



**OFFICE OF INTERNAL AUDITING**

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS**

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS &  
NET JOURNAL ENTRIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

**December 6, 2013**

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS  
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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*"Making a Positive Difference"*

## Office of Internal Auditing

David J. Bryant  
CIA, CPA, CFE, CGFM,  
CGAP, CRMA  
*Director*

Michèle A. Kiker, CFE,  
CGAP, CRMA  
*Senior Auditor*

Bradley A. Mostert  
*Auditor*

Jeanne Pilgrim  
*Property Audit  
Specialist*

Pamela E. Riley  
*Audit Administration  
Specialist*

75 North Pace Blvd.  
Room 403  
Pensacola, Florida  
32505

Call: 850.469.6272  
Fax: 850.469.6290

[www.escambia.k12.fl.us/  
iaudit](http://www.escambia.k12.fl.us/iaudit)

## INTERNAL AUDITOR'S REPORT SCHOOL INTERNAL ACCOUNTS

To the Escambia County District School Board  
and Malcolm Thomas – Superintendent  
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2013. These accounts are included as agency funds in the School Board's annual financial reports. These accounts and the annual financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the transactions included in the accounts with the governing provisions of Florida Statutes, State Board of Education rules, and policies and procedures of the School Board and to determine if the schools' financial records reconcile with corresponding bank statements and independent bank confirmations. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

The purpose of our audit was to conduct a comprehensive evaluation of the schools' management of their internal accounts. We planned and performed our audit to obtain reasonable assurance that transactions were made in accordance with applicable policies and laws. Our audit included examining, on a test basis, transactions of the schools' internal accounts. Our audit also included independent confirmation of financial information and interviews with District personnel. During our evaluation, we assessed the adequacy and effectiveness of the schools' system of internal controls and the quality of performance in carrying out assigned responsibilities. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the transactions included in the schools' internal accounts were generally consistent with applicable Florida Statutes, State Board of Education rules, and policies and procedures of the School Board. In addition, we determined the schools' financial records reconcile with bank statements and independent bank confirmations.

During our audit, we became aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and assuring compliance with applicable laws, rules, regulations, policies and/or procedures. These matters are communicated in our Management Letter, which has been provided to the Superintendent.

December 6, 2013

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	AUDITED BEGINNING BALANCE 7/1/2012	RECEIPTS	NET JOURNAL ENTRIES	ADJUSTED RECEIPTS	DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2013
Hellen Caro	\$ 41,004.32	\$ 75,978.09	\$ (795.21)	\$ 75,182.88	\$ 66,481.02	\$ 49,706.18
Jim Allen	3,770.16	48,920.13	(233.88)	48,686.25	41,734.40	10,722.01
Bellview	9,107.60	72,026.68	(543.97)	71,482.71	71,696.37	8,893.94
Bratt	49,461.63	144,405.85	43.37	144,449.22	138,664.46	55,246.39
Brentwood	16,049.59	44,499.43	(29.00)	44,470.43	35,891.88	24,628.14
N.B. Cook	62,362.89	92,060.70	22.47	92,083.17	104,832.24	49,613.82
Cordova Park	56,107.34	98,318.00	64.53	98,382.53	107,294.53	47,195.34
Ensley	36,238.19	39,247.85	28.95	39,276.80	51,128.03	24,386.96
Ferry Pass	11,818.95	21,120.03	500.00	21,620.03	23,510.43	9,928.55
Montclair	7,969.35	15,629.26	(151.64)	15,477.62	12,814.54	10,632.43
Myrtle Grove	13,556.86	19,332.52	1.49	19,334.01	14,952.88	17,937.99
Navy Point	43,624.51	17,030.57	(435.06)	16,595.51	21,447.87	38,772.15
Oakcrest	11,727.38	18,452.06	12.31	18,464.37	20,787.61	9,404.14
Pine Meadow	83,995.16	64,625.82	(52.92)	64,572.90	65,373.62	83,194.44
Pleasant Grove	38,190.18	54,748.88	(133.41)	54,615.47	40,522.29	52,283.36
Scenic Heights	35,288.65	44,568.98	(199.50)	44,369.48	60,609.13	19,049.00
O.J. Semmes	13,232.28	8,290.98	(63.29)	8,227.69	13,432.16	8,027.81
Sherwood	18,503.02	35,847.37	18.54	35,865.91	35,635.37	18,733.56
A.K. Suter	38,432.42	20,438.53	51.90	20,490.43	19,654.19	39,268.66
Warrington	18,441.86	23,124.38	27.28	23,151.66	22,908.62	18,684.90
C.A. Weis	10,533.14	13,245.40	-	13,245.40	8,396.35	15,382.19
West Pensacola	32,943.24	11,523.63	11.85	11,535.48	14,302.94	30,175.78
Reinhardt Holm	29,367.00	20,450.75	(46.25)	20,404.50	25,321.64	24,449.86
Lincoln Park	728.90	18,683.98	5.91	18,689.89	15,553.62	3,865.17
Longleaf	19,099.03	43,372.58	639.03	44,011.61	45,718.63	17,392.01
L.D. McArthur	35,754.46	128,934.54	(10.98)	128,923.56	121,454.61	43,223.41
Beulah	88,052.95	35,341.65	60.61	35,402.26	48,515.00	74,940.21
R.C. Lipscomb	59,838.42	117,161.55	(92.68)	117,068.87	95,688.53	81,218.76
Blue Angels	39,645.08	86,997.96	(50.07)	86,947.89	84,435.00	42,157.97
Molino Park	16,777.35	75,604.32	(26.13)	75,578.19	74,508.23	17,847.31
Global Learning	16,530.59	48,906.19	(165.45)	48,740.74	47,960.64	17,310.69
<b>TOTAL ELEMENTARY</b>	<b>\$ 958,152.50</b>	<b>\$ 1,558,888.66</b>	<b>\$ (1,541.20)</b>	<b>\$ 1,557,347.46</b>	<b>\$ 1,551,226.83</b>	<b>\$ 964,273.13</b>

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**SCHOOL INTERNAL ACCOUNTS - SECONDARY SCHOOLS AND CENTERS**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	AUDITED BEGINNING BALANCE 7/1/2012	RECEIPTS	NET JOURNAL ENTRIES	ADJUSTED RECEIPTS	DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2013
Bellview Middle	\$ 30,410.10	\$ 84,886.05	\$ (139.01)	\$ 84,747.04	\$ 77,403.86	\$ 37,753.28
Ransom Middle	57,112.30	259,865.99	(292.63)	259,573.36	255,359.56	61,326.10
Escambia High	193,044.54	319,800.51	44,834.57	364,635.08	366,612.06	191,067.56
Ferry Pass Middle	92,836.67	120,125.65	43.18	120,168.83	141,040.21	71,965.29
Pensacola High	161,933.53	420,035.40	1,636.60	421,672.00	423,615.02	159,990.51
J.M. Tate High	331,031.16	630,688.55	510.43	631,198.98	610,739.01	351,491.13
Ernest Ward Middle	56,459.47	139,159.77	78.17	139,237.94	115,092.58	80,604.83
Warrington Middle	7,464.20	38,740.03	(161.29)	38,578.74	39,259.06	6,783.88
J.H. Workman Middle	32,248.90	120,144.03	(27.72)	120,116.31	114,681.13	37,684.08
Brown-Barge Middle	38,727.06	73,116.47	(1,191.76)	71,924.71	65,266.37	45,385.40
W.J. Woodham Middle	5,933.36	67,544.32	(129.42)	67,414.90	55,695.35	17,652.91
Pine Forest High	131,527.51	387,603.59	17,162.11	404,765.70	416,642.96	119,650.25
B.T. Washington High	172,497.53	480,574.81	11,195.29	491,770.10	470,438.39	193,829.24
James C. Bailey Middle	105,820.15	195,237.00	(354.50)	194,882.50	176,555.68	124,146.97
Northview High	117,588.18	413,892.44	4,691.42	418,583.86	391,457.66	144,714.38
West Florida Tech. High	77,771.51	582,414.58	(907.90)	581,506.68	571,485.52	87,792.67
<b>TOTAL SECONDARY</b>	<b>\$ 1,612,406.17</b>	<b>\$ 4,333,829.19</b>	<b>\$ 76,947.54</b>	<b>\$ 4,410,776.73</b>	<b>\$ 4,291,344.42</b>	<b>\$ 1,731,838.48</b>
McMillan Pre-K	\$ 2,636.14	\$ 9,261.16	\$ (550.76)	\$ 8,710.40	\$ 8,892.67	\$ 2,453.87
George Stone	86,908.23	1,104,329.97	(79.68)	1,104,250.29	1,127,313.28	63,845.24
Judy Andrews	20,693.70	-	(20,693.70)	(20,693.70)	-	(0.00)
Escambia Westgate	69,220.71	24,671.70	(386.04)	24,285.66	30,864.61	62,641.76
<b>TOTAL CENTERS</b>	<b>\$ 179,458.78</b>	<b>\$ 1,138,262.83</b>	<b>\$ (21,710.18)</b>	<b>\$ 1,116,552.65</b>	<b>\$ 1,167,070.56</b>	<b>\$ 128,940.87</b>
<b>TOTAL ALL LOCATIONS</b>	<b>\$ 2,750,017.45</b>	<b>\$ 7,030,980.68</b>	<b>\$ 53,696.16</b>	<b>\$ 7,084,676.84</b>	<b>\$ 7,009,641.81</b>	<b>\$ 2,825,052.48</b>

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS  
NOTES ON INTERNAL ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity** - The Escambia County District School Board school internal accounts are comprised of the individual account balances of 51 public schools and centers located within Escambia County, Florida. These schools and centers are governed by the Escambia County District School Board. The School Board consists of five elected members, representing five geographical districts in Escambia County, Florida. The Superintendent of Schools is elected by the voters of Escambia County, Florida, and serves as the executive officer of the School Board.

**Fund Accounting** - In accordance with Florida Statutes, school internal funds are accounted for as an agency fund. This fund is organized into sub-funds that represent the individual schools and centers within the District. Each sub-fund is divided into seven classifications: Athletics, Music, Classes, Clubs, Departments, Trusts, and General. Not all schools utilize all classifications.

**Recognition** - At the individual school level, school internal accounts recognize revenue and expenditures using the cash basis of accounting. At year-end, the accounts are adjusted to accrual basis for inclusion in the District's annual financial report. Given students are released in late May, and almost all revenue and expenditures in the school internal accounts are generated from student activity, there is usually no material accounts payable or receivable as of the fiscal year ended June 30. Any material accounts payable or receivable is the result of activity between the individual schools and the District. The net payable to the District from school internal accounts was \$38,851.79 and \$131,846.52 for the years ended June 30, 2012 and 2013, respectively.

**Note 2 - Segregation of Duties**

Each school or center employs only one individual responsible for the handling of transactions related to internal accounts. The District has established internal controls to help ensure assets are not lost due to waste, abuse, mismanagement, errors or fraud. In prior audit years, it was noted that these internal controls did not appear adequate. The District has taken steps to increase the awareness of the need for segregation of duties. Established controls include pre-numbered documents, transaction logs, required authorizations, timely reconciliations, continued monitoring at multiple levels and increased timeliness of audits. These controls appear sufficient to mitigate concern over segregation of duties.

**Note 3 - Outside Support Organizations**

Outside support organizations are organizations that support individual schools or activities at a school. Examples of such organizations include Parent Teacher Associations (PTA) and booster clubs (e.g. Quarterback Clubs, band boosters, etc...). These organizations may operate through school internal accounts or independent of school internal accounts. The activity of organizations that operate through internal accounts is included in this report. The activity of organizations that operate outside of school internal accounts is not included in this report and is not audited by the Office of Internal Auditing.

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS  
NOTES ON INTERNAL ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Note 3 - Outside Support Organizations (continued)**

It is estimated that approximately \$2 million flows through outside support organizations annually, which would otherwise flow through school internal accounts. The District has established certain guidelines for support organizations that operate outside of internal accounts, such as requiring the organizations to: obtain annual permission from school principals to use the name, logo, mascot or trademark of a school; use sound accounting procedures and bookkeeping systems; and provide for an annual audit of their records.

**Note 4 - Subsequent Events**

In recent years, the District began a school consolidation and closure effort. The District elected to re-draw attendance zones and close several schools. W.J. Woodham High School was closed as of June 30, 2007. Brentwood Middle School, Brownsville Middle School and Wedgewood Middle School were consolidated as of June 30, 2007 into a new school named W.J. Woodham Middle School. Carver/Century K-8 School and Edgewater Elementary School were closed as of June 30, 2009. A.V. Clubbs Alt. Middle School, ESEAL, and Sid Nelson Community Learning Center were closed as of June 30, 2010. Allie Yniestra Elementary School and George S. Hallmark Elementary School were combined as of June 30, 2011 into a new school named the Global Learning Academy. Spencer Bibbs Elementary School was closed as of June 30, 2011. Programs at the Judy Andrews Center, which required internal accounts, were moved to other locations as of June 30, 2012. After closing and/or consolidation, the fund balances associated with these schools were either remitted to the District or were re-allocated to other schools based on where students relocated. Further consolidation and closures are expected in future periods.



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## MANAGEMENT LETTER SCHOOL INTERNAL ACCOUNTS

To The Escambia County District School Board  
and Malcolm Thomas – Superintendent  
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2013, and have issued our report thereon dated December 6, 2013. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

In planning and performing our audit of the schools' management of their internal accounts for the year ended June 30, 2013, we considered the School Board's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on whether transactions were made in accordance with applicable Florida Statutes, State Board of Education rules, and policies and procedures established by the Escambia County District School Board, not to provide assurance on internal controls.

During our audit, we became aware of matters that present opportunities for strengthening internal controls, increasing operating efficiencies, and assuring compliance with applicable laws, rules, regulations, policies and/or procedures. We feel these matters have risen to the level where it is necessary to bring them to management's attention.

We have discussed some of these comments with various school-based personnel during the performance of our audit and would be pleased to discuss them with you at any time. We recommend District management continue to provide training and assistance to secretaries and school finance specialists, including training related to matters discussed in this letter.

We will review the status of these comments during our next audit of the schools' internal accounts. Our comments are attached.

December 6, 2013



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## Office of Internal Auditing

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### PREFACE TO AUDIT COMMENTS

The internal accounts of the schools in the Escambia County District School Board are governed by Chapter 8 of the State Board of Education Rules (Chapter 8), Florida Statutes, School Board policy, and various policies and procedures established by the operating management of the District. These policies and procedures are comprehensive and appear adequate. Much of the governing policies are incorporated into the recently updated Escambia County School District Internal Funds Policy Manual (Policy Manual). A copy of this Policy Manual is made available to operating management and to secretaries and school finance specialists who are responsible for school internal accounts.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
AUDIT OF SCHOOL INTERNAL ACCOUNTS  
For the Year Ended June 30, 2013

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**Comment No. 1: Lack of Prior Written Approval for Purchases**

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Of the twenty-seven schools receiving full audit procedures, four schools (14.81%) had multiple instances where proper procedures were not followed to ensure prior written approval of purchases made from internal funds. The majority of these instances were the result of the failure to complete a Request for Purchase form or completing the form after the purchase had been made.

Chapter 8 states all purchases from internal funds must be authorized in writing by the Principal or designee.

Section VIII (A) of the Policy Manual outlines prior authorization procedures. It 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."

*Note: Repeat Comment.*

*2011-2012 percentage of schools was 23.08%.*

*2010-2011 percentage of schools was 32.14%.*

*2009-2010 percentage of schools was 13.04%.*

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**Comment No. 2: Evidence of Receipt of Goods**

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Of the twenty-seven schools receiving full audit procedures, nine schools (33.33%) had multiple instances where evidence of receipt of goods was not properly documented.

Section VIII (D) of the Policy Manual states, "When the items purchased are received, the goods should be checked to ensure the items are correct and not damaged. The person receiving the items should initial and date the receiving slip or invoice to document their

review and that all items ordered were received."

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**Comment No. 3: Use of Internal Funds when Budgeted Funds are Available**

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Of the twenty-seven schools receiving full audit procedures, six schools (22.22%) made purchases from internal accounts when budgeted funds were available for use. For these schools, the budgeted funds balance unspent ranged from \$3,580.02 to \$17,129.90. The total amount expended from internal accounts for which budgeted funds were available ranged from \$252.87 to \$3,835.45.

Chapter 8 deems purchases from internal funds for "equipment, supplies, forms, postage, repairs and maintenance and other items for which school board funds are available" inappropriate and "shall not be made".

*Note: Repeat Comment (revised – in prior years we reported on percentage of schools with a budgeted unspent balance > \$1,000; we are now reporting on schools issued an audit finding).*

*2011-2012 percentage of schools was 0%.*

*2010-2011 percentage of schools was 0%.*

*2009-2010 percentage of schools was 26.09%.*

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**Comment No. 4: Control of Fund Raising Activities**

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Of the twenty-seven schools receiving full audit procedures, six schools (22.22%) had instances where Fundraising Reconciliation/ Request Forms were not properly completed.

Instances were noted where fundraising activities commenced prior to obtaining approval from the Principal or established designee. In addition, a financial reconciliation of the activity for the fundraiser was not always completed.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
AUDIT OF SCHOOL INTERNAL ACCOUNTS  
For the Year Ended June 30, 2013

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Chapter 8 requires that each fund raising activity shall be planned, approved and controlled. The District has further detailed requirements as they relate to fundraising in the Fund Raising Guidelines Handbook. This handbook provides in-depth guidance on fundraisers and the completion of the Fundraising Reconciliation/Request Form.

*Note: Repeat Comment.*

*2011-2012 percentage of schools was 46.15%.*

*2010-2011 percentage of schools was 32.14%.*

*2009-2010 percentage of schools was 17.39%.*

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**Comment No. 5: Monthly General Ledger Review**

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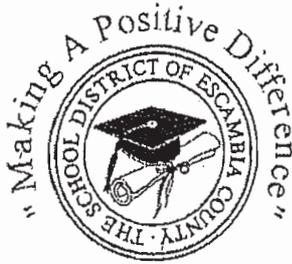
Of the twenty-seven schools receiving full audit procedures, five schools (18.52%) had multiple instances where evidence of monthly general ledger review by account sponsors was not properly documented.

A review of the schools' records indicated instances of monthly general ledger reports distributed to account sponsors, but a significant number of account sponsors failed to document their review by initialing the Monthly Log Sheet.

Section II (H) of the Policy Manual states, "Detailed Account Ledger Reports need to be distributed to all account sponsors monthly for their review. Evidence of this internal control can be documented by having each sponsor initial a Monthly Log Sheet indicating they agree with the activity and balance in their account(s). A copy of this Monthly Log Sheet should be included in the monthly reports you submit to Auditing."

On its website, the District has provided further requirements and examples related to the Monthly Log Sheet.

**Management's Response**



# Memorandum

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To: David Bryant  
Director Internal Auditing

From: Debbie Fussell *DF*  
Director Accounting Operations

Date: January 27, 2014

Subject: 2012-2013 School Internal Accounts Audit

The five comments noted in the audit report are all basic procedures that are generally covered during routine training sessions. Due to the district's emphasis on software conversion and software system operational training including school based activity accounting (SBAA), fewer basic procedural training classes have been conducted than normal.

However, we are currently in the process of re-establishing a routine schedule of training offered to secretaries and bookkeepers throughout the school year as well as a special meeting specifically to review the comments and related issues of the audit. We are also scheduling a Skyward training class for the personnel designated as the backup to the secretaries and bookkeepers. Increasing the training opportunities will help schools achieve compliance with the Internal Funds Policies and Procedures.

We appreciate your support and professionalism.