



OFFICE OF INTERNAL AUDITING

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

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS &
NET JOURNAL ENTRIES**

FOR THE YEAR ENDED JUNE 30, 2014

November 12, 2014

**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2014**

INTERNAL AUDITOR'S REPORT	1
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES	2-3
NOTES ON INTERNAL ACCOUNTS	4-5



"Making a Positive Difference"

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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, 2014. 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.

November 12, 2014

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - ELEMENTARY SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2014

	AUDITED BEGINNING BALANCE 7/1/2013	RECEIPTS	NET JOURNAL ENTRIES	ADJUSTED RECEIPTS	DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2014
Hellen Caro	\$ 49,706.18	\$ 118,192.47	\$ (31,522.03)	\$ 86,670.44	\$ 78,379.72	\$ 57,996.90
Jim Allen	10,722.01	40,154.99	(14,284.18)	25,870.81	30,811.73	5,781.09
Bellview	8,893.94	65,860.22	(10,368.14)	55,492.08	54,861.75	9,524.27
Bratt	55,246.39	66,243.72	(19,798.61)	46,445.11	61,115.69	40,575.81
Brentwood	24,628.14	38,015.69	(12,022.77)	25,992.92	33,744.76	16,876.30
N.B. Cook	49,613.82	99,245.96	(19,324.64)	79,921.32	79,749.27	49,785.87
Cordova Park	47,195.34	87,983.13	(39,082.02)	48,901.11	53,013.10	43,083.35
Ensley	24,386.96	35,312.37	(5,636.31)	29,676.06	31,708.63	22,354.39
Ferry Pass	9,928.55	31,038.25	(10,511.93)	20,526.32	15,197.03	15,257.84
Montclair	10,632.43	12,093.89	(9,107.69)	2,986.20	6,828.58	6,790.05
Myrtle Grove	17,937.99	21,214.12	(29.38)	21,184.74	16,877.75	22,244.98
Navy Point	38,772.15	21,513.89	(16,359.71)	5,154.18	5,979.30	37,947.03
Oakcrest	9,404.14	34,881.91	(6,777.93)	28,103.98	25,692.81	11,815.31
Pine Meadow	83,194.44	57,815.68	73.23	57,888.91	49,402.48	91,680.87
Pleasant Grove	52,283.36	51,965.97	(23,119.66)	28,846.31	26,308.31	54,821.36
Scenic Heights	19,049.00	56,231.55	(7,453.36)	48,778.19	49,327.76	18,499.43
O.J. Semmes	8,027.81	14,099.13	(6,630.59)	7,468.54	6,478.75	9,017.60
Sherwood	18,733.56	39,204.20	(17,773.04)	21,431.16	26,576.08	13,588.64
A.K. Suter	39,268.66	20,062.34	(11,672.80)	8,389.54	7,556.97	40,101.23
Warrington	18,684.90	12,913.94	(10,332.62)	2,581.32	8,347.98	12,918.24
C.A. Weis	15,382.19	13,271.20	(9,302.05)	3,969.15	9,767.51	9,583.83
West Pensacola	30,175.78	13,574.50	(5,852.77)	7,721.73	6,522.97	31,374.54
Reinhardt Holm	24,449.86	26,539.76	(57.60)	26,482.16	25,542.30	25,389.72
Lincoln Park	3,865.17	14,276.15	(7,594.77)	6,681.38	6,074.66	4,471.89
Longleaf	17,392.01	30,287.85	(4,500.72)	25,787.13	20,807.33	22,371.81
L.D. McArthur	43,223.41	143,678.55	(12,019.41)	131,659.14	128,001.90	46,880.65
Beulah	74,940.21	45,213.59	(10,064.40)	35,149.19	70,762.85	39,326.55
R.C. Lipscomb	81,218.76	102,830.11	(37,210.83)	65,619.28	46,203.59	100,634.45
Blue Angels	42,157.97	74,556.24	(25,510.07)	49,046.17	38,775.48	52,428.66
Molino Park	17,847.31	61,900.31	(19,645.52)	42,254.79	42,966.23	17,135.87
Global Learning	17,310.69	41,895.21	(18,812.87)	23,082.34	27,229.49	13,163.54
TOTAL ELEMENTARY	\$ 964,273.13	\$ 1,492,066.89	\$ (422,305.19)	\$ 1,069,761.70	\$ 1,090,612.76	\$ 943,422.07

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS - SECONDARY SCHOOLS AND CENTERS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND NET JOURNAL ENTRIES
FOR THE YEAR ENDED JUNE 30, 2014

	AUDITED BEGINNING BALANCE 7/1/2013	RECEIPTS	NET JOURNAL ENTRIES	ADJUSTED RECEIPTS	DISBURSEMENTS	AUDITED ENDING BALANCE 6/30/2014
Bellview Middle	\$ 37,753.28	\$ 79,247.96	\$ (11,383.42)	\$ 67,864.54	\$ 63,202.13	\$ 42,415.69
Ransom Middle	61,326.10	232,525.94	(10,032.49)	222,493.45	221,353.72	62,465.83
Escambia High	191,067.56	370,503.67	36,622.95	407,126.62	404,517.49	193,676.69
Ferry Pass Middle	71,965.29	90,783.01	(11,514.79)	79,268.22	79,094.27	72,139.24
Pensacola High	159,990.51	480,441.85	(153,992.24)	326,449.61	312,961.50	173,478.62
J.M. Tate High	351,491.13	663,692.42	1,577.86	665,270.28	723,139.74	293,621.67
Ernest Ward Middle	80,604.83	89,389.69	(19,386.42)	70,003.27	83,794.25	66,813.85
Warrington Middle	6,783.88	30,040.04	(159.75)	29,880.29	32,232.85	4,431.32
J.H. Workman Middle	37,684.08	117,813.16	52.71	117,865.87	101,403.43	54,146.52
Brown-Barge Middle	45,385.40	100,214.49	(31,469.97)	68,744.52	63,747.87	50,382.05
W.J. Woodham Middle	17,652.91	50,975.07	(20,888.81)	30,086.26	27,672.76	20,066.41
Pine Forest High	119,650.25	358,188.84	(6,241.21)	351,947.63	309,522.05	162,075.83
B.T. Washington High	193,829.24	620,571.20	(175,150.99)	445,420.21	433,857.34	205,392.11
James C. Bailey Middle	124,146.97	184,277.85	(216.23)	184,061.62	180,908.62	127,299.97
Northview High	144,714.38	267,859.00	(82,595.10)	185,263.90	222,910.36	107,067.92
West Florida Tech. High	87,792.67	582,528.46	(890.13)	581,638.33	589,813.76	79,617.24
TOTAL SECONDARY	\$ 1,731,838.48	\$ 4,319,052.65	\$ (485,668.03)	\$ 3,833,384.62	\$ 3,850,132.14	\$ 1,715,090.96
McMillan Pre-K	\$ 2,453.87	\$ 2,506.09	\$ (1,036.37)	\$ 1,469.72	\$ 1,528.16	\$ 2,395.43
George Stone	63,845.24	1,232,795.47	14,986.23	1,247,781.70	1,240,488.31	71,138.63
Escambia Westgate	62,641.76	43,904.30	(15,409.06)	28,495.24	15,226.33	75,910.67
TOTAL CENTERS	\$ 128,940.87	\$ 1,279,205.86	\$ (1,459.20)	\$ 1,277,746.66	\$ 1,257,242.80	\$ 149,444.73
TOTAL ALL LOCATIONS	\$ 2,825,052.48	\$ 7,090,325.40	\$ (909,432.42)	\$ 6,180,892.98	\$ 6,197,987.70	\$ 2,807,957.76

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
SCHOOL INTERNAL ACCOUNTS
NOTES ON INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

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 50 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 \$131,846.52 and \$34,495.82 for the years ended June 30, 2013 and 2014, respectively. (Note: 2013 included \$86,323.36 of tuition collected at George Stone Technical Center due to the District. For 2014 and forward, tuition is remitted to the District on a monthly basis.)

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, 2014**

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.



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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, 2014, and have issued our report thereon dated November 12, 2014. 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, 2014, 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 school finance specialists, 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.

November 12, 2014



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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, 2014

Comment No. 1: Lack of Prior Written Approval for Purchases

Of the twenty-four schools receiving full audit procedures, eight schools (33.33%) 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 (check or credit card) 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.

2012-2013 percentage of schools was 14.81%.

2011-2012 percentage of schools was 23.08%.

2010-2011 percentage of schools was 32.14%.

Comment No. 2: Evidence of Receipt of Goods

Of the twenty-four schools receiving full audit procedures, five schools (20.83%) had multiple instances where evidence of receipt of goods was not properly documented.

Section VIII (D) of the Policy Manual states, "When the items purchased are received, the goods should be checked to ensure the items are correct and not damaged. The person receiving the items should initial and date the receiving slip or invoice to document their

review and that all items ordered were received."

Note: Repeat Comment.

2012-2013 percentage of schools was 33.33%.

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

Of the twenty-four schools receiving full audit procedures, five schools (20.83%) made purchases from internal accounts when budgeted funds were available for use. For these schools, the budgeted funds balance unspent ranged from \$1,782.11 to \$16,475.24. The total amount expended from internal accounts for which budgeted funds were available ranged from \$227.00 to \$1,160.75.

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".

Note: Repeat Comment.

2012-2013 percentage of schools was 22.22%.

Comment No. 4: Control of Fund Raising Activities

Of the twenty-four schools receiving full audit procedures, eleven schools (45.83%) 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, a financial reconciliation of the activity for the fundraiser was not always completed, and/or an old form was utilized which did not include the principal review signature/date fields.

Chapter 8 requires that each fund raising activity shall be planned, approved and

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
AUDIT OF SCHOOL INTERNAL ACCOUNTS
For the Year Ended June 30, 2014

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.

2012-2013 percentage of schools was 22.22%.

2011-2012 percentage of schools was 46.15%.

2010-2011 percentage of schools was 32.14%.

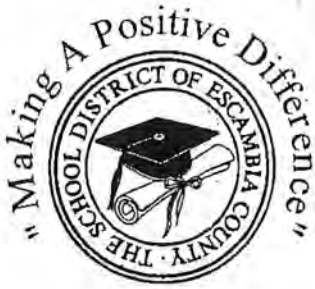
Comment No. 5: Lack of Proper Language In Donation Request Letters

Of the twenty-four schools receiving full audit procedures, five schools (20.83%) had multiple instances where donation request letters did not include the proper language or copies of donation request letters were not available for audit to determine whether proper language was included.

The Florida Constitution states adequate provision shall be made for a free public school. Section XIV (C) of the Policy Manual states, "Schools are authorized to solicit donations from parents and the general public to supplement the normal curricular activities provided by the District. **It should be made clear that such solicitations are strictly voluntary and no student will be prevented from participating** in an activity if their parents choose not to contribute." In addition, Section IX (C) of the Policy Manual states, "Copies of all donation letters sent home to parents must be kept in one folder for the year" (for audit purposes).

On its website, the District has provided examples of proper donation request letters.

Management's Response



Memorandum

To: David Bryant
Director Internal Auditing

From: Debbie Fussell *DJF*
Director Accounting Operations

Date: December 17, 2014

Subject: 2013-2014 School Internal Accounts Audit

The five comments noted in the audit report are all basic procedures that are generally covered during routine training sessions. Training is offered to secretaries and bookkeepers throughout the school year. The financial analyst has been meeting with each school who received audit findings to discuss each finding and to assist the bookkeeper/secretary resolve the issue. We will continue to provide the training opportunities to help schools achieve compliance with the Internal Funds Policies and Procedures.

We appreciate your support and professionalism.

OK DJB
12/17/14

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DEC 17 2014

OFFICE OF INTERNAL AUDITING
ESCAMBIA COUNTY SCHOOL DISTRICT