

Pine Meadow Elementary School
*Audit of School Internal Accounts
For the Year Ended June 30, 2021*

Office of Internal Auditing
August 2021

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

Audit Team:
McKenzie Lane
Auditor

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

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DR. TIMOTHY A. SMITH, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

Trent Strickling
Audit 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.

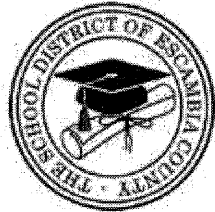
Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of Pine Meadow 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
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Executive Summary

Pine Meadow received a full audit for the 2020-2021 fiscal year.

One adjusting journal entry was recommended.

Our testing resulted in one audit finding.

The school's overall fund balance as of June 30, 2021 was \$96,619.05.

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

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 2020-2021 fiscal year, Pine Meadow Elementary School (Pine Meadow) 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.

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

- To record unrecorded interest for the school's savings account.

This journal entry was processed by the bookkeeper in the following school year.

Our testing resulted in one audit finding:

- Internal funds were utilized when budgeted funds were available.

The overall fund balance reported by the school at June 30, 2021 was \$96,619.05. 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 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 reconciliation of bank statements and confirmations). For the 2020-2021 fiscal year, Pine Meadow 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.

Pine Meadow last received a full audit in the 2017-2018 fiscal year. There was one matter that rose to the level of an audit finding. The finding related to the proper completeness of credit card statements, which were determined to be addressed adequately during a subsequent follow-up audit.

The principal was reassigned and replaced at the beginning of the 2019-2020 school year.

The school's previous principal was reassigned on June 30, 2019, and was replaced at the beginning of the 2019-2020 school year.

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

The State Board of Education Redbook, Chapter 8, Section I, 1(b) states that the District 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, 2021. 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.

No known conflicts of interest were identified.

Control risk for Pine Meadow has been assessed at moderate.

For our purposes, exceptions of greater than or equal to 20% of the total population may exist

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, 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.

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.

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

before an audit finding is issued.

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, 7/1/2020	\$ 90,262.58
Total Receipts	21,144.89
Total Disbursements	(775.13)
Total Net Journal Entries	<u>(14,013.29)</u>
Ending Cash Balance, 6/30/2021	\$ 96,619.05
Audit Adjustments	-
Ending Fund Balance, 6/30/2021, Per Skyward	<u>\$ 96,619.05</u>
Cash Balance per Confirmation(s)	\$ 96,629.83
Outstanding Deposits	-
Outstanding Checks	-
Other Reconciling Items	<u>(10.78)</u>
Ending Fund Balance, 6/30/2021, Per Confirmation(s)	<u>\$ 96,619.05</u>

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

One adjusting journal entry was recommended.

information, unless otherwise indicated.

As a result of our fieldwork, one additional adjusting journal entry was recommended:

- To record unrecorded interest related to the A1115 checking account (savings), we recommend a journal entry be processed for \$10.78.

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

One finding related to the utilization of budgeted funds before internal funds.

Findings

Budgeted Funds vs. Internal Funds

Our testing indicated \$720.40 in expenses that were made from internal funds when District budgeted funds were available to defray all, or a portion, of these costs. Purchases for such items from internal funds when budgeted funds are available reduces the amount of internal funds available for other intended purposes.

Chapter 8, Section III, 3.5(1) of the State Board of Education Rules states, "The following expenditures from internal funds are deemed inappropriate and shall not be made except from trust funds collected for a specifically identified purpose: Equipment, supplies, forms, and postage for curricular or classroom use for which school board funds are available."

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 budgeted funds.

Budgeted Funds vs. Internal Funds

In an effort to address the proper utilization of budgeted funds prior to internal funds, **we recommend the principal review the State Board Rules pertaining to budgeted funds and instruct school staff on the proper procedures for utilizing budgeted District funds prior to the utilization of school internal funds.**

We will follow-up on this recommendation approximately 90 days after issuance of the draft report to school administration.

Management Response



Pine Meadow Elementary School
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Elizabeth Greenberg
Principal

Lisa Hale
Assistant Principal

December 9, 2021

To Mr. Bryant, Director of Internal Auditing

RE: Audit of Internal Accounts: Pine Meadow Elementary

Pine Meadow Elementary has been engaged in an audit of our internal accounts for the 2020-2021 school year that was just completed in December of 2021. During the course of the audit, there was one finding that needs to be addressed.

2020-21 Audit Finding: Use of Internal Accounts when District Accounts were available:
We were cited for using \$720.40 to purchase recess materials/supplies for students using G7000 account when District budgeted accounts were available.

Explanation- In August 2021, we needed to purchase recess equipment for all students that included soccer balls, jump ropes, hula hoops, frisbee discs, and rubber balls to be used with all grade levels in stations outside at recess. The materials purchased were consumable recess supplies and equipment that would benefit all students and not stationary structures. When deciding what funds to use, we chose to use Internal (G7000) funds because we could not find a District funding code applicable that would allow these recreational/non-academic items to be purchased.

Correction Strategy- I will review the State Board Rules pertaining to budgeted funds and instruct school staff on the proper procedures for utilizing budgeted District funds prior to the utilization of school internal funds. Additionally, Ms. Rhonda Waters our bookkeeper here at Pine Meadow will continue to do an excellent job calling purchasing and asking questions for me when we are unsure about which account to use.

We appreciate the opportunity to correct these findings and the support the Office of Internal Auditing has provided through the audit process.

Thank you,

Elizabeth Greenberg
Principal, Pine Meadow Elementary School

Escambia County School District