



Hardee County School Board Agenda Analysis

6.01

Author:


Greg Harrelson, Finance Director

Date:

August 29, 2014

Subject:

Internal accounts audit report for FY 2013-14

Background Information:

CliftonLarsonAllen, CPA's have completed their audit of the District's internal accounts for fiscal year 2013-14 and have issued their report. I am providing the following for your review and approval:

- Audit report
- Auditor communication letter to Board members (3 pages)
- Auditor suggestion to strengthen internal controls (2 pages)

There were two audit findings this year covering timeliness of deposits and cash disbursements. They have already been addressed. Also, new procedures have been implemented to strengthen internal controls over cash deposit reconciliations and check signers.

Administrative Consideration:

State Board of Education Rule 6A-1.087- The school board shall provide for an annual audit of internal funds by a person certified by the State Board of Accountancy as a certified public accountant. The auditor shall submit a signed, written report to the school board covering internal funds that shall include any notations of any failure to comply with the requirements of Florida Statutes, State Board Rules and policies of the school board, and commentary as to financial management and irregularities. Such audit shall be presented to the school board while in session and filed as part of the public record.

Fiscal Impact:

The audit fee of \$9,850 will be paid proportionately from General Fund 900 allocations to the schools and recreation complex. The internal accounts' cash and CD balance increased by \$40,233 in 2013-14 to \$500,300.

Proposed Recommendation to School Board:

Recommend approval of internal accounts audit report for FY 2013-14, communication letter and suggestion to strengthen internal controls.

Action Required:

Consent Agenda

BOARD ACTION

9/4/14

Approved

SUPP.# 97

HARDEE COUNTY DISTRICT SCHOOL BOARD

INTERNAL FUND ACCOUNTS
AUDITED FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2014

BOARD ACTION

9/4/14

Approved

**HARDEE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2014**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
STATEMENT OF FIDUCIARY NET POSITION	3
NOTES TO FINANCIAL STATEMENT	4
SUPPLEMENTARY STATEMENT	
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS	5
SUPPLEMENTAL REPORTS	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	7
SCHEDULE OF FINDINGS AND RESPONSES	9



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INDEPENDENT AUDITORS' REPORT

Hardee County District School Board
Wauchula, Florida

Report on the Financial Statement

We have audited the accompanying financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board as of June 30, 2014, and the related notes to the financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the agency fund of the internal fund accounts of the Hardee County District School Board as of June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statement presents only the agency fund of the internal fund accounts and does not purport to, and does not, present fairly the financial position of Hardee County District School Board as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the internal fund account's basic financial statement. The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014, on our consideration of the Hardee County District School Board's internal fund accounts internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
August 20, 2014

**HARDEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
INTERNAL FUND ACCOUNTS – AGENCY FUND
JUNE 30, 2014**

ASSETS

Cash and Cash Equivalents	\$ 431,568
Investments	68,732
Total Assets	<u>\$ 500,300</u>

LIABILITIES

Due to Others	<u>\$ 500,300</u>
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See accompanying Notes to Financial Statement.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The internal fund accounts of the Hardee County District School Board (the District) are comprised of eight individual accounts. There is an account for each of the seven schools in the District and one for the Hardee Community Recreation Center. This financial statement presents only the internal fund accounts and is not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America. The internal fund accounts are included in the District's annual financial report as a fiduciary fund.

Basis of Accounting

Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. It is the policy of the District to account for the internal funds of the schools on the accrual basis of accounting. Accordingly, the internal funds' assets and liabilities are recorded when the underlying transactions occur, regardless of when cash is received or disbursed.

Cash and Cash Equivalents

Cash and cash equivalents are defined to include cash on hand as well as demand deposits and investments with original maturities of three months or less from the date of acquisition.

Investments

Internal funds are authorized to invest in certificates of deposit and time deposits of qualified public depositories, securities guaranteed by the U.S. government or other investments authorized by Florida Statutes.

NOTE 2 DEPOSITS AND INVESTMENTS

Hardee Senior High's internal account pooled its excess cash resources with other funds of the District for investment purposes. The excess funds are invested in demand deposits and time deposits. At June 30, 2014, investments consist of a certificate of deposit with a duration of 6 months, maturing on October 21, 2014.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of securities that are in the possession of an outside party. At June 30, 2014, the entire amount of demand deposits is deposited in State of Florida qualified depositories and is fully insured.

North Wauchula Elementary	Zolfo Springs Elementary	Bowling Green Elementary	Hilltop Elementary	Community Recreation Center	Total
\$ 34,798	\$ 13,132	\$ 3,062	\$ 5,856	\$ 16,436	\$ 460,067
-	-	-	-	-	313,206
-	-	-	-	-	88,720
30,883	13,509	-	22,826	-	380,050
74,849	6,355	1,670	-	-	125,538
11,964	14,617	2,446	12,008	51,045	178,575
<u>117,696</u>	<u>34,481</u>	<u>4,116</u>	<u>34,834</u>	<u>51,045</u>	<u>1,086,089</u>
-	-	-	-	-	363,431
-	-	-	-	-	87,619
30,377	13,430	-	21,238	-	369,395
12,770	6,937	1,208	-	-	63,331
8,155	12,706	3,407	10,126	45,069	162,080
<u>51,302</u>	<u>33,073</u>	<u>4,615</u>	<u>31,364</u>	<u>45,069</u>	<u>1,045,856</u>
-	-	-	-	-	(832)
-	-	-	-	-	(100)
-	-	-	-	-	1,467
-	-	-	-	-	(535)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 101,192</u>	<u>\$ 14,540</u>	<u>\$ 2,563</u>	<u>\$ 9,326</u>	<u>\$ 22,412</u>	<u>\$ 500,300</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hardee County District School Board
Wauchula, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (internal fund accounts), as of June 30, 2014, and the related notes to the financial statement, which collectively comprise the internal fund accounts basic financial statements, and have issued our report thereon dated August 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the internal fund accounts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the internal fund accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the internal fund accounts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2014-001 and 2014-002 that we consider to be significant deficiencies.

Hardee County District School Board
Wauchula, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the internal fund accounts' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hardee County District School Board's Response to Findings

Hardee County District School Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hardee County District School Board's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
August 20, 2014

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

PRIOR YEAR

Prior Year Findings		Current Year Status
2013-01 <u>Timeliness of Deposits</u> <i>Summary: For one school, deposits were not made within the five (5) working day limit set forth by School Board internal fund policy and Redbook Ch.8.</i>	Material Weakness	Not Cleared
2013-02 <u>Cash Disbursements</u> <i>Summary: Detailed reports of season tickets sold and a perpetual inventory of those tickets for the fiscal year was not maintained.</i>	Material Weakness	Cleared

CURRENT YEAR

2014-001 Timeliness of Deposits

Condition:

For two schools, deposits were not made within the five (5) working day limit set forth by School Board internal fund policy and Redbook Ch.8.

Criteria:

Redbook Chapter 8 requires that funds collected must be deposited within five (5) working days after receipt.

Cause:

For two schools, funds collected were accumulated for deposit beyond five (5) working days.

Effect:

Misappropriation of funds collected may occur by error or fraud if receipts are not promptly deposited.

Recommendation:

All funds received should be deposited within five (5) working days as outlined in the District policy and Redbook.

Management Response:

Administration and staff at both schools recognize that deposits need to be made within five working days of monies collected. In addition, Hardee High School staff will verify that the date listed on the monies collected form is accurate.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2014**

CURRENT YEAR (CONTINUED)

2014-002 Cash Disbursements

Condition:

The District was not able to provide supporting documentation for 1 of 60 disbursements selected for testing during the audit.

Criteria:

The Redbook and District policies require that supporting documentation be retained for all disbursements to document the Principal's authorization for disbursement of funds.

Cause:

Supporting documentation was not properly filed and could not be found.

Effect:

The risk of errors or unauthorized purchases is increased when disbursements are not properly authorized and documented.

Recommendation:

We recommend that all disbursements have supporting documentation as required by Redbook Standards and District policies.

Management Response:

School staff will increase efforts to ensure that supporting documentation is obtained and retained for all disbursements.



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Management
Hardee County District School Board
Wauchula, Florida

In planning and performing our audit of the financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (District) as of June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the internal fund account's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the internal fund accounts internal control. Accordingly, we do not express an opinion on the effectiveness of the internal fund accounts internal control.

However, during our audit we became aware of other matters that are opportunities for strengthening internal control and operating efficiency. Our comments and suggestions regarding these matters are summarized below. A separate report dated August 20, 2014 contains our report on significant deficiencies or material weaknesses in the internal fund accounts internal control. This letter does not affect our report dated August 20, 2014.

Cash Deposit Reconciliations

Condition:

Deposit voucher reports and verified bank deposit slips were not reconciled in a timely manner at one school. For the month of December, a reconciliation difference of \$15 was noted.

Criteria:

Each deposit should be reconciled in a timely manner in order to identify and correct any errors that may have occurred.

Cause:

Individual deposits are not reconciled in a timely manner.

Effect:

Errors, misstatements, or fraud may not be recognized in a timely manner.

Recommendation:

All deposits should be individually reconciled after each deposit is made and subsequently validated by the bank.

Management Response:

Hardee High School has changed internal procedures to record non-deposited adjustments (bank adjustments). Such adjustments are handled as journal adjustments, instead of recording them through the 991 (cash clearing) account. This will help to identify any item/deposit issues that arise. Staff will also separately balance each day to validate the 991 account.



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Internal Control over Cash Disbursements

Condition:

In some instances there are checks being issued without at least one administrator as a check signer. For example, we noted one check that was signed by a bookkeeper and a guidance counselor.

Criteria:

To strengthen internal controls over cash disbursements, we recommend that at least one check signer for each check issued be an administrator.

Cause:

There may be times when both the principal and assistant principal are unavailable to sign a check.

Effect:

Unauthorized purchases may remain undetected.

Recommendation:

We recommend that all checks issued be signed by at least one administrator. When a principal is not available, we recommend the checks be signed by an assistant principal or someone from the District office.

Management Response:

On August 21, 2014, the Finance Director sent an e-mail to principals and office managers/ bookkeepers responsible for internal accounts, pointing out that either the principal or assistant principal needs to sign each internal accounts check along with another authorized signer.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Hardee County District School Board, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sebring, Florida
August 20, 2014

Board Members
Hardee County District School Board
Wauchula, Florida

We have audited the financial statement of the agency fund of the internal accounts of the Hardee County District School Board (District) as of June 30, 2014, and have issued our report thereon dated August 20, 2014. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the internal accounts are described in Note 1 to the financial statement.

No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by the internal accounts during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates

The financial statement does not contain any accounting estimates.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

A check, totaling \$3,036 was voided after year-end, but the accounting records were not updated to reflect the void.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2014.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statement or a determination of the type of auditors' opinion that may be expressed on the statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated August 20, 2014, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statement

With respect to the combining statement of cash receipts, disbursements, transfers, and balances of the internal fund accounts accompanying the financial statement, on which we were engaged to report in relation to the financial statement as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself. We have issued our report thereon dated August 20, 2014.

Our auditors' opinion, the audited financial statement, and the notes to financial statement should only be used in their entirety. Inclusion of the audited financial statement in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the School Board and management of the Hardee County District School Board and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Sebring, Florida
August 20, 2014