

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

ESCAMBIA CHARTER SCHOOL

PROJECT # 2004-04

Accepted By Audit Planning and Review Committee:

May 26, 2004

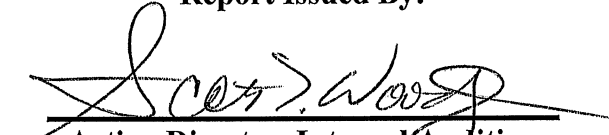
Published:

June 15, 2004

Field Work Conducted By :


Auditor

Report Issued By:


Acting Director, Internal Auditing

SCHOOL DISTRICT OF ESCAMBIA COUNTY ESCAMBIA CHARTER SCHOOL REVIEW REPORT

Background

The Escambia Charter School (ECS) is operated under a Florida not-for-profit corporation as a charter school of the Escambia County School Board (ECSB). A charter agreement between the ECSB and Escambia Charter School, Inc. governs the responsibilities of both parties for the continued operation of ECS. The charter agreement for the 2002-2003 school year set a maximum enrollment of 185 students. In addition to normal FEFP (Florida Education Finance Program) funding, ECS receives additional revenue through capital project funding administered through the Escambia County School District as well as revenue earned through a student-to-work program of the Florida Department of Transportation.

Scope

As part of our annual work plan, we conducted a review of ECS to verify compliance with terms and conditions of the 2002-2003 charter agreement between the ECSB and ECS. Two objectives of our review were to ascertain if revenues and expenditures made at ECS had adequate documentation and to determine if these transactions were accounted for properly. Additionally, our scope expanded beyond financial statement items to include Full Time Equivalency (FTE) reporting, teacher certifications, and other items pertinent to this engagement. An independent audit had been conducted for the fiscal year ended June 30, 2002. Our review period was July 1, 2002 through April 30, 2003, which covered all financial statements to date since June 30, 2002 not audited by the independent auditor.

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 25, 2003 to August 29, 2003.

Methodology

At the onset of field work, a recent turnover in the ECS bookkeeper position precluded us from ascertaining fully how all aspects of internal control had functioned in the past year. 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 meeting minutes of the Board of Directors of the ECS were reviewed to verify management oversight was being administered. Insurance policies were reviewed to confirm the insurance requirements of the charter agreement were adhered to. A random sample of expenditures was reviewed to verify reasonableness and to determine if sound

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business practices, with respect to purchases, were being followed. Payroll records were analyzed to match employees with teacher certification records and we attempted to match salaries paid to employees with employment contracts. Bank statements and reconciliations were analyzed to verify funds represented on the financial statements were actually available. In addition, teacher certification records for the teachers employed at ECS were reviewed to ascertain if certifications were current.

After initial field work was completed, allegations concerning school operations appeared in the local newspaper. These allegations prompted the Superintendent to request additional testing at ECS. We performed additional testing on disbursements and revenues to verify the sale of used buses had been accounted for properly. In addition, the student-to-work contract with the Florida Department of Transportation was analyzed to verify all monies paid on the contract were deposited into ECS accounts. Child labor laws were reviewed in an attempt to ascertain no labor laws were being violated. Payroll records were compared against weekly attendance records to verify students working under the contract were actual students of ECS.

Findings

General Records

As mentioned above, the bookkeeper was a new employee at the school; however, the records were produced whenever requested. We found the procedures for the disbursement and receipt of funds were in order. Bank reconciliations were completed in a timely fashion with proper documentation of supporting items. Financial statements were prepared monthly with comparisons to budgeted amounts, which facilitated variance analysis. Disbursement records were kept with backup documentation to support all payments made. With the exception for the months of September, October and November 2002, it appears the Board of ECS met on a regular basis and exerted oversight on ECS management. We found the financial records maintained by the school are kept in an orderly manner. Additionally, no significant audit findings were mentioned in the school's audited financial statements prepared by an independent public accounting firm.

Teacher Certifications

Payroll accounting was contracted to AmStaff, Inc. For testing, we used a list of eleven teachers from the April 1, 2003 payroll report to verify teacher certifications. Of the eleven certifications requested, nine teachers were properly certified, one teacher had been released from employment after refusing to send additional information to DOE to finish the certification process, and one teacher had applied to DOE for the 2003-2004 school year but did not have a current certification for the 2002-2003 school year. Due to the lack of proper certification of two teachers for the April 2003 payroll, additional payroll records were analyzed for the time periods October 2002 and February 2003

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corresponding to the FTE counts. Both uncertified teachers appeared on both payrolls reviewed, suggesting FTE reporting problems. In addition, six teachers, who did not appear on the April 2003 payroll, appeared on the October 2002 and February 2003 payrolls. We analyzed the teacher certifications of these individuals and found one teacher without a valid certification. Based upon our test work, these three payrolls suggest 2 of 12 (17%) of the teachers for October 2002 FTE count were uncertified and 3 of 12 (25%) teachers for the February 2003 FTE count were uncertified. No employment contracts were available for review. The Administrator of ECS stated there were no employment contracts because employees were hired with the understanding they were employed under an "at will" arrangement by both parties.

Recommendations

We recommend monthly reviews of the financial statements of the Escambia Charter School be conducted by Escambia County School District personnel to ensure public funds are being expended correctly and to ascertain the school's ability to continue operations. Without timely reviews, any problems would remain unknown until the next audit cycle. In addition, financial statement audits performed by the external auditors should be reviewed by District personnel to ascertain if items noted during the audit need to be discussed with the Board of the Escambia Charter School, Inc.

Conclusion

No new policies and procedures need to be established. If followed, the current charter agreement would provide all necessary procedures for District personnel to ascertain compliance with terms and conditions of sound charter school operations.

Subsequent Events

Subsequent to our review, former employees and students at the school made allegations with regard to grade manipulation and safety concerns and the use of non-certified teachers. An internal investigation was undertaken by the Board of the Escambia Charter School, Inc. to answer the allegations. We have not reviewed the results of their investigation.

Student-to-Work Contract/FTE Reporting

The issue of students being included in FTE counts sent to the Escambia County School District while also being enrolled in the Florida DOT student-to-work program was raised with District staff. The District was scheduled for audit by the Florida Auditor General's Office as part of a routine FTE audit. District staff asked that ECS be included in the sample of schools to be audited by the Auditor General's staff to ascertain if students employed under the school-to-work program could simultaneously be counted for FTE purposes. The results of the Auditor General's FTE audit have not been finalized at this point, and as a result, this issue has not been resolved.

Please see director's response following.

2002 - 2003 AUDIT RESPONSE

Answers to Specific Comments

The following information is provided to Internal Audit Department, Escambia County School Board, regarding the matters identified specifically and related to the internal audit for the fiscal year of July 1, 2002 to April 30, 2003.

Internal Auditor's Report

Teacher Certifications

The three teachers you cited in your findings and our answers are as follows, 1) Kimberie Levick – We are attaching a copy of an Instructional Appointment Request form. Please note that Ms. Tennie Wehmeier has completed the bottom portion of the form stating Ms. Levick had completed all necessary forms for Florida Teacher Certification. We based our decision to hire her on that information. 2) Kimberly Dick – Ms. Dick was hired on or about November 15, 2002 and came under the provisions of the Family Medical Leave Act on March 4 or March 5. She elected not to return to work and did not follow up with Ms Wehmeier. 3) Michael Brantley – Mr. Brantley was degreed and working with Teacher Certification to obtain his certification, which he has since completed. He taught no core classes and was not paid as an instructor. Our certified instructors salary was based on an annualized salary of \$28,812.40. Mr. Brantley was paid at an annualized salary of \$24,300.00 plus a \$1,200.00 coaching stipend. He was considered a Paraprofessional and was under the direct supervision of our Principal, Jerome Chisolm.