

2022

School Board of Leon County
Internal Accounts

Financial Statements and
Independent Auditor's Report

June 30, 2022

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**SCHOOL BOARD OF LEON COUNTY
INTERNAL ACCOUNTS
LEON COUNTY, FLORIDA**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Leon County District School Board
Leon County, Florida

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the student activity special revenue fund of the School Board of Leon County Internal Accounts (the Internal Accounts) as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Internal Accounts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Internal Accounts as of June 30, 2022, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Internal Accounts, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Internal Accounts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Internal Accounts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Internal Accounts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the accompanying financial statements present only the student activity special revenue fund of the Internal Accounts, and does not present fairly the financial position of the Leon County District School Board as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2023, on our consideration of the Internal Accounts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other

Leon County District School Board
Leon County, Florida

INDEPENDENT AUDITOR'S REPORT

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Internal Accounts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Internal Accounts' internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of management, the Leon County District School Board, and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.



February 3, 2023
Tallahassee, Florida

BALANCE SHEET
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
JUNE 30, 2022

	Student Activity Special Revenue Fund
Assets	
Cash and Cash Equivalents	\$ 4,516,399
Investments	419,181
Accounts Receivable	19,394
Total Assets	<u>4,954,974</u>
Liabilities	
Due to District General Fund	<u>327,224</u>
Total Liabilities	<u>327,224</u>
Fund Balance	
Restricted for Student Activities	<u>4,627,750</u>
Total Fund Balance	<u>4,627,750</u>
Total Liabilities and Fund Balance	<u>\$ 4,954,974</u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2022

	Student Activity Special Revenue Fund
Revenues	
Charges for Services	\$ 11,906,479
Total Revenues	<u>11,906,479</u>
Expenditures	
Student Activity Expenses:	
Lively Tech Programs	3,237,822
Supplies	2,678,272
Travel	45,739
Repairs and Maintenance	13,072
Rentals	494,594
Library Books	10,816
Furniture, Fixtures, and Equipment	274,656
Dues and Fees	216,127
Other Purchased Services	837,608
Miscellaneous	1,875,054
Total Expenditures	<u>9,683,760</u>
Other Financing Sources (Uses)	
Transfers out to District	(1,903,028)
Total Other Financing Sources (Uses)	<u>(1,903,028)</u>
Net Change in Fund Balance	319,691
Fund Balance - Beginning of Year	<u>4,308,059</u>
Fund Balance - End of Year	<u><u>\$ 4,627,750</u></u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
LEON COUNTY, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The financial statements of the student activities special revenue fund of the School Board of Leon County Internal Accounts (the Internal Accounts) of the Leon County District School Board (the District) have been prepared to conform to generally accepted accounting principles (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1001.51(11)(f), the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies:

Reporting Entity

The District and its Governing Board (the School Board) are organized and operated under Section 4, Article IX, of the Constitution of Florida and Chapter 1001 of the Florida Statutes. The District's boundaries are coterminous with those of Leon County. Management of the District is independent of county and city governments. The membership of the School Board consists of five members elected by county-wide vote for overlapping four-year terms. The appointed Superintendent of Schools acts as the executive officer for the District.

For financial reporting purposes, the accompanying financial statements include only the activity accounted for in the student activity special revenue fund of the Internal Accounts of the District and does not purport to present financial position and results of operations for the District as a whole. The District does, however, prepare an entity-wide annual financial report which also includes the Internal Accounts, which can be obtained from the District's administrative offices.

The Internal Accounts are a single special revenue fund of the District as follows:

- **Special Revenue Fund**—to account for resources of the Internal Accounts, which are used to administer monies collected at the District's schools in connection with school, student athletic, class, and club activities and financial aid fee collections and expenditures. The fund is made up of all of the internal account activity of the District's forty-seven targeted education sites, adult education centers, and elementary, middle, and high schools, and are unbudgeted public funds under the control and supervision of the District, with individual school principals having day-to-day responsibility over their respective schools.

The collection and disbursement of the Internal Accounts is performed in accordance with Florida Statutes, District rules, and the financial and program cost accounting and reporting for Florida Schools Manual, published by the Florida Department of Education.

The District accounts for student activity funds in a special revenue fund because there is administrative involvement in the ultimate use of all funds.

Basis of Accounting

The accompanying financial statements are prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. For this purpose, the Internal Accounts

NOTES TO FINANCIAL STATEMENTS
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
LEON COUNTY, FLORIDA

consider revenues to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Internal Accounts consider revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the liability is incurred, as under accrual accounting. Due to the nature of the expenditures recorded within the student activities special revenue fund of the Internal Accounts, none of the expenditures require modification of recognition under the modified accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market funds, and certificates of deposit held at qualified public depositories. Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, Florida Statutes. The collateral is held by the Florida Division of Treasury under the provisions of the *State of Florida Public Depository Act*. Any loss not covered by the pledged securities and Federal Deposit Insurance Corporation (FDIC) deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. Therefore, any amount of the agency fund's demand deposits in excess of FDIC protection would be fully insured or collateralized.

Investments

Investments are reported at cost. Investments of the Internal Accounts are limited to certificates of deposit held at qualified public depositories of public funds. The maturities of certificates of deposit held range from three months to one year. All certificates of deposit held are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes and are therefore not subject to credit risk.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are reported at estimated net realizable value, net of allowance for uncollectible accounts. The allowance for uncollectible accounts as of June 30, 2022 was \$0. Outstanding student balances applicable to Lively Technical College are not reported as receivables due to a historical collection rate of approximately 1% and the majority of the balances being over 90 days delinquent. Due to the nature of these student balances, which are only applied against former students who withdrew after receiving financial aid but prior to completion of their programs, they are generally not recorded as receivables unless the student attempts to re-enroll. Full payment is required on these balances prior to the student being allowed to re-enroll. Receivables of the remaining individual locations comprising the Internal Accounts' balances are considered to be 100% collectible.

Encumbrances

Encumbrance accounting, under which purchase orders are recorded to reserve an applicable appropriation, is used by the Internal Accounts.

NOTES TO FINANCIAL STATEMENTS
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
LEON COUNTY, FLORIDA

Risk Management

The Internal Accounts are exposed to various risks of loss related to theft of, damage to, and destruction of assets. The District provides commercial insurance to cover these risks of the Internal Accounts.

Due to District General Fund

Due to District General Fund consists of payroll and other expenses paid for by the District on behalf of an individual school.

Fund Balance Reporting

The Internal Accounts report fund balances pursuant to the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54) as required. The purpose of GASB No. 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned.

- **Non-Spendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Internal Accounts do not have any non-spendable funds.
- **Restricted**—This component of fund balance consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation. The Internal Accounts report all residual fund balance as restricted for student activities, based on the nature of resources comprising the special revenue fund.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., resolution) of the School Board. These committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (e.g., resolution) it employed previously to constrain those amounts. The Internal Accounts do not have any committed funds.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the School Board, or by an individual or body to whom the School Board has delegated this responsibility. By definition, fund balances are also assigned to the extent that they are needed to finance a subsequent year's budget deficit. The Internal Accounts do not have any assigned funds.
- **Unassigned**—This classification is used for spendable fund balances within the special revenue fund that are not restricted, committed, or assigned. The Internal Accounts do not have any unassigned funds.

NOTES TO FINANCIAL STATEMENTS
SCHOOL BOARD OF LEON COUNTY INTERNAL ACCOUNTS
LEON COUNTY, FLORIDA

When both restricted and unrestricted resources are available for use, it is the Internal Accounts' policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Internal Accounts' policy to use committed resources first, then assigned, and then unassigned as needed.

Note 2 - Implementation of New GASB Pronouncement

During fiscal year 2021-2022, the District implemented GASB Statement No. 87, *Leases*, which establishes specific criteria for identifying activities that should be reported as leases and specifies reporting and disclosure requirements related to activities identified as leases. Leased equipment utilized by the individual school site locations is leased in the name of the District, and related contractual payments thereon are considered to be the responsibility of the District. As a result, leases are reported at the District-wide level rather than the fund level. Therefore, the implementation of this standard has no effect on the balances of the Internal Accounts as of the beginning of the fiscal year ended June 30, 2022.

OTHER REPORTS

**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**

Leon County District School Board
Leon County, Florida

We have audited, 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, the financial statements of the student activity special revenue fund of the School Board of Leon County Internal Accounts (the Internal Accounts) as of June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2023. Our report on the financial statements included a paragraph explaining that the financial statements include only the student activity special revenue fund of the Internal Accounts and does not include the financial position of the Leon County District School Board (the District).

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Internal Accounts' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Internal Accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Internal Accounts' internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Leon County, Florida

**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**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Internal Accounts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in the accompanying management letter dated February 3, 2023.

Internal Accounts' Response to Findings

The District's response to the findings identified in our audit is described in the accompanying management's response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Internal Accounts' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Internal Accounts' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 3, 2023
Tallahassee, Florida

MANAGEMENT LETTER

Leon County District School Board
Leon County, Florida

Report on the Financial Statements

We have audited the financial statements of the student activities special revenue fund of the School Board of Leon County Internal Accounts (the Internal Accounts) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 3, 2023. Our report on the financial statements included a paragraph explaining that the financial statements include only the fiduciary net position of the Internal Accounts and does not include the financial position of the Leon County District School Board (the District).

Auditor's Responsibility

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 Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, dated February 3, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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 audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below:

Tabulation of Uncorrected Audit Findings		
2021-22 FY Finding #	2020-21 FY Finding #	2019-20 FY Findings #
22-01	21-01	20-01
22-02	21-02	20-02
22-03	21-03	20-03
22-04	21-04	20-04
22-05	21-05	20-05
22-06	21-06	20-06
22-07	21-07	20-07
22-08	21-08	

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Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires us to communicate whether or not the Internal Accounts have met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Internal Accounts did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures for the Internal Accounts. This does not apply to the Internal Accounts.

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we communicate recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we communicate results of our determination as to whether the Internal Accounts maintain on its website the information specified in Section 1011.035, Florida Statutes. (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). This does not apply to the Internal Accounts.

Additional Matters

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we have the following recommendations:

22-01 – Internal Control Over Financial Reporting for the Internal Accounts

Condition—Effective internal controls over financial reporting require that the financial accounting and reporting systems utilized by individual locations at which Internal Accounts transactions are processed be capable of producing accurate, verifiable, and auditable balance data for asset, liability, revenue, and expense accounts. During our audit of the Internal Accounts, we noted that the financial accounting system for Lively Technical College, FOCUS, is insufficient for the purposes of maintaining such required financial records. It was noted that FOCUS is incapable of producing an accurate trial balance, maintaining accurate subsidiary ledgers for accounts receivable and accounts payable balances, or producing sufficiently detailed and complete reports which would allow for the derivation of these balances. As a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84 during the prior fiscal year, internal accounts which are now required to be reported as special revenue funds, rather than fiduciary funds, are required to present a statement of revenues, expenses, and changes in fund balance, whereas only a statement of fiduciary net position was required in the past. The FOCUS system is incapable of complying with these new reporting requirements in its current state.

Effect—Lack of appropriate financial recordkeeping systems could result in potentially significant misstatements of one or more financial statement line items.

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Recommendation—It was noted during testing performed in the current year that Lively Technical College has developed an internal system consisting of monthly cash inflow/outflow reconciliations that allow accumulation of annual revenue and expense balances for reporting in compliance with GASB Statement No. 84. This process was noted to yield materially accurate balances in the current year. However, the lack of the capability of the current financial reporting system to produce these balances is still considered to be an area of concern. We recommend that management of Lively Technical College, in conjunction with District finance personnel, assess the current financial reporting capabilities within the FOCUS financial reporting modules, determine whether FOCUS offers any ancillary financial reporting modules which would allow the location to produce accurate financial records, and, if not, to assess the need for additional or replacement financial reporting software in order to rectify the lack of availability of appropriate financial records.

22-02 – Segregation of Duties Over Receipting Function

Condition—One of the basic tenets of a sound internal control is the segregation of incompatible duties among employees. The premise is that to minimize control issues, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit of the Internal Accounts, we identified instances where the bookkeeper is the sole individual responsible for receiving cash, depositing cash, and recording transactions into the general ledger. This condition is common across internal accounts in school districts across the State of Florida and is not unique to the District. The District has recognized this weakness and has established and implemented controls to mitigate this risk, including monthly review and approval of the principal's report and the bank reconciliation by each principal and the Internal Audit Department.

Effect—Lack of proper separation of incompatible duties could result in errors and irregularities that go undetected for extended periods of time.

Recommendation—We recommend that the District continue its existing efforts to mitigate the segregation of duties issue and continue to emphasize the importance of controls over cash receipting and bank deposits. Additionally, we recommend that each school assign an unrelated individual to cross-check total monies collected against the validated deposit slip after the deposits have been made.

22-03 – Internal Accounts - Disbursements

Condition—Per District Policies and Procedures related to disbursements, a purchase order shall be issued and approved electronically by the principal or his/her appointed designee (Level 2 approval) for individual item purchases over \$100 or more and invoice totals of \$500 or more, and, for purchases greater than \$1,500, by the District's purchasing department (Level 3 approval). Purchase orders shall be submitted and approved prior to the purchases, and purchase amounts exceeding the approved purchase order amount should be accompanied by documentation supporting prior approval of the excess, and, where necessary, a revised approved purchase order. Additionally, obligations for goods and services shall be paid only upon receipt of the itemized invoice or receipt with the document signed and dated by the appropriate department head or designee, certifying receipt of merchandise or service, and supporting documentation for all transactions should be maintained at the location in

MANAGEMENT LETTER

a manner which allows for timely access to the supporting documents and should be in agreement with the amount disbursed. Finally, disbursements should be coded to the appropriate general ledger accounts when entered into Skyward, and check data in Skyward should agree to the data printed on each physical check issued.

For purchases made using a District-issued p-card, all purchases should adhere to pre-established individual and aggregate monthly limits and should be supported by a p-card requisition form. Additionally, sign in/sign out records should be maintained for all p-cards held at a given individual school/location, and monthly p-card statements should be signed by the responsible reviewer indicating timely review and approval of transactional activity.

During our audit, we noted several instances where adequate preapproval of purchases was not obtained, invoices/receipts were missing or lacked proper approval, supporting documentation for purchases was not adequately maintained, disbursement data per the cleared checks did not match the check data in Skyward and/or the supporting documentation, and/or disbursements were coded to improper general ledger accounts. We also noted several instances of p-card transactions where p-card sign in/sign out procedures were not followed, purchases in excess of established limits (\$1,000 transaction limit) lacked documentation of pre-approval, and transactions were not accompanied by a p-card requisition form, and certain p-card statements selected for testing lacked appropriate signatures indicating timely review.

Effect—Consistent application of policies and procedures related to disbursements, which may vary by payment method, helps to ensure that no unapproved purchases are made, no purchases are made where adequate resources may not be available to fund that purchase, all goods have been received and services rendered prior to payment, a proper audit trail exists for all transactions, and that only authorized individuals are utilizing the methods of payment.

Recommendation—To be in compliance with the District’s Internal Accounts manual, we recommend the following:

- Each school should maintain documentation to support the purchases and related disbursements made, and all documentation evidencing disbursements should be retained and filed in a manner that makes it easily accessible.
- A purchase order should be utilized when a purchase of an individual item exceeds \$100, or a total invoice is \$500 or more, and each purchase order should have documented approval by the principal before the purchase is made. Any excess over the approved spending limit on a purchase order should be documented and rectified prior to the final purchase via a fully approved purchase order price revision. Furthermore, each purchase order exceeding \$1,500 should be submitted to the District’s Purchasing Department for approval.
- In general, every purchase should be made using a purchasing card or check issued by the school. If a purchasing card is used, the Internal Accounts P-Card Requisition Form should be completed by personnel and approved by the principal prior to each use. P-card users should restrict

MANAGEMENT LETTER

spending to the approved limit per the p-card Requisition Form for each use. Reimbursements from internal accounts to employees are prohibited with the exception of gas and travel reimbursements. All internal accounts purchases should be processed using a school check or the Internal Accounts p-card. Staff should make every effort to plan in advance for their school-specific expenditures. All reimbursements allowed under this policy should be adequately supported prior to disbursement of funds. All disbursements should be in agreement with Skyward transactional data and should be adequately supported as to payee and amount.

22-04 – Internal Accounts - Receipts

Condition—The Financial and Program Cost Accounting and Reporting for Florida Schools (the Red Book), incorporated by reference in rule 6A-1.001, Florida Administrative Code, pursuant to the requirement of Sections 1010.01, 1010.20, and 1011.07, Florida Statutes, requires that collections made outside of the school office must be turned in to the school office no later than the next business day, and deposited within five working days. The District policy related to receipts allows teachers one working day to submit collections to the bookkeeper and requires deposit within three working days of receipt by the bookkeeper. Additionally, all cash received for individual amounts in excess of \$5.00 should be documented on pre-numbered, sequential receipts, all receipts regardless of amount should be accumulated on an adequately detailed report of monies collected which agrees to the total amount deposited, and supporting documentation should be maintained for all receipted transactions. Receipts related to fundraisers should be accompanied by a pre-approved fundraising form, pursuant to a sufficiently detailed budget for the fundraiser proceeds.

During our audit, we noted several instances where receipted monies were held by a teacher for more than one working days and/or not deposited by the bookkeeper within three working days, collection date was not evident in supporting documentation, supporting documentation was incomplete or missing, receipts and/or reports of monies collected were undated or incorrectly dated, unexplained gaps existed in pre-numbered receipts, fundraiser approval forms and related budgets were not prepared prior to the event, deposit totals did not agree to the related report of monies collected, and/or inventory control logs and/or register tapes were not maintained for concessions sales.

Effect—Consistent application of policies and procedures related to receipted funds helps to ensure that all funds collected are remitted and deposited timely, the risk of theft of cash and/or inventory (resale fundraisers/concessions) is minimized, the audit trail is maintained, and fundraisers are managed properly to ensure adequate oversight over related cash collected.

Recommendation—To be in compliance with the District's Internal Accounts manual, we recommend the following:

- Monies collected should always be remitted to the bookkeeper no later than the next school day, and all funds collected by the bookkeeper should be deposited within three school days of receipt. Additionally, a deposit should be made on the last day of each week so that cash is not kept in the schools over the weekend where possible, and a deposit should be made on the last day of each month to facilitate the closing of that month's books.

MANAGEMENT LETTER

- Each school should retain all applicable supporting documentation for cash receipts and such documentation should be filed in a manner that makes it easily accessible.
- Fundraiser approval forms should be completed and should show evidence of event approval prior to the date of the event for any fundraising event to be engaged in for the benefit of a school program or the general student population.
- Receipts and Reports of Monies Collected (ROMCs) should be reviewed prior to completion of deposit for completeness and accuracy. Pre-numbered receipts should be utilized in order for any individual cash receipt in excess of \$5.00, with the reason for any gaps documented.
- Inventory logs and/or register tapes should be maintained for any resale-type items (fundraisers, concessions sales, etc.).

22-05 – Internal Accounts - Ticketed Events

Condition—Per District Policies and Procedures related to ticketed events, ticket logs/reconciliations should be maintained for all ticketed events, and discrepancies between monies collected for ticketed events as compared to tickets sold should be explained on the ticket log/reconciliation. Additionally, all monies collected for ticketed events should be remitted to the site bookkeeper no later than the next working day.

During our audit, we noted several instances where monies collected were not remitted timely to the site bookkeeper, as well as certain instances of failure to reconcile tickets sold to monies collected.

Effect—Consistent application of policies and procedures related to receipts for ticketed events helps to ensure that all funds collected are remitted and deposited timely and the risk of theft is minimized.

Recommendation—To be in compliance with the District's Internal Accounts manual, we recommend that ticket sales logs be maintained for each individual ticketed event occurring during the year. If a variance is noted between cash collected and cash expected (based on number of tickets sold), the variance should be investigated and an explanation for the variance included on the ticket sales log for the event. Amounts collected for ticketed events should be receipted by the bookkeeper no later than the next business day.

22-06 – Internal Accounts - Bank Statements and Reconciliations

Condition—Per District Policies and Procedures related to bank account reconciliations, bank accounts should be reconciled by the bookkeeper and approved by the principal within 15 days of the end of each month.

During our audit, we noted several instances of bank reconciliations not being prepared and/or approved in a timely manner and/or lacking satisfactory documentation of date of receipt/approval.

MANAGEMENT LETTER

Effect—Consistent application of policies and procedures related to bank statement reconciliations helps to ensure that errors and/or misstatements are identified and corrected in a timely manner.

Recommendation—To be in compliance with the District’s Internal Accounts manual, we recommend that all bank accounts be reconciled by the bookkeeper and approved by the principal within 15 days of the end of each month and that all approvals are appropriately dated/documentated.

22-07 – Internal Accounts - Fee Accounts

Condition—Per District Policies and Procedures related to collection of fees, all fees collected should benefit the students from whom they were collected, and significant unused fees should be reimbursed to students at the conclusion of each school year.

During our audit, we noted several instances of significant end-of-year excesses in fee accounts which were not reimbursed to students, some of which represented a buildup of multiple prior years’ fees.

Effect—Consistent application of policies and procedures related to fee accounts helps to ensure that fees are only used for the purpose for which they are collected and appropriately benefit the students from whom the fees were collected.

Recommendation—To be in compliance with the District’s Internal Accounts manual, we recommend that all fee accounts be analyzed prior to the end of each school year to determine whether any fee accounts contain excess funds which should be reimbursed to students.

22-08 – Internal Accounts - General Findings

Condition—Per general District Policies and Procedures, pre-approved budgets should be filed and maintained for all classes and clubs and for fundraisers prior to the event, fundraiser approval forms should be submitted and approved prior to fundraisers, financial reports should be submitted to the principal following any collection of public funds, including fundraisers, school sites should maintain easily accessible copies of District and Bookkeeper Procedures Manuals and/or inform all new bookkeepers of the availability of these documents online, and designated individuals should provide assistance and respond to questionnaires as necessary for the performance of periodic audits.

During our audit, we noted several instances of non-compliance with the general District Policies and Procedures and best practices as outlined above.

Effect—Consistent application of District Policies and Procedures helps to ensure that adequate funding is available for all planned activities, reduce the risk of misappropriation of items held for resale for fundraisers, events, etc., and assist in the performance of periodic internal and external audits.

Recommendation—To be in compliance with the District’s Internal Accounts manual, we recommend that all District employees familiarize themselves with and adhere to all general District Policies and Procedures.

Leon County District School Board
Leon County, Florida

MANAGEMENT LETTER

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the School Board of Leon County members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



February 3, 2023
Tallahassee, Florida

BOARD CHAIR
Alva Swafford Smith

BOARD VICE CHAIR
Rosanne Wood



BOARD MEMBERS
Laurie Lawson Cox
Marcus Nicolas
Darryl Jones

SUPERINTENDENT
Rocky Hanna

February 3, 2023

Auditor General's Office
Local Government Section
Claude Denson Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Sherrill F. Norman,

The Leon County School Board's external audit firm, Purvis Gray & Company, has concluded the audit of the School Internal Accounts for the fiscal year ending June 30, 2022.

School Internal Funds are the funds collected and expended within the school including, but not limited to fundraising proceeds, student fees, athletic ticket sales, PTO, PTA and Booster Group funds. Each school principal in conjunction with the school financial accountant manage all internal accounts transactions for their respective school.

The information below details the District's management responses and/or corrective actions to address each audit comment. Please note that appropriate corrective actions are currently underway.

22-01 – Internal Controls Over Financial Reporting for the Internal Accounts

The District will work with Lively to ensure that FOCUS can provide the information needed. Lively will work with FOCUS to review settings and FOCUS' capability of providing needed information. During this review period, Lively will provide information manually through an Excel spreadsheet.

22-02 – Segregation of Duties Over Receipting Function

The District continues to emphasize the need for the segregation of duties, and will continue to work with school sites to correct this issue. Most schools have a very limited office staff available to meet this criterion, but it is communicated to them to make this a priority.

2757 W. Pensacola Street, Tallahassee, FL 32304 • Phone (850) 487-7100 • www.leonschools.net

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Building the Future Together

22-03 -Internal Accounts - Disbursements

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employees that are assigned to monitoring and training bookkeepers in all proper procedures. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

P-Card Disbursements

See above response. In addition to the above response, Finance will work with the Purchasing Department to provide additional training in the processing of P-card purchases and payments.

22-04 – Internal Accounts - Receipts

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employees that are assigned to monitoring and training bookkeepers in all proper procedures. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

22-05 – Internal Accounts – Ticketed Events

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employees that are assigned to monitoring and training bookkeepers in all proper procedures. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

22-06 – Internal Accounts – Bank Statements and Reconciliations

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employees that are assigned to monitoring and training bookkeepers in all proper procedures. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

22-07 – Internal Accounts – Fee Accounts

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employee that are assigned to monitoring and training bookkeepers in all proper procedures. The Finance employee that monitors the Internal Accounts reviews these balances every year and informs the Principal that refunds must be processed. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

22-08 – Internal Accounts – General Findings

The Finance Department provides training every year to all bookkeepers. These trainings are held two to four times yearly. Items listed in this finding are covered in these trainings. The Finance Department has employees that are assigned to monitoring and training bookkeepers in all proper procedures. We will continue to monitor and emphasize the importance of following all Internal Accounts procedures.

The Leon County School District will continue to work diligently to fully implement corrective actions as outlined above. Please feel free to contact me directly with questions, concerns or if additional information is needed.

Sincerely,

A handwritten signature in blue ink that reads "Rocky Hanna". The signature is written in a cursive, flowing style.

Rocky Hanna
Superintendent

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