

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
INTERNAL AUDITING DEPARTMENT**

BEULAH ACADEMY OF SCIENCE

PROJECT # 2004-02

Accepted By Audit Planning and Review Committee:

May 26, 2004

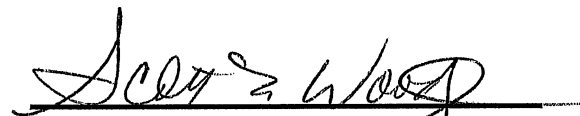
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Field Work Conducted By :


Auditor

Report Issued By:


Acting Director, Internal Auditing

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
BEULAH ACADEMY OF SCIENCE
REVIEW REPORT**

Background

The Beulah Academy of Science (BAS) is operated under a Florida not-for-profit corporation as a charter school of the Escambia County School Board (ECSB). A charter agreement between ECSB and Beulah Academy of Science, Inc. governs the responsibilities of both parties for the continued operation of BAS. The charter agreement for the 2002-2003 school year sets a maximum enrollment of 160 students with a goal of reaching a minority population of 20%. BAS currently rents their facilities from private sources and has acquired land for future construction of a school. In addition to normal FEFP (Florida Education Finance Program) funding, BAS receives additional revenue through capital project funding administered through the Escambia County School District.

Scope

As part of our annual work plan we conducted a review of BAS to verify compliance with terms and conditions of the 2002-2003 charter agreement between BAS and ECSB. Two objectives of our review were to ascertain if revenues and expenditures made at BAS had adequate documentation and to determine if these transactions were accounted for appropriately. Additionally, our scope expanded beyond financial statement items to include FTE (Full Time Equivalency) reporting, teacher certifications, and other items pertinent to this engagement. Since BAS had an independent financial statement audit for the fiscal year ended June 30, 2002, our review period was July 1, 2002 through April 30, 2003 and covered the unaudited financial statements from July 1, 2002 to April 30, 2003.

Our review was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, Inc. Field work was performed from May 28, 2003 to June 6, 2003.

Methodology

We reviewed the unaudited financial statements from July 2002 through April 2003 to ascertain the viability of the school on a short-term basis, to verify the various revenue sources and to determine if the expenditures were reasonable for a school of their size. The minutes of the Board of Directors meetings of BAS were reviewed to verify management oversight was being administered. We reviewed insurance policies to verify insurance requirements of the charter agreement were adhered to. A random sample of expenditures was reviewed to verify reasonableness and to determine if sound business practices, with respect to purchases, were being followed. Payroll records were analyzed to match employees' salaries with employment contracts. In addition, employees listed as teachers on payroll records were reviewed to ascertain teacher certifications were current. Bank statements and reconciliations were analyzed to verify the existence of funds represented on financial statements.

Findings

Segregation of Duties

During our review of internal controls, we noted a lack of segregation of duties among the school's accounting staff. This lack of segregation of duties is inherent given the small staff size.

Recommendations

A strong system of internal controls would separate operations, custody of assets and accounting records from the control of one person. Mitigating controls, where practical, should to be implemented to lessen the risks associated with incompatible duties of the accounting staff.

Subsequent Events

After completion of field work and before issuance of this report subsequent events occurred that caused our report to be modified. Provisions in the charter agreement requires submission of monthly financial statements and various progress reports by BAS to Escambia County School District for oversight. During our field work we could not find evidence of submission or review of these documents. As requested by the Escambia County School Board, District staff has recently implemented procedures to report quarterly to the Board on charter schools. This quarterly update process resolves findings from our original report and necessitates removing these findings and the associated recommendations.

Conclusion

In conclusion, no new policies and procedures need to be established to remedy the problems encountered during this review. The current charter agreement, if followed, provides all necessary procedures for District personnel to ascertain compliance with terms and conditions of sound charter school operations.

Given the limited findings, there was no formal response.