

THE SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA

**AUDITOR'S REPORTS REQUIRED BY
THE OFFICE OF MANAGEMENT
AND BUDGET (OMB) CIRCULAR A-133**

For The Year Ended June 30, 2012

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**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 3,511,256	\$ -
National School Lunch Program	10.555	300,350	10,396,798	-
Summer Food Service Program for Children	10.559	323	101,280	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555	(2) None	673,265	-
Total United States Department of Agriculture			<u>14,682,599</u>	<u>-</u>
United States Department of Labor:				
Indirect:				
WIA Cluster:				
Workforce Escarosa, Inc.:				
Federal Individual Training Account Agreement	17.255	None	273	-
WIA Youth Activities	17.259	WIA-2010-2011-03	291,292	-
Total United States Department of Labor			<u>291,565</u>	<u>-</u>
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	7,500	-
Federal Pell Grant Program	84.063	N/A	986,114	-
Total Federal Student Aid Cluster			<u>993,614</u>	<u>-</u>
Impact Aid	84.041	(3) N/A	724,457	-
Total Direct			<u>1,718,071</u>	<u>-</u>
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	10,048,421	-
Special Education - Preschool Grants	84.173	266, 267	348,152	-
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	432,693	-
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	22,935	-
Total Special Education Cluster			<u>10,852,201</u>	<u>-</u>
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	13,303,624	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 220, 223	348,234	-
Total Title I, Part A Cluster			<u>13,651,858</u>	<u>-</u>
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	87,530	-
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	27,912	-
Total Education for Homeless Children and Youth Cluster			<u>115,442</u>	<u>-</u>
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Educational Technology State Grants	84.318	121, 122	119,156	-
ARRA - Educational Technology State Grants, Recovery Act	84.386	121	21,604	-
Total Educational Technology State Grants Cluster			<u>140,760</u>	<u>-</u>

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Grantor Number</u>	<u>Amount of Expenditures (1)</u>	<u>Amount Provided to Subrecipients</u>
United States Department of Education (Continued):				
Indirect (Continued):				
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	\$ 1,268,140	\$ -
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	200,730	-
Career and Technical Education - Basic Grants to States	84.048	161	657,513	-
Charter School Start Up Grants	84.282	298	570,843	570,843
English Language Acquisition Grants	84.365	102	85,890	-
Improving Teacher Quality State Grants	84.367	224, 225	2,156,570	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top, Recovery Act	84.395	RL111	2,007,075	-
Education Jobs Fund	84.410	541	117,602	-
Mathematics and Science Partnerships	84.366	None	50,913	-
Total Florida Department of Education			<u>5,847,136</u>	<u>570,843</u>
Total Indirect			<u>31,875,537</u>	<u>570,843</u>
Total United States Department of Education			<u>33,593,608</u>	<u>570,843</u>
United States Department of Health and Human Services:				
Direct:				
Early Retiree Reinsurance Program	93.546	None	392,999	-
Indirect:				
Community Action Community - Head Start:				
Head Start / Title I Preschool	93.600	None	434,241	-
Total United States Department of Health and Human Services			<u>827,240</u>	<u>-</u>
United States Department of Homeland Security:				
Indirect:				
Florida Division of Emergency Management:				
Hazard Mitigation Planning Grant	97.039	10HM-17-01-27-03-011	51,333	-
Total United States Department of Homeland Security			<u>51,333</u>	<u>-</u>
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	69,748	-
Air Force Junior Reserve Officers Training Corps	None	N/A	49,169	-
Navy Junior Reserve Officers Training Corps	None	N/A	305,289	-
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	286,966	-
Total United States Department of Defense			<u>711,172</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 50,157,517</u>	<u>\$ 570,843</u>

THE SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2012

1. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized if it is measurable and available for use during the year. Expenditures are recognized in the period liabilities are incurred, if measurable. The amounts reported in the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements were prepared.

2. Nonmonetary Federal Financial Assistance-Donated Foods

National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated food is valued at fair value, as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

3. Impact Aid

Expenditures include \$72,926 related to grant number/program 19-FL-2009-0001, \$60,616 related to grant number/program 19-FL-2010-0001, and \$590,915 related to grant number/program 19-FL-2012-0001.



**MOORE STEPHENS
LOVELACE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Chairman and Members of
The District School Board of Escambia County, Florida

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. 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. Other auditors audited the financial statements of the discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Chairman and Members of
The District School Board of Escambia County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

We noted certain matters that we have reported to management of the District in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of the District's management, the School Board, State of Florida Auditor General, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
November 30, 2012



**MOORE STEPHENS
LOVELACE, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Chairman and Members of
The District School Board of Escambia County, Florida

Compliance

We have audited the compliance of the District School Board of Escambia County, Florida (the "District"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying Schedule of Findings and Questioned Costs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Chairman and Members of
The District School Board of Escambia County, Florida

Internal Control over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's management, the School Board, State of Florida Auditor General, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
November 30, 2012

DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2012

Section I- Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies)? Yes None reported

Type of report issued on compliance for major federal program: **Unqualified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$1,504,726

Auditee qualified as low-risk auditee? Yes No

DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For The Year Ended June 30, 2012

Section II – Findings Related to the Financial Statement Audit, as required to be reported in accordance with *Government Auditing Standards*.

No matters are reported.

Section III – Federal Award Findings and Questioned Costs Section reported in accordance with OMB Circular A-133.

No matters are reported.

DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For The Year Ended June 30, 2012

FEDERAL AUDIT FINDINGS

<u>Prior Year Reference Number</u>	<u>Corrective Action Not Yet Complete</u>	<u>Comment Has Been Addressed Or Is No Longer Relevant</u>
Federal Awards Finding No. 1	x	
Federal Awards Finding No. 2	x	
Federal Awards Finding No. 3	x	
Federal Awards Finding No. 4	x	
Federal Awards Finding No. 5	x	

As of the date of this report, the Florida Department of Education, Office of Audit Resolution and Monitoring, has not issued its management decision (i.e., program determinations) as to whether or not to sustain the predecessor auditor's findings, including whether corrective action plans and audit recommendations were fully implemented.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Chairman and Members of
The District School Board of Escambia County, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2012.

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, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*, Report of Independent Certified Public Accountants on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated November 30, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.800, Rules of the Auditor General, which govern the conduct of school board audits performed in the state of Florida. The letter includes the following information, which is not included in the aforementioned auditor's report or schedule.

Section 10.804(1)(f)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. The status of findings and recommendations made in the preceding annual financial report has been summarized in the Status of Prior Year Findings (Appendix B).

Section 10.804(1)(f)2., Rules of the Auditor General requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met. In conjunction with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes, except for certain matters, as reported in Appendix A attached hereto.

Chairman and Members of
The District School Board of Escambia County, Florida

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In conjunction with our audit, we did not have any such findings.

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contract or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In conjunction with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report on the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. In conjunction with our audit, we noted certain matters, as reported in Appendix A attached hereto.

Pursuant to (Sections 10.804(1)(f)7a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by the same. The assessment was prepared as of fiscal year end.

Section 10.804(1)(f)8., Rules of the Auditor General, requires the auditor to state whether or not the District complied with transparency requirements. Section 2, Specific Appropriation 116 through 130 of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their website to the Transparency Florida Web Site. In conjunction with our audit, we determined that the District met this requirement.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate this letter is intended solely for the information and use of the District's management, the School Board, Auditor General, State of Florida, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
November 30, 2012

APPENDIX A
DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA
Current Year Observations, Recommendations and Management Responses
June 30, 2012

2012-1 RECONCILIATION OF CERTAIN GENERAL LEDGER ACCOUNTS

Observation: During our audit, we identified certain general ledger accounts that were not reconciled to underlying supporting information, or were not individually evaluated for accuracy or completeness on an annual basis. Without periodic monitoring and reconciliation, general ledger accounts which underlie the financial statements could become materially misstated, and the misstatements may not be detected in a timely manner.

Recommendation: The District should reconcile all balance sheet accounts on a monthly, quarterly or annual basis, depending on the nature of the transactions being recorded in the accounts. The reconciliations should be documented, and reviewed and approved by supervisory personnel in a timely manner.

Management Response: The District will continue to review and reconcile all account balances on a monthly, quarterly, and annual basis as is standard procedure. In addition, to avoid this type of finding in the future, the District will take better care to assure that such reconciliations are timely, accurate, and approved by the appropriate supervisor.

2012-2 DOCUMENTATION OF PURCHASE ORDER APPROVAL

Observation: We noted one instance during our disbursement testing (out of forty items sampled) where there was no written documentation indicating approval of a purchase order that was processed.

Recommendation: We recommend that the Purchasing Department review its processing procedures to ensure that purchase order authorization is properly documented.

Management Response: The Purchase Order cited was well below \$35,000.00. Purchase Orders below \$35,000.00 do not require School Board approval, per School Board Rule. The approval of these lower dollar value purchases is typically delegated to selected purchasing staff including the Director of Purchasing. Those orders, buy virtue of the requisition/purchase order residing in the District's electronic and hardcopy files, have the approval of the Director of Purchasing.

2012-3 PERSONNEL RECORDS MANAGEMENT

Observation: Results of testing payroll transactions (out of forty items sampled) revealed that one employee's file did not include documentation of drug screening, and one employee's file did not have I-9 documentation, as required by Federal Statute. The Department of Homeland Security requires retention of Form I-9 for three years after the date of hire or one year after the date employment ends, whichever is later. Retention of drug screening documentation is not a state or federal requirement; however, it is a sound internal control policy that should be adhered to. The District is at risk of not adhering to federal requirements and local hiring practices. Without proper documentation, employees not eligible to work in the U.S., or not qualified for specific positions, may be inadvertently hired.

Recommendation: The District's Human Resources Department should review its system of maintaining employment records to ensure that all employees' records are complete.

Management Response: Human Resources is currently reviewing all hiring and file document acquisition and storage practices. We are moving to a paperless operation converting our personnel and risk management files to a digital format and capturing all new hire documentation in a digital format (Optiview). We are also beginning utilization of a new HR management system SkyWard with an enhancement of FastTrack for all pre-hire documentation in a paperless format with automatic conversion into SkyWard and Optiview which should streamline our processes with fewer errors due to lost or misfiled paperwork. As we work through these processes and build procedural safeguards into our new procedures we will be able to better maintain an efficient and effective employee management system.

APPENDIX A
DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA
Current Year Observations, Recommendations and Management Responses
June 30, 2012

2012-4 DOCUMENTATION OF CONTINUING PROFESSIONAL EDUCATION

Observation: Section 418.415, F.S., requires that the chief investment officer and other appropriate staff “annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products”. The District’s investment policy is consistent with this requirement. During our audit, the District was unable to provide written documentation that the requirement was met.

Recommendation: To comply with Florida Statutory requirements and District policy, the Assistant Superintendent – Finance and Business Services, and other appropriate staff, should maintain written documentation that the continuing education requirement is met on an annual basis.

Management Response: Continuing professional education requirements for staff responsible for investment of the District’s cash assets will include the appropriate amount of hours (8) in investment practices and products.

2012-5 AUDIT ADJUSTMENT – COMPENSATED ABSENCES LIABILITY

Observation: During our audit testing over the District’s estimated compensated absences liability as of June 30, 2012, we identified a group of employees omitted from the calculation, resulting in an understatement of the liability. The error was caused by oversight, considering known circumstances that could affect the balance. Upon identification, the error was corrected by the District as of June 30, 2012.

Recommendation: We recommend that the District’s Accounting Operations Department review its method for calculating the liability to ensure that all groups of employees are included the annual estimate of the compensated absences liability.

Management Response: The District’s method of calculating compensated absences is appropriate and comprehensive; however, the District will take better care to properly adhere to its calculation method in order to avoid reporting errors such as indicated in this finding.

APPENDIX B
DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA
Status of Prior Year Findings
June 30, 2012

The following table summarizes the status of the prior year findings reported by the external auditor in fiscal year 2011 over federal financial assistance programs:

<u>Prior Year Reference Number</u>	<u>Corrective Action Not Yet Complete</u>	<u>Comment Has Been Addressed Or Is No Longer Relevant</u>
Federal Awards Finding No. 1	x	
Federal Awards Finding No. 2	x	
Federal Awards Finding No. 3	x	
Federal Awards Finding No. 4	x	
Federal Awards Finding No. 5	x	

In addition, the District was cited for thirteen findings in an operational audit performed by the Florida Auditor General, Report Number 2012-037, dated December 2011. We considered the potential effects of the findings on the fiscal year 2012 audit of the District's financial statements. The District responded to each finding; however, the effective dates for corrective actions were generally not specific. With respect to five of the operational findings related to information technology, the District was undergoing a comprehensive accounting software, student information and computer systems implementation, effective July 1, 2012. As such, the fluid nature of the implementation did not lend itself to decisively determine the status of those findings. Fiscal year 2012 is the fourth preceding year that the information technology findings have been reported.

As of the date of this report, the Florida Department of Education, Office of Audit Resolution and Monitoring, has not issued its management decision (i.e., program determinations) as to whether or not to sustain the predecessor auditor's findings, including whether corrective action plans and audit recommendations were fully implemented.