

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

**RUBY J. GAINER CHARTER SCHOOL**

**PROJECT # 2004-05**

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

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**Field Work Conducted By :**

**Tiffany Barton**  
Auditor

**Report Issued By:**

**[Signature]**  
Acting Director, Internal Auditing

**SCHOOL DISTRICT OF ESCAMBIA COUNTY  
RUBY J. GAINER CHARTER SCHOOL  
FOR REACHING YOUR DREAM  
REVIEW REPORT**

**Background**

The Ruby J. Gainer Charter School (RGCS) is operated under a Florida not-for-profit corporation as a charter school of the Escambia County School Board. A charter agreement between the Escambia County School Board (ECSB) and Reaching Your Dreams, Inc. governs the responsibilities of both parties for the continued operation of RGCS. The charter agreement for the 2002-2003 school year set a maximum enrollment of 115 students. In addition to normal Florida Education Finance Program (FEFP) funding, RGCS receives additional monies from capital project funding administered through the Escambia County School District.

**Scope**

As part of our annual work plan, we conducted a review of RGCS to verify compliance with terms and conditions of the 2002-2003 charter agreement between RGCS and the ECSB. Two objectives of our review were to ascertain if revenues received and expenditures made at RGCS 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 Equivalent (FTE) reporting, teacher certifications, and other items pertinent to this engagement. RGCS 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 all financial statements from July 1, 2002 to March 31, 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 11, 2003 to July 11, 2003.

**Methodology**

We reviewed the financial statements from July 2002 through April 2003 not audited by the independent auditor 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 for the Board of Directors of RGCS were reviewed to verify management oversight was being administered. We reviewed insurance policies to verify the insurance requirements of the charter agreement were adhered to and records connected with employee fingerprinting and background checks to verify compliance. A random sample of expenditures was reviewed to verify reasonableness and to determine if sound business practices, with respect to purchases, were being used. Payroll records were analyzed to match employees with teacher

certification records and certification records for the teachers employed at RGCS were reviewed to ascertain if the certifications were current. In addition, bank statements and reconciliations were analyzed to verify the existence of funds represented on the financial statements.

Student enrollment increased from 67 to 134 (107%) between the October 2002 and February 2003 FTE counts. There was also a corresponding increase (95%) in un-weighted FTE between the two counts. Due to the large increase in the February 2003 FTE count, we conducted additional testing of internal controls for attendance record keeping. Period by period attendance rosters during the February 2003 FTE count period were traced to data clerk rosters and attendance bubble sheets, which are submitted to Alternative Education for entry into the District's TERMS (Total Education Resource Management System) software. Records of attendance, as shown in the TERMS system, are used in calculation of FEFP funding for the school.

## **Findings**

### *General Records*

Financial statements were not prepared monthly with comparisons to budgeted amounts, to facilitate variance analysis. The most current financial statements received by the Alternative Education Director, as of the end of our field work in June 2003, were the September 2002 statements. Monthly financial statements were delayed partly due to the middle of the month bank statement cutoff dates. Disbursement records were kept with backup documentation to support payments made. The insurance policies do not list the Escambia County School District as additional insured. Six of seventeen employees had not been fingerprinted as required in the charter agreement. Minutes of Board meetings indicated that the Board of Reaching Your Dreams, Inc. meets on a regular basis but insufficient evidence exists to show it exerts management oversight. Four of the six members of Reaching Your Dreams, Inc.'s Board of Directors, listed on the April 2003 Uniform Business Report, are employees of RGCS and therefore, are not independent. Written reports of program performance and student outcomes were not on file at the Alternative Education Department as outlined in the charter agreement.

No material weaknesses were mentioned in the school's audited financial statements for the fiscal year ended June 30, 2002. However, a reportable condition on internal controls involving the recording of revenues was reported. The report stated that "revenues from different sources were posted to the same general ledger revenue account and certain revenues from one source were deposited in two different bank accounts and recorded in two separate revenue accounts."

*Attendance/Tardy Reporting*

There were instances of students marked as absent in first period, whose attendance status was changed to tardy the following day. RGCS staff would review and modify the day's attendance records for the preceding day if they remembered seeing a student (who was marked absent for that day), on the school campus or bus. Discussion with the data clerk indicated there was no verification by the responsible teacher to determine if the student attended class that day.

Teachers did not certify attendance records with a signature (or initials) and the records were not dated in several instances. Several anomalies were found when attempting to trace attendance from the first period attendance sheets, to data clerk rosters and finally, to bubble sheets for entry into the District's TERMS software for January 24, 2003. Based on the anomalies found, we performed additional testing for the February 2003 FTE count period. Period by period attendance was kept on six of eleven days during the February 2003 FTE count period. The same types of inconsistencies in attendance records were encountered during the testing of the February 2003 FTE count period as in the January 24, 2003 testing.

**Summary**

The controls & procedures for recording student attendance are not sufficient to place reliance on their accuracy. Employees are not consistently being fingerprinted in compliance with the charter agreement. Insurance documents do not include language naming the School Board as additional insured, as per the charter agreement. Monthly financial statements have not been submitted on a timely basis to the School District as provided for in the charter agreement. Minutes for the school's Board of Directors meetings indicate they meet on a regular basis but insufficient evidence exists to show they provide management oversight (approval of budgets, treasurer's reports, etc.).

**Recommendations**

The charter agreement has specific requirements concerning insurance documents, fingerprinting, submission of monthly financial statements and program performance reports. We recommend the Board of RGCS provide management oversight to ensure the requirements of the charter agreement are followed. The attendance record keeping policies and procedures of the school should be strengthened to ensure FTE funding is not placed in jeopardy. If further guidance for attendance record keeping is required, RGCS personnel should contact District staff to determine proper compliance with FEFP guidelines.

### **Subsequent Events**

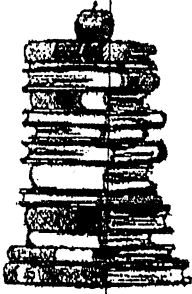
After completion of field work and before issuance of this report subsequent events occurred that caused our report to be modified. Provisions in the charter agreement requires submission of monthly financial statements and various progress reports by RGCS to Escambia County School District for oversight. 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.

Based on the corrective actions noted in the auditee's response, follow-up will be conducted to verify corrective actions taken.

### **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 determine compliance with terms and conditions of sound charter school operations.

Please see charter school's response following.



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*Dr. Ruby J. Gainer*  
***School for Reaching Your Dreams***

May 20, 2004

**Response to the audit of the Dr. Ruby J. Gainer School for Reaching Your Dreams**

**Attendance/ Tardy Reporting**

With respect to commits regarding homeroom attendance, the Dr. Ruby J. Gainer School for Reaching Your Dreams does not have homerooms. All students report to their first period class and roll is taken at that time. Attendance is taken at the second period as well and submitted to the Data Clerk to get the official lunch count for the day.

**Findings**

**General Records**

The current insurance policy listing of the Escambia County School District as additional insured.

**Summary**

Monthly financial statements to the School District are being sent on a timely basis. All employees of the Dr. Ruby J. Gainer School for Reaching Your Dreams have completed finger printing and are on file.