REPORT NO. 2012-106
MARCH 2012

# ESCAMBIA COUNTY DISTRICT SCHOOL BOARD

## Federal Single Audit Report

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

| | District No. |
|---|---|
| Jeff Bergosh, Vice Chair to 11-15-10 | 1 |
| Gerald Boone, Chair | 2 |
| Linda Moultrie | 3 |
| Patty Hightower | 4 |
| Bill Slayton, Vice Chair from 11-16-10 | 5 |

Malcolm Thomas, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Kenneth C. Danley, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

# ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
# FEDERAL SINGLE AUDIT REPORT
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# EXECUTIVE SUMMARY

## Summary of Report on Financial Statements

**The District's basic financial statements, as of and for the fiscal year ended June 30, 2011, were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. Our report on the District's financial statements is included in the District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.**

## Summary of Report on Internal Control and Compliance

**Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.**

**The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.**

## Summary of Reports on Federal Awards

**Information on the Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis and is not a required part of the District's basic financial statements. Information on the SEFA is fairly stated, in all material respects, in relation to the District's basic financial statements taken as a whole.**

**We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; Race-to-the-Top; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested, except for the Special Education Cluster. Noncompliance and control deficiency findings are summarized below.**

**Federal Awards Finding No. 1: The District paid salaries and benefits from the Special Education program to certain employees who did not document the time and effort they spent providing services to uniquely benefit students in the program, resulting in $555,277 of questioned costs.**

**Federal Awards Finding No. 2: The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in $317,051 of questioned costs.**

**Federal Awards Finding No. 3: The District did not allocate Title I funds to a new charter school, resulting in $62,658 of questioned costs.**

**Federal Awards Finding No. 4: The District's net cash resources in its food service program exceeded three month's average expenditures, contrary to Federal requirements.**

**Federal Awards Finding No. 5: The Florida Department of Education cited the District for noncompliance with certain Title I program provisions.**

## Audit Objectives and Scope

**Our audit objectives were to determine whether the Escambia County District School Board and its officers with administrative and stewardship responsibilities for District operations had:**

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.**

## Audit Methodology

**The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133.**

# AUDITOR GENERAL
## STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

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 Escambia County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2011. Our report on the basic financial statements was modified to include a reference to other auditors. 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 aggregate discretely presented component units, as described in our report on the Escambia County District School Board's financial statements. For the aggregate discretely presented component units, 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**

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 opinions 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 District'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.

**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, rules, 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 reported to District management in our operational audit report No. 2012-037, dated December 2011.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
December 12, 2011

DAVID W. MARTIN, CPA
AUDITOR GENERAL

# AUDITOR GENERAL
## STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
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PHONE: 850-488-5534
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

**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**

**Compliance**

We have audited the Escambia County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District 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 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.

As described in Federal Awards Finding Nos. 1 and 2 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding Allowable Costs/Cost Principles – Compensation of Personnel Services and Matching, Level of Effort, Earmarking – Early Intervention Earmark that are applicable to its Special Education Cluster program. We consider these instances of noncompliance, in combination, to represent material noncompliance. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 3 through 5.

**Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine 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.

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 control 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 through 5. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Schedule of Expenditures of Federal Awards**

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 Escambia County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2011. Our report on the basic financial statements was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic 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 **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on the response.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
February 13, 2012

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***ESCAMBIA COUNTY***
***DISTRICT SCHOOL BOARD***
***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***
***For the Fiscal Year Ended June 30, 2011***

| 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 | $ 3,320,671.00 | $ |
| National School Lunch Program | 10.555 | 300, 350 | 9,743,697.04 | |
| Summer Food Service Program for Children | 10.559 | 323 | 108,798.82 | |
| Florida Department of Agriculture and Consumer Services: | | | | |
| National School Lunch Program | 10.555 (2)(A) | None | 872,507.37 | |
| **Total United States Department of Agriculture** | | | 14,045,674.23 | |
| **United States Department of Labor:** | | | | |
| Indirect: | | | | |
| WIA Cluster: | | | | |
| Workforce Escarosa, Inc.: | | | | |
| WIA Adult Program | 17.258 | None | 545.17 | |
| WIA Youth Activities | 17.259 | WIA-2010-2011-03 | 232,091.87 | |
| WIA Dislocated Worker Formula Grants | 17.278 | None | 654.20 | |
| **Total United States Department of Labor** | | | 233,291.24 | |
| **United States Department of Energy:** | | | | |
| Indirect: | | | | |
| Florida Solar Energy Center: | | | | |
| ARRA - State Energy Program | 81.041 | None | 11,700.00 | |
| **United States Department of Education:** | | | | |
| Direct: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | 7,500.00 | |
| Federal Pell Grant Program | 84.063 | N/A | 747,091.91 | |
| **Total Student Financial Assistance Cluster** | | | 754,591.91 | |
| Impact Aid | 84.041 (3) | N/A | 920,989.86 | |
| **Total Direct** | | | 1,675,581.77 | |
| Indirect: | | | | |
| Special Education Cluster: | | | | |
| Florida Department of Education: | | | | |
| Special Education - Grants to States | 84.027 | 262, 263 | 11,155,181.77 | |
| Special Education - Preschool Grants | 84.173 | 266, 267 | 321,781.36 | |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | 263 | 3,892,070.67 | |
| ARRA - Special Education - Preschool Grants, Recovery Act | 84.392 | 267 | 218,982.77 | |
| University of Florida: | | | | |
| Special Education - Grants to States | 84.027 | None | 1,883.26 | |
| **Total Special Education Cluster** | | | 15,589,899.83 | |
| Title I, Part A Cluster: | | | | |
| Florida Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 212, 222, 223, 226, 228 | 13,951,523.54 | |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 212, 223, 226 | 5,141,317.51 | |
| **Total Title I, Part A Cluster** | | | 19,092,841.05 | |
| Education for Homeless Children and Youth Cluster: | | | | |
| Florida Department of Education: | | | | |
| Education for Homeless Children and Youth | 84.196 | 127 | 72,073.21 | |
| ARRA - Education for Homeless Children and Youth, Recovery Act | 84.387 | 127 | 31,912.33 | |
| **Total Education for Homeless Children and Youth Cluster** | | | 103,985.54 | |
| Educational Technology State Grants Cluster: | | | | |
| Florida Department of Education: | | | | |
| Education Technology State Grants | 84.318 | 121, 122 | 163,861.72 | |
| ARRA - Education Technology State Grants, Recovery Act | 84.386 | 121 | 132,299.31 | |
| **Total Educational Technology State Grants Cluster** | | | 296,161.03 | |

***ESCAMBIA COUNTY***
***DISTRICT SCHOOL BOARD***
***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (Continued)***
***For the Fiscal Year Ended June 30, 2011***

| 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 Education (Continued):** | | | | |
| School Improvement Grants Cluster: | | | | |
| Florida Department of Education: | | | | |
| School Improvement Grants | 84.377 | 126 | $ 136,157.76 | $ |
| ARRA - School Improvement Grants, Recovery Act | 84.388 | 126 | 630,927.21 | |
| **Total School Improvement Grants Cluster** | | | 767,084.97 | |
| State Fiscal Stabilization Fund Cluster: | | | | |
| Florida Department of Education: | | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 591 | 12,512,987.00 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397 | 592 | 358,858.40 | |
| **Total State Fiscal Stabilization Fund Cluster** | | | 12,871,845.40 | |
| Florida Department of Education: | | | | |
| Adult Education - Basic Grants to States | 84.002 | 191 | 209,401.55 | |
| Career and Technical Education - Basic Grants to States | 84.048 | 161 | 748,499.83 | |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 103 | 15,591.53 | |
| Even Start - State Educational Agencies | 84.213 | 219 | 201,943.11 | |
| Charter Schools | 84.282 | 298 | 225,000.00 | 225,000.00 |
| English Language Acquisition Grants | 84.365 | 102 | 142,843.40 | |
| Improving Teacher Quality State Grants | 84.367 | 224, 225 | 2,798,691.37 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | RL111 | 1,150,896.49 | |
| Education Jobs Fund | 84.410 | 541 | 7,958,015.00 | |
| **Total Indirect** | | | 62,172,700.10 | 225,000.00 |
| **Total United States Department of Education** | | | 63,848,281.87 | 225,000.00 |
| **United States Department of Health and Human Services:** | | | | |
| Indirect: | | | | |
| Community Action Program Committee, Inc.: | | | | |
| Head Start | 93.600 | None | 440,794.42 | |
| University of Florida: | | | | |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | None | 196.38 | |
| **Total United States Department of Health and Human Services** | | | 440,990.80 | |
| **United States Department of Homeland Security:** | | | | |
| Indirect: | | | | |
| Florida Department of Community Affairs: | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 (4) | 06-DN-G-01-27-03-542, 05-PA-G-01-27-03-540 | 1,257,097.07 | |
| Hazard Mitigation Grant | 97.039 (2)(B) | None | 1,210,141.26 | |
| Florida Division of Emergency Management | | | | |
| Hazard Mitigation Grant | 97.039 | 10HM-17-01-27-03-011 | 45,567.00 | |
| **Total United States Department of Homeland Security** | | | 2,512,805.33 | |
| **United States Department of Defense:** | | | | |
| Direct: | | | | |
| Army Junior Reserve Officers Training Corps | None | N/A | 77,534.44 | |
| Air Force Junior Reserve Officers Training Corps | None | N/A | 53,417.10 | |
| Navy Junior Reserve Officers Training Corps | None | N/A | 302,618.20 | |
| Competitive Grants: Promoting K-12 Student Acheivement at Military-Connected Schools | 12.556 | N/A | 195,443.08 | |
| **Total United States Department of Defense** | | | 629,012.82 | |
| **Total Expenditures of Federal Awards** | | | $ 81,721,756.29 | $ 225,000.00 |

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on 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 have been reported.

(2) Noncash Assistance.

(A) 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.

(B) Hazard Mitigation Grant – Represents the Federally paid portion of two emergency shelter generators that cost $2,047,702.24.

(3) Impact Aid. Expenditures include $179,507.65 related to grant number/program 19-FL-2007-0001, $123,165.92 related to grant number/program 19-FL-2008-0001, and $618,316.29 related to grant number/program 19-FL-2011-0001.

(4) Disaster Grants – Public Assistance (Presidentially Declared Disasters). Expenditures include $128.94 related to Hurricane Dennis and $1,256,968.13 related to Hurricane Ivan.

# ESCAMBIA COUNTY
# DISTRICT SCHOOL BOARD
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2011

## SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| **Financial Statements** | |
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be a material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |
| **Federal Awards** | |
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be a material weakness(es)? | Yes |
| Type of report the auditor issued on compliance for major programs: | Unqualified for all major programs except for the Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA) program, which was qualified. |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| Identification of major programs: | Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); State Fiscal Stabilization Fund (SFSF) Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); ARRA - SFSF - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) |
| Dollar threshold used to distinguish between Type A and Type B programs: | $2,451,652 |
| Auditee qualified as low-risk auditee? | Yes |

# ESCAMBIA COUNTY
# DISTRICT SCHOOL BOARD
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
# FOR THE FISCAL YEAR ENDED JUNE 30, 2011

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**THE COMBINATION OF FEDERAL AWARDS FINDING NOS. 1 AND 2 REPRESENTS MATERIAL NONCOMPLIANCE**

**Federal Awards Finding No. 1:**
**Federal Agency: United States Department of Education**
**Pass-Through Entity: Florida Department of Education**
**Program: Special Education - Grants to States, Recovery Act (CFDA No. 84.391 - ARRA)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: $555,277**

**Allowable Costs/Cost Principles – Compensation of Personnel Services**. United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1., provides, in part, that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. Also, Title 34, Sections 300.34 and 300.39, Code of Federal Regulations (CFR), defines special education as specially-designed instruction, at no cost to the parents, to meet the unique needs of a child with a disability, and related services such as transportation and developmental, corrective, and other supportive services as required to assist a child with a disability to benefit from special education. In addition, Title 34, Section 300.202, CFR, indicates that Special Education program funds must be used only to pay the excess costs of providing special education and related services to children with disabilities and must be used to supplement State, local, and other Federal funds and not to supplant those funds.

OMB Circular A-87, Attachment B, Section 8.h., provides that, for employees expected to work on multiple activities or cost objectives, a distribution of their salaries or wages be supported by monthly personnel activity reports or equivalent documentation unless a substitute system has been approved by the cognizant Federal agency. These reports must reflect an after-the-fact distribution of the actual activity of each employee, the total activity for which each employee is compensated, and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification.

For the 2010-11 fiscal year, the District reported Special Education - Grants to States, Recovery Act (Special Education) program expenditures totaling $3,892,071. These expenditures included charges totaling $555,277 for 100 percent of the salaries and benefits of six in-school suspension (ISS) specialists and three elementary school assistant principals, and 50 percent of the salaries and benefits of one middle school assistant principal. However, the allowability of these charges to this program was not readily apparent, as discussed below:

- **ISS Specialists**. The District developed the ISS programs to keep more students in school and reduce the number of out-of-school suspensions. District personnel indicated that ISS specialists are teachers who supervise students suspended from their regular classroom activities, and that a disproportionate number of

special education students participated in the ISS programs for disciplinary reasons. When assigned to ISS programs, Special Education program students are responsible for continuing their regularly assigned class assignments in a study hall environment. Although all students in ISS were not special education students, the ISS specialists maintained semiannual certifications that indicated they devoted 100 percent of their time to the Special Education program. District personnel further considered the ISS specialists' salaries and benefits as allowable costs of the Special Education program as some students in the program are special education students. However, as the students in the ISS programs were not all special education students, District records did not evidence the basis for charging 100 percent of the salaries and benefits of the ISS specialists to the Special Education program.

- **Assistant Principals**. District personnel considered the assistant principals' salaries and benefits as allowable costs of the Special Education program since the assistant principals worked at schools with high concentrations of special education students and their responsibilities included the daily discipline of special education students, parent conferences or meetings related to special education students, and the supervision and evaluation of special education personnel. While the middle school assistant principal did not maintain records to evidence the services provided for special education students, the three elementary school assistant principals maintained semiannual certifications that indicated they devoted 100 percent of their time to the Special Education program. However, as the students at the schools were not all special education students, District records did not evidence the basis for these assistant principals' salaries and benefits charged to the Special Education program.

Without documentation to delineate the job responsibilities and work activities of the ISS specialists and assistant principals that uniquely benefited special education students, there is an increased risk that personnel costs may be inappropriately charged to the Special Education program. Consequently, the combined salary and benefit expenditures of the ISS specialists and assistant principals charged to the Special Education program, totaling $555,277, represent questioned costs subject to disallowance by the grantor (Florida Department of Education).

**Recommendation: The District should establish procedures to ensure that employees paid from the Special Education program provide services to uniquely benefit students in the program. Also, employees who provide services for the Special Education program should maintain the required documentation to support salary and benefit expenditures charged to the program. In addition, the District should document to the grantor (Florida Department of Education) the allowability of the $555,277 of questioned costs or restore this amount to the Special Education program.**

District Contact Person: Paul Fetsko, Assistant Superintendent for Curriculum and Instruction

**Federal Awards Finding No. 2:**
**Federal Agency: United States Department of Education**
**Pass-Through Entity: Florida Department of Education**
**Program: Special Education – Grants to States (CFDA No. 84.027)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: $317,051**

**Matching, Level of Effort, Earmarking – Early Intervention Earmark**. The Individuals with Disabilities Education Act (IDEA) provides funds for services to children with disabilities, including early intervention, special education, and related services. Pursuant to Title 34, Section 300.226, CFR, the District may use no more than 15 percent of the amount received under Part B of the Act, in combination with other amounts, to develop and implement early intervention services for students who are not currently identified as needing special education or related services. The Florida Department of Education (FDOE) determined that the District had significantly disproportionate data for race or ethnicity of students with disabilities, requiring the District to set aside 15 percent of its IDEA Part B funds for coordinated early intervention services (CEIS). Expenditures for CEIS could include

personnel costs, such as behavioral specialists, exceptional student education teachers, paraprofessionals, and other staff, to reduce the significantly disproportionate data.

FDOE awarded the District IDEA Part B funds totaling $9,971,359 for the 2010-11 fiscal year, and required the District to set aside 15 percent of this amount for CEIS. The District budgeted the 15 percent set aside ($1,495,705) for the salaries and benefits of teachers, intervention specialists, and a behavior analyst to provide CEIS; however, the District only spent $1,178,654 for CEIS. District personnel indicated that, because CEIS earmarked funds were not separately identified and accumulated in the accounting system, they did not know how much of the budgeted CEIS earmarked funds was spent until they manually calculated the total expenditures for CEIS subsequent to fiscal year-end. District personnel further indicated that the unspent CEIS earmarked funds were not carried forward and restricted for CEIS for the 2011-12 fiscal year, resulting in $317,051 of questioned costs subject to disallowance by FDOE.

**Recommendation: The District should establish procedures to ensure that coordinated early intervention services are provided for the Special Education program and the related expenditures are separately identified and accumulated. Additionally, the District should document to the grantor (FDOE) the allowability of the $317,051 of questioned costs or restore this amount to the Special Education program.**

District Contact Person: Paul Fetsko, Assistant Superintendent for Curriculum and Instruction

**Federal Awards Finding No. 3:**
**Federal Agency: United States Department of Education**
**Pass-Through Entity: Florida Department of Education**
**Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: $62,658**

**Special Tests and Provisions – Charter Schools**. Pursuant to Title 34, Section 76.789, CFR, the District must allocate Title I, Part A Cluster (Title I) program funds to any eligible charter school that opens for the first time or significantly expands its enrollment during an academic year for which the District awards these funds. To meet this requirement, the District may allocate funds to, or reserve funds for, an eligible charter school based on reasonable estimates of projected enrollment at the charter school. If the charter school opens or significantly expands its enrollment by November 1 of an academic year, the District must allocate the funds within five months of the date the charter school opens or significantly expands.

The A.A. Dixon Charter School of Excellence, a District-sponsored charter school, opened for the first time in August 2010 and, based on the charter school's actual enrollment, the school was entitled to $62,658 of Title I program funds. However, due to an oversight by District Title I program personnel, the District did not allocate the funds to the school during the 2010-11 fiscal year. Failure to allocate the Title I program funds to the charter school resulted in eligible students at the charter school not receiving program services to which they were entitled.

**Recommendation: The District should establish procedures to ensure that all new or significantly expanding charter schools are timely provided Title I program funds. In addition, the District should document to the grantor (FDOE) the allowability of the questioned costs and how Title I program resources were appropriately allocated and used or restore this amount to the Title I program.**

District Contact Person: Paul Fetsko, Assistant Superintendent for Curriculum and Instruction

**Federal Awards Finding No. 4:**
**Federal Agency: United States Department of Agriculture**
**Pass-Through Entity: Florida Department of Education**
**Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: Not Applicable**

**Special Tests and Provisions – Net Cash Resources**. Title 7, Section 210.14(b), CFR, provides that the District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its food service program or another amount established by FDOE pursuant to Title 7, Section 210.19(a), CFR. Pursuant to Title 7, Section 210.19(a)(2), CFR, should the net cash resources exceed three months' average expenditures for the food service program or amount established by FDOE, FDOE may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program. Without such action, FDOE must make adjustments in the rate of reimbursement under the National School Lunch Program.

In a letter dated November 9, 2011, FDOE advised the District that at June 30, 2011, the District had excess net cash resources of $2,432,742.77 based on the District's total net cash resources ($7,314,044.50) less the average three months' 2010-11 fiscal year expenditures ($4,881,301.73; or $17,898,106.34 of total food service expenditures divided by eleven operating months and multiplied by three months). District personnel indicated that the noncompliance occurred, in part, because planned renovation projects were not completed during the fiscal year as anticipated.

In November 2011, the District responded to FDOE that it was using the excess cash resources to renovate two school kitchens, which will bring the excess cash resources of its food service program into compliance with Federal regulations.

**Recommendation: The District should continue its efforts to ensure that net cash resources of its food service program are maintained within the level prescribed by Federal regulations.**

District Contact Person: Terry St. Cyr, Assistant Superintendent for Finance and Business Services

**Federal Awards Finding No. 5:**
**Federal Agency: United States Department of Education**
**Pass-Through Entity: Florida Department of Education**
**Program: Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: Not Applicable**

During January 2011, FDOE performed an on-site monitoring review at the District to determine, in part, compliance with selected Federal requirements relating to the Title I, Part A Cluster, and results of the review identified several areas of noncompliance. Examples of the areas cited are discussed below:

**Allowable Costs/Cost Principles**. Pursuant to Section 1003(a) of the Elementary and Secondary School Act, the District was awarded Title I, Part A school improvement funds, totaling $546,713, to serve Title I schools identified for improvement, corrective action, or restructuring. However, due to an oversight in the budgeting process, the District used $38,845.87 of these funds during the 2010-11 fiscal year to provide services at two schools not identified for improvement, corrective action, or restructuring. On January 19, 2011, the District corrected the error by reimbursing $38,845.87 to the Title I, Part A school improvement funds from Title I Grants to Local Education Agencies, Recovery Act funds.

**Special Tests and Provisions - Comparability**. Pursuant to Section 1120A(c) of the Elementary and Secondary School Act, the District may receive Title I, Part A funds only if it uses State and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to the services provided in schools that are not receiving Title I funds. Non-regulatory guidance (*Title I Fiscal Issues* dated February 2008) published by the United States Department of Education indicates that these procedures should be in writing and should, at a minimum, include the District's timeline for demonstrating comparability, identification of the office responsible for making comparability calculations, the measure and process used to determine whether schools are comparable, and how and when the District makes adjustments in schools that are not comparable.

FDOE noted in its monitoring report that the District's written procedures did not identify the instructional positions that the District included in the comparability calculation. District personnel indicated that this occurred due to an oversight when they initially drafted the comparability procedures. Failure to include all required elements in its procedures for complying with the comparability requirements increases the risk that the District may not comply with this requirement. Subsequent to the on-site review, District personnel revised the written comparability procedures to designate the instructional positions included in the comparability calculation, and FDOE approved the procedures.

**Recommendation: The District should continue its efforts to ensure that Title I program funds are appropriately used at eligible schools and District records evidence that the Title I program comparability requirements are met.**

District Contact Person: Paul Fetsko, Assistant Superintendent for Curriculum and Instruction

## MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

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# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

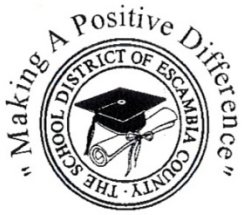
*ESCAMBIA COUNTY*
*DISTRICT SCHOOL BOARD*
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS*
*For the Fiscal Year Ended June 30, 2011*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

| Audit Report No. and Federal Awards Finding No. | Program/Area | Brief Description | Status | Comments |
|---|---|---|---|---|
| Cherry, Bekaert, & Holland, LLP | | There were no prior Federal audit findings. | | |

## EXHIBIT A

## MANAGEMENT'S RESPONSE




THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

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PENSACOLA, FL 32505
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http://www.escambia.k12.fl.us
MALCOLM THOMAS, SUPERINTENDENT

February 13, 2012

Mr. David W. Martin, CPA
Auditor General
7282 Plantation Road, Suite 401
Pensacola, FL 32504

Re: Preliminary and Tentative Audit Findings and Recommendations of the Federal Audit of the Escambia County District School Board for the Fiscal Year Ended June 30, 2011

Dear Mr. Martin:

Enclosed is our response to the preliminary and tentative audit findings of the Federal audit for the fiscal year ended June 30, 2011.

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,

Malcolm Thomas

Malcolm Thomas
Superintendent

MT:TSC:dlh

Affirmative action/equal opportunity employer

## EXHIBIT A

## MANAGEMENT'S RESPONSE (CONTINUED)

Escambia County District School Board
Response to Federal Preliminary and Tentative Audit Findings
For the Fiscal Year Ended June 30, 2011

***Federal Awards Finding No. 1: The District paid salaries and benefits from the Special Education program to certain employees who did not document the time and effort they spent providing services to uniquely benefit students in the program, resulting in $555,277 of questioned costs.***

The District will review and evaluate its procedures to ensure that employees paid from the Special Education program are allowable expenditures. Proper documentation will be required by each employee paid from the program to delineate appropriate job responsibilities and work activity. In addition, the District will document to the grantor (Florida Department of Education) the allowability of certain questioned costs attributed to this finding.

***Federal Awards Finding No. 2: The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in $317,051 of questioned costs.***

The District will continue to work with the Florida Department of Education in connection with the proper use and budgeting of CEIS funds. In order to better identify the set-aside amount, the District will adjust its budgeting procedure for this earmarked allocation. In addition, the District will document to the grantor the allowability of the questioned costs attributed to this finding.

***Federal Awards Finding No. 3: The District did not allocate Title I funds to a new charter school, resulting in $62,658 of questioned costs.***

The District recognized its Title I obligation for properly funding the new charter school with its calculated share and allocated the equivalent amount of general fund revenue ($62,658) early in the 2011-12 school year. The District worked closely with the charter school in holding the allocated funds to the normal Title I allowable cost standards by helping them to identify eligible expenditures. These equivalent general revenue funds were allocated in addition to the regular Title I funds provided to the school during the 2011-12 school year. The District will document to the grantor its efforts to comply with appropriate requirements for funding eligible Title I charter schools.

***Federal Awards Finding No. 4: The District's net cash resources in its food service program exceeded three month's average expenditures, contrary to Federal requirements.***

The District will continue its efforts to ensure that the net cash resources of its food service program are maintained within the level of prescribed Federal regulations and will review, from time to time, the most appropriate uses for excess resources in terms of evaluating meal costs, employee training, and capital equipment and facility needs.

***Federal Awards Finding No. 5: The Florida Department of Education cited the District for noncompliance with certain Title I program provisions.***

The District will continue its efforts to ensure that Title I program funds are appropriately used at eligible schools. The District's comparability calculations will be based on properly revised procedures as approved by FDOE.