STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

Summary

Report Number: 2010-181

Report Title: **Monroe County District School Board – Financial, Operational, and Federal Single Audit**

Report Period: **FYE 06/30/2009**

Release Date: **03/31/2010**

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies, four of which we consider to be material weaknesses, as summarized below.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States, as summarized in Finding No. 1 below. We also noted certain additional matters that are summarized below.

MATERIAL WEAKNESSES

Finding No. 1: Controls over certain Adult Education Program purchases, reimbursements to employees for purchases of District materials and supplies, travel, and other expenditures could be enhanced to prevent, or detect and correct, errors or fraud.

Finding No. 2: The District used capital outlay millage levy proceeds, totaling $711,453.52, to pay for items that were not specifically authorized by Section 1011.71, Florida Statutes. Additionally, contrary to Section 1011.71, Florida Statutes, the District's published notice of the tax levy and its annual capital outlay budget did not clearly identify the projects which were anticipated to be funded with the estimated tax levy.

Finding No. 3: The District used its school capital outlay sales surtax proceeds, totaling $293,966.52, for purposes contrary to Section 212.055(6), Florida Statutes.

Finding No. 4: Improvements could be made to ensure that account balances, transactions, and note disclosures are properly reported on the financial statements.

SIGNIFICANT DEFICIENCIES

Finding No. 5: Controls could be enhanced to ensure that investments are made pursuant to competitive selection procedures consistent with Board policy, and that adequate records are maintained for investments.

Finding No. 6: Improvements were needed in controls over food service collections.

ADDITIONAL MATTERS

Finding No. 7: Payroll processing procedures could be enhanced to ensure that employee work time is appropriately documented, and compensation is consistent with Board intent.

Finding No. 8: Improvements could be made in control procedures over gasoline and diesel fuel inventories.

Finding No. 9: Improvements could be made in controls over the collection of After School Day Care fees.

Finding No. 10: Controls over Adult Education Department cash collections need to be improved.

Finding No. 11: To ensure compliance with Section 119.071(5)(a), Florida Statutes, policies and procedures could be enhanced for notifying individuals of the need for and use of social security numbers.

Finding No. 12: Improvements could be made in controls over ordering, processing, and distributing high school diplomas.

Finding No. 13: A formal plan to fund the property self-insurance program needs to be established for wind damage.

Finding No. 14: The District could enhance procedures to ensure that District contributions to the health self-insurance plan are consistent with Board-approved rates.

Finding No. 15: Controls over construction and day-labor projects could be enhanced.

Finding No. 16: Procedural improvements could be made for Maintenance Department purchases to ensure that purchases are made in accordance with bid requirements and contract terms, are properly supported by vendor invoices, and the receipt of goods and services is evidenced by authorized persons.

Finding No. 17: The District maintained approximately $500,000 in two certificates of deposit at a financial institution that was not approved as a qualified public depository, contrary to Section 280.03, Florida Statutes.

Finding No. 18: The Board approved promissory notes for no interest loans, totaling $7,000, to three employees, contrary to Article 7, Section 10 of the State Constitution.

Finding No. 19: The District's procedures for requesting and approving services from the Information Technology Services (ITS) department needed improvement.

Finding No. 20: The District's disaster recovery plan needed improvement.

Finding No. 21: The District's management of user access privileges needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Fund for the Improvement of Education; Special Education Cluster; Title I, Part A Cluster; Adult Education; Twenty-First Century; and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that, except for the Adult Education program, the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings as summarized below.

Federal Awards Finding No. 1: Controls over charges to Federal programs could be improved to help ensure that grant activities are properly managed and monitored and that Federal funds are only spent for grant activities.

Federal Awards Finding No. 2: Procedures could be improved to provide for the required semiannual certification for employees who work solely on a single Federal program and periodic personnel activity reports for employees who work on multiple activities or cost objectives.

Federal Awards Finding No. 3: Controls could be enhanced to ensure that all teachers hired to teach core academic subjects in Title I schools are highly qualified and that parents receive timely notification when their children have been assigned or have been taught by non-highly qualified teachers or paraprofessionals.

Federal Awards Finding No. 4: Procedures could be enhanced to ensure charges to the Special Education program for early intervention services are properly supported.

Federal Awards Finding No. 5: Controls could be strengthened to ensure accurate meal counts are reported prior to the submission of the monthly claims for reimbursement.

Other Matter: A forensic investigation report, presented to the Board in August 2009, addressed questionable purchasing card charges, cash receipts in the Adult Education Department, and other allegations.

Audit Objectives and Scope

Our audit objectives were to determine whether the Monroe 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;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District;
  3) the reliability of records and reports; and 4) the safeguarding of District assets;
- 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; and
- Taken corrective actions for findings included in our report No. 2009-209.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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*.

Management's response is included in the audit report as Exhibit A.