

AGENDA

SCHOOL BOARD WORKSHOP

GADSDEN COUNTY SCHOOL BOARD
MAX D. WALKER ADMINISTRATION BUILDING
35 MARTIN LUTHER KING, JR. BLVD.
QUINCY, FLORIDA

March 2, 2010

4:00 P.M.

THIS WORKSHOP IS OPEN TO THE PUBLIC

1. CALL TO ORDER

ITEMS FOR DISCUSSION

2. PRELIMINARY AND TENTATIVE AUDIT FINDINGS FOR FISCAL YEAR ENDED
JUNE 30, 2009

3. GENERAL OPERATING FUND – INTERNAL ACCOUNTS

4. ITEMS BY THE SUPERINTENDENT

5. SCHOOL BOARD REQUESTS AND CONCERNS

6. ADJOURNMENT



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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February 17, 2010

Mr. Reginald C. James, Superintendent
Gadsden County District School Board
35 Martin Luther King, Jr. Boulevard
Quincy, Florida 32351

Dear Superintendent:

Enclosed is a list of preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on our financial, Federal, and operational audit of the:

Gadsden County District School Board
For the Fiscal Year Ended June 30, 2009

Pursuant to Section 11.45(4)(d), Florida Statutes, you are required to submit to me within thirty (30) days after receipt of this list a written statement of explanation concerning all of the findings, including therein your actual or proposed corrective actions. If within the 30-day period you have questions or desire further discussion on any of the proposed findings and recommendations, please contact this Office.

Your written statement of explanation should be submitted electronically in source format (e.g., Word or WordPerfect) and include your digitized signature. For quality reproduction purposes, if you are not submitting your response in source format, please convert your response to PDF and not scan to PDF. If technical issues make and electronic response not possible, then a hard copy (paper) response will continue to be acceptable.

Please e-mail this Office at flaudgen_audrpt@aud.state.fl.us to indicate receipt of the preliminary and tentative audit findings. Absent such receipt, delivery of the enclosed list of findings is presumed, by law, to be made when it is delivered to your office.

Sincerely,

David W. Martin, CPA

DWM

Enclosures

cc: School Board Members

GADSDEN COUNTY DISTRICT SCHOOL BOARD
PRELIMINARY AND TENTATIVE AUDIT FINDINGS

EXECUTIVE SUMMARY

SIGNIFICANT DEFICIENCIES

Finding No. 1: The District needed to enhance its financial reporting review procedures to ensure account balances and related note disclosures are properly reported on the financial statements.

Finding No. 2: The District had not established adequate capital asset subsidiary records.

ADDITIONAL MATTERS

Finding No. 3: The District's General Fund unreserved fund balance could be significantly reduced if questioned Federal program costs are required to be restored to the Federal programs by the grantors.

Finding No. 4: The District had not developed a fraud policy to provide guidance to employees for communicating known or suspected fraud to the appropriate authorities.

Finding No. 5: Procedures for teachers assigned to out-of-field teaching duties were not effective to ensure that all out-of-field assignments were timely presented to the Board for approval.

Finding No. 6: Improvements are needed in controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 7: The District needed to develop formal written procedures governing the use of purchasing cards, and needed to enhance its controls over purchasing card payments.

Finding No. 8: The District had not fully implemented a comprehensive information technology (IT) security awareness training program.

Finding No. 9: The District had not fully developed a formal IT disaster recovery plan that included provisions for the assignment of staff responsibilities and an alternate processing site in the event of a disaster.

Finding No. 10: The District lacked written policies and procedures for certain IT functions.

Finding No. 11: The District lacked written policies and procedures for the removal of IT access privileges of certain former or reassigned employees, consultants, and vendors.

Finding No. 12: Certain IT security controls in the areas of logging, monitoring, and review of system activity; management of access privileges; and user authentication needed improvement.

FEDERAL AWARDS FINDINGS

Federal Awards Finding No. 1: The District did not always properly allocate Title I schoolwide program funds to schools identified as eligible and selected to participate.

Federal Awards Finding No. 2: The District did not document the allowability of costs totaling \$37,170 for an electronic parent notification system charged to the Title I and Special Education programs and costs totaling \$22,323.90 for a network server charged to the Title I program.

Federal Awards Finding No. 3: Four teachers assigned to Title I schoolwide project schools did not meet the requirements to be highly qualified, contrary to Federal regulations.

Federal Awards Finding No. 4: Contrary to the intent and budget of the Improving Teacher Quality program, the District paid \$45,026.55 from the program for a health services coordinator.

Federal Awards Finding No. 5: District records did not evidence the allowability of Title I program costs totaling \$52,388.05 for two computer technicians.

Federal Awards Finding No. 6: Controls over capital assets used in Federal programs could be enhanced.

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FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial Reporting

Our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, disclosed several reporting errors resulting from weaknesses in control procedures, examples of which are as follows:

- The District received cash advance funding for various Federally-funded programs through the Florida Department of Education (FDOE), and FDOE required the District to reconcile the Federal cash balance shown on the FDOE Distributive Aid and Cash Advance Status Report to the District's accounting records. However, instead of reconciling these reports and records monthly, District personnel did not perform the June 2009 reconciliation until November 2009, resulting in overstatements of due from other agencies, due to other agencies, and other accounts, totaling approximately \$296,000, \$292,000, and \$4,000, respectively, in the Special Revenue – Other Fund. Untimely reconciliations of FDOE cash advance balances and program expenditures with the balances shown in the District's records limit the District's ability to properly monitor receipt and disbursement of Federal cash, and timely detect and correct errors in the accounting records or Federal financial reports.
- The District accurately included amounts, totaling approximately \$3.5 million, in the reported amounts for fixed capital outlay expenditures on its fund financial statements relating to energy savings equipment being installed at June 30, 2009. However, these amounts were not included in the amount reported as nondepreciable capital assets on the government-wide statements or in the District's note disclosures, representing construction in progress. In addition, Finding No. 2, Capital Assets, discusses additional deficiencies, which affected the notes to financial statements. Properly reporting such asset amounts on the financial statements may assist the District in determining the amount to subsequently capitalize to buildings and fixed equipment.

These and the other reporting errors occurred mainly because District personnel did not perform effective review procedures to ensure that amounts were properly reported on the financial statements. We extended our audit procedures to determine the necessary adjustments to properly report the account balances and note disclosures, and the District accepted these adjustments.

Recommendation: The District should enhance its review procedures over financial reporting to ensure that account balances and related note disclosures are properly reported on the financial statements.

Finding No. 2: Capital Assets

The District reported capital assets with costs totaling approximately \$77 million, net of accumulated depreciation, at June 30, 2009. To determine balances reported for these assets, District personnel generally added the 2008-09 fiscal year capital outlay expenditures to the balances reported on the financial statements at June 30, 2008. While this procedure may fairly present balances in the District's financial reports, it is not a substitute for establishing and maintaining an adequate record system to account for the District's individual capital assets.

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As similarly noted in several previous reports, most recently in our report No. 2009-188, our review of subsidiary records maintained for the District's various capital asset types disclosed significant differences between asset balances in the District's detailed subsidiary records and amounts reported in the financial statements at June 30, 2009, for the following capital asset types:

Description	Balance - June 30, 2009		
	Per Note 4 of Financial Statements	Per Subsidiary Records	Differences
Improvements Other Than Buildings	\$ 3,823,352.00	\$ 3,502,482.69	\$ 320,869.31
Furniture, Fixtures, and Equipment	7,462,112.92	7,288,050.13	174,062.79
Motor Vehicles	6,445,767.83	6,891,646.85	(445,879.02)
Audio Visual Materials and Computer Software	3,646,427.76	2,480,821.56	1,165,606.20
Total	\$ 21,377,660.51	\$ 20,163,001.23	\$ 1,214,659.28

Through inquiry and review of District records, we noted the following that contributed to these differences:

- Differences noted for improvements other than buildings and audio visual materials and computer software were primarily for purchases made during the 2006-07 and 2007-08 fiscal years that have not been recorded in the District's subsidiary records.
- Differences noted for furniture, fixtures, and equipment resulted, in part, because the District removed from the active subsidiary records several items that were not approved for disposal or deletion by the Board until November 17, 2009.
- Subsidiary records for motor vehicles were different from the financial statement mainly due to items totaling approximately \$284,000, added to the subsidiary records in error during the conversion of the subsidiary records from one software format to another. In addition, we noted that two vehicles with a combined total cost of \$79,996, were deleted from the general ledger control accounts twice, instead of once, in error.

Chapters 274, Florida Statutes, and Department of Financial Services Rule 69I-73, Florida Administrative Code, require that the District maintain adequate records of tangible personal property in its custody and that the property be inventoried annually, compared to the property records, and that all discrepancies be reconciled. In addition, items not located during the inventory process must be promptly reported to the property custodian for a thorough investigation to be made, and a report must be filed with the appropriate law enforcement agency of items not located as a result of the investigation.

While the District implemented procedures to provide for an annual physical inventory of tangible personal property, which included follow-up on any differences noted, the District did not timely perform reconciliations of the physical inventory with subsidiary records and resolve differences promptly. As of October 18, 2009, the District had performed the annual physical inventory for 21 of its 22 cost centers; but had only completed reconciliations of the actual physical inventories for 16 of those cost centers. Further, our review of 4 cost center reconciliations disclosed 50 unlocated property items totaling \$57,820 (including numerous laptop computers, desktop computers, projectors, cameras, and computer printers) for which District records did not evidence whether the unlocated items were destroyed, lost, or stolen and reported to local law enforcement officials. Absent timely resolution of unlocated property items and accurate and complete detailed tangible personal property subsidiary records, the District's ability to properly account for these assets is adversely affected.

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We also tested 32 capital outlay expenditures, totaling approximately \$4.3 million for the 2008-09 fiscal year, to determine whether the property items purchased were properly added to the subsidiary records and general ledger control accounts. The test disclosed that:

- The District entered in a 10-year energy savings contract and expended approximately \$3.5 million, but did not capitalize the expenditure to construction in progress, as discussed in Finding No. 1.
- Two student instructional material purchases, costing \$234,672 and \$2,250, respectively, were capitalized in error because the expenditures were partially or completely charged to improper object codes. In addition, one expenditure totaling \$38,334, for a phone network system that should have been capitalized was not because the item was charged to the improper object code.
- Two items purchased, costing \$11,653 and \$4,470, were properly added to the general ledger control accounts, but neither were tagged and identified as District property nor added to the District's subsidiary records.

District personnel indicated that efforts are being made to record all capital assets on new accounting software. Without accurate detailed subsidiary property records, based on applicable general ledger transactions, the District has limited assurance that proper accountability is established for these assets.

Recommendation: The District should establish controls over its capital assets to provide accurate detailed subsidiary records. Also, District procedures should ensure that the results of annual physical inventories are timely reconciled to subsidiary property records and the proper resolution of unlocated items, as required. In addition, District procedures should be enhanced to ensure that property items purchased are correctly recorded and marked as property of the District.

ADDITIONAL MATTERS

Finding No. 3: Financial Condition

In governmental funds, reserve accounts are used to indicate the portion of fund balance that is restricted to specific purposes and not available for general appropriation by the Board, while the unreserved fund balance is designated to serve as a measure of net current financial resources available for general appropriation by the Board. The unreserved portion represents the amount that can be used with the most flexibility for emergencies and unforeseen situations. In addition, Section 1011.051, Florida Statutes, requires that the District maintain an unreserved fund balance in the General Fund that is sufficient to address normal contingencies. If at any time this balance is projected to fall below 3 percent of projected General Fund revenues, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if the balance is projected to fall below 2 percent of projected General Fund revenues, the Board should have a reasonable plan to avoid a financial emergency, or FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency.

Although the unreserved fund balance in the District's General Fund has increased from \$1,459,420.37 at June 30, 2008, to \$1,842,338.64 at June 30, 2009, which represented approximately 4 percent of General Fund revenues, the District may be required to reduce its General Fund unreserved fund balance to repay certain questioned costs totaling \$1,554,798.46. Such amounts include Federal questioned costs totaling \$713,073.78, as noted in our report No. 2008-126; \$414,640.74 as noted in our report No. 2009-188; and questioned costs totaling \$427,083.94 as noted in our Federal Awards Finding Nos. 1 through 5. In these circumstances, the District could have significantly less

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resources available for emergencies and unforeseen situations than other school districts of comparable size. To improve the financial condition of the General Fund during the 2008-09 fiscal year, District procedures included a reduction of 85 staff positions, restructuring support services, limiting expenditures based on necessity, and other cost reduction measures.

Recommendation: The District and the Superintendent should continue its efforts to closely monitor the District's budget to ensure that adequate fund balances are maintained for operating purposes.

Finding No. 4: Policies for Reporting Fraud

The District had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authorities. In response to our inquiry in February 2010, District personnel informed us that the finance director is working to develop these policies. A similar finding was noted in our report No. 2009-188.

Recommendation: To aid in the detecting and prevention of fraud, the District should develop policies for communicating and reporting fraud to the appropriate authorities.

Finding No 5: Out-of-Field Teaching Assignments

State Board of Education Rule 6A-1.0503, Florida Administrative Code, defines qualified instructional personnel and provides, in part, the parameters governing the assignment of instructional staff members to teach outside their field of certification. This rule also states that school board approval must be obtained for out-of-field teaching assignments after a determination is made that a teacher with appropriate certification coverage is not available.

Our review of four teachers with out-of-field teaching assignments during the 2008-09 fiscal year disclosed that the Board did not approve the out-of-field assignments for two of the teachers. In addition, for the other two teachers, the Board did not approve their assignments until April 28, 2009, or approximately one month before the last day of school. The four teachers provided instruction in English, Spanish, history, science, and math classes at elementary, middle, and high schools. Teachers assigned to out-of-field duties, without timely Board approval, increase the risk that the best available candidate may not be selected to fill the position. Similar findings were noted in our report Nos. 2008-126 and 2009-188. Additional discussions relating to teacher qualifications are noted in Federal Awards Finding No. 3.

Recommendation: The District should enhance its procedures to ensure that the names and assignments of all teachers to out-of-field duties are presented to, and approved by, the Board.

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Finding No. 6: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriations 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

As similarly noted in our report No. 2009-188, the District needs to establish controls over enrollment reporting. During the 2008-09 school year, the District reported 132,126 contact hours for adult general education classes to FDOE. Our tests of hours reported for 10 students enrolled in 17 adult general education classes disclosed the following:

- There were 312.50 hours overreported, including a student that enrolled, never attended, but was reported as attending 26 days (65 hours); a student that enrolled but did not begin attending until 30 days later (67.5 hours), and a student who was not withdrawn until 72 days (180 hours) after the last date attended.
- We noted hours were underreported for one student by 67.50 hours (27 days).
- We noted five students who enrolled in a class they never attended, but attended a different class. As a result the District reported 396 hours for the unattended classes, instead of the classes actually attended.

District personnel could not provide explanations of why the above errors occurred. Given the above reporting errors, and the apparent lack of controls over enrollment reporting, it is likely that other reporting errors have occurred. However, it was not practical for us to determine the full extent to which class hours were incorrectly reported for the 2008-09 fiscal year. Since further funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

Recommendation: The District should establish controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 7: Purchasing Card Administration

The District provides purchasing cards to authorized employees to handle and expedite low dollar purchases of goods and services in a more efficient, effective, and economical manner than may be achieved through the purchase order system. In addition, the District contracted with a financial institution to provide the purchasing cards and process purchases, and the District placed certain dollar limits on employees' use of purchasing cards.

Our review of the District's purchasing card program indicated that improvements were needed in its administration and monitoring. The District did not have formal, written procedures that address various aspects related to purchasing cards such as the responsibilities of the cardholder, supervisor review and approval, individual transaction limits, prohibited uses such as loaning a purchasing card to others, the approval and payment of purchases, and procedures for lost or stolen cards. In addition, the District did not use cardholder agreements to evidence that each employee accepted their card and had read and understood the established conditions for card use. Established conditions should include procedures for preapproval of charges, prohibited personal or non-District related

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purchases, disciplinary action for unauthorized use, and other requirements. Effective cardholder agreements would establish the responsibilities of the cardholders and clearly communicate management's intentions regarding safeguarding card use.

During the 2008-09 fiscal year, the District assigned purchasing cards to nine employees, and purchasing card expenditures totaled approximately \$125,000. Our review of purchasing card expenditures, totaling \$27,122, disclosed the following:

- The District's informal procedures are for employees to submit procurement card receipt (PCR) forms, evidencing the receipt, accuracy, and appropriateness of the charges, to the finance department within 3 days of purchase. However, our testing of 22 forms supporting the April 2009 statement disclosed that employees did not submit 16 forms timely, ranging from 18 to 45 days after the purchase occurred. District personnel indicated that the untimely submission of the PCR forms occurred mainly because the District did not designate anyone to properly monitor the process.
- District records did not contain adequate evidence, such as meeting agendas, documented explanations, or other correspondence, to support 17 purchasing card payments, totaling \$1,985.79. These expenditures were primarily for District administrator travel-related costs, such as hotel charges. While District personnel indicated that these costs were for valid educational purposes, the lack of documentation was due to oversights.

While our tests did not disclose any errors or fraud, the absence of adequate controls and procedures increases the risk that unauthorized or inappropriate uses of purchasing cards may occur and not be detected in a prompt manner.

Recommendation: The District should develop formal written procedures governing the use of purchasing cards and use a cardholder agreement to evidence each cardholder's acceptance of established conditions for card usage. Also, the District should enhance procedures to ensure that supervisory review and approval of purchasing card payments is documented, and PCR forms and adequate supporting documentation of payments are timely submitted to the finance department.

Finding No. 8: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new users of, or reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and information technology (IT) resources entrusted to them. Included in the data maintained by the District's IT systems are significant nonpublic records (e.g., student record information and other records that contain sensitive information). During the 2008-09 fiscal year, the District had not implemented a comprehensive security awareness training program to facilitate employees' education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, e-mail usage, password protection and usage, and workstation controls. Also, although the District required employees upon initial hire to sign an *Adult User: Terms and Conditions for Use of the Internet in the Gadsden School District* that covered, among other things, acceptable use of the Internet, prohibited transmissions, and vandalism, the District did not require employees to sign an annual acknowledgement of their awareness, understanding, and acceptance of other security-related responsibilities. A similar finding was noted in our report No. 2009-188.

The lack of a comprehensive security awareness training program increases the risk that the District's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties. Subsequent to the audit period, the District developed a security awareness training program that included the

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aforementioned security awareness elements. On September 17, 2009, the District began the process of implementing its security awareness program Districtwide and expected to complete the implementation process during the 2009-10 fiscal year.

Recommendation: The District should promote security awareness through the continued implementation of its security awareness training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 9: Information Technology – Disaster Recovery

As similarly noted in several previous reports, most recently in our report No. 2009-188, the District's disaster recovery provisions for its IT resources needed improvement to ensure timely recovery in the event of a disaster. The District entered into an agreement with International Business Machines Corporation (IBM) whereby IBM agreed to, as the result of any unplanned interruption of critical business and information processing beyond the District's control, provide equipment and remote service and support via telephone to a location chosen by the District or to an IBM recovery site. However, we noted that, as of January 2010, the District had not developed a formal disaster recovery plan that assigned the responsibilities to carry out disaster recovery activities to particular employees and designated an alternate processing site. According to District personnel, the District is in the process of contacting a provider to develop such a plan. Absent established procedures that assign responsibilities for minimizing the impact of a disaster on the District's IT resources and without a planned alternate processing site, the risk is increased that the District will not be able to timely restore IT operations in the event of a disaster.

Recommendation: The District should continue its efforts to develop a formal disaster recovery plan that includes provisions for the assignment of staff responsibilities and an alternate processing site in the event of a disaster.

Finding No. 10: Information Technology – Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. As similarly noted in our report No. 2009-188, the District lacked written policies and procedures for the following IT functions:

- Changing or deleting vendor-supplied identification codes (IDs) and passwords upon installation.
- Addressing the provision of least privilege for service and application user accounts.
- Creating, verifying use of, maintaining, changing, and reviewing user IDs and associated access privileges.
- Prohibiting sharing of IDs, including system administrator IDs.
- Defining responsibilities, access privileges, and activities for network, database, system, and security administrators and help desk staff.
- Addressing change, communication, and storage of administrative passwords.
- Prohibiting end-users from maintaining administrator rights on their workstations.

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- Administering security devices (such as firewalls and routers).
- Resetting user passwords, including positive identification of the user.
- Determining compliance with password policies.
- Governing the requesting, prioritization, and authorization of system changes.

District personnel indicated that they are not convinced of the need for written policies and procedures, although procedures have been modified to address the above issues. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions.

Finding No. 11: Information Technology – Removal of Access Privileges

Effective management of system access privileges includes the timely removal of access privileges from former or reassigned employees, vendors, and consultants. Prompt action is necessary to ensure that access privileges are not misused by the former or reassigned employee, consultant, vendor, or others. When the District's IT personnel are notified of reassignments, resignations, retirements, and terminations, the employee, consultant, or vendor is either removed from the system or their user ID access privileges are changed accordingly. However, as similarly noted in our report 2009-188, District's IT personnel indicated that they were not being notified of reassignments, resignations, retirements, and terminations in a timely manner or on a regular basis in order to take the appropriate steps to remove or restrict access to District systems and applications. Without timely removal or restriction of access privileges, the risk is increased that access privileges could be misused.

Additionally, the District had not developed written policies and procedures governing the removal or restriction of access privileges of former or reassigned employees, consultants, and vendors because District personnel were uncertain of the benefits that such written documents would provide. Without written policies and procedures, the risk is increased that access privileges may not be consistently removed in a timely manner and pursuant to management's expectations.

Recommendation: The District should enhance its procedures to ensure that District IT personnel are timely notified of reassignments, resignations, retirements, and terminations so that they can promptly remove or restrict the access privileges of former or reassigned employees, consultants, and vendors. Additionally, the District should establish written policies and procedures governing the removal of access privileges.

Finding No. 12: Information Technology – Security Controls

Security controls over the District's resources are intended to protect the confidentiality, integrity, and availability of data and IT resources from unauthorized users. As similarly noted in our report No. 2009-188, certain security controls in the areas of logging, monitoring, and review of system activity; management of access privileges; and user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the District's data and IT resources. However, we have notified appropriate District management of the specific issues. Without appropriate security controls, the confidentiality, integrity, and availability

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of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)

Finding Type: Material Noncompliance and Material Weakness

Questioned Costs: \$192,835.50

Eligibility – Allocating Funds to Eligible Schools. The District is required, pursuant to Title 34, Section 200.78, Code of Federal Regulations, to allocate Title I schoolwide program funds to schools identified as eligible, and selected to participate, in rank order, based on the total number of children from low-income families in each school. The District is not required to allocate the same per-pupil amount to each participating school attendance area or school provided that it allocates higher per-pupil amounts to areas or schools with higher concentrations of poverty than to areas or schools with lower concentrations of poverty.

As part of our audit tests, we requested that the District provide documentation evidencing that the budget was properly allocated to the respective schools as required. The District provided copies of the budget allocations posted to the District's accounting records that indicated that the allocations to the high schools were in rank order; however, amounts were not allocated to other schools in rank order based upon the number of children from low-income families. We also noted that the District's spreadsheet used to calculate the budget allocations to each school disclosed that District personnel had initially provided the same per pupil amount to each school; however, the spreadsheet numbers did not correspond to budgetary entries for each school established in the District's accounting system and used to control expenditures. A review of the budget amendments disclosed that a final budget amendment was made at year-end to reallocate resources and eliminate any overexpenditures in the accounting records. This amendment reallocated resources from the Districtwide cost center for the Title I grant to the individual cost centers that had reported overexpenditures, and the Title I grant in total was not overexpended. However, by making this budget amendment, the District effectively reallocated Title I resources without regard to the schools rank order based upon the number of children from low income families, as follows:

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School	Number of Low-Income Students	Percent of Low-Income Students	Ranking Based on Percentage of Low-Income Students	Title 1 per Pupil Allocation	Ranking Based On Per Pupil Allocation	Per Pupil Allocation Above #1 Ranked School	Amount Over Allocated Due to Final Budget Amendment
Middle Schools:							
James A. Shanks	517	85.0%	1	\$ 263.00	2		
Havana	178	82.0%	2	490.90	1	227.90	\$ 40,566.20
Elementary Schools:							
Stewart Street	429	96.2%	1	175.00	6		
George W. Munroe	580	91.9%	2	209.67	5	34.67	20,108.60
Havana	446	89.7%	3	223.28	4	48.28	21,532.88
Gretna	260	89.4%	4	175.00	6		
Chattahoochee	161	88.5%	5	491.15	1	316.15	50,900.15
St. Johns	313	87.2%	6	277.07	2	102.07	31,947.91
Greensboro	324	86.9%	7	260.74	3	85.74	27,779.76
Total Questioned Costs							\$ 192,835.50

In the above described circumstances, resources were not allocated to the schools in rank order of need, and amounts totaling \$192,835.50 represent questioned costs subject to disallowance by the grantor. In addition, when cost centers are allowed to overexpend the Title I project budget, the risk increases that the program may not provide services to those students with the greatest educational needs.

Recommendation: District procedures should be enhanced to ensure that Title I schoolwide program resources are properly allocated to, and expended at, schools with the greatest needs, as required. Additionally, the District should document to its grantor (Florida Department of Education) how Title I schoolwide program resources were used at the schools with the greatest need, or restore \$192,835.50 to the Title I program.

District Contact Person: Bonnie Wood, Assistant Superintendent for Business and Finance

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Special Education – Grants to States (CFDA No. 84.027)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$29,017.84 (CFDA No. 84.010) and \$32,242.25 (CFDA No. 84.027)

Allowable Costs/Cost Principles. The United State Office of Management and Budget *Circular A-87*, Attachment A, Section C.1., provides, in part, that costs must be necessary and reasonable for the proper and efficient performance and administration of Federal awards, and be adequately documented. Section C.3. further provides that a cost can be allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Our review disclosed that enhancements were needed for documenting the allowability and allocation of certain program costs.

During the 2007-08 fiscal year, the District entered into a three-year contract for an electronic parent notification system totaling \$55,755, and the first annual payment of \$18,585 was made from State and local funds. However, during the 2008-09 fiscal year, the two remaining payments totaling \$37,170, were made from Title I and Special Education program funds, totaling \$6,000 and \$31,170, respectively, and District records did not evidence the basis upon which these charges were made to the programs. Although the District's Title I program is operated as a

**GADSDEN COUNTY DISTRICT SCHOOL BOARD
PRELIMINARY AND TENTATIVE AUDIT FINDINGS**

schoolwide project at all Title I schools, one of the District's schools is not served under the District's Title I program. In addition, our review of the 2008-09 fiscal year student population revealed that only about 15 percent of the District's students had learning disabilities that would meet the eligibility requirements under the Special Education program. Failure to adequately document the allowability of program expenditures could result in payment for ineligible services and be subject to disallowance by the grantor. These direct charges and associated indirect costs, totaling \$38,389.25, represent questioned costs of the Title I and Special Education programs in the amounts of \$6,147 and \$32,242.25, respectively.

In addition, our tests of nine items, totaling approximately \$276,000, disclosed a payment totaling \$22,323.90 charged to the Title I program, for the purchase of a network server, which was not included in the Title I grant application and the purchase order was not approved by the Title I Director. As the expenditure was not anticipated in the original grant budget, it is unclear how the purchase was necessary and reasonable for the proper and efficient performance and administration of the Title I program and represents questioned costs subject to disallowance by the grantor. As a result of this direct charge and associated indirect costs, charges totaling \$22,870.84 represent questioned costs of the Title I program.

Recommendation: The District should enhance its procedures to document the allowability of program costs. Additionally, the District should document the allowability of the questioned costs, totaling \$61,260.09, to the grantor (Florida Department of Education) or restore the respective costs to the Title I and Special Education programs.

District Contact Person: Bonnie Wood, Assistance Superintendent for Business and Finance

Federal Awards Finding No. 3:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$75,573.75

Special Tests and Provisions – Highly Qualified Teachers. Title 34, Section 200.55, Code of Federal Regulations, requires school districts to ensure that teachers who teach core academic subjects in a program supported with Title I funds, such as a Title I schoolwide program, be highly qualified (HQ). Title 34, Section 200.56, Code of Federal Regulations, stipulates, among other things, that a teacher must be certified in each core academic subject assigned, generally through State testing or additional coursework to be HQ.

Our review of District records disclosed 4 of 10 teachers tested, who taught one or more core academic subjects at Title I schoolwide program schools, did not meet the requirements to be HQ for some of the core academic subjects they were teaching. Further, District records did not evidence the steps taken to obtain the appropriate certifications for these teachers, or the efforts to ensure the use of only HQ teachers for these classes. The salaries related to classes taught by the 4 teachers during the 2008-09 fiscal year totaled \$75,573.75 and represents questioned costs subject to disallowance by the grantor. Similar findings were noted in our report Nos. 2008-126 and 2009-188.

Having highly qualified staff would enhance the District's ability to properly educate Title I students and contribute toward meeting the adequate yearly progress standards set by the United States Department of Education.

**GADSDEN COUNTY DISTRICT SCHOOL BOARD
PRELIMINARY AND TENTATIVE AUDIT FINDINGS**

Recommendation: The District should enhance procedures to ensure that all teachers hired to teach core academic subjects in Title I schoolwide program schools are highly qualified. Additionally, the District should document the allowability of these questioned costs, totaling \$75,573.75, to the grantor (Florida Department of Education) or restore this amount to the Title I program.

District Contact Person: Bonnie Wood, Assistance Superintendent for Business and Finance

Federal Awards Finding No. 4:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Improving Teacher Quality State Grants (CFDA No. 84.367)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$45,026.55

Allowable Costs/Cost Principles. Section 2123(a) of The Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, states in part that funds made available are to be used for developing and implementing mechanisms to assist schools in effectively recruiting and retaining highly qualified teachers, including specialists in core academic subjects, principals, and pupil services personnel, except that funds made available for pupil services personnel may be used only if all teachers teaching within the school district are highly qualified.

Our review of salary costs totaling \$161,182.59 for 10 employees charged to the Improving Teacher Quality (ITQ) program disclosed that a health services coordinator position was funded entirely by the program during the 2008-09 fiscal year. This position was to provide quality health, athletic and drug free services that address the social, emotional and education needs of children and families. However, these services did not meet the intent of the ITQ program, this position was not included in the District's approved ITQ program budget, and other District records did not evidence the allowability of these salary costs to the ITQ program. Consequently, these salary payments for the health services coordinator position and associated indirect costs, totaling \$45,026.55, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should document the allowability of the questioned costs, totaling \$45,026.55, to the grantor (Florida Department of Education) or restore this amount to the ITQ program.

District Contact Person: Bonnie Wood, Assistance Superintendent for Business and Finance

Federal Awards Finding No. 5:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$52,388.05

Allowable Costs/Cost Principles – Compensation of Personnel Services. Section 1114(a) of the Elementary and Secondary Education Act provides, as clarified in guidance provided by the United States Department of Education, dated February 2008, that Title I program moneys must be used to address the educational needs of a school identified by the needs assessment and articulated in the comprehensive plan, and may not be used for noneducational activities such as building maintenance and repairs, landscaping, and custodial services.

**GADSDEN COUNTY DISTRICT SCHOOL BOARD
PRELIMINARY AND TENTATIVE AUDIT FINDINGS**

As similarly noted in our report No. 2009-188, certain salary and benefit amounts were incorrectly charged to the Title I schoolwide program. Two computer technicians maintained computer equipment at various Title I schoolwide schools, and their salary and benefits were funded 25 and 100 percent, respectively, from the Title I program. District personnel provided the grant application that indicated that these costs were preapproved by the Florida Department of Education, and that the services provided included maintenance of computer equipment that was used for educational services and was therefore allowable. However, District records did not evidence what percentage of the computer technicians' time, if any, was spent providing services related to delivery of the District's comprehensive education program. Accordingly, the computer technicians' salary and benefits and related indirect costs funded by the Title I program, totaling \$52,388.05, represent questioned costs subject to disallowance.

Recommendation: The District should document the allowability of the questioned costs, totaling \$52,388.05, to the grantor (Florida Department of Education) or restore this amount to the Title I program.

District Contact Person: Bonnie Wood, Assistance Superintendent for Business and Finance

Federal Awards Finding No. 6:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); Improving Teacher Quality State Grants (CFDA No. 84.367; and Head Start (CFDA No. 93.600)

Finding Type: Noncompliance and Significant Deficiency

Equipment Management. Financial Statement Finding No. 2 addresses various deficiencies in controls over capital assets. These control weaknesses in accountability for Federal funding and related property impact the administration of the Federally-funded Title I, Special Education Cluster, Improving Teacher Quality, and Head Start programs.

Recommendation: The District should implement procedures necessary to provide adequate control over capital assets used in Federal programs.

District Contact Person: Bonnie Wood, Assistance Superintendent for Business and Finance

OTHER MATTERS

In December 2009, the Florida Department of Education (FDOE) performed an onsite monitoring review of the District for the 2009-10 fiscal year. FDOE's preliminary report of this review cited the District for extensive noncompliance with Federal regulations and a cover letter, dated February 2010, accompanying the report, indicated that FDOE will be placing more restrictive conditions on one or more of the District's Federal awards, which may include:

- Restrictions on cash advances and allowing payment on a reimbursement basis only for selected Federal programs;
- Monthly reporting of expenditures and FDOE oversight of alignment of such expenditures with program requirements and plans;
- Hiring an outside consultant selected in conjunction with the FDOE to review and redesign financial systems to ensure adequate internal controls; and

**GADSDEN COUNTY DISTRICT SCHOOL BOARD
PRELIMINARY AND TENTATIVE AUDIT FINDINGS**

- More frequent monitoring and individual technical assistance, including involvement in decision-making regarding program expenditures for Title I, Part A and School Improvement Grant funds before they are made.

END OF PRELIMINARY AND TENTATIVE AUDIT FINDINGS

EXECUTIVE SUMMARY

~~MATERIAL WEAKNESS~~ ~~MATERIAL WEAKNESS~~ SIGNIFICANT DEFICIENCIES

~~Finding No. 1: The District needed to enhance its financial reporting review procedures and controls over school internal funds to ensure account balances and related note disclosures are properly reported on the financial statements.~~

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~~Finding No. 1: SIGNIFICANT DEFICIENCY~~ SIGNIFICANT DEFICIENCY

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Finding No. 2: The District had not established adequate capital asset subsidiary records.

FINANCIAL STATEMENT FINDINGS

~~SIGNIFICANT DEFICIENCIES~~ MATERIAL WEAKNESS

Finding No. 1: Financial Reporting

State Board of Education Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). Preparation of fund financial statements pursuant to GAAP requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a governmental fund as major when the fund's liabilities represent at least 10 percent of the total governmental funds' liabilities. Our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, disclosed several reporting errors resulting from weaknesses in control procedures, examples of which are as follows:

- The District received cash advance funding for various Federally-funded programs through the ~~Florida Department of Education (FDOE)~~, and FDOE required the District to reconcile the Federal cash balance shown on the FDOE Distributive Aid and Cash Advance Status Report to the District's accounting records. However, instead of reconciling these reports and records monthly, District personnel did not perform the June 2009 reconciliation until November 2009, resulting in overstatements of due from other agencies, due to other agencies, and other accounts, totaling approximately \$296,000, \$292,000, and \$4,000, respectively, in the Special Revenue – Other Fund. ~~Further, because the District overstated these amounts, the District failed to identify and report the Special Revenue – Food Service Fund as a major fund, although the fund's liabilities, totaling approximately \$131,000, represented approximately 11 percent of the total governmental funds' liabilities.~~ Untimely reconciliations of FDOE cash advance balances and program expenditures with the balances shown in the District's records limit the District's ability to properly monitor receipt and disbursement of Federal cash, and timely detect and correct errors in the accounting records or Federal financial reports.
- The District accurately included amounts, totaling approximately \$3.5 million, in the reported amounts for fixed capital outlay expenditures on its fund financial statements relating to energy savings equipment being installed at June 30, 2009. However, these amounts were not included in the amount reported as nondepreciable capital assets on the government-wide statements or in the District's note disclosures,

Gadsden District School Board
Preliminary and Tentative Findings
2008-09 Fiscal Year

representing construction in progress. In addition, Finding No. 2, Capital Assets, discusses additional deficiencies, which affected the notes to financial statements. Properly reporting such asset amounts on the financial statements may assist the District in determining the amount to subsequently capitalize to buildings and fixed equipment.

These and the other reporting errors occurred mainly because District personnel did not perform effective review procedures to ensure that amounts were properly reported on the financial statements. We extended our audit procedures to determine the necessary adjustments to properly report the account balances and note disclosures, and the District accepted these adjustments.

In addition, pursuant to State Board of Education Rule, 6A-1.087, Florida Administrative Code, an independent accounting firm provided audit reports for the District's 14 school internal funds for the 2008-09 fiscal year. The auditors noted several internal control deficiencies, resulting in errors and omissions, such that the auditors were unable to express opinions on the Carter-Parramore Academy, George W. Monroe, and Stewart Street Elementary schools. While there were no reported balances for the Carter-Parramore Academy, the reported assets and liabilities for George W. Monroe and Stewart Street Elementary schools represent 7 and 9 percent of the assets and liabilities, respectively, of the aggregate remaining fund information presented in the District's financial statements. Examples of control deficiencies included receipts and expenses not properly recorded, inadequate documentation to support disbursements, and failure to prepare required financial reports. Further, professional auditing standards require that when other auditors report on a significant portion of an entity's financial statements, and the opinions contained in the reports are not unqualified, appropriate disclosures (qualifications) should be made in the auditor's report. Therefore, our report on the District's financial statements will include a qualification to that effect. The absence of adequate controls over school internal funds increases the risk that errors and fraud may occur and not be detected in a timely manner.

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Recommendation: The District should enhance its review procedures over financial reporting to ensure that account balances and related note disclosures are properly reported on the financial statements. In addition, the District should take appropriate action to ensure that adequate accounting records are maintained by District schools.

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SIGNIFICANT DEFICIENCY

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Finding No. 2: Capital Assets

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND – INTERNAL ACCOUNTS
SUMMARY OF MANAGEMENT LETTERS
JUNE 30, 2009**

Ashmore & Ashmore, P.A.
Certified Public Accountants

Ashmore & Ashmore, P.A.
Certified Public Accountants
109 South Main Street
Havana, Florida 32333
Voice (850) 539-5690
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James R. Ashmore, CPA
Sharron L. Ashmore, CPA

To the Honorable Reginald James, Superintendent
Gadsden County School Board
35 Martin Luther King Jr. Blvd.
Quincy, Florida 32351

We have examined the financial statements of the various Gadsden County Schools' General Operating Fund – Internal Accounts, for the year ended June 30, 2009, and have issued our reports thereon. As part of our examination, we made a study and evaluation of the system of internal accounting control of the General Operating Fund – Internal Accounts, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entities' financial statement. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls.

The management of the Schools are responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement in accordance with the cash basis of accounting. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risks that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the systems of internal accounting control of the Schools' General Operating Fund – Internal Accounts, taken as a whole or on any of the categories of controls. The results of our studies and evaluations are discussed below.

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND - INTERNAL ACCOUNTS
SUMMARY OF CASH BALANCES
JUNE 30, 2009**

School	CASH BALANCE			CASH BALANCE 2009	% OF TRANSACTIONS TESTED - Note #3		AUDIT EXCEPTIONS NOTED - CLASSIFIED BY SECTION OF CHAPTER SEVEN OF FINANCIAL AND PROGRAM COST ACCOUNTING			
	2008	REVENUE	EXPENSES		REVENUE	EXPENSES	SECTION I	SECTION II	SECTION III	
Carter-Parramore Academy	#1	N/A	N/A	N/A	N/A	N/A	1	1	29	
Chattahoochee Elementary Magnet School		17702	19113	30176	\$6,639	51%	28%	1	0	27
East Gadsden High School		41164	256283	274310	\$23,137	5%	5%	0	0	0
Gadsden Elementary Magnet School		13155	48978	48326	\$13,807	41%	35%	0	0	0
Gadsden Technical Institute		67466	146367	126419	\$87,414	5%	11%	0	0	0
George W. Munroe Elementary School		33633	38766	49924	\$22,475	41%	14%	1	0	31
Greensboro Elementary School		34105	32521	25441	\$41,185	7%	27%	0	0	0
Gretna Elementary School		10221	26514	28214	\$8,521	21%	25%	0	0	1
Havana Elementary School		11649	86986	88732	\$9,903	6%	7%	0	0	12
Havana Middle School		2637	29271	29475	\$2,433	13%	18%	0	0	0
James A. Shanks Middle School		9247	32509	34492	\$7,264	21%	22%	0	0	5
St. John Elementary School		11642	42078	40825	\$12,895	19%	31%	0	0	0
Stewart Street Elementary School	#2	10964	37417	45007	\$3,374	15%	17%	1	0	49
West Gadsden High School		-5326	133355	101643	\$26,386	8%	6%	0	0	9
		<u>258259</u>	<u>930158</u>	<u>922984</u>	<u>\$265,433</u>					

Note #1 - Carter Parramore Academy did not provide financial statements for the year ended June 30, 2009.

Note #2 - Stewart Street Elementary School's beginning cash at July 1, 2008 was \$2,003 higher than their ending balance at June 30, 2008, and no reconciliation of difference was provided.

Note #3 - Sample Size - The minimum sample size for revenue and expense testing was the greater of 25 test items or 5% of the sample population.

SECTION I-PRINCIPALS
SECTION II-GENERAL PRACTICES
SECTION III-STANDARDS, PRACTICES
AND PROCEDURES

Summary of School Findings and Responses

In our exit interviews with each of the schools, we emphasized the following items:

1. Cross train bookkeeping staff as much as possible to protect against unforeseen events such as death or illness.
2. Keep off-site updated computer backup to protect against events such as fire and natural disasters.
3. If computerized, print out everything every month for hard copy back up in the event of a computer crash.
4. Insure that all computers with internet access have constantly updated virus protection and take your computers offline when not using the internet, if possible.
5. Separation of duties, a main tenet of sound internal control, cannot be maintained due to small staff size. The principal should receive and open the bank statement each month and examine check payees and endorsements before the bookkeeper has access to it and check the bank statement and deposits for any unusual or unauthorized transactions.
6. Internal control should be exercised over receipts for cash and donated goods.
7. Front and back copies of checks should be requested each month or canceled checks from the bank. Internet access is available for some bank accounts at some banks.
8. Principals and bookkeepers should, in a timely manner, sign and date bank reconciliations and monthly reports.
9. At the close of each school fundraiser a financial report should be submitted to and reviewed by the principal.
10. Expense invoices should be defaced with the number of the check with which they are paid.
11. Back up documentation for trips/student travel should include the number of people traveling, computation of total and names of people traveling.
12. Records should be stored in a water proof box to protect against storm damage or smoke damage.
13. Sales tax should only be paid when the schools buy items for resale/fundraising, otherwise, the school is exempt.
14. Any time an invoice(s) does not exactly equal a check written, reconciliation should be provided.
15. Forms 1099 should be provided for any individual earning more then \$600 per year for services provided to a school.
16. When funds are reimbursed or refunded, back up documentation should reference the original transaction.

CARTER-PARRAMORE ACADEMY

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response provided.

Finding 2. The RedBook requires certain bookkeeping procedures and documentation be maintained by the School. For the year ended June 30, 2009:

1. The accounting records were not kept on Manatee. The Bookkeeper indicated the prior Principal had taken the Manatee program from the School when he left.
2. No Principal's reports or other financial statements were completed for the year or sent to the School Board monthly.
3. No bank reconciliations were completed by the School.
4. No Manatee general ledger was maintained and the hand written ledgers provided did not agree with cash per bank.
5. The Principal for the year July 1, 2008 to June 30, 2009 was not signing checks or reviewing financial records through October of 2008 due to issues with the prior Principal.

Principal's response. No response provided.

Finding 3. A comparison between June 30, 2008 and June 30, 2009, of the Schools receipts, disbursements and cash balance indicated that the Schools receipts decreased \$39,414 (from \$43,007 to \$3,813), disbursements decreased \$18,495 (from \$34,613 to \$16,118), and cash decreased \$12,305 (from \$21,324 to \$9,019). The cash balance had decreased to \$4,684 at October 31, 2009.

Principal's response. No response provided.

Finding 4. According to the prior year audit and Manatee ledger for the year ended June 30, 2008, the ending Bold Step trust account balance was \$3,075.00. However, according to the hand written ledger for the year ended June 30, 2009, the beginning Bold Step balance at July 1, 2008 was \$13,044.90. This is a difference of \$9,969.90 in trust money between the two ledgers. Also, the beginning cash balance per hand written ledgers was \$21,796.01 and per the prior year audit, it was \$21,324.45, for a difference of

\$471.56. The ending balance per hand written ledgers was \$8,745.52, and per the bank, cash was \$9,019.26. The School did no bank reconciliations for the year ended June 30, 2009. We recommend that the School perform reconciliations for all accounts to determine the correct balances.

Principal's response. No response provided.

Finding 5. Audit test indicated that the bank statements were not reviewed by the Principal prior to being given to the bookkeeper to prepare the bank reconciliations. Due to limited staff preventing proper segregation of duties, we recommend that the principal review the bank statements, including cancelled checks and endorsements, prior to giving them to the bookkeeper.

Principal's response. No response provided.

Finding 6. Audit tests indicated one (1) check examined during the audit period that had only one signature. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...". Accordingly, we recommend all checks have two authorized signatures.

Principal's response. No response provided.

Finding 7. Audit tests of the Cash indicated that no balance was carried forward on the check stubs and there was no bank reconciliation for the year. Our audit tests indicated:

1. three checks and two withdrawals with out check numbers listed on the ledgers that did not appear to clear the bank;
2. a bank check order charge that cleared the bank was not listed on the ledgers;
3. a check cleared the bank on July 1, 2008 but was not listed in the ledgers or as an outstanding check from June 30, 2008;
4. It appears the School has no reconciliation of cash on a perpetual basis. Section II, 8., states "Bank statements shall be reconciled as soon as received, preferably by a person other than the person who receipts and disburses funds." Accordingly, we recommend that the School reconcile the bank account in a timely manner.

Principal's response. No response provided.

Finding 8. Audit test of receipts indicated:

1. four (4) instances where there was no Report of Monies Collected (RMC) for deposits listed on the ledgers;
2. three (3) instances were noted where the RMC contained only one signature, that of the Bookkeeper;
3. the RMC's were not numbered, so numeric sequence could not be accounted for, and, deposits were not cross referenced to RMCs. Section III, 1.4(a) states that "All money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, reports of tickets issued and sold or other auditable records." Also, for proper internal control, the RMCs should be pre-numbered, and signed by both the individual receiving the funds and the individual collecting the funds.

Principal's response. No response provided.

Finding 9. Audit tests indicated that ten (10) of the thirty four (34) checks that cleared the bank during the audit period had no supporting documentation such as an invoice. Included in these exceptions was a \$750 check written to an individual with no explanation provided for the purpose of the check. It appears that this cash was re-deposited twenty seven (27) days later.

Principal's response. No response provided.

Finding 10. Audit tests of the checks written during the audit period indicated the following six (6) disbursements that did not appear appropriate: (1) Check number 1597 on account to Piggly Wiggly for \$908.64 that had no supporting documentation detailing the items purchased; (2) Check number 1598, in the amount of \$191.00 to Quality Meats for a faculty party; (3) Check number 1599 for \$427.26 to Piggly Wiggly for a faculty gathering (the invoice indicated T-Bone and rib eye steaks were purchased); (4) Check number 1585 in the amount of \$23.99 for a Boss' Day Cake; Check number 1583 for \$112.60 to Macy's for men's clothing. Section I,7., states, in part, "Funds collected shall be expended to benefit those students in school unless those funds are collected for a specific documented purpose...". No evidence was provided to indicate that funds were collected for faculty parties or for bosses day.

Principal's response. No response provided.

Finding 11. Audit tests of the Check Requisitions (CR) indicated four instances where the CR was not signed by the Principal, and an instance where the CR was not signed by the sponsor. The purpose of the CR is to provide proper approval and control over expenditures. In order for the CR to be effective, they must be properly completed with all required signatures.

Principal's response. No response provided.

Finding 12. Our test of expenditures noted that copies of four cancelled checks (check numbers 1588, 1589, 1592 and 1595) were not with the bank statement. Accordingly, without the cancelled checks we were not able to determine if the payee per the check agreed with the payee per the ledgers. As part of the bank reconciliation process, the cancelled checks should be compared to the ledgers to determine that they agree.

Principal's response. No response provided.

Finding 13. Our test of expenditures noted one invoice in which \$320.00 of the total of \$455.94 was paid in cash, the remainder by check. The source of this cash was not disclosed. Section III, 1.4 of the Red Book requires all monies collected by the School be deposited into the School's internal funds. Accordingly, we recommend that the School adhere to the prescribed policies and procedures for collecting cash.

Principal's response. No response provided.

Finding 14. On June 26, 2008, the School purchased a laptop computer for \$598.00. Per discussion with the current Principal and Bookkeeper, we were told that the computer and the School's only copy of the Manatee program were taken by the past Principal. This information should have been disclosed to the Superintendent in order to try to have the computer recovered for the School.

Principal's Response. No response provided.

Finding 15. Our review of the School's records subsequent to June 30, 2009, indicated:

1. several check requisitions had only one signature and lacked back up documentation;
2. Report of Monies Collected were only signed by the Bookkeeper, and not the person turning in the funds; and
3. the School is not on Manatee or doing proper bank reconciliations or Principal's Reports.

We recommend that the School personnel become familiar with the requirements of the Red Book and to maintain the Internal Accounts accounting records on the Manatee computer system.

Principal's Response. No response provided.

CHATTAHOOCHEE ELEMENTARY MAGNET SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response provided.

Finding 2. Audit tests of 29 receipts indicated the following exceptions:

- A. 4 deposits were missing the official receipts;
- B. 6 official receipts had no signature of the individual preparing the receipt;
- C. 6 Reports of Monies Collected contained only one signature;
- D. 2 Reports of Monies Collected did not indicate the source of the funds.

Section III, 1.4 of the Red Book provides guidance on cash collections. In order for there to be proper internal control over collections, the official receipts and Reports of Monies Collected must be properly completed.

Principal's Response. No response provided.

Finding 3. Audit tests indicated that receipts and the cash balance for the General Funds were overstated by \$10,232.81 on the June 30, 2009 Principal's Report, because the proceeds from closing the Focus Credit Union accounts were posted as revenues in the General Fund rather than a decrease in the cash in bank accounts. Subsequent to the year end, a corrected Principal's report was provided, indicating the proper amounts in receipts and cash.

Principal's Response. No response provided.

Finding 4. Audit tests indicated that the School's Cash balance decreased by \$11,062.93 (from \$17,703.21 to \$6,640.28) from June 30, 2008 to June 30, 2009; revenue decreased by \$14,469, and expenses decreased by \$6,266.62 for the same period. With the decrease in cash, we recommend that the School make sure there is available fund balance in an account prior to authorizing an expenditure.

Principal's Response. No response provided.

Finding 5. Audit tests indicated six (6) checks examined written during the audit period that had only one signature. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...". Accordingly, we recommend all checks have two authorized signatures.

Principal's response. No response provided.

Finding 6. Audit tests of 28 expenditures indicated the following exceptions:

- A. 3 instances where there was either no supporting documentation or insufficient documentation, such as no list of participants traveling or recipients of student incentive cash.

Principal's response. No response provided.

- B. 1 instance was noted where a check in the amount of \$2,260 was made payable to the Principal for student incentives. The check requisition Principal's signature was not that of the Principal and the Bookkeeper indicated that she had signed it for the Principal. The purpose of the check requisition is for the expenditure to be approved by the Principal. Accordingly, we recommend that all check requisitions contain the original signature of the Principal authorizing the expenditure.

Principal's response. No response provided.

- C. 1 expenditure in the amount of \$502.00 was to a restaurant for a staff Christmas party. This expenditure was charged to the General Fund, and not a staff account. This does not appear to be an appropriate expenditure from the General Fund, which is suppose to benefit the students.

Principal's Response. No response provided.

Finding 7. As we noted in our prior audit, audit test indicated that monthly bank reconciliations were not always signed by the preparer and the principal. The reconciliations should be signed and dated by the preparer and by the principal to document that the reconciliations have been reviewed and prepared in a timely manner.

Principal's response. No response provided.

Finding 8. As we noted in our prior audit report, audit test indicated that the bank statements were not reviewed by the principal prior to being given to the bookkeeper to prepare the bank reconciliations. Due to limited staff preventing proper segregation of duties, we recommend that the principal review the bank statements prior to giving them to the bookkeeper.

Principal's response. No response provided.

Finding 9. Our audit tests disclosed that the school did not utilize Trust Accounts to record funds collected for a specific purpose as required by Financial and Program Cost Accounting and Reporting for Florida Schools Section III, 2.4 (a). For example, the School collected \$194 for AfterCare. These funds were recorded in the Clubs, Classes, and Organizations group of accounts, when they should have been recorded in the Trust Funds. Also, these funds should have been transferred to the District no later than June 30, 2009. Also, The Relay for Life funds were recorded in the General Account when they should have been recorded in the Trust Funds.

Principal's response. No response provided.

Finding 10. As part of our expenditure tests, we trace the check payee to the endorsement on the back of the check. The School does not receive copies of the back of checks from the bank. We requested and received the backs of all but three checks for testing purposes. Since we did not receive the backs of three checks, we were not able to confirm the endorsement on these checks. We recommend the School request that the bank provide them with copies of the front and back of all checks so that endorsements can be reviewed each month.

Principal's Response. No response provided.

Finding 11. Our audit of the School's Manatee records indicated that the terms "reimbursement" and "adjustment" were used rather than providing a description of the expense or adjustment. In order to make the ledgers more useful, we recommend that the School provide a description of the expenditure or adjustment.

Principal's Response. No response provided.

Finding 12. The June 30, 2009 Principal's Monthly Financial Report on Internal Funds indicated accounts payable of \$1,669.41, most over nine months old. An audit memo to the Principal indicates that the June 30, 2009 accounts payable was \$0.00. Due to the fact that the School's financial records are maintained on the cash basis, the amount of accounts payable is important to determine an accurate available cash balance at any point in time. Accordingly, we recommend that the Manatee accounts payable records be adjusted to indicate an accurate amount.

Principal's Response. No response provided.

EAST GADSDEN HIGH SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response. Principal continues to be involved in daily financial duties, continue to update staff with required financial mandates for EGH and standard auditing procedures.

Finding 2. Audit testing indicated the expenditures generally appeared properly recorded. Immaterial exceptions were discussed with the Principal and Bookkeeper. However, we noted that for 5 sample disbursements tested the payment appeared to be past due (i.e. payment made in excess of 1 month past invoice date).

Principal's Response. The principal and office manager will work closely to ensure school vendors provide invoices no later than 5 days after receipt of purchases. The office manager will develop a system that enhances the current procedures for paying bills so that past due notices are avoided.

Finding 3. In general, it appears that monies collected were properly receipted, deposited and recorded in a timely manner. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's Response. No response required.

GADSDEN ELEMENTARY MAGNET SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practicable solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that irregularities will not go undetected for long periods of time. This situation dictates that the Principal remains involved in the financial affairs of the School to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help ensure that daily functions are performed in the event of personal change or illness.

Principal's Response. We agree with this finding and will cross-train the staff to the extent possible.

Finding 2. Our audit tests indicated that, in general, receipts appeared to be properly documented and recorded. Immaterial bookkeeping errors were discussed with the Principal and Bookkeeper.

Principal's Response. No response required.

Finding 3. Expenditures appeared to be reasonable, adequately documented and properly recorded. Immaterial bookkeeping errors were discussed with the Principal and Bookkeeper.

Principal's Response. No response required.

GADSDEN TECHNICAL INSTITUTE

Finding 1. The primary weakness in the internal control is one for which no immediate practicable solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance irregularities will not go undetected for long periods of time. This situation dictates that the Principal remains involved in the financial affairs of the School to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help ensure that daily functions are performed in the event of personal change or illness.

Principal's Response: I agree that cross training and segregation of duties is needed. However, with our small office staff of (2) this is not viable. I will continue to oversee and review financial affairs as directed. Also, each department head is responsible for their accounts as well, offering additional accountability.

Finding 2. Our audit tests indicated that, in general, receipts appeared to be properly documented and recorded. Minor exceptions were discussed with the Principal and Bookkeeper.

Principal's Response. No response required.

Finding 3. Our tests indicated that expenditures appeared to be appropriate and adequately documented. Immaterial exceptions were discussed with Principal and Bookkeeper.

Principal's Response. No response required.

Finding 4. Although the bank statements are signed by the principal and bookkeeper, our test indicated that the bank statements were not reviewed by the principal prior to being given to the bookkeeper to prepare the bank reconciliations. Due to limited staff preventing proper segregation of duties, we recommend that the principal review the bank statements prior to giving them to the bookkeeper.

Principal's Response. I agree with this finding and will review the bank statements prior to giving them to the bookkeeper.

GEORGE W. MUNROE ELEMENTARY SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response. Current bookkeeper does not sign checks, but collects money collected forms & counts money with a partner and Principal or designee makes deposits.

Finding 2. Audit tests indicated that the School's Cash balance decreased by \$11,157.91 (from \$33,006.99 to \$22,475.17) from June 30, 2008 to June 30, 2009; revenue decreased by \$42,600.19, and expenses decreased by \$30,818.13 for the same period. With the decrease in cash, we recommend that the School make sure there is available fund balance in an account prior to authorizing an expenditure, and that all revenues are properly recorded.

Principle's Response. Current bookkeeper makes sure that there is a balance before writing a check.

Finding 3. The auditors were informed by the staff at the School that teachers had indicated that the prior bookkeeper had refused to make out receipts when money was turned into her, and that goods paid for fiscal year June 30, 2009, were never received. We recommend that the School adhere to the established procedures for receiving and expending money.

Principal's Response. Current bookkeeper will always give a receipt or a signed copy of the money collected form.

Finding 4. Audit test of 31 receipts tested for monies collected during the years indicated several instances in which the Official receipt and/or Report of Monies Collected (RMC) were not properly completed, including four (4) instances where the Official Receipt was not signed; four (4) instances where the RMC was not numbered; six (6) instances where the RMC contained only one signature; and two (2) where there was no RMC for an Official Receipt. In order for there to be proper internal control over collections, it is imperative that the prescribed receipts and RMCs be properly completed.

Principal's Response. Current bookkeeper will complete all prescribed receipts and RMC's.

Finding 5. Audit tests of 53 expenditures indicated the following exceptions:

A. Seven (7) checks examined written during the audit period had only one signature. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...". Accordingly, we recommend all checks have two authorized signatures.

Principle's Response. Current bookkeeper will make sure that two signatures are on each check.

B. Thirteen (13) expenditures did not have adequate supporting documentation such as a detailed invoice. One of these exceptions was a check in the amount of \$3,590 written to the school's PTA for incentives for the students. No list of the students receiving the incentives or the amounts received by the recipients was provided. The cancelled check was endorsed by an individual, the PTA's president, rather than the PTA.

Principle's Response. Current bookkeeper will ensure that there is adequate supporting documentation, such as detail statement or invoices.

C. Two (2) check requisitions supporting expenditures were blank, except for the Principal's signature. This indicates that these requisitions were pre-signed. Also, one (1) check had no check requisition, and two (2) check requisitions did not indicate what the check was for. The purpose of a check requisition is to obtain approval prior to an item being purchased.

Principle's Response. Checks will not be pre-signed.

D. One (1) instance was noted where sales tax in the amount of \$11.99 was paid. Except for fund raising items to be resold, the School is exempt from sales tax.

Principle's Response. An attempt will be made for everyone's concern with purchases to provide them with a tax-exempt form.

Finding 5. We noted in our prior audit report that the Insufficient Funds account had a balance of \$1,632.26 at June 30, 2008. Chapter 7, Section III, 1.6(a) states "The principal is responsible for seeking reimbursement for any unpaid check returned by the bank." We recommended that this account be reviewed and any checks deemed uncollectible be presented to the school board or designated officer to be written off. The \$1,632.26 was written off, however we were not provided with evidence that the School Board authorized the funds to be written off.

Principal's Response. We will seek reimbursement for any unpaid check returned and fees. A new agreement with the School Board will ensure schools of not having to deal with bounced checks.

GREENSBORO ELEMENTARY SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response: We agree with this finding and will cross-train the staff to the extent possible.

Finding 2. In general, audit tests indicated the expenditures appear to be appropriate and properly recorded. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's response: No response required.

Finding 3. In general, audit tests indicated the monies collected appear to be appropriate and properly recorded.

GRETNA ELEMENTARY SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation

dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response: We agree with this finding and will cross-train the staff to the extent possible.

Finding 2. As was noted in our prior audit report, as of June 30, 2008 and 2009, the bank reconciliation indicated two checks that had been outstanding over one year.

Principal's Response. No response required.

Finding 3. Audit tests indicated that monies collected appeared to be properly recorded in the ledgers and were generally deposited in a timely manner. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's Response. No response required.

Finding 4. In general, audit tests indicated that expenditures appeared to be appropriate and adequately documented. Immaterial exceptions were discussed with the Principal and bookkeeper.

Principal's Response. No response required.

Finding 5. Audit tests indicated two (2) checks examined written during the audit period and one (1) written subsequent to the end of the fiscal year had only one authorized signature. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...". Accordingly, we recommend all checks have two authorized signatures.

Principal's response. The principal will ensure two (2) authorized signatures are on all checks.

HAVANA ELEMENTARY SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principle's Response. I agree with this finding.

Finding 2. In general, audit testing indicated that monies collected appeared to be properly receipted and recorded. Immaterial exceptions were noted and discussed with the Principal and Bookkeeper.

Principle's Response. No response required.

Finding 3. In general, audit tests indicated that expenditures appeared to be appropriate and adequately documented. However, the following exceptions were noted:

A. Twelve expenditures out of a sample of 36 items did not have supporting documentation such as an invoice, ten of these exceptions were checks written to students for FCAT incentive awards.

B. Two instances were noted in which the payment was not made in a timely manner (payment made in excess of thirty days after the invoice date).

Principle's Response. We will implement procedures to ensure that all expenditures are adequately documented and paid in a timely manner.

Finding 4. Audit tests indicated that monthly bank reconciliations were not signed by the preparer and the principal. The reconciliations should be signed and dated by the preparer and by the principal to document that the reconciliations have been reviewed and prepared in a timely manner.

Principal's response. I agree with this finding and recommendation

HAVANA MIDDLE SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. We agree with this finding.

Finding 2. Audit test indicated expenditures appeared to be reasonable, adequately documented, and properly recorded. Immaterial exceptions noted were discussed with the Principal and Bookkeeper.

Principal's response. No response required.

Finding 3. Our test of receipts indicated that monies received appeared, in general, to be properly receipted and recorded.

Principal's response. No response required.

Finding 4. Audit test indicated that the cash balance per the bank reconciliations did not agree with cash balance per the Manatee records. The difference amounted to \$60.62. The bank reconciliation should be reviewed to determine an accurate cash balance and the appropriate adjustments made to correct the Manatee records. It also appears the School is recording interfund transfers as adjustment which effects cash per the cash receipts journal and Principal's Report.

Principal's response. We agree with this finding and will contact Manatee software to determine how to correct the records.

JAMES A. SHANK MIDDLE SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response. We agree with this recommendation.

Finding 2. Audit tests indicated expenditures appeared to be reasonable. However, audit tests indicated two (2) disbursements out of a sample of 25 test items did not have supporting documentation, such as an invoice or a signed statement from individuals receiving cash payment. All expenditures should be supported by the appropriate documentation.

Principal's Response. We will make sure that all expenditures are properly documented.

Finding 3. Audit tests indicated two (2) checks written during the audit period had only one signature. Also our review of transactions subsequent to the year end indicated two checks in which the second signature was added after the check had cleared the bank. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...". Accordingly, we recommend all checks have two authorized signatures.

Principle's Response. All checks will have two authorized signatures.

Finding 4. In general, it appears that monies collected were properly receipted and recorded in the ledgers and deposited in a timely manner during the audit period. However, audit test indicated one (1) instance in which no ticket sale reconciliation was located for basketball tournament receipts dated May 28, 2009. Section III, 1.4 (a) states "All money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, report of tickets issued and sold or other auditable records."

Principal's Response. We will make sure that there is a report of tickets sold for each event in which tickets are sold.

ST. JOHN ELEMENTARY SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. We agree with this finding and will cross-train the staff to the extent possible.

Finding 2. In general, audit testing indicated that the expenditures were appropriate and adequately documented. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's response. No response required.

Finding 3. In general, it appears that monies collected were properly receipted and deposited in a timely manner. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's response. No response required.

STEWART STREET ELEMENTARY SCHOOL

In our prior year audit report, we noted numerous problems with the School's Internal Fund bookkeeping and were not able to express an opinion on the financial statements. Per the School's request, we performed a contractual visit to the school on January 20,

2009 and again on June 2009, to determine areas of improvement needed and the status of the school's record keeping. In both of these visits, we noted several areas of weaknesses. We recommend that the School re-examine the reports issued after these visits, as well as the following comments to strengthen the Internal Funds' internal controls.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. This audit does not reflect my leadership. I was assigned principal of Stewart Street Elementary beginning the 2009-2010 school year.

Finding 2. Audit test indicated that the reconciled cash balance per the Principal's report and bank reconciliation at June 30, 2008 was \$8,960.76. The cash balance per the Manatee records at July 1, 2008 was \$10,963.59, representing a difference of \$2,002.83. No explanation for this difference was provided.

Principal's response. See Finding 1. Principal's response.

Finding 3. Audit tests indicated that the bank reconciliations were not signed and dated by the Principal and Bookkeeper. Chapter 7, Section II (8), states "Bank statements shall be reconciled as soon as received, preferably by a person other than the person who receipts and disburses funds." Also, the preparer should sign and date the reconciliation to show that they were prepared in a timely manner, and the Principal should sign and date them to indicate they have been reviewed.

Principal's response. See Finding 1. Principal's response.

Finding 4. Our tests of receipts indicated that monies collected were not properly receipted, recorded and deposited in a timely manner. Audit test indicated:

- A. nine (9) of the twenty-nine (29) receipts tested were not deposited within five (5) working days as required by Chapter 7, Section III, 1.4(c); and
- B. seventeen (17) of the twenty-nine (29) Reports of Monies Collected tested had only one signature, usually the Bookkeeper's, instead of the two required. Due to the small staff size, two signatures on the Reports of Monies Collected, the person turning the funds in and the person receiving the funds, is an important aspect of the internal controls over cash collections.

Principal's response. See Finding 1. Principal's response.

Finding 5. Audit tests of expenditures noted several exceptions, as follows:

- A. Out of thirty-six (36) sample items selected, twenty-six (26) of the Check Requisitions had only one or no signature, not the two required. The Check Requisitions are an important part of the school's internal accounting control because they require the requesting teacher's and the Principal's signatures authorizing and verifying the expenditure.
- B. Four (4) sample items had no supporting documentation, such as an invoice, or a list of field trip participants.
- C. The documentation for One (1) check in the amount of \$206.28 totaled only \$145.02, and there was no explanation for the difference.
- D. For one (1) sample item in the amount of \$3,365.00, the check was made payable to and endorsed by the Bookkeeper. The Check Requisition requesting the check had no signatures authorizing the expense. There was a memorandum from the Gadsden County School Board indicating that \$2,000.00 was for student incentives and requested a list of students receiving the funds be sent to the Board. A copy of this list was not provided to the auditor. No documentation was provided to support the remaining \$1,365.00.
- E. One (1) check was to Quality Meats, however, the Check Requisition had no explanation of the expense.
- F. It appears that the School paid for PTA fish fry expenses totaling \$319.76, however, the PTA received the revenue earned. The PTA has its own checking account that is not accounted for through the School's Internal Funds. This does not appear to be a valid expenditure for the Internal Funds.
- G. Three instances were noted in which payment of School expenses was not made in a timely manner. The checks were dated between four (4) months and seven (7) months after the invoice date.

Principal's response. See Finding 1. Principal's response.

Finding 6. Our audit tests disclosed that the school did not properly utilize the Trust Accounts to record funds collected for a specific purpose as required by Financial and Program Cost Accounting and Reporting for Florida Schools Section III, 2.4 (a).

Principal's response. See Finding 1. Principal's response.

WEST GADSDEN HIGH SCHOOL

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation

dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response: The Principal or Assistant Principal maintains a monthly report on all internal accounts.

Finding 2. Our audit test indicated that, in general, receipts appeared to be properly documented and recorded. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's response. No response required.

Finding 3. Audit test indicated that expenditures, in general, appeared to be appropriate and adequately documented. Immaterial exceptions were discussed with the Principal and Bookkeeper.

Principal's response. No response required.

Finding 4. Audit tests indicated that several Athletic accounts had deficit balances at June 30, 2008. Also, audit tests indicated that the Internal Accounts cash balance has been declining significantly. Subsequent to June 30, 2008, the School Board issued funds to the school to eliminate the cash deficit, and internal transfers were made to eliminate all individual fund deficits. Chapter 7, Section I.10 states that purchases from internal accounts shall not exceed the resources of the applicable student activity/project account. Audit tests indicated one instance where the Band Director ordered uniforms costing \$591.55 although there was a deficit in the Band's account. In order to avoid deficits, we recommend that all account balances be reviewed prior to an expenditure being approved to ensure that funds are available for the purchase. Also, as required by Chapter 7, Section I.9, each school organization should operate within a budget formulated by the organization members.

Principal's response. Items are purchased with fundraising funds and if those funds do not cover the entire balance, parents are responsible for the remaining balance which is sometimes difficult to collect.

Finding 5. Audit tests indicated three instances in which individuals received payments exceeding \$600 for working ticket sales or security at events, and no Form 1099MISCs being provided to the individuals. We recommend that the School comply with the Internal Revenue Regulations requiring Form 1099MISCs be issued for non-employee compensation exceeding \$600.00 per year.

Principal's response. A 1099 Form was given to each person during the season in which they are to be paid for additional hours.

Finding 6. In our review of the accounting records subsequent to the fiscal year end, we noted nine (9) checks that that had only one authorized signature. Section III, 1.3(a), states, in part "All checks must be signed with two signatures...".

Principal's response. The following checks were pulled and had the appropriate signatures added.

We appreciate the opportunity to serve the Schools and the Gadsden County School Board.

Ashmore & Ashmore, P.A.
Certified Public Accountants
January 12, 2010