules prescribed for fundraising. One was missing the completed form and the other was missing an administrative authorization/signature. This could have been a result of a couple of reasons. Our secretary is new and not familiar with practices and also prior to her retirement, our former secretary was out many days. The secretary and administration have reviewed the Fundraising Guidelines Handbook. We have also worked with the teachers/sponsors on the correct manner to complete these forms in order to ensure these are completed correctly.

*The Fundraiser Log Sheet was not utilized. We apologize this was utilized. It was an oversight. We will be utilizing the fundraiser Log sheet which was sent to our secretary as well and will have requested accounts for "Jump Rope for Heart" and "Relay for Life" be added to our chart of accounts to isolate the activities for charity drives.

If you have any questions, please feel free to call.

Sincerely,



Pam Mullen
Principal

OK
DSB
11/4/17

P.T.
10/6/17