



OFFICE OF INTERNAL AUDITING

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

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

FOR THE YEAR ENDED JUNE 30, 2011

September 28, 2011



"Making a Positive Difference"

Office of Internal Auditing

David J. Bryant, CIA
CPA, CFE, CGFM, CGAP
Director

Michèle A. Kiker, CGAP
Senior Auditor

Justin B. Cook
Auditor

Jeanne Pilgrim
*Property Audit
Specialist*

Jennifer Chinchar
*Audit Administration
Specialist*

75 North Pace Blvd.
Room 403
Pensacola, Florida
32505

Call: 850.469.6272
Fax: 850.469.6290

[www.escambia.k12.fl.us/
iaudit](http://www.escambia.k12.fl.us/iaudit)

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, 2011. 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 28, 2011

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, 2011

	AUDITED BEGINNING BALANCE 7/1/2010	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2011
A. ATHLETICS	\$ 319,828.11	\$1,064,109.25	\$ 1,010,681.04	\$ (3,369.09)	\$ -	\$ 369,887.23
B. MUSIC	69,484.26	359,941.25	359,424.07	(2,211.22)	-	67,790.22
C. CLASSES	370,960.27	1,388,691.87	1,395,429.69	(6,605.32)	-	357,617.13
D. CLUBS	147,818.29	684,073.62	688,132.61	(8,664.54)	-	135,094.76
E. DEPARTMENTS	220,253.38	678,743.65	674,203.82	6,598.80	-	231,392.01
F. TRUST	755,936.44	2,134,162.46	2,112,854.16	(164.69)	-	777,080.05
G. GENERAL	811,012.66	295,925.07	309,376.63	14,416.06	-	811,977.16
TOTAL ALL FUNDS	\$2,695,293.41	\$6,605,647.17	\$ 6,550,102.02	\$ -	\$ -	\$2,750,838.56

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2011

	AUDITED BEGINNING BALANCE 7/1/2010	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2011
Hellen Caro	\$ 56,622.60	\$ 96,828.22	\$ 97,720.95	\$ -	\$ -	\$ 55,729.87
Jim Allen	6,036.61	38,311.09	37,166.85	-	-	7,180.85
Bellview	10,041.20	77,577.27	75,924.83	-	-	11,693.64
Bratt	38,807.85	60,855.57	60,699.17	-	-	38,964.25
Brentwood	20,986.12	26,769.71	26,038.81	-	-	21,717.02
N.B. Cook	61,116.14	82,338.88	86,842.21	-	-	56,612.81
Cordova Park	40,613.71	85,475.87	77,120.21	-	-	48,969.37
Ensley	24,002.35	46,028.80	41,257.62	-	-	28,773.53
Ferry Pass	14,544.40	25,844.00	27,147.96	-	-	13,240.44
George S. Hallmark	10,821.04	13,619.84	24,439.90	-	-	0.98
Montclair	7,708.83	10,381.93	8,078.14	-	-	10,012.62
Myrtle Grove	12,018.21	29,817.35	27,656.78	-	-	14,178.78
Navy Point	44,719.93	18,693.45	20,112.49	-	-	43,300.89
Oakcrest	13,309.55	18,800.81	22,004.53	-	-	10,105.83
Pine Meadow	64,670.89	84,026.83	71,182.02	-	-	77,515.70
Pleasant Grove	36,069.14	62,070.24	53,896.29	-	-	44,243.09
Scenic Heights	36,964.23	47,033.48	42,010.20	-	-	41,987.51
O.J. Semmes	8,214.19	16,710.28	14,317.57	-	-	10,606.90
Sherwood	11,414.23	26,458.68	20,902.75	-	-	16,970.16
A.K. Suter	35,799.63	19,786.47	15,899.21	-	-	39,686.89
Warrington	13,161.00	20,752.04	17,528.02	-	-	16,385.02
C.A. Weis	8,711.44	8,894.94	8,971.63	-	-	8,634.75
West Pensacola	33,951.11	11,772.33	11,413.54	-	-	34,309.90
Reinhardt Holm	21,946.49	19,459.86	20,992.54	-	-	20,413.81
Allie Yniestra	4,793.51	4,934.00	9,727.51	-	-	(0.00)
Spencer Bibbs	15,433.65	3,429.78	18,863.43	-	-	(0.00)
Lincoln Park	5,651.08	14,542.73	16,986.07	-	-	3,207.74
Longleaf	17,790.61	27,465.20	25,216.20	-	-	20,039.61
L.D. McArthur	36,312.69	119,637.80	120,438.29	-	-	35,512.20
Beulah	61,016.94	39,089.76	37,194.63	-	-	62,912.07
R.C. Lipscomb	72,500.88	111,177.84	105,710.69	-	-	77,968.03
Blue Angels	39,006.68	90,686.70	85,306.05	-	-	44,387.33
Molino Park	15,186.56	61,064.64	58,551.43	-	-	17,699.77
TOTAL ELEMENTARY	\$ 899,943.49	\$ 1,420,336.39	\$ 1,387,318.52	\$ -	\$ -	\$ 932,961.36

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, 2011

	AUDITED BEGINNING BALANCE 7/1/2010	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2011
Bellview Middle	\$ 31,251.34	\$ 96,047.63	\$ 100,141.41	\$ -	\$ -	\$ 27,157.56
Ransom Middle	85,734.92	256,234.54	266,018.55	-	-	75,950.91
Escambia High	168,691.59	427,202.41	428,900.60	-	-	166,993.40
Ferry Pass Middle	93,162.91	117,391.20	108,789.18	-	-	101,764.93
Pensacola High	152,867.36	447,278.30	459,898.36	-	-	140,247.30
J.M. Tate High	291,389.03	573,393.75	548,653.07	-	-	316,129.71
Ernest Ward Middle	54,662.79	62,322.51	55,506.45	-	-	61,478.85
Warrington Middle	4,575.31	73,093.76	63,895.78	-	-	13,773.29
J.H. Workman Middle	30,756.40	79,652.86	75,896.45	-	-	34,512.81
Brown-Barge Middle	32,763.55	86,875.65	84,406.39	-	-	35,232.81
W.J. Woodham Middle	15,774.97	88,442.73	92,870.71	-	-	11,346.99
Pine Forest High	139,387.60	403,920.60	389,095.61	-	-	154,212.59
B.T. Washington High	182,181.62	500,199.76	478,971.02	-	-	203,410.36
James C. Bailey Middle	111,008.93	192,345.07	206,493.45	-	-	96,860.55
Northview High	124,795.88	233,929.70	256,000.77	-	-	102,724.81
West Florida Tech. High	117,982.21	527,132.68	521,823.38	-	-	123,291.51
TOTAL SECONDARY	\$ 1,636,986.41	\$ 4,165,463.15	\$ 4,137,361.18	\$ -	\$ -	\$ 1,665,088.38
McMillan Pre-K	3,233.33	2,796.50	2,750.95	-	-	3,278.88
Sid Nelson	0.35	(0.35)	-	-	-	-
George Stone	89,653.89	975,476.33	995,250.94	-	-	69,879.28
Judy Andrews	13,788.20	15,600.76	14,208.50	-	-	15,180.46
Escambia Westgate	51,687.74	25,974.39	13,211.93	-	-	64,450.20
TOTAL CENTERS	\$ 158,363.51	\$ 1,019,847.63	\$ 1,025,422.32	\$ -	\$ -	\$ 152,788.82
TOTAL ALL LOCATIONS	\$ 2,695,293.41	\$ 6,605,647.17	\$ 6,550,102.02	\$ -	\$ -	\$ 2,750,838.56

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
NOTES ON INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

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 54 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 \$31,649.18 and \$24,025.25 for the years ended June 30, 2010 and 2011, 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, 2011**

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. A.V. Clubbs Alt. Middle School, ESEAL, and Sid Nelson Community Learning Center were closed as of June 30, 2010. Allie Yniestra Elementary School and George S. Hallmark Elementary School were combined as of June 30, 2011 into a new school named the Global Learning Academy. Spencer Bibbs Elementary School was closed as of June 30, 2011. 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, 2011, and have issued our report thereon dated September 28, 2011. 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, 2011, 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.

We have discussed some of these comments with various school-based personnel during the performance of our audit 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 schools' internal accounts. Our comments are attached.

September 28, 2011



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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 recently updated Escambia County School District Internal Funds Policy Manual (Policy Manual). A copy of this Policy Manual is made available to operating management and to 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, 2011

Comment No. 1: Idle Funds & Bank Service Charges

Of the twenty-eight schools receiving full audit procedures, twenty-one schools (75.00%) 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.

Section II (E) states, "The ultimate goal of cash flow management is to earn the highest possible amount of interest with your school's funds. Thus, to earn the highest amount of interest possible, you need to consider placing any funds in excess of those you need to pay ongoing or immediate bills into savings accounts or CDs."

It was also noted during the audit that seven 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.
2009-2010 percentage of schools was 56.52%.
2008-2009 percentage of schools was 51.61%.
2007-2008 percentage of schools was 81.48%.

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

Of the twenty-eight schools receiving full audit procedures, nine schools (32.14%) 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.

Section VII (A) of the Policy Manual outlines prior authorization procedures. It states, "All disbursements require prior written approval of the Principal or his/her designated representative. 'Prior written approval' may consist of a properly completed Purchase Requisition/Request for Purchase Order, or a properly prepared Internal Funds Purchase Order. This must be done before the item is ordered and funds are obligated."

Note: Repeat Comment.
2009-2010 percentage of schools was 13.04%.
2008-2009 percentage of schools was 19.35%.
2007-2008 percentage of schools was 33.33%.

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

Of the twenty-eight schools receiving full audit procedures, eighteen schools (64.28%) had over \$1,000 of their District budget unspent at year-end. The percentage unspent ranged from 7.36% to 62.26%, with the average amount of the budget unspent being 15.78%.

A review of the purchases made from internal accounts throughout the year at these schools indicated significant amounts 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 \$64 to \$4,789. The total amount expended from internal accounts for which budgeted funds were available at these schools was approximately \$19,442.09.

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".

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
AUDIT OF SCHOOL INTERNAL ACCOUNTS
For the Year Ended June 30, 2011

Note: Repeat Comment.

2009-2010 percentage of schools was 73.91%.

2008-2009 percentage of schools was 54.83%.

2007-2008 percentage of schools was 22.22%.

Comment No. 4: Proper Completion of Monies Collected Forms

Of the twenty-eight schools receiving full audit procedures, ten schools (35.71%) had significant instances where Monies Collected Forms attached to receipts were not properly completed.

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), deposit composition issues (i.e. cash on MCFs not matching the cash listed on deposit tickets), changes to the form 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.

These instances are usually the result of the sponsors' actions or inactions. The secretary or bookkeeper is usually the recipient of the form, not the maker.

Chapter 7 and the Policy 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.

Note: Repeat Comment.

2009-2010 percentage of schools was 30.43%.

2008-2009 percentage of schools was 19.35%.

2007-2008 percentage of schools was 18.51%.

Comment No. 5: Control of Fund Raising Activities

Of the twenty-eight schools receiving full audit procedures, nine schools (32.14%) had instances where Fundraising Reconciliation/Request Forms were not properly completed.

Instances were noted where fundraising 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 fundraising 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.

2009-2010 percentage of schools was 17.39%.

2008-2009 percentage of schools was 12.90%.

2007-2008 percentage of schools was 18.51%.

Comment No. 6: Donation Requests

Of the twenty-eight schools receiving full audit procedures, five schools (17.85%) 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.

2009-2010 percentage of schools was 8.69%.

2008-2009 percentage of schools was 6.45%.

2007-2008 percentage of schools was 18.51%.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
AUDIT OF SCHOOL INTERNAL ACCOUNTS
For the Year Ended June 30, 2011

Comment No. 7: Timely Deposits of Monies Collected

Of the twenty-eight schools receiving full audit procedures, five schools (17.85%) had significant instances where deposits were not made in a timely manner.

Chapter 7 states, "All money collected must be deposited intact to a depository as frequently as feasible and as dictated by sound business practices. IN ANY EVENT, FUNDS COLLECTED MUST BE DEPOSITED WITHIN FIVE (5) WORKING DAYS AFTER RECEIPT."

*Note: Repeat Comment.
2009-2010 percentage of schools was 17.39%.*

Comment No. 8: Deficit Fund Balances

Of the twenty-eight schools receiving full audit procedures, six schools (21.42%) had instances where internal funds accounts had negative balances at year-end.

Chapter 7 states, "Collecting and expending of school internal account funds shall be in accordance with the Florida Constitution, statues, State Board of Education rules, and school board rules. Sound business practices should be observed in all transactions. No school organization shall make expenditures that exceed the cash resources available to that organization."

Section IV (K) of the Policy Manual states, "A trust account shall not have a deficit balance at the end of a fiscal year."

*Note: Repeat Comment.
2009-2010 percentage of schools was 47.83%.*

Comment No. 9: Monthly Account Monitoring

Of the twenty-eight schools receiving full audit procedures, four schools (14.28%) had instances where the monthly log sheet was not completed, or was completed on an inconsistent basis.

As an internal control over collections, the District has established procedures requiring sponsors to review the financial activity of their accounts on a monthly basis. The District requires this review be evidenced by a signed monthly account snapshot report or the initialing of a monthly log.

Although communicated to secretaries and bookkeepers via email and training, these procedures have not been incorporated into the Policy Manual. **We once again recommend these procedures be integrated into the Policy Manual.**

*Note: Repeat Comment.
2009-2010 percentage of schools was 17.39%.*

Comment No. 10: Validated Deposit Slips

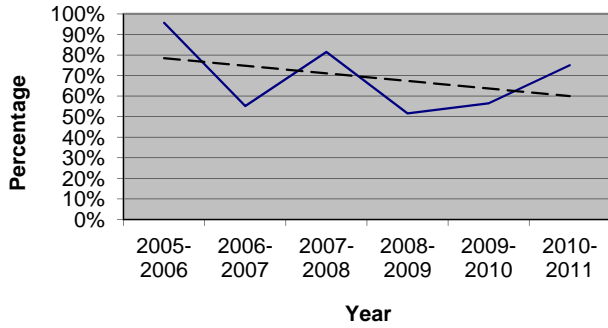
Of the twenty-eight schools receiving full audit procedures, thirteen schools (46.42%) had significant instances where deposit transaction receipts were obtained instead of validated deposit slips.

Validated deposit slips help ensure deposit composition and serve as an internal control against cash/check substitution schemes, cashing of personal checks, and unrecorded transactions.

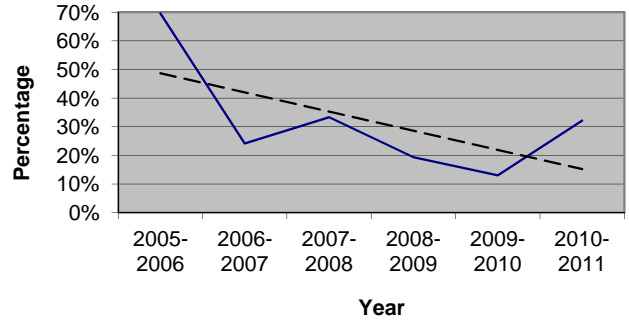
Section VI (C) of the Policy Manual states, "Prepare a bank deposit slip in duplicate; an original for the bank and the duplicate validated by the bank teller for the school's records."

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
 AUDIT OF SCHOOL INTERNAL ACCOUNTS
 AUDIT COMMENT HISTORY

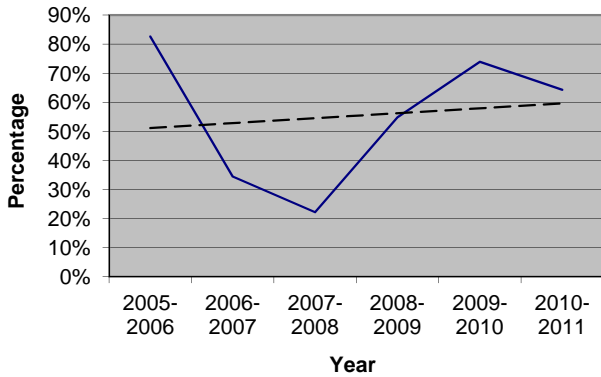
Idle Funds & Service Charges



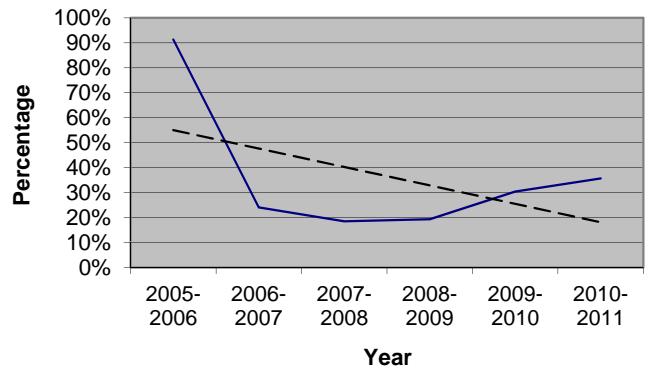
Lack of Prior Written Approval



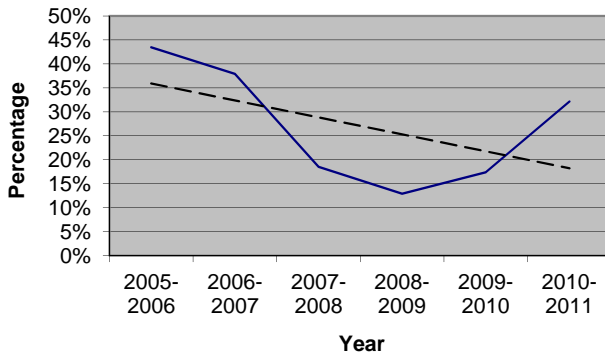
Internal Funds Vs. Budgeted Funds



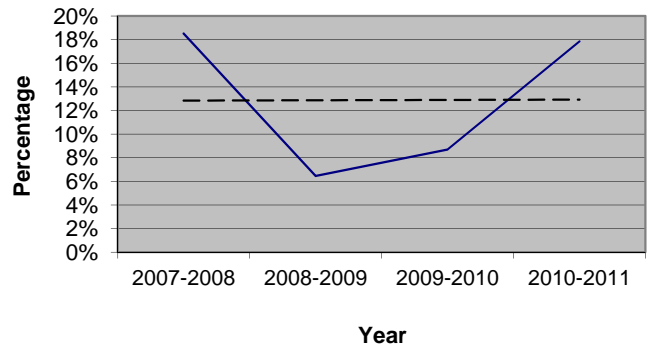
Proper Completion of MCFs



Control of Fund Raising Activities

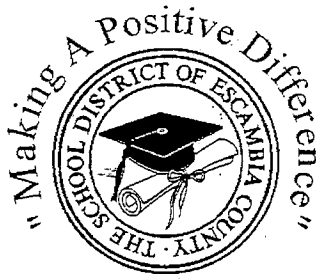


Solicitation of Donations



Graphs only presented for findings with 3+ years of data.

Management's Response



Memorandum

To: David Bryant
Internal Auditing

From: Gloria Johnson *GJ*
Director Accounting Operations

Date: October 18, 2011

Subject: 2010-2011 School Internal Accounts Audit

Thank you for the opportunity to respond to your audit report for the 2010-2011 Audit of the Schools' Internal Accounts. Overall, we are in agreement with your report and we will continue to address our weaknesses in the monthly training workshops and we will work with the bookkeepers on an individual basis, as needed, to correct these issues.

Regarding "Comment No. 1: Idle Funds & Bank Service Charges," interest rates on Certificates of Deposits are so low, less than 1%, we are concentrating our efforts on helping schools protect their principal by investing in checking accounts with the right combination of the lowest fees and the best interest rates. When rates increase we will place more emphasis on maximizing returns.

We appreciate your continued support of the internal funds operations. If we can be of any further assistance to you please let us know.

OK

DJB

10/18/2011