Summary

Report Number: **2014-074**

Report Title: **Pasco County District School Board – Comprehensive Annual Financial Report and Federal Single Audit**

Report Period: **FYE 06/30/2013**

Release Date: **12/30/2013**

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 a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

Finding No. 1: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported on the financial statements.

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 Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. Child Nutrition Cluster, Improving Teacher Quality State Grant, and ARRA-State Fiscal Stabilization Fund (SFSF) Race To The Top Incentive Grants, Recovery Act were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each major Federal program. However we did note noncompliance and control deficiency findings as summarized below:

Federal Awards Finding No. 1: The District transferred $1.65 million from the health self-insurance internal service fund to the General Fund without making a determination of the portion that should be credited to Federal programs. Also, the District deposited a rebate of $23,932.97, generated by Child Nutrition Cluster (CNC) program expenditures, to the General Fund, although the rebate should be accounted for as a credit used to offset or reduce CNC program expenditures.

Federal Awards Finding No. 2: The District did not obtain prior approval from the Florida Department of Agriculture and Consumer Services to use CNC program funds for cafeteria remodeling, resulting in $2,484,846 of questioned costs.

Federal Awards Finding No. 3: District personnel charged indirect costs to the CNC programs by applying the 2011-12 fiscal year indirect cost rate instead of the 2012-13 fiscal year indirect cost rate, resulting in $134,791.57 of questioned costs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Pasco 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;
- 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 prior year audit reports.

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, 2013. 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.

The results of our operational audit of the District were included in our report No. 2014-073, dated December 2013.

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.