



OFFICE OF INTERNAL AUDITING

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

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS &
TRANSFERS**

FOR THE YEAR ENDED JUNE 30, 2007

October 11, 2007



"Making a Positive Difference"

Office of Internal Auditing

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INTERNAL AUDITOR'S REPORT SCHOOL INTERNAL ACCOUNTS

To the Escambia County District School Board
and Jim Paul – Superintendent
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2007. 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.

October 11, 2007

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ALL SCHOOLS & SPECIAL CENTERS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2007

	AUDITED BEGINNING BALANCE 7/1/2006	RECEIPTS	DISBURSEMENTS	TRANSFERS	AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2007
A. ATHLETICS	\$ 368,732.62	\$ 1,230,471.53	\$ 1,259,362.69	\$ 3,964.09	\$ -	\$ 343,805.55
B. MUSIC	64,722.71	324,329.18	346,677.23	2,551.74	648.22	45,574.62
C. CLASSES	342,799.30	1,538,412.90	1,500,046.42	5,788.29	1,079.82	388,033.89
D. CLUBS	176,169.34	728,906.61	714,540.90	(15,581.89)	2,165.92	177,119.08
E. DEPARTMENTS	305,627.87	766,599.22	784,565.40	(4,483.64)	(1,476.10)	281,701.95
F. TRUST	891,918.74	2,587,055.66	2,509,931.14	(35,593.56)	(3,343.76)	930,105.94
G. GENERAL	816,301.78	614,440.91	617,266.81	43,354.97	925.90	857,756.75
TOTAL ALL FUNDS	\$ 2,966,272.36	\$ 7,790,216.01	\$ 7,732,390.59	\$ -	\$ -	\$ 3,024,097.78

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2007

	AUDITED BEGINNING BALANCE 7/1/2006	RECEIPTS	DISBURSEMENTS	TRANSFERS	AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2007
Hellen Caro	\$ 46,993.63	\$ 82,459.75	\$ 94,820.08	\$ -	\$ -	\$ 34,633.30
Jim Allen	18,531.60	40,634.26	49,687.53	-	-	9,478.33
Bellview	14,797.12	87,608.13	92,099.96	-	-	10,305.29
Bratt	22,250.12	80,948.20	80,150.34	-	-	23,047.98
Brentwood	21,882.08	87,820.14	85,418.64	-	-	24,283.58
Carver/Century K-8	40,706.40	26,893.44	25,887.69	-	-	41,712.15
N.B. Cook	55,760.99	124,935.73	129,354.85	-	-	51,341.87
Cordova Park	31,701.28	131,964.50	126,242.98	-	-	37,422.80
Edgewater	13,036.09	17,913.93	17,987.13	-	-	12,962.89
Ensley	20,945.99	44,693.48	40,084.38	-	-	25,555.09
Ferry Pass	26,510.37	33,668.96	31,503.06	-	-	28,676.27
George S. Hallmark	15,933.10	22,113.08	24,541.21	-	-	13,504.97
Montclair	22,567.23	9,223.83	10,043.44	-	-	21,747.62
Myrtle Grove	10,371.11	45,682.99	38,674.63	-	-	17,379.47
Navy Point	43,209.22	16,933.09	19,946.81	-	-	40,195.50
Oakcrest	29,247.70	27,813.68	35,613.16	-	-	21,448.22
Pine Meadow	44,780.39	57,564.18	69,888.54	-	-	32,456.03
Pleasant Grove	46,707.36	67,098.65	70,809.67	-	-	42,996.34
Scenic Heights	13,966.12	72,353.43	73,719.87	-	-	12,599.68
O.J. Semmes	3,676.57	30,597.77	30,353.91	-	-	3,920.43
Sherwood	18,368.67	37,033.74	35,297.35	-	-	20,105.06
A.K. Suter	19,385.53	43,767.39	33,738.23	-	-	29,414.69
Warrington	12,573.56	18,255.35	18,932.22	-	-	11,896.69
C.A. Weis	16,152.59	23,964.44	27,703.47	-	-	12,413.56
West Pensacola	30,367.20	26,567.72	18,155.94	-	-	38,778.98
Reinhardt Holm	11,895.91	19,234.39	14,943.10	-	-	16,187.20
Allie Yniestra	3,576.91	13,026.78	11,936.94	-	-	4,666.75
Spencer Bibbs	21,698.47	11,313.53	13,738.86	-	-	19,273.14
Lincoln Park	3,295.06	10,077.89	11,081.68	-	-	2,291.27
Longleaf	30,195.37	24,554.33	23,535.31	-	-	31,214.39
L.D. McArthur	15,750.04	113,765.70	108,619.67	-	-	20,896.07
Beulah	23,162.84	52,732.94	32,696.27	-	-	43,199.51
R.C. Lipscomb	41,246.61	146,015.71	114,015.27	-	-	73,247.05
Blue Angels	60,358.14	118,398.39	119,165.58	-	-	59,590.95
Molino Park	42,139.37	54,028.05	51,717.04	-	-	44,450.38
TOTAL ELEMENTARY	\$ 893,740.74	\$ 1,821,657.57	\$ 1,782,104.81	\$ -	\$ -	\$ 933,293.50

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - SECONDARY SCHOOLS AND CENTERS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2007

	AUDITED BEGINNING BALANCE 7/1/2006	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2007
Bellview Middle	\$ 93,860.35	\$ 113,670.55	\$ 130,049.75	\$ -	\$ -	\$ 77,481.15
Brentwood Middle	19,093.21	40,110.04	48,142.51	-	-	11,060.74
Brownsville Middle	22,871.20	35,345.87	53,134.21	-	-	5,082.86
A.V. Clubbs Alt. Middle	2,036.17	1,669.50	2,003.47	-	-	1,702.20
Ransom Middle	86,981.06	243,704.75	229,636.63	-	-	101,049.18
Escambia High	127,003.31	544,870.95	514,851.87	-	-	157,022.39
Ferry Pass Middle	107,167.92	166,537.17	177,664.26	-	-	96,040.83
Pensacola High	216,131.98	457,310.87	433,966.70	-	-	239,476.15
J.M. Tate High	331,598.17	719,476.67	697,529.20	-	-	353,545.64
Ernest Ward Middle	22,888.06	68,007.03	65,353.14	-	-	25,541.95
Warrington Middle	41,762.60	99,224.05	118,807.60	-	-	22,179.05
Wedgewood Middle	13,699.91	90,404.17	97,665.55	-	-	6,438.53
J.H. Workman Middle	29,747.55	127,411.23	131,369.51	-	-	25,789.27
Brown-Barge Middle	23,898.90	79,989.59	75,094.26	-	-	28,794.23
W.J. Woodham High	126,339.47	354,249.29	425,420.15	-	-	55,168.61
Pine Forest High	163,589.45	454,375.73	450,922.97	-	-	167,042.21
B.T. Washington High	153,333.72	613,628.36	559,316.08	-	-	207,646.00
James C. Bailey Middle	58,215.38	233,199.24	229,410.39	-	-	62,004.23
Northview High	131,146.41	289,308.89	292,753.30	-	-	127,702.00
West Florida Tech. High	134,932.76	435,345.24	451,762.90	-	-	118,515.10
TOTAL SECONDARY	\$ 1,906,297.58	\$ 5,167,839.19	\$ 5,184,854.45	\$ -	\$ -	\$ 1,889,282.32
ESEAL	\$ 11,838.21	\$ 10,225.37	\$ 9,953.92	\$ -	\$ -	\$ 12,109.66
McMillan Pre-K	2,392.96	2,709.58	1,771.84	-	-	3,330.70
Sid Nelson	8,535.64	2,783.07	3,352.96	-	-	7,965.75
George Stone	88,537.14	717,797.77	696,841.44	-	-	109,493.47
A.A. Dixon Alt. Ed.	11,367.23	5,776.19	5,447.35	-	-	11,696.07
Escambia Westgate	43,562.86	61,427.27	48,063.82	-	-	56,926.31
TOTAL CENTERS	\$ 166,234.04	\$ 800,719.25	\$ 765,431.33	\$ -	\$ -	\$ 201,521.96

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
NOTES ON INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 61 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 \$29,614.84 and \$37,935.72, for the years ended June 30, 2006 and 2007, 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. In the past few years, 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 (i.e. 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 or reviewed by the Office of Internal Auditing.

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
NOTES ON INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 3 - Outside Support Organizations (continued)

It is estimated that approximately \$2 million to \$2.5 million flow 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 to provide for an annual audit of their records.

Note 4 - Subsequent Events

As a result of a school consolidation and closure effort, the District elected to re-draw attendance zones, and close several schools as of June 30, 2007. W.J. Woodham High School was closed. Brentwood Middle School, Brownsville Middle School and Wedgewood Middle School were combined. At the beginning of the 2007-2008 fiscal year, 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 Jim Paul – Superintendent
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2007, and have issued our report thereon dated October 11, 2007. 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, 2007, 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 necessary to bring them to management's attention.

It should be noted that six of the seven comments included in this letter were included in the prior year letter; however, the percentage of occurrences has dramatically decreased from the prior year.

We have discussed some of these comments with various school-based personnel during the performance of our audit and at recent bookkeeper/secretary training conferences 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 bookkeepers, including training related to matters discussed in this letter.

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

October 11, 2007



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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 7 of the State Board of Education Rules (Chapter 7), 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 Escambia County School District Internal Funds Procedures Manual (Procedures Manual). A copy of this manual is provided by operating management to all 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, 2007

Comment No. 1: Idle Funds & Bank Service Charges

Of the 29 schools receiving full audit procedures, sixteen schools (55.17%) appear to have idle funds in their checking account. Idle funds are defined as funds that are not anticipated to be expended within a reasonable period or funds that are in excess of daily requirements.

As stated on Page 2-2 of the Procedures Manual, “While it is possible to achieve a competitive interest rate on your checking account funds, this is extremely rare. Thus, it is advisable to place any funds that are in excess of daily requirements into savings accounts or certificates of deposits (CDs).”

Chapter 7 requires that idle funds be invested “in order to earn the maximum possible yield under the circumstances.”

It was also noted during the audit that some schools were paying what appeared to be high monthly service charges. These service charges appear to be in addition to charges for returned checks, check ordering fees and/or account adjustments. Although bank service charges are sometimes unavoidable, many banks now have accounts that do not have monthly service charges.

Note: Repeat Comment. Prior year percentage of schools was 95.65%.

Comment No. 2: Worthless “Returned Checks” Accounts

Of the 29 schools receiving full audit procedures, six schools (20.68%) ended the year with a material balance in their “Returned Checks” account. It appears that these accounts may contain uncollectible checks. Although the account balances are minor in relation to the overall balance of school internal accounts, if the accounts contain checks that are uncollectible, the accounts to which the checks were originally received may be overstated.

Discussions with Secretaries and Bookkeepers indicated that they often encountered difficulties in collecting worthless checks on their own and the process was tedious and time consuming.

The District does not have an established policy requiring schools to use check collection services. These services have a high collection success rate and are usually available at no cost to the school or District. Some schools currently take advantage of such services.

Note: Repeat Comment. Prior year percentage of schools was 65.21%.

Comment No. 3: Lack of Prior Approval for Purchases

Of the 29 schools receiving full audit procedures, seven schools (24.13%) 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 7 states all purchases from internal funds must be authorized in writing by the Principal or designee. Page 1-7 of the Procedures Manual outlines the policy to ensure prior authorization. It states, “A Request for Purchase/Purchase Order form should be completed for all expenditures. Expenditures exceeding \$100.00 require a MAS generated purchase order to be completed and approved by the Principal prior to obligating internal funds.”

Note: Repeat Comment. Prior year percentage of schools was 69.56%.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
AUDIT OF SCHOOL INTERNAL ACCOUNTS
For the Year Ended June 30, 2007

Comment No. 4: Use of Internal Funds when Budgeted Funds are Available

Of the 29 schools receiving full audit procedures, ten schools (34.48%) had a material percentage of their District budget unspent. The percentage unspent ranged from 5.76% to 54.49%, with the average amount of the budget unspent being 24.20%.

A review of the purchases made from internal accounts throughout the year at these schools indicated a significant amount of items were purchased from internal accounts when budgeted funds were available for use. Total purchases for which budgeted funds may have been used ranged at each school from approximately \$413 to \$2,406. The total amount expended from internal accounts for which budgeted funds were available at these schools was approximately \$10,680.

Chapter 7 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. Prior year percentage of schools was 82.60%.

Comment No. 5: Proper Completion of Monies Collected Forms

Of the 29 schools receiving full audit procedures, seven schools (24.13%) had instances where Monies Collected Forms attached to receipts were not properly completed. The number of occurrences ranged from 27.27% to 100.00% of receipts tested.

Examples of the problems include: failure of the sponsor to date the form, failure of the sponsor to denote method of payment (i.e. cash or check), changes to the form by the secretary or bookkeeper without evidence of the consent of the sponsor and/or failure of the sponsor to remit the funds to the secretary or bookkeeper in a timely manner.

Chapter 7 and the Procedures Manual provide thorough guidance on the collection of funds by sponsors via properly completed Monies Collected Forms that are remitted to the secretary or bookkeeper in a timely manner.

It should be noted, these infractions are usually the result of the sponsor’s actions or inactions. The secretary or bookkeeper usually is the recipient of the form, not the maker.

Note: Repeat Comment. Prior year percentage of schools was 91.30%.

Comment No. 6: Control of Fund Raising Activities

Of the 29 schools receiving full audit procedures, eleven schools (37.93%) had instances where Fundraising Reconciliation/Requests Forms were not properly completed.

Instances were noted where fund raising 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.

Chapter 7 requires that each fund raising activity shall be planned, be approved and be controlled. The District has further detailed requirements as they relate to fund raising in the Fund Raising Guidelines Handbook. This handbook provides in-depth guidance on fundraisers and the completion of the Fundraising Request/Reconciliation Form.

Note: Repeat Comment. Prior year percentage of schools was 43.47%.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
AUDIT OF SCHOOL INTERNAL ACCOUNTS
For the Year Ended June 30, 2007

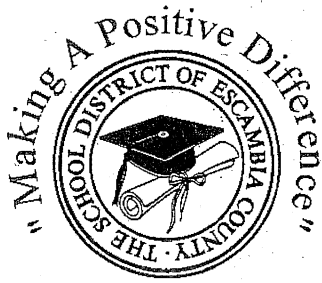
Comment No. 7: Timeliness of Bank Deposits

Of the 29 schools receiving full audit procedures, five schools (17.24%) did not appear to make deposits in a timely manner.

The majority of these instances were collections related to the after school childcare program that were not remitted to school secretaries in a timely manner. In some instances, funds were held in excess of one month prior to deposit.

Chapter 7 requires that all money collected be deposited intact into a depository as frequently as feasible and “in any event, funds collected must be deposited within five working days after receipt.”

Management's Response



Memorandum

To: David Bryant, Director
Internal Auditing

From: Barbara S. Linker, Assistant Superintendent
Finance and Business Services

Date: January 31, 2008

Subject: 2006-2007 School Internal Accounts Audit

Thank you for the opportunity to respond to your audit report for the 2006-2007 Audit of the Schools' Internal Accounts. I am happy to report that many of the comments in the report have already been addressed and corrected. Additionally, every effort is continuously being made to make sure all schools are in compliance with current policies and procedures governing Internal Funds. Our efforts include the following:

- Hiring a full time Financial Analyst in charge of Internal Funds to provide training for new secretaries and bookkeepers and continuous support for all secretaries and bookkeepers.
- Monthly training classes for all secretaries and bookkeepers who wish to attend. These classes focus on how to use Schoolbooks software as well as policies and procedures for Internal Funds.
- Individual help at the school level to address specific problems and/or weaknesses addressed in the individual school's audit report.
- Discussions at the semi-annual secretaries and bookkeepers workshops that cover common areas of problems and/or weaknesses.
- Updating the Internal Funds Procedures Manual, which will provide clearer guidelines for all bookkeepers and secretaries.

We are confident you will see improvement in compliance with policies and procedures as a result of our efforts. If we can be of any further assistance please let us know.

BSL:GJ:hs