

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

**BYRNEVILLE ELEMENTARY CHARTER SCHOOL**

**PROJECT # 2004-03**

**Accepted By Audit Planning and Review Committee:**

**May 26, 2004**

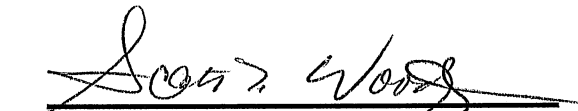
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**Field Work Conducted By :**

  
**Auditor**

**Report Issued By:**

  
**Acting Director, Internal Auditing**

**SCHOOL DISTRICT OF ESCAMBIA COUNTY  
BYRNEVILLE ELEMENTARY SCHOOL  
REVIEW REPORT**

**Background**

The Byrneville Elementary School (BES) is operated under a Florida not-for-profit corporation as a conversion charter school of the Escambia County School Board (ECSB). A charter agreement between the ECSB and BES governs the responsibilities of both parties for the continued operation of the school. The charter agreement for the 2002-2003 school year sets a maximum enrollment of 180 students. BES currently operates in facilities owned by the ECSB as a conversion charter school and does not receive capital outlay funding. BES receives funds through the FEFP (Florida Education Finance Program) formula administered through the Escambia County School District.

**Scope**

As part of our annual work plan, we conducted a review of BES to verify compliance with terms and conditions of the 2002-2003 charter agreement between BES and ECSB. Two objectives of our review were to ascertain if revenues and expenditures made at BES 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. The time period under review was from July 1, 2002 through April 30, 2003 and covered all unaudited financial statements from July 1, 2002 through 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 June 10, 2002 through June 13, 2002.

**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 BES 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. In addition, bank statements and reconciliations were analyzed to verify the existence of funds represented on the financial statements.

## **Findings**

### *Accounting System*

The school was in their first year of operation and had not received an independent financial statement audit. The first audit will not be completed before July 2003. The current format of the financial statements needs to be modified to allow for an actual to budget comparison on a monthly and year-to-date basis. After becoming a charter school, the school continued to use the District's Manatee Accounting System software for financial statement reporting of internal funds. This system's Principal's Monthly Financial Report on Internal Funds is currently being used to track receipts, disbursements and cash balances in the various funds. While the Manatee system works well for District schools, it does not provide financial statements in accordance with generally accepted accounting practices (GAAP). The Manatee Accounting System does not provide functionality for the recording and tracking of assets and liabilities. Also, the Manatee system contains no budgeting capability.

### *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 should be implemented, where practical, to segregate incompatible duties.

## **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 BES 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. Florida Statutes and the current charter agreement, if followed, provide the 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.