



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



ESCAMBIA COUNTY DISTRICT SCHOOL BOARD

OPERATIONAL AUDIT

For the Period July 1, 2004, through June 30, 2005

SUMMARY

Our operational audit of the District for the period July 1, 2004, through June 30, 2005, disclosed the following:

Finding No. 1: The District did not ensure that its charter schools provided for and maintained required insurance coverage.

Finding No. 2: The District needs to enhance its procedures to ensure that the composition of each school advisory council is representative of the community served by the school.

Finding No. 3: The District did not timely investigate and resolve reconciling items noted on its bank reconciliations or timely report and remit to the State outstanding checks considered to be unclaimed.

Finding No. 4: The District's performance-based pay plan for instructional personnel contained provisions that significantly limited participation and performance-based pay awards.

Finding No. 5: The District needs to improve internal controls over documenting and processing extra pay (work performed beyond an employee's regular assigned duties) to ensure that all supporting documentation is properly retained and that all extra-pay time sheets are timely approved and submitted for payment.

Finding No. 6: The District needs to strengthen internal controls over school-age child care program fee collections to provide for the proper accountability of these fees.

Finding No. 7: The District forfeited the use of approximately \$263,000 in grant moneys that were not timely encumbered or spent.

Finding No. 8: The District did not timely perform required fingerprinting and background screenings for all staff that had direct contact with students.

Finding No. 9: The District had not developed policies to provide errors and omissions or liability insurance for design professionals who do not carry such insurance, nor did the District require design professionals to carry such insurance.

Finding No. 10: The District was unable to provide evidence that annual safety inspections were performed at four District schools and one environmental center. Also, we noted instances in which facility safety deficiencies remained uncorrected for several years.

Finding No. 11: The District did not timely tag or otherwise mark newly acquired tangible personal property to show that the items were property of the District.

Finding No. 12: The District used capital outlay tax levy funds (property taxes levied for capital outlay purposes) to purchase cleaning equipment and accessories totaling \$91,948. Using capital outlay tax levy funds for such purchases is not authorized by law.

Finding No. 13: Certain financial information included in the District's five-year facilities work program was not properly balanced or consistent with the District's adopted capital outlay budget.

BACKGROUND

The District is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Escambia

County. The governing body of the Escambia County District School Board is composed of five elected members. The Superintendent of Schools is the executive officer of the School Board. The Board members and the Superintendent who served during the audit period are listed in Appendix A.

During the audit period, the District operated 54 elementary, middle, and high schools, and 12 special centers and reported 43,083.70 unweighted full-time equivalent students. In addition to its primary responsibility of providing educational services to students in grades kindergarten through 12, the District provided post-secondary vocational training.

The results of our audit of the District’s financial statements and Federal awards are presented in our report No. 2006-088.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Monitoring of Charter Schools

During the 2004-05 fiscal year, the District sponsored seven charter schools. The charter school agreements required, in part, that 1) the charter schools provide the District with evidence of insurance for general liability and automotive liability in an amount not less than \$500,000 prior to beginning performance under the agreements, 2) the District be named as an additional insured, 3) the insurance would not be subject to cancellation, nonrenewal, reduction in policy limits or other adverse changes in coverage, except with 45 days prior written notice to the District, and 4) the charter schools provide the District with evidence of workers’ compensation insurance in an amount required by Florida Statute.

Our initial review of District records indicated that the District had not obtained evidence of the required insurance coverage for six of the seven charter schools. Subsequent to our inquiry, District personnel obtained insurance certificates from these six charter schools. Our review of the insurance certificates for these charter schools disclosed the following:

- Six certificates did not indicate that the charter school had obtained workers’ compensation insurance.
- Two certificates did not name the District as an additional insured for both general liability and automotive liability, and two other certificates did not name the District as an additional insured for automotive liability.
- Six certificates provided for only 10 days written notice to the District upon cancellation rather than the 45 days required by the agreements.

Recommendation: The District should ensure that its charter schools provide for and maintain the insurance coverages required in the charter school agreements.

Finding No. 2: Composition of School Advisory Councils

Section 1001.452, Florida Statutes, requires, in part, that 1) the District develop procedures for the election and appointment of a school advisory council at each school in the District, 2) the membership of each school advisory council should be representative of the ethnic, racial, and economic community served by the school, and 3) if the Board determines that the membership is not representative of the community served by the school, the Board shall appoint additional members to achieve proper representation.

To provide guidance in implementing the above requirements, the Board adopted school advisory council guidelines. These guidelines provide for a variance of up to 25 percent between the composition of a school advisory council and the ethnic, racial, and economic community served by the school. Likewise, our review of selected school advisory council membership rosters disclosed several schools with variances that ranged up to 25 percent. While we recognize that small variances in the composition of the school advisory councils and the communities served by the schools are often unavoidable, the application of a 25 percent variance in all circumstances does not seem consistent with the intent of the above cited Florida Statute and may result in school advisory councils that are not

representative of the communities served by the schools. For example, we noted that the 20-member school advisory council for Cordova Park Elementary School approved by the Board for the 2004-05 fiscal year did not include any members of a specific racial group even though that same racial group comprised over 18 percent of the student population at the school.

Recommendation: The District should enhance its procedures to ensure that the composition of each school advisory council is representative of the community served by the school.

Finding No. 3: Bank Reconciliations

The District needs to investigate and resolve reconciling items noted in its bank reconciliations in a timely manner. Our review of the June 30, 2005, bank reconciliations prepared by District personnel disclosed numerous reconciling items that were more than six months old, including the following:

- Differences in wire transfers made by the bank and recorded by the District dating back to November 1999. For example, we noted that the general clearing account had 13 reconciling items that were listed as differences in outstanding wires for a net total of \$731.93.
- Various District and bank errors dating back to February 1999 for which appropriate adjustments were not made. For example, we noted that the general clearing account had 18 reconciling items listed as adjustments to the ending book balance for a net total of \$2,604.42 and 12 reconciling items listed as bank errors for a net total of \$2,310.83.
- Twenty-three outstanding payroll checks totaling approximately \$7,200 issued prior to January 2004 and dating back to June 1990 that should have been reported and remitted to the State in accordance with the provisions for unclaimed property found in Sections 717.115 through 717.119, Florida Statutes.

Effective internal control procedures would provide for the timely investigation and resolution of reconciling items, and where appropriate, timely

adjustment to the records of the District or the District's bank.

Recommendation: The District should improve its procedures to ensure that all reconciling items are timely investigated and resolved and to ensure that outstanding checks considered to be unclaimed are timely reported and remitted to the State.

Finding No. 4: Performance-Based Pay Plans

Section 1012.22, Florida Statutes, requires that a district base a portion of the compensation for each school administrator and instructional personnel on performance demonstrated under Section 1012.34, Florida Statutes. This Statute further provides that the adopted salary schedule must allow school administrators and instructional personnel who demonstrate outstanding performance to earn a five percent supplement in addition to their negotiated salary. While the District has adopted performance-based pay plans for both school administrators and instructional personnel, District records indicate that no performance-based pay has been awarded to instructional personnel since the inception of that plan (the 2002-03 academic year). Our review of the District's performance-based pay plan for instructional employees, entitled the Escambia Outstanding Teacher Recognition Program (EOTR Program), and the EOTR Program applicant guide disclosed several items that appear to significantly limit participation and performance-based pay awards as follows:

- The EOTR Program applicant guide states that each teacher desiring to participate in the EOTR Program must submit an application package which includes satisfactory instructional personnel assessment forms for the teacher's last two years. This requirement would effectively exclude teachers with less than two years of experience from participating in the EOTR Program.
- The EOTR Program applicant guide states that while the EOTR Program utilizes Florida's Educator Accomplished Practices as a basis, the EOTR Program is not part of the District's instructional personnel assessment

system (required by Section 1012.34, Florida Statutes). The EOTR Program applicant guide also requires that, during the course of the application year, the teacher must prepare and submit a portfolio of documentation that includes submission of 1) lesson plans and a video of a typical lesson, 2) evidence of regular student assessments and student gains, 3) evidence of regular participation in professional growth activities, and 4) examples of interaction with peers, colleagues, students, and parents as well as evidence of leadership roles in the school, District, or community setting. As such, the EOTR Program requires instructional personnel to incur commitments in excess of that required by the District's instructional personnel assessment system and Section 1012.34, Florida Statutes.

Recommendation: The District should revise its performance-based pay plan for instructional employees to ensure that all personnel are eligible for performance-based pay consideration and to enhance its ability to recognize and reward these employees for outstanding performance demonstrated under Section 1012.34, Florida Statutes.

Finding No. 5: Extra Pay Compensation

Extra pay is defined by the District as work performed beyond an employee's regular assigned duties. Noninstructional employees who perform such work receive extra pay at their regular rate of pay or, for time worked in excess of 40 hours, at one and one-half times their regular rate of pay. Instructional personnel who perform such work receive part-time pay at rates based upon their years of teaching experience. During the 2004-05 fiscal year, the District paid employees approximately \$1.3 million in extra pay for purposes other than attending workshops.

The District has established administrative procedures which provide guidelines to be used in documenting and processing extra pay, and these procedures have been made available to the various schools and departments. These procedures provide that a detailed report or log of the extra-pay time worked by each employee be signed by the employee and retained by the school or department as support for time reported

on extra-pay time sheets. However, two of four time logs we requested to review could not be located by District personnel.

These procedures also provide that extra-pay time sheets should not be accumulated for multiple pay periods but should be submitted as soon as the work is completed. However, our review of selected extra-pay time sheets submitted during the fiscal year disclosed instances in which extra-pay time sheets were not timely approved by the employee's supervisor or submitted to the District's payroll department, including one time sheet for services rendered over a five-month period and one time sheet submitted more than six months after the final date services were rendered. A similar finding was noted in our report No. 03-184.

When extra-pay time sheets are not timely approved and submitted, there is an increased risk that errors may occur when recording, reporting, or paying extra pay, including the possibility that extra pay may be submitted and paid more than once. For example, we noted that the extra-pay time of four instructional employees for services rendered from October 5, 2004, through November 18, 2004, was submitted and paid twice, first in December 2004 and again in January 2005. The department submitting the extra-pay time sheets subsequently realized the error and requested that the District's payroll department correct these overpayments.

Recommendation: The District should improve internal controls for documenting and processing extra pay to ensure that all supporting documentation is properly retained and that all extra-pay time sheets are timely approved and submitted for payment.

Finding No. 6: School-Age Child Care Program Fee Collections

During the 2004-05 fiscal year, the District offered child care programs at 34 schools, 7 of which were operated by District personnel. The total fee collections reported for the District-operated sites totaled approximately \$292,000. Our review of the fee

collection procedures at three of the District-operated sites (Brentwood, McArthur, and O. J. Semmes Elementary Schools) disclosed the following deficiencies:

- Fee collections receipted at two of the schools were placed in unlocked cash bags/boxes that were accessible to more than one employee. Under these conditions, it may be difficult for the District to assign responsibility for any shortfalls in fee collections should they occur.
- Although prenumbered receipts were used to acknowledge the receipt of fee collections, we noted that the blank stock of receipt books issued to the sites was accessible to more than one employee at each site and that no employee independent of the cash collection process accounted for the numerical sequence of the prenumbered receipts or the ultimate disposition of all receipt books issued. In addition, prenumbered receipts were not issued when cash payments were received to replace checks returned for insufficient funds. Under these conditions, the effectiveness of the controls afforded by the use of prenumbered receipts is limited.
- After fees were collected, the fees were provided to the school's bookkeeper for deposit into the school's internal accounts. However, a District employee (other than the school's bookkeeper) did not independently verify that the fee collections were deposited in full and in a timely manner.
- Once the fee collections were deposited into the school's internal accounts, the school bookkeepers were responsible for remitting the fee collections to the District's revenue department for deposit and recording into the District's budgetary accounts. However, District personnel did not verify that the fee collections were remitted in full and in a timely manner. We noted instances in which one school did not remit child care fee collections for periods of up to several months with accumulated balances reaching as high as \$17,987 during the 2004-05 fiscal year.
- Errors were noted in the monthly enrollment verification reports prepared by school personnel and submitted to receive subsidies from outside agencies for economically disadvantaged children. These errors included claiming days attended that differed from the child care enrollment records and omitting claims for reimbursable days attended, approved holidays, and excused absences.
- Effective procedures had not been established to ensure that all child care subsidies due to the District were timely received and properly recorded. Each school calculated and applied for subsidies and, in most cases, the District's revenue department received the subsidy payments. However, the schools did not provide the revenue department with a list of subsidy payments due, nor did District employees timely and consistently compare subsidies due to subsidies received. For example, we noted:
 - One subsidy check totaling \$1,358 was deposited in an incorrect revenue account and two subsidy checks totaling \$1,559 were shown as bank errors on the bank reconciliation because the revenue department was unaware the payments were for child care subsidies.
 - One subsidy check for \$2,195 written by the subsidizing agency on February 11, 2005, had not been received as of May 3, 2005. Subsequent to our inquiry, District personnel requested and received a replacement check for the amount due.
- Independent, routine comparisons of fee collections and deposits with fees that should have been assessed based upon attendance data and approved fee rates were not performed by District personnel. Such comparisons would provide additional assurance that all fees were properly assessed, collected, and deposited. Similar findings were noted in our report No. 03-184.

Recommendation: The District should strengthen internal controls over child care fee collections. These controls should include documenting the accountability for collections until deposit, providing for an independent verification that all prenumbered receipts are properly accounted for, and ensuring that all fees due are properly collected, accurately recorded, and timely deposited.

Finding No. 7: Grant Administration

The District applies for and receives numerous grants from Federal and State agencies to assist in carrying out various programs and services offered by the District. Some of these grants provide specific deadlines by which the District must encumber and disburse grant funds or forfeit the use of these moneys. Grant records provided for our review disclosed that, for several grants received from the Florida Department of Education, the District did not encumber and disburse all available grant funds and, during the 2004-05 fiscal year, forfeited the use of the remaining moneys. The grant funds forfeited included \$139,000 in Even Start family literacy grants, \$102,000 in Special Education renovation grants, and \$22,000 in Voluntary Public School Choice mentoring grants. These grant funds could have been used for the benefit of the District and its programs had the moneys been encumbered and spent in a timely manner in accordance with the terms of the grants.

District personnel indicated that these grant funds remained unspent for a variety of reasons including purchase and work orders not completed in time to meet established grant deadlines and confusion over what costs could be considered administrative costs under the terms of one of the grants. A similar finding was noted in our report No. 03-184.

Recommendation: The District should establish more effective monitoring procedures to ensure that all available grant moneys are encumbered and spent in a timely manner.

Finding No. 8: Background Screening and Fingerprinting Requirements

During the 2004-05 fiscal year, the District did not implement procedures for timely performing background screenings on all required staff that had direct contact with students. Section 1012.56(9), Florida Statutes (2004), requires instructional personnel to undergo a background screening every five years after obtaining initial certification. Likewise, Section 1012.465(2), Florida Statutes (2004), requires

noninstructional personnel who have direct contact with students or have access to or control of school funds to undergo a background screening every five years following employment. As part of the background screenings, the fingerprints of these employees are required to be submitted to appropriate law enforcement agencies for processing and evaluation. In a memorandum dated June 25, 2004, the Florida Department of Education recommended that, due to the large number of affected employees, school districts conduct the background screenings for certified instructional employees every five years at the time each employee renews their teaching certificate and that background screenings be conducted for approximately 20 percent of the noninstructional employees each year over a five-year period in order to have all background screenings for such employees completed by July 1, 2009.

District personnel indicated that, during the 2004-05 fiscal year, the District only fingerprinted new employees. No fingerprints were obtained and submitted to law enforcement from returning instructional employees that renewed their teaching certificates or from returning noninstructional personnel who had direct contact with students or access to or control of school funds. In response to our inquiry, District personnel indicated that a 2005-06 re-fingerprinting plan has been developed to fingerprint applicable instructional and noninstructional personnel.

Recommendation: The District should ensure that the required fingerprinting and background screenings are performed in a timely manner as required by law.

Finding No. 9: Design Professional's Insurance

Contrary to recommendations included in the Florida Department of Education's publication, *State Requirements for Educational Facilities – 1999*, the District had not developed policies to provide insurance against errors and omissions or liability for design professionals who do not carry such insurance, nor did the District require design professionals to carry such

insurance. During the 2004-05 fiscal year, the District entered into a number of contracts with design professionals. We reviewed five such contracts between the District and four individual architects. Our review disclosed that the District had not obtained documentation from three of the four architects to evidence that they carried professional liability insurance.

The remaining architect did provide the District with a certificate of liability insurance. However, the certificate indicated that the professional liability insurance was written for a one-year policy period on a "claims-made" rather than on an "occurrence" basis. A claims-made basis provides coverage only during the period in which a claim is made rather than the period in which the event occurs that gives rise to a claim. This type of insurance may not provide the District with adequate protection if, for example, a design or construction flaw were to appear subsequent to the construction period and the responsible architect no longer carries such insurance, carries an insufficient amount of insurance, or is no longer in business.

Recommendation: As recommended by the Florida Department of Education, the District should either develop policies to provide insurance against errors and omissions or liability for design professionals who do not carry such insurance or require that design professionals carry such insurance.

Finding No. 10: Annual Safety Inspections

Section 1013.12, Florida Statutes, requires that each district school board provide for the periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety. Annual firesafety inspections of each educational and ancillary plant are also required. Although requested, District personnel were unable to provide the 2004-05 fiscal year facility inspections reports for four District schools. In addition, District personnel indicated that one facility inspection for an environmental studies center was not performed during the 2004-05 fiscal year due to operational and

time constraints caused by hurricanes that affected the District.

Our review of the 2004-05 facility inspection reports indicated that, while the District corrected many of the deficiencies noted in prior fiscal year inspection reports, a number of the deficiencies still remained uncorrected. Some deficiencies noted had been cited in prior fiscal year inspection reports up to 17 previous times (years). These deficiencies included blocked or missing fire extinguishers, missing smoke detectors, improperly stored flammable liquids, exposed wires or high voltage cables, fire doors not to code, emergency lighting not provided in all required areas, improper or illegal door locks, and buildings which were not fully accessible to the handicapped. When facilities are not inspected and facility deficiencies are not timely corrected, there is an increased risk that facilities could become unsafe for occupancy and that future additional costs may be incurred in the event of further damage or deterioration. A similar finding was noted in our report No. 03-184.

Recommendation: The District should ensure that all facilities are annually inspected as required and that documentation of the inspections is properly retained. In addition, the District should continue its efforts to provide for the timely correction of facility deficiencies noted in the annual facility inspection reports.

Finding No. 11: Tagging Tangible Personal Property

Section 274.02, Florida Statutes, and Chapter 10.400, Rules of the Auditor General, require that local government agencies such as the District tag or otherwise mark tangible personal property to show that the items are property of the District. District records indicated that, as of June 30, 2005, 416 tangible personal property items totaling approximately \$644,000 that were acquired by the District prior to March 31, 2005, were still not tagged or otherwise marked as property of the District. A similar finding was noted in our report No. 03-184. Timely tagging tangible personal property items would

enhance the District's accountability for these assets and may reduce the risk of theft or loss.

Recommendation: The District should improve its procedures to provide for the timely tagging of newly acquired tangible personal property.

Finding No. 12: Restricted Capital Outlay Expenditures

Section 1011.71, Florida Statutes, authorizes school boards to levy property taxes for capital outlay purposes. Section 1011.71(2), Florida Statutes, provides that each school board may levy not more than 2 mills against the taxable value for certain specified purposes, including new construction and remodeling projects, and maintenance, renovation, and repair of existing educational plants (schools). Section 1013.01(12), Florida Statutes, defines "maintenance and repairs" as the upkeep of educational and ancillary plants, including but not limited to, roof or roofing replacement short of complete replacement of membrane or structure; repainting of interior or exterior surfaces; resurfacing of floors; repair or replacement of glass; repair of hardware, furniture, equipment, electrical fixtures, and plumbing fixtures; and repair or resurfacing of parking lots, roads, and walkways. This definition of "maintenance and repair" specifically excludes custodial or groundskeeping functions.

Our review of expenditures made from the proceeds of the capital outlay tax levy disclosed purchases for cleaning equipment and accessories totaling \$91,948. These expenditures are not within the definition of maintenance and repair and, therefore, are not an allowable use of capital outlay tax levy funds.

Recommendation: The District should document the allowability of the questioned expenditures to the Florida Department of Education or these questioned costs should be restored to the capital outlay tax levy funds.

Finding No. 13: Five-Year Facilities Work Program

Section 1013.61, Florida Statutes, requires that the Board adopt a capital outlay budget for the fiscal year that communicates the capital outlay needs of the Board to the public. The capital outlay budget shall be in harmony with the Board's capital outlay plan and shall designate the proposed capital outlay expenditures by project for the fiscal year from all fund sources. Section 1013.35, Florida Statutes, requires that the Board annually adopt a five-year facilities work program, the first year of which shall constitute the capital outlay budget required by Section 1013.61, Florida Statutes. This work program is required to be submitted to the Florida Department of Education to be utilized, in part, to communicate facility needs to the Legislature.

Our review of the District's 2004-05 five-year facilities work program submitted to the Florida Department of Education disclosed that the capital outlay budget included in the work program was approximately \$69 million less than the District's original capital outlay budget for the 2004-05 fiscal year. The difference occurred, in part, because District personnel did not include a number of major repair and renovation projects in the work program that were budgeted to be completed with funds carried over from prior years. Failing to include these major repair and renovation projects in the work program appears inconsistent with the requirements of the Florida Statutes noted above. The Florida Department of Education also reviewed the District's 2004-05 five-year facilities work program and noted several deficiencies including that a comparison of financial data among certain sections of the work program indicated the work program was "not balanced even in the first year."

Recommendation: The District should review its capital planning and budgeting procedures to ensure that information included in the five-year work program is properly balanced and consistent with the District's adopted capital outlay budget.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this operational audit were to determine whether District management controls promoted and encouraged: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets.

Specifically, our review included management controls related to the monitoring of component units, school advisory council compositions, bank reconciliations, employee compensation, school-age child care fee collections, grant administration, background screening and fingerprinting requirements, design professional's insurance, facility safety inspections, tagging tangible personal property, expenditures from restricted capital outlay sources, and the District's facilities work program.

We conducted this audit in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

PRIOR AUDIT FINDING

Our previous audits also addressed the administration of the selected management controls. As part of our current audit, we determined that the District had substantially corrected the deficiencies noted in our report No. 03-184, except as noted in finding Nos. 5, 6, 7, 10, and 11 of this report.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Escambia County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in Appendix B.

This audit was conducted by Kenneth C. Danley, CPA, and supervised by James W. Kiedinger, Jr. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This audit report, as well as other reports prepared by the Auditor General, can be obtained on our Web site at www.state.fl.us/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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APPENDIX A
ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
FOR THE PERIOD JULY 1, 2004, THROUGH JUNE 30, 2005

The Board members and the Superintendent of Schools who served during the audit period are listed below:

	<i><u>District</u></i>
	<i><u>No.</u></i>
<i>Gary Bergosh, Chair from 11-16-04</i>	<i>1</i>
<i>Cary Stidham, Chair to 11-15-04</i>	<i>2</i>
<i>Ronnie L. Clark to 3-11-05 (1)</i>	<i>3</i>
<i>Dr. Charles E. Glover, Sr., from 3-23-05</i>	<i>3</i>
<i>Dr. John DeWitt to 11-15-04, Vice-Chair</i>	<i>4</i>
<i>Patricia Hightower from 11-16-04, Vice-Chair</i>	<i>4</i>
<i>Linda Finkelstein to 11-15-04</i>	<i>5</i>
<i>Peter R. Gindle, Sr., from 11-16-04</i>	<i>5</i>

Jim Paul, Superintendent

(1) Board member resigned. Position remained vacant until filled.

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APPENDIX B
MANAGEMENT RESPONSE



THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

215 WEST GARDEN STREET
PENSACOLA, FL 32502
PHONE 850/432-6121, FAX 850/469-6379
<http://www.escambia.k12.fl.us>
JIM PAUL, SUPERINTENDENT

May 12, 2006

Mr. William O. Monroe, CPA
Auditor General
7282 Plantation Road, Suite 401
Pensacola, FL 32504

Re: Preliminary and Tentative Audit Findings and Recommendations of the operational audit of the Escambia County District School Board for the Fiscal Year Ended June 30, 2005

Dear Mr. Monroe:

Enclosed is our response to the preliminary and tentative audit findings of the operational audit for the fiscal year ended June 30, 2005.

We appreciate the opportunity to respond to the findings. After reviewing the response, please advise me if you require any further clarification or action on our part.

In the meantime, we shall look forward to receiving the final audit when it becomes available.

Sincerely,

Jim Paul
Superintendent

JP:BSL:dlh

c: Board Members

Affirmative Action/Equal Opportunity Employer

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2005

Finding No. 1: Monitoring of Charter Schools

We have determined that Certificate of Insurances have been sent to one of three District departments by the insurance carrier or Charter School. The Risk Management Department, Alternative Education Department and the Purchasing Department will work together to make sure that a copy of any required Charter School Certificates of Insurance are reviewed for compliance with contract language and a copy will be sent to the Risk Management Department to be maintained on file for audit. In addition, the Alternative Education Department, as part of their quarterly review with Charter Schools, will make sure that all required documents have been submitted when requested and are in compliance with the applicable contract language.

Finding No. 2: Composition of School Advisory Councils

The District has enhanced its procedures to ensure that the composition of each school advisory council is representative of the community served by the school. Beginning with the 2005-06 elections, each school sought nominations and elected representatives reflective of their community. Each one was carefully reviewed for compliance with the appropriate percentages by the Director of Comprehensive Planning, School Improvement, and Grants Management. Councils that did not meet the membership requirements were returned for additions or deletions. As a result, the memberships of the elected councils for the 2005-06 school year are consistent with the Florida Statute.

Finding No. 3: Bank Reconciliations

Bank reconciliation procedures will be reviewed and enhanced to improve timeliness of reconciling item resolution. Procedures for proper disposition and reporting of unclaimed payroll checks will be developed and duties related to such procedures will be assigned to the appropriate personnel. Personnel will receive training to ensure compliance with District procedures as well as compliance with Florida Statutes regarding unclaimed property.

Finding No. 4: Performance-Based Pay Plans

In response to the auditor's recommendations, the District will convene negotiations with the bargaining unit to facilitate the following:

1. All teachers will be included in the Escambia Outstanding Teacher Recognition (EOTR) program, regardless of years of service.
2. No application process will be required. All teachers will have the opportunity to receive performance pay based upon an "Excellent" ranking on their respective personnel assessment.
3. An indicator for student achievement will be added as the primary indicator on the personnel assessment form.

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2005

Finding No. 5: Extra Pay Compensation

The format of the extra-pay timesheets will be reviewed and enhanced to facilitate log record keeping. We will perform periodic reviews of back-up documentation and work with the Internal Auditing Department to assist with such reviews. Additional educational opportunities will be provided for staff preparing payroll timesheets to reinforce procedural compliance. In addition, the use of time and attendance systems to enhance accountability for hours submitted for time worked will be evaluated. Such a system may reduce overpayments for duplicate submittal of timesheets for extra-pay.

Finding No. 6: School-Age Child Care Program Fee Collections

As of July 2005, the School Board employed a District-Level School-Age Child Care (SACC) Coordinator to monitor the SACC programs. The newly hired SACC Coordinator was made aware of the questions that were being raised by the audit. The SACC Coordinator made it a priority to address the concerns raised by the 2004-05 Financial Audit, and has subsequently seen the 2004-05 Preliminary and Tentative Operational Audit findings. The following are the actions taken during the 2005-06 school year:

- SACC Coordinator meets monthly with the SACC Directors as a group and individually to update and emphasize policy. Meetings focus on proper attendance procedures and monies collections. Copies of completed attendance records are brought to the meetings by the SACC Coordinator to insure that site directors review and double check their records.
- Focus is placed on proper monies collection and deposits as well as the proper maintenance of documentation including receipt books. For example, the SACC Coordinator met with a site director to review receipt book records and subsidized fee records. The SACC Coordinator then double checked the findings with both the school bookkeeper and the District budget office.
- The SACC Coordinator visits sites to address many issues. Examples of such visits were a review of an electronic method for collecting attendance data and a meeting with a site director to clarify a monthly deposit. Another visit was with a site director and bookkeeper to discuss collection of bad checks and the option of not accepting checks.
- The SACC Guidelines were updated in 2005-06 to include clear guidelines for monies collection and deposit.
- The SACC Coordinator monitors each school site working with site directors, principals and bookkeepers to insure compliance with District policy including the proper storage of monies collected. For example, a safe was purchased at one school site to insure the proper security of the SACC monies collected.

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Escambia County School District
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- The District Budgeting Department provides to the SACC Coordinator budget spreadsheet runs for the SACC program on a school by school basis so that the SACC Coordinator may monitor the SACC Programs.
- Using these spreadsheets, the SACC Coordinator continually searches for schools that have not made monthly deposits into the District account and recommends corrective action. If such discrepancies are discovered, the SACC Coordinator formally notifies the principals and bookkeepers of a potential audit exception.
- Using the budget spreadsheets for the SACC program and working with District budgeting and revenue departments, the SACC Coordinator worked with the site directors, bookkeepers and principals to make sure Early Learning Coalition revenue checks were accounted for in the proper account. This monitoring of SACC accounts helped to locate an internal deposit that needed to be deposited in the District account.

Based on the Preliminary and Tentative Audit Findings Report, the next steps are as follows:

- By the beginning of school year 2006-07, an electronic system for collecting and maintaining attendance records will be in place. This electronic system will have safeguards in place that minimize human error especially in the area of adding days attended together.
- At the beginning of school year 2006-07, the SACC Coordinator will meet with the site directors to re-emphasize policy; the SACC Guidelines will again be updated to further clarify issues from this audit.
- SACC Coordinator will continue to strengthen the internal controls over the collection of SACC fees. The SACC Coordinator will continue to monitor fee collection procedures and data from the SACC programs.
 - ◆ A focus will be placed on the receipt books with the SACC Coordinator doing monitoring visits specifically to examine receipt book records. Specifically, the coordinator will look to see that prenumbered receipts are issued when cash payments are received to replace returned checks.
 - ◆ Monitoring visits by the SACC Coordinator will continue to be made to insure monies collected are locked up properly.
 - ◆ The SACC Coordinator will continue to work with the site directors, The Early Learning Coalition, District Revenue and Budgeting Departments to monitor child care subsidies. After collecting data this year and making observations, the SACC Coordinator has been developing a plan that will more consistently monitor this aspect of the child care revenue. This will be a priority for the 2006-07 school year.

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
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Finding No. 7: Grant Administration

Following the issuance of the preliminary and tentative audit findings for the Office of the Auditor General's report # 03-184, the District established procedures to provide for effective monitoring of grant expenditures. These procedures include preparation of monthly reports which are provided to grant managers, District administrators and School Board members. These reports disclose total grant award amounts, amounts expended and/or encumbered to date, unencumbered amounts remaining and applicable grant deadlines. In addition, staff in the District finance office hold quarterly meetings with grant managers to review the status of each grant and work toward resolving any impediments to the expenditure of the full amounts available under the grants. Implementation of these procedures and the diligent efforts of District staff were an important factor in the use of \$52,968,397 in Federal awards received by the District during the fiscal year ended June 30, 2005. The three grants cited in the preliminary and tentative findings on the operational audit of the District for the fiscal year ended June 30, 2005 had a total of \$263,000 in available funding not utilized by the District. We believe that the procedures implemented have been effective in minimizing the amount of unused grant funds.

Notwithstanding the implementation of these procedures and the continued efforts of District staff, there will continue to be instances where circumstances beyond the control of District staff may result in an inability to fully expend a grant award. However, District staff will continue to make every effort to minimize unused grant funds.

Finding No. 8: Background Screening and Fingerprinting Requirements

The School District is in the process of developing a Request for Proposals (RFP) to outsource the fingerprinting process for employees. The outsourcing of the fingerprinting process will increase the overall efficiency of the fingerprinting process and allow the District to get back on schedule with the Re-Fingerprinting Program.

Finding No. 9: Design Professional's Insurance

The District intends to revise School Board Policy to require the design professionals to provide professional liability insurance as recommended by State Requirements for Educational Facilities (SREF) 1999 and cited in the state audit findings. All design professionals are currently being notified of this requirement for future contracts.

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
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Finding No. 10: Annual Safety Inspections

The Division of Security, Safety and Emergency Operations did conduct inspections at all District schools. However, this office has been unable to locate an electronic or hard copy of the four schools referred to in this finding.

The finding is correct that a specific safety inspection, as provide for in Statute, was not conducted at the Hyatt Environmental Center due to time and operational constraints brought about by recovery efforts associated with Hurricane Ivan.

However, all District property received numerous safety inspections as part of the recovery process after Hurricane Ivan by both District staff and professional contractors, although formal inspection reports were not generated during this process.

Following the issuance of the preliminary and tentative audit findings for the Office of the Auditor General's report # 03-184, the Board directed the Division of Security, Safety & Emergency Operations to develop and implement a plan to correct long-standing citations noted in previous SREF, (State Requirements for Educational Facilities), inspections. The majority of these citations are related to significant renovation projects, such as floor-to-roof smoke and fire partitions, walkway elevation changes, etc. A plan to address this issue was developed by this office in conjunction with both the Facilities Management and Maintenance Departments.

The initial phase of the plan entailed compiling all of the data from previous inspections and applying a hazard ranking system to the existing citations, specifically those requiring capital improvement funds to effect the renovations. This information was provided to the Board at the June 2004 regular meeting.

The second step was to determine how to best utilize approximately \$500,000 in SBE Capital Outlay Bond funding set aside specifically for life safety improvements. Unfortunately, that process was disrupted due to Hurricane Ivan. Over the last year, this office in conjunction with Facilities Management, utilized the findings of the hazard ranking to determine how to best maximize the expenditure of these funds. This information was provided to an architectural firm for development of a bid package.

A contract for executing the above safety repairs and renovations was awarded by the Board at the April 2006 meeting and work is expected to begin in the near future. In addition, the District will continue to correct all deficiencies noted in past and future inspections which are not included in the bid package mentioned above.

Finding No. 11: Tagging Tangible Personal Property

Following the issuance of the preliminary and tentative audit findings for the Office of the Auditor General's report # 03-184, the District established procedures for schools and departments to follow with regard to the timely tagging of assets. Those procedures are still in place and the Finance Department monitors the schools and departments compliance with the tagging procedures. The majority of the assets remaining untagged

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

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as of June 30, 2005 were the responsibility of a specific department. The Finance Department is continuing to work with that department to assure the assets are tagged.

The fixed assets system that the District currently uses requires that payment for an asset occurs before a property tag can be created. This results in a routine time lag of approximately three weeks from the receipt of an asset until the issuance of a property tag. As the District evaluates new solutions for automated financial systems, we will continue to seek a fixed asset system that can improve upon that lag time.

Finding No. 12: Restricted Capital Outlay Expenditures

During the 2004-05 fiscal year, the District spent in excess of \$91,948 for instructional equipment in the general fund. It is requested that these expenditures be considered as restoration for the cleaning equipment and accessories expenditures questioned in the preliminary and tentative audit findings. The District will ensure that cleaning equipment and accessories are not purchased from capital outlay tax levies in the future.

Finding No. 13: Five-Year Facilities Work Program

District personnel have been in contact with staff in the Educational Facilities Office of FDOE regarding the proper methodology for reporting "carry forward" projects on the Five-Year Work Program. No clear guidance has been provided in this matter. The District will continue to work with FDOE staff to determine the proper reporting mechanism for the carry-over portion of the capital outlay budget.

The Superintendent received official notification that the Five-Year Work Program dated September 1, 2005 was a balanced Five-Year Work Program.

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