

OFFICE OF INTERNAL AUDITING

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

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

FOR THE YEAR ENDED JUNE 30, 2012

September 28, 2012

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2012**

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"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, 2012. 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, 2012

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2012

	AUDITED BEGINNING BALANCE 7/1/2011	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2012
Hellen Caro	\$ 55,729.87	\$ 70,606.65	\$ 85,332.20	\$ -	\$ -	\$ 41,004.32
Jim Allen	7,180.85	40,480.07	43,890.76	-	-	3,770.16
Bellview	11,693.64	66,647.39	69,233.43	-	-	9,107.60
Bratt	38,964.25	68,674.84	58,177.46	-	-	49,461.63
Brentwood	21,717.02	34,030.74	39,698.17	-	-	16,049.59
N.B. Cook	56,612.81	78,774.78	73,024.70	-	-	62,362.89
Cordova Park	48,969.37	89,982.50	82,844.53	-	-	56,107.34
Ensley	28,773.53	42,572.47	35,107.81	-	-	36,238.19
Ferry Pass	13,240.44	20,632.63	22,054.12	-	-	11,818.95
George S. Hallmark	0.98	-	0.98	-	-	-
Montclair	10,012.62	10,543.79	12,587.06	-	-	7,969.35
Myrtle Grove	14,178.78	16,285.18	16,907.10	-	-	13,556.86
Navy Point	43,300.89	15,641.05	15,317.43	-	-	43,624.51
Oakcrest	10,105.83	20,654.21	19,032.66	-	-	11,727.38
Pine Meadow	77,515.70	45,432.61	38,953.15	-	-	83,995.16
Pleasant Grove	44,243.09	52,887.01	58,939.92	-	-	38,190.18
Scenic Heights	41,987.51	43,132.35	49,831.21	-	-	35,288.65
O.J. Semmes	10,606.90	14,332.06	11,706.68	-	-	13,232.28
Sherwood	16,970.16	28,006.60	26,473.74	-	-	18,503.02
A.K. Suter	39,686.89	16,799.99	18,054.46	-	-	38,432.42
Warrington	16,385.02	20,197.14	18,140.30	-	-	18,441.86
C.A. Weis	8,634.75	7,706.47	5,808.08	-	-	10,533.14
West Pensacola	34,309.90	11,733.97	13,100.63	-	-	32,943.24
Reinhardt Holm	20,413.81	23,021.48	14,068.29	-	-	29,367.00
Lincoln Park	3,207.74	20,887.30	23,366.14	-	-	728.90
Longleaf	20,039.61	46,775.52	47,716.10	-	-	19,099.03
L.D. McArthur	35,512.20	126,563.22	126,320.96	-	-	35,754.46
Beulah	62,912.07	53,675.08	28,534.20	-	-	88,052.95
R.C. Lipscomb	77,968.03	106,569.98	124,699.59	-	-	59,838.42
Blue Angels	44,387.33	63,253.47	67,995.72	-	-	39,645.08
Molino Park	17,699.77	53,557.71	54,480.13	-	-	16,777.35
Global Learning	-	64,310.37	47,779.78	-	-	16,530.59
TOTAL ELEMENTARY	\$ 932,961.36	\$ 1,374,368.63	\$ 1,349,177.49	\$ -	\$ -	\$ 958,152.50

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, 2012

	AUDITED BEGINNING BALANCE 7/1/2011	RECEIPTS	DISBURSEMENTS	NET TRANSFERS	NET AUDIT ADJUSTMENT(S)	AUDITED ENDING BALANCE 6/30/2012
Bellview Middle	\$ 27,157.56	\$ 86,633.26	\$ 83,380.72	\$ -	\$ -	\$ 30,410.10
Ransom Middle	75,950.91	274,775.03	293,613.64	-	-	57,112.30
Escambia High	166,993.40	356,659.30	330,608.16	-	-	193,044.54
Ferry Pass Middle	101,764.93	120,279.08	129,207.34	-	-	92,836.67
Pensacola High	140,247.30	507,724.68	486,038.45	-	-	161,933.53
J.M. Tate High	316,129.71	634,047.82	619,146.37	-	-	331,031.16
Ernest Ward Middle	61,478.85	63,258.01	68,277.39	-	-	56,459.47
Warrington Middle	13,773.29	49,615.16	55,924.25	-	-	7,464.20
J.H. Workman Middle	34,512.81	104,487.06	106,750.97	-	-	32,248.90
Brown-Barge Middle	35,232.81	74,336.03	70,841.78	-	-	38,727.06
W.J. Woodham Middle	11,346.99	76,153.40	81,567.03	-	-	5,933.36
Pine Forest High	154,212.59	382,824.21	405,509.29	-	-	131,527.51
B.T. Washington High	203,410.36	443,440.06	474,352.89	-	-	172,497.53
James C. Bailey Middle	96,860.55	209,358.69	200,399.09	-	-	105,820.15
Northview High	102,724.81	285,429.24	270,565.87	-	-	117,588.18
West Florida Tech. High	123,291.51	490,215.50	535,735.50	-	-	77,771.51
TOTAL SECONDARY	\$ 1,665,088.38	\$ 4,159,236.53	\$ 4,211,918.74	\$ -	\$ -	\$ 1,612,406.17
McMillan Pre-K	3,278.88	3,006.98	3,649.72	-	-	2,636.14
George Stone	69,879.28	942,893.30	925,864.35	-	-	86,908.23
Judy Andrews	15,180.46	19,685.63	14,172.39	-	-	20,693.70
Escambia Westgate	64,450.20	26,778.12	22,007.61	-	-	69,220.71
TOTAL CENTERS	\$ 152,788.82	\$ 992,364.03	\$ 965,694.07	\$ -	\$ -	\$ 179,458.78
TOTAL ALL LOCATIONS	\$ 2,750,838.56	\$ 6,525,969.19	\$ 6,526,790.30	\$ -	\$ -	\$ 2,750,017.45

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
NOTES ON INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2012

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 \$24,025.25 and \$38,851.79 for the years ended June 30, 2011 and 2012, 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, 2012

Note 3 - Outside Support Organizations (continued)

It is estimated that approximately \$2 million flows 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 - Other Relevant Information

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. Programs at the Judy Andrews Center, which required internal accounts, were moved to other locations as of June 30, 2012. 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.

During the 2011-2012 fiscal year, the District changed its accounting software package used to account for school internal accounts. Accounts balances as of December 31, 2011 were transferred to the new software. During this transition, District personnel corrected any account misclassifications and/or duplicate accounts. These corrections and/or adjustments were effective as of July 1, 2011. As such, accounts appearing under one classification as of June 30, 2011, may appear under a different classification as of July 1, 2011.



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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, 2012, and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

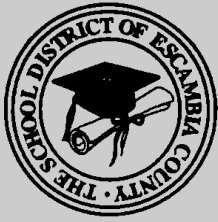
In planning and performing our audit of the schools' management of their internal accounts for the year ended June 30, 2012, we considered the School Board's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on whether transactions were 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, 2012



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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 8 of the State Board of Education Rules (Chapter 8), 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, 2012

Comment No. 1: Idle Funds & Bank Service Charges

Of the twenty-six schools receiving full audit procedures, twenty-two schools (84.62%) 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) of the Policy Manual 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 eight 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.

2010-2011 percentage of schools was 75.00%.

2009-2010 percentage of schools was 56.52%.

2008-2009 percentage of schools was 51.61%.

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

Of the twenty-six schools receiving full audit procedures, six schools (23.08%) 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 8 states all purchases from internal funds must be authorized in writing by the Principal or designee.

Section VIII (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.

2010-2011 percentage of schools was 32.14%.

2009-2010 percentage of schools was 13.04%.

2008-2009 percentage of schools was 19.35%.

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

Of the twenty-six schools receiving full audit procedures, twelve schools (46.15%) had over \$1,000 of their District budget unspent at year-end. For these schools, the percentage unspent ranged from 8.93% to 50.79%, with the average amount of the budget unspent being 22.39%.

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 \$19 to \$3,860. The total amount expended from internal accounts for which budgeted funds were available at these schools was approximately \$11,637.

Chapter 8 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, 2012

Note: Repeat Comment.

2010-2011 percentage of schools was 64.28%.

2009-2010 percentage of schools was 73.91%.

2008-2009 percentage of schools was 54.83%.

Comment No. 4: Proper Completion of Monies Collected Forms

Of the twenty-six schools receiving full audit procedures, four schools (15.38%) 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 8 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.

2010-2011 percentage of schools was 35.71%.

2009-2010 percentage of schools was 30.43%.

2008-2009 percentage of schools was 19.35%.

Comment No. 5: Control of Fund Raising Activities

Of the twenty-six schools receiving full audit procedures, twelve schools (46.15%) 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 8 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.

2010-2011 percentage of schools was 32.14%.

2009-2010 percentage of schools was 17.39%.

2008-2009 percentage of schools was 12.90%.

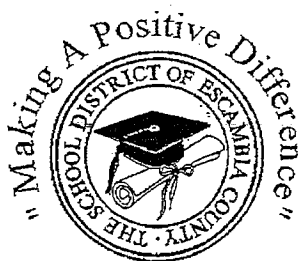
Comment No. 6: Voiding of Checks

Of the twenty-six schools receiving full audit procedures, five schools (19.23%) had multiple instances where proper procedures were not followed when voiding checks.

A review of the checks voided at these schools indicated instances of checks that were not properly defaced and/or had the signature area removed.

Chapter 8 requires the signature area of a voided check to be "mutilated." Section VIII (G) of the Policy Manual provides additional guidance for voided checks. It requires that the check be marked as "void" and the signature area be cut out of the check.

Management's Response



Memorandum

To: David Bryant
Internal Auditing

From: Gloria Johnson *GJ*
Director Accounting Operations

Date: November 9, 2012

Subject: 2011-2012 School Internal Accounts Audit

Thank you for the opportunity to respond to your audit report for the 2011-2012 Audit of the Schools' Internal Accounts. In response to:

Comment No. 1: Idle Funds & Bank Service Charges

Interest rates are still at an all time low, and bank fees, at some banks, are extremely high. This year, our emphasis again was on helping schools protect their principal by investing in checking accounts at banks with no fees. I am pleased to say that a number of schools changed banks this year to take advantage of competitor's no-fee accounts. While we didn't earn much interest overall, we saved a substantial amount by lowering our bank fees.

Comment No. 2 through Comment 6:

We will continue to offer training opportunities for secretaries and bookkeepers to help them become 100% compliant with these basic Internal Funds Policies and Procedures. Most of our training this past year was focused on the new software program, Skyward. Now that we seem to have gotten past the initial learning curve, our training classes will resume as normal and we will be more focused on the day to day procedures for internal funds.

We appreciate your continued support and professionalism. If we can be of any further assistance to you please let us know.

OK

DJB

11/09/12