



**OFFICE OF INTERNAL AUDITING**

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

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

**FOR THE YEAR ENDED JUNE 30, 2009**

**September 4, 2009**



*"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 Malcolm Thomas – Superintendent  
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2009. 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.

September 4, 2009

**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, 2009**

	AUDITED BEGINNING BALANCE 7/1/2008	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2009
A. ATHLETICS	\$ 369,629.54	\$ 980,553.06	\$ 1,004,410.77	\$ (8,789.28)	\$ -	\$ 336,982.55
B. MUSIC	61,825.15	212,769.73	207,157.04	(2,470.97)	-	64,966.87
C. CLASSES	342,253.69	1,395,291.61	1,410,613.64	13,892.68	-	340,824.34
D. CLUBS	149,652.09	668,744.14	670,682.14	(7,890.21)	-	139,823.88
E. DEPARTMENTS	250,337.20	748,176.13	757,451.33	20,490.31	-	261,552.31
F. TRUST	781,599.96	1,981,958.55	1,912,685.62	(27,244.61)	-	823,628.28
G. GENERAL	769,187.20	386,771.27	371,730.74	12,012.08	-	796,239.81
<b>TOTAL ALL FUNDS</b>	<b>\$2,724,484.83</b>	<b>\$6,374,264.49</b>	<b>\$ 6,334,731.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$2,764,018.04</b>

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	AUDITED BEGINNING BALANCE 7/1/2008	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2009
Hellen Caro	\$ 54,314.31	\$ 94,581.05	\$ 77,576.68	\$ -	\$ -	\$ 71,318.68
Jim Allen	2,674.07	37,023.16	35,201.05	-	-	4,496.18
Bellview	10,330.65	93,629.16	92,996.07	-	-	10,963.74
Bratt	22,590.06	74,306.90	68,705.98	-	-	28,190.98
Brentwood	21,029.26	63,914.18	68,872.83	-	-	16,070.61
Carver/Century K-8	41,593.06	11,129.08	18,414.64	-	-	34,307.50
N.B. Cook	43,945.77	96,648.05	74,711.25	-	-	65,882.57
Cordova Park	36,240.24	92,700.46	80,888.68	-	-	48,052.02
Edgewater	11,023.66	9,421.65	13,455.08	-	-	6,990.23
Ensley	24,896.04	31,194.34	28,524.54	-	-	27,565.84
Ferry Pass	24,538.13	21,817.49	34,334.54	-	-	12,021.08
George S. Hallmark	6,954.17	22,331.95	22,361.63	-	-	6,924.49
Montclair	17,895.15	22,492.97	26,278.73	-	-	14,109.39
Myrtle Grove	15,269.54	36,973.26	38,980.62	-	-	13,262.18
Navy Point	36,355.74	17,101.62	12,980.85	-	-	40,476.51
Oakcrest	15,864.77	14,919.48	16,192.01	-	-	14,592.24
Pine Meadow	26,298.72	64,498.19	36,083.67	-	-	54,713.24
Pleasant Grove	28,316.88	53,085.16	53,842.39	-	-	27,559.65
Scenic Heights	16,681.77	67,374.44	50,478.34	-	-	33,577.87
O.J. Semmes	3,935.79	31,980.47	29,833.41	-	-	6,082.85
Sherwood	13,623.44	27,322.09	27,143.44	-	-	13,802.09
A.K. Suter	31,802.48	28,762.49	24,213.66	-	-	36,351.31
Warrington	7,299.13	18,150.72	17,354.20	-	-	8,095.65
C.A. Weis	10,493.48	10,545.98	9,041.00	-	-	11,998.46
West Pensacola	24,809.86	6,899.92	6,405.89	-	-	25,303.89
Reinhardt Holm	19,835.37	20,823.89	18,541.25	-	-	22,118.01
Allie Yniestra	3,102.74	7,339.52	7,009.58	-	-	3,432.68
Spencer Bibbs	17,077.35	4,270.47	3,921.18	-	-	17,426.64
Lincoln Park	3,809.14	24,370.57	20,615.46	-	-	7,564.25
Longleaf	29,362.21	40,963.37	39,691.45	-	-	30,634.13
L.D. McArthur	22,709.29	96,967.21	89,130.35	-	-	30,546.15
Beulah	34,917.03	61,698.37	32,043.48	-	-	64,571.92
R.C. Lipscomb	71,588.77	117,276.88	116,408.83	-	-	72,456.82
Blue Angels	46,055.21	96,959.34	106,420.82	-	-	36,593.73
Molino Park	25,059.42	46,130.25	49,172.66	-	-	22,017.01
<b>TOTAL ELEMENTARY</b>	<b>\$ 822,292.70</b>	<b>\$ 1,565,604.13</b>	<b>\$ 1,447,826.24</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 940,070.59</b>

**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, 2009**

	AUDITED BEGINNING BALANCE 7/1/2008	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2009
Bellview Middle	\$ 59,543.09	\$ 98,542.84	\$ 108,175.66	\$ -	\$ -	\$ 49,910.27
A.V. Clubbs Alt. Middle	885.84	503.30	721.73	-	-	667.41
Ransom Middle	100,666.12	199,285.08	205,777.52	-	-	94,173.68
Escambia High	157,981.90	467,663.32	458,157.43	-	-	167,487.79
Ferry Pass Middle	99,965.47	93,437.11	96,531.78	-	-	96,870.80
Pensacola High	201,109.91	409,152.26	471,597.16	-	-	138,665.01
J.M. Tate High	318,159.87	605,963.04	618,594.27	-	-	305,528.64
Ernest Ward Middle	38,603.56	75,706.21	77,621.84	-	-	36,687.93
Warrington Middle	10,799.49	74,319.74	69,758.84	-	-	15,360.39
J.H. Workman Middle	24,248.75	98,639.90	91,331.25	-	-	31,557.40
Brown-Barge Middle	28,427.93	58,387.53	56,002.90	-	-	30,812.56
W.J. Woodham Middle	22,611.56	45,655.28	53,340.72	-	-	14,926.12
Pine Forest High	175,782.53	464,476.90	500,296.52	-	-	139,962.91
B.T. Washington High	202,179.04	498,218.04	517,267.61	-	-	183,129.47
James C. Bailey Middle	84,764.77	184,735.90	161,070.64	-	-	108,430.03
Northview High	128,827.83	225,919.69	224,972.24	-	-	129,775.28
West Florida Tech. High	99,029.25	434,016.51	421,581.23	-	-	111,464.53
<b>TOTAL SECONDARY</b>	<b>\$ 1,753,586.91</b>	<b>\$ 4,034,622.65</b>	<b>\$ 4,132,799.34</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,655,410.22</b>
ESEAL	\$ 12,294.08	\$ 15,855.29	\$ 15,187.75	\$ -	\$ -	\$ 12,961.62
McMillan Pre-K	3,342.28	1,662.97	2,100.00	-	-	2,905.25
Sid Nelson	8,334.71	6,073.95	4,425.33	-	-	9,983.33
George Stone	60,606.25	719,433.49	703,227.24	-	-	76,812.50
Judy Andrews	11,297.07	11,539.53	9,156.13	-	-	13,680.47
Escambia Westgate	52,730.83	19,472.48	20,009.25	-	-	52,194.06
<b>TOTAL CENTERS</b>	<b>\$ 148,605.22</b>	<b>\$ 774,037.71</b>	<b>\$ 754,105.70</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 168,537.23</b>
<b>TOTAL ALL LOCATIONS</b>	<b>\$ 2,724,484.83</b>	<b>\$ 6,374,264.49</b>	<b>\$ 6,334,731.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,764,018.04</b>

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS  
NOTES ON INTERNAL ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**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 58 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 \$22,618.04 and \$22,717.47, for the years ended June 30, 2008 and 2009, 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. 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 (e.g. 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 by the Office of Internal Auditing.

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
SCHOOL INTERNAL ACCOUNTS  
NOTES ON INTERNAL ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**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 provide for an annual audit of their records.

**Note 4 - Subsequent Events**

In recent years, the District began a school consolidation and closure effort. The District elected to re-draw attendance zones and close several schools. W.J. Woodham High School was closed as of June 30, 2007. Brentwood Middle School, Brownsville Middle School and Wedgewood Middle School were consolidated as of June 30, 2007 into a new school named W.J. Woodham Middle School. Carver/Century K-8 School and Edgewater Elementary School were closed as of June 30, 2009. After closing and/or consolidation, the 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 Malcolm Thomas – Superintendent  
Pensacola, Florida

We have audited the school internal accounts of the Escambia County District School Board for the year ended June 30, 2009, and have issued our report thereon dated September 4, 2009. 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, 2009, 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 is necessary to bring them to management's attention.

**It should be noted each of the comments included in this letter were included in the prior year letter; however, the percentage of occurrences has decreased from the prior years for most comments.**

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.

September 4, 2009





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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, 2009

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**Comment No. 1: Idle Funds & Bank Service Charges**

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Of the thirty-one schools receiving full audit procedures, sixteen schools (51.61%) 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 seventeen schools were paying what appeared to be high monthly bank 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.*  
2007-2008 percentage of schools was 81.48%.  
2006-2007 percentage of schools was 55.17%.  
2005-2006 percentage of schools was 95.65%.

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**Comment No. 2: Lack of Prior Written Approval for Purchases**

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Of the thirty-one schools receiving full audit procedures, six schools (19.35%) 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 [computer] generated purchase order to be completed and approved by the Principal prior to obligating internal funds."

*Note: Repeat Comment.*  
2007-2008 percentage of schools was 33.33%  
2006-2007 percentage of schools was 24.13%.  
2005-2006 percentage of schools was 69.56%.

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**Comment No. 3: Use of Internal Funds when Budgeted Funds are Available**

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Of the thirty-one schools receiving full audit procedures, seventeen schools (54.83%) had a material percentage of their District budget unspent at year-end. The percentage unspent ranged from .67% to 52.77%, with the average amount of the budget unspent being 19.24%.

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 \$150 to \$4,138. The total amount expended from internal accounts for which budgeted funds were available at these schools was approximately \$22,188.

Chapter 7 deems purchases from internal funds for "equipment, supplies, forms, postage, repairs and maintenance and other items for

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD  
AUDIT OF SCHOOL INTERNAL ACCOUNTS  
For the Year Ended June 30, 2009

which school board funds are available” inappropriate and “shall not be made”.

*Note: Repeat Comment.*

*2007-2008 percentage of schools was 22.22%.*

*2006-2007 percentage of schools was 34.48%.*

*2005-2006 percentage of schools was 82.60%.*

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**Comment No. 4: Proper Completion of Monies Collected Forms**

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Of the thirty-one schools receiving full audit procedures, six schools (19.35%) had instances where Monies Collected Forms attached to receipts were not properly completed. The number of occurrences ranged from 17.90% to 46.00% 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 is usually the recipient of the form, not the maker.

*Note: Repeat Comment.*

*2007-2008 percentage of schools was 18.51%.*

*2006-2007 percentage of schools was 24.13%.*

*2005-2006 percentage of schools was 91.30%.*

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**Comment No. 5: Control of Fund Raising Activities**

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Of the thirty-one schools receiving full audit procedures, four schools (12.90%) had instances where Fundraising Reconciliation/ Request 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, approved and 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 Reconciliation/Request Form.

*Note: Repeat Comment.*

*2007-2008 percentage of school was 18.51%.*

*2006-2007 percentage of schools was 37.93%.*

*2005-2006 percentage of schools was 43.47%.*

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**Comment No. 6: Solicitation of Donations**

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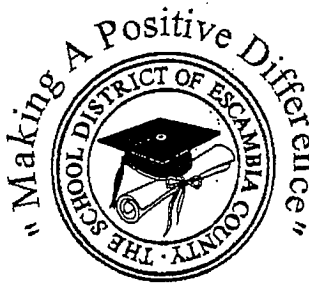
Of the thirty-one schools receiving full audit procedures, two schools (6.45%) issued donation request letters that did not contain proper language.

The Florida Constitution requires public education to be free. School Board Policy dictates no fees or assessments shall be levied or charged to students. Consequently, all requests for donations should clearly state that the request is a donation, and that students will not be prohibited from participating in activities based on the inability to donate.

*Note: Repeat Comment.*

*2007-2008 percentage of school was 18.51%.*

**Management's Response**



# Memorandum

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**To:** David Bryant  
Internal Auditing

**From:** Gloria Johnson *GJ*  
Director Accounting Operations

**Date:** October 22, 2009

**Subject:** 2008-2009 School Internal Accounts Audit

Thank you for the opportunity to respond to your audit report for the 2008-2009 Audit of the Schools' Internal Accounts. We are very pleased that the percentage of schools with audit findings has decreased. Additionally, all of the comments in the report have been, and will continue to be, addressed and corrected. Our goal is to make sure 100% of our schools are in compliance with current policies and procedures governing Internal Funds.

In an effort to reach our goal, we continue to offer monthly training classes for those who can attend and we have increased the individualized training for those schools with specific weaknesses. Additionally, the new Internal Funds Manual is interactive and has been posted online for ease of use.

Regarding "Comment No. 3: Use of Internal Funds when Budgeted Funds are Available," we believe this number is inflated due to a misunderstanding earlier in the year, in the midst of our budget crisis, where principals were encouraged to reserve some of the budgeted funds for the start of the 2009-2010 school year. This misunderstanding has been clarified and we do not expect this to be a problem in the future.

We are confident you will continue to 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.