

Board Meeting Agenda Item Executive Summary

Supt.'s Office Use Only

Board Meeting 5-6-08

Agenda Action

Item No. H.4.

Board Meeting Date:	5/6/2008
Submitted By:	Scott Ward
Item Description:	Financial, and Federal Single Audit of the Alachua County District School Board, for Fiscal Year Ending June 30, 2007

Purpose and Explanation:

To present to the District School Board the Annual Financial Audit and related Management Letter of the School Board of Alachua County at its next meeting and to file the audit report as a part of the public records of the Board.

The Superintendent recommends that the Report of Independent Certified Public Accountants prepared by Ernst & Young LLP, for the year ended June 30, 2007, and accompanying Management Letter be filed as part of the public records of the School Board.

BUDGETARY IMPACT

Funding Source (Description):	Amount:
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Staff Attorney Review & Approval <i>(For Contracts Only)</i>	Date: _____ Initial: _____	ADDITIONAL INFORMATION Yes: <u> X </u> No: <u> </u>
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Management Letter and State Reporting Requirements

Members of the Board
School Board of Alachua County

In planning and performing our audit of the basic financial statements of School Board of Alachua County (“the District”) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

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

The suggestions included in this letter, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls. The comments that relate to the entities as a whole are organized by subject matter.

Compliance - Tangible Personal Property Inventory

Observation and Recommendation

During our testing of the Compliance Audit Procedures mandated by the State of Florida Auditor General related to Tangible Personal Property, we noted that the State requires a test to “determine that an annual physical inventory was made of all tangible personal property and reconciled to the property records, and that the reconciling items were properly investigated and resolved.” We noted that this compliance requirement was consistent with the District’s policy

on capital purchases. During our testing, noted two out of three school's inventories selected for fiscal year 2007 were not able to produce Tangible Personal Property Inventories completed in the period. We therefore find this requirement to not be in compliance. We recommend that the District annually perform a physical inventory of all schools and a monitoring process by finance be put into place to ensure all schools comply with this statutory requirement. By performing this count, the District will be able to detect asset misappropriation and appropriately value their tangible personal property.

Management's Response

The District will perform annual physical inventory of all schools and develop a monitoring process to ensure all schools comply with statutory requirements.

Compliance – Procurement, Debarment and Suspension

Observation and Recommendation

During the testing of internal controls over the Eisenhower Professional Development grant (CFDA No. 84.367) compliance requirement "I" – Procurement, Debarment and Suspension – we noted a deficiency in the operation of controls designed to ensure that the School Board was complying with procedures necessary to ensure that no active vendors were debarred or suspended based on the State of Florida and Federal Government guidelines. We also noted necessary procedures to address this requirement were not actively operating for the fiscal year. We note that this is considered a control deficiency and therefore recommend the District put procedures in place to ensure that no active vendors who are on the debarment list are not used during the procurement process for goods and service purchased with federal or state dollars.

Management's Response

We have adopted additional procedures to ensure that vendors who are on the debarment list are not used during the procurement process for goods and services purchased with federal or state dollars.

Inventory Reconciliation

Observation and Recommendation

While performing our audit procedures related to inventory, we noted one instance of an incorrect price being used when calculating the value of the inventory. The discrepancy was due to a keying error that resulted in a significant difference between the price used for valuation and the actual cost of the inventory item. We recommend that the inventory be reviewed and reconciled against the previous inventory in order to detect and correct such errors.

Management's Response

We have implemented additional procedures that require additional review and reconciliation against the previous inventory in order to detect and correct errors.

Financial Statement Close Process

Observation and Recommendation

During our audit, we noted that the District did not account for unamortized bond issuance costs, premiums, discounts or gains/losses on bond refunding for its long-term debts required in the government-wide financial statements included in the basic financial statements. In addition, we noted that the District overstated revenue as of 6/30/06 related to interest earnings on bonds, which resulted in a restatement of the financial statements. This error was detected by management in the subsequent fiscal year was not detected in the reporting year in which the error occurred. We suggest that the District develop controls around the financial statement close process in order to address these issues.

Management's Response

We will continue to improve internal controls over the financial statement close process in order to address these issues.


Required Disclosures

During the course of our audit of the District, nothing came to our attention that would cause us to believe that the District is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), *Florida Statutes*.

The District complied with the requirements of Section 218.415, *Florida Statutes*, regarding the investment of public funds.

This communication is intended solely for the information and use of management, the Superintendent, Members of the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.



January 25, 2008