

**ESCAMBIA COUNTY
DISTRICT SCHOOL BOARD**

Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Jeff Bergosh, Chair to 11-18-13	1
Gerald Boone	2
Linda Moultrie, Vice Chair to 11-18-13, Chair from 11-19-13	3
Patty Hightower, Vice Chair from 11-19-13	4
Bill Slayton	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 Christy L. Johnson, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
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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, 2014, were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. Our report on the District's basic financial statements is included in the [District's Comprehensive Annual Financial Report](#) for the fiscal year ended June 30, 2014.

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 Report 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, Federal Pell Grant, and School Improvement Grants programs 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 of its major Federal programs, except for the Federal Pell Grant Program. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 2014-001: Controls were not adequate over the Federal Pell Grant Program, resulting in \$19,236 of questioned costs.

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:

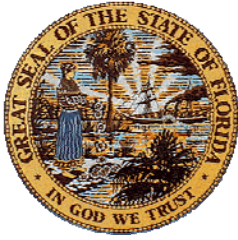
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- 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 the previous audit report.

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, 2014. 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 are included in our report No. 2015-075.

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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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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 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*

Report on the Financial Statements

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 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, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 17, 2014. Our report includes a reference to other auditors who audited the financial statements of the employee benefit trust fund, a blended component unit, and aggregate discretely presented component units, as described in our report on the District’s financial statements. 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 of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District’s 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 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. 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 may exist that have not been identified.

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. 2015-075.

Purpose of this Report

The purpose of the **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*** 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

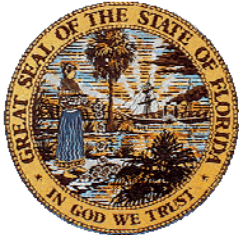
Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

December 17, 2014



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

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, 2014. The District’s major Federal programs are identified in the **SUMMARY OF AUDITOR’S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Federal Pell Grant Program

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding CFDA No. 84.063 Federal Pell Grant Program as described in Federal Awards Finding No. 2014-001 for Special Tests and Provisions, Eligibility, and Financial Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Federal Pell Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Pell Grant Program for the fiscal year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 to be material weaknesses.

Management's response to the finding identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 17, 2014, which contained unmodified opinions on those financial statements that collectively comprise the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying **SCHEDULE OF EXPENDITURE 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 EXPENDITURE OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 10, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

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 Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	\$ 3,518,732.62	\$
National School Lunch Program	10.555 (2)	13001	11,971,681.80	
Summer Food Service Program for Children	10.559	13006	81,177.14	
Total Child Nutrition Cluster			<u>15,571,591.56</u>	
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	330	16,076.62	
Total United States Department of Agriculture			<u>15,587,668.18</u>	
United States Department of Labor:				
Indirect:				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	None	346,650.73	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	1,262,842.10	
Impact Aid	84.041 (3)	N/A	550,596.99	
Total Direct			<u>1,813,439.09</u>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	10,864,947.26	
Special Education - Preschool Grants	84.173	266, 267	503,407.34	
Total Special Education Cluster			<u>11,368,354.60</u>	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	229,848.62	
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	12,627,944.40	
Career and Technical Education - Basic Grants to States	84.048	161	527,079.20	
Education for Homeless Children and Youth	84.196	127	76,000.00	
Charter Schools	84.282	298	150,000.00	150,000.00
English Language Acquisition State Grants	84.365	102	78,723.51	
Mathematics and Science Partnerships	84.366	None	11,180.00	
Improving Teacher Quality State Grants	84.367	224	2,010,227.48	
School Improvement Grants	84.377	126	1,755,586.52	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RG311, RG411	2,846,953.38	
Total Indirect			<u>31,681,897.71</u>	150,000.00
Total United States Department of Education			<u>33,495,336.80</u>	150,000.00
United States Department of Health and Human Services:				
Indirect:				
Community Action Program Committee, Inc.:				
Head Start	93.600	None	411,277.84	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	68,364.59	
Air Force Junior Reserve Officers Training Corps	None	N/A	45,309.21	
Navy Junior Reserve Officers Training Corps	None	N/A	324,291.56	
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	352,151.52	
Total United States Department of Defense			<u>790,116.88</u>	
Total Expenditures of Federal Awards			<u>\$ 50,631,050.43</u>	<u>\$ 150,000.00</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2013-14 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 - 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.
 (3) Impact Aid. Expenditures are related to grant number/program 19-FL-2014-0001.

**ESCAMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the Federal Pell Grant Program (CFDA No. 84.063), 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:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.063	Federal Pell Grant Program
84.377	School Improvement Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,518,931
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, 2014**

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:

Federal Agency: United States Department of Education

Award Number: P063P13415

Program: Federal Pell Grant Program (CFDA No. 84.063)

Finding Type: Material Noncompliance and Material Weakness for Each Compliance Requirement Listed Below

Questioned Costs: \$19,236

Special Tests and Provisions – Administrative Capability. During the 2013-14 fiscal year, the District administered the Federal Pell Grant Program (Program) at George Stone Technical Center (GSTC) and Program expenditures totaled approximately \$1.2 million. To continue participation in the Program, Federal regulations require the District to demonstrate to the United States Department of Education (ED) that it is capable of adequately administering the Program under various standards established in Title 34, Section 668.16, Code of Federal Regulations (CFR). These administrative capability standards include requirements such as:

- The District's ability to administer the Program in accordance with all statutory provisions;
- The use of an adequate number of qualified persons to administer the Program, including consideration of staff size, number of student aid applications evaluated, number of students and amount of funds administered, the financial aid delivery system used, the degree of office automation, and the number and distribution of financial aid staff; and
- Establishing and maintaining records required by regulations and the Program.

As discussed below, our audit disclosed Program questioned costs totaling \$19,236 (Verifications - \$4,455; Disbursements - \$4,698; and Return of Pell Grant Funds - \$10,083), control deficiencies, and noncompliance with Federal regulations. Also, we noted that students earned awards totaling \$9,214 (Disbursements - \$3,648 and Return of Pell Grant Funds - \$5,566) that had not been requested from the ED or disbursed to students. These questioned costs, control deficiencies, and noncompliance are likely attributable, in whole or in part, to inadequate administrative capability.

Eligibility. Pursuant to Title 34, Section 690.62, CFR, the ED publishes schedules to establish student Pell grant award amounts for each academic year. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, expected family contribution (EFC), and cost of attendance. Our test of 25 students who received annual awards totaling \$103,999 disclosed that the annual awards exceeded the ED-calculated amounts for 11 students ranging from \$466 to \$5,645 and totaling \$29,257, and annual awards were less than the ED-calculated amounts for 12 students ranging from \$695 to \$4,298 and totaling \$29,192. District personnel miscalculated these awards primarily because they misunderstood the award calculations for students in clock-hour programs. As the District did not disburse funds awarded at the time of the award, any questioned costs related to these awards are addressed in the verification, disbursements, and return of Pell grant funds sections below.

Special Tests and Provisions – Verification. Title 34, Sections 668.51 through 668.61, CFR, require applicants whose Free Application for Federal Student Aid (application) is selected by the ED for verification to provide to the District certain documentation used in determining the applicant's EFC, which generally includes documentation of adjusted gross income or income tax paid, number of family members in the household, and other information. If the documentation is not provided, the student forfeits the Pell grant, and must return any payments received for that award year.

Our test of eight applications selected for verification disclosed that the District did not retain documentation supporting that the verification had been performed for four of these applications. Subsequent to our inquiry, GSTC personnel provided appropriate documentation to support three of the applications. However, as documentation from the remaining student was not provided, the student was not eligible to receive the Pell grant and payments to the student, totaling \$4,455, represent questioned costs subject to disallowance by the ED.

Special Tests and Provisions – Disbursements. During our test of Program disbursements, totaling \$71,137, to 25 students, we noted the following:

- Title 34, Section 668.164(i), CFR, requires the District to disburse funds for books and supplies by the seventh day of the payment period; however, the District disbursed funds totaling \$6,800 for books and supplies to 14 students enrolled in 24 payment periods from 8 to 76 days after the start of the payment period.
- Title 34, Section 668.4, CFR, requires the District to calculate disbursement periods for clock-hour students and disburse funds by the end of each payment period and not disburse funds for the subsequent payment period until students completed hours in the previous payment period. The CFR also requires the District to determine that students completed the minimum number of weeks of instructional time in the payment period prior to disbursing funds for the next payment period. However, the District did not always make disbursements consistent with these timeframes. Specifically, we noted the following:
 - The District disbursed Program funds totaling \$4,059 to 8 students up to 93 days after the end of the payment period in which the hours were earned.
 - The District disbursed Program funds totaling \$6,394 to 5 students up to 227 days before the start of the payment period in which the hours were earned.
 - The District disbursed Program funds to a student for amounts in excess of hours earned in the payment period, resulting in questioned costs for this student totaling \$273.
 - The District disbursed Program funds to 2 students for awards for the 2013-14 fiscal year although the students had not completed hours during the 2012-13 fiscal year, resulting in questioned costs for these students totaling \$4,425.
 - Program funds, totaling \$3,648, were not requested or disbursed to 8 students for hours earned in the payment period.

Financial Reporting. Title 34, Section 668.164, CFR, defines the disbursement date as the date the District makes a disbursement to a student's account at the District or pays a student directly. Our test of 60 disbursements made to 25 students disclosed 55 disbursements to these students in which one or more of the disbursement dates recorded in the Common Origination and Disbursement (COD) system did not agree to the actual date the funds were credited to the student's account or paid directly to the student ranging from 55 days prior to disbursement to 287 days after disbursement. Generally, GSTC personnel recorded the date the award calculation was submitted to Accounting Operations Department personnel for processing as the disbursement date. Because several regulatory requirements are based on that date, including when the student becomes a Federal student aid (FSA) recipient and has the rights and responsibilities of an FSA recipient, it is important to properly enter the disbursement date in the COD

system. Incorrect disbursement dates recorded in the COD system increases the risk that students may not receive additional Federal program funding to which they are entitled.

Special Test and Provisions – Return of Pell Grant Funds. Title 34, Section 668.22, CFR, requires the District to determine the amount of Program funds that a student earned as of the student’s withdrawal date. Also, Title 34, Section 668.22(j)(1), CFR, requires the District to return any unearned Program funds to the ED within 45 days. In addition, Title 34, Section 668.22(a)(6)(ii)(B)(1), CFR, requires the District to disburse earned but unpaid Program funds to a student who withdraws prior to receiving Program funds within 45 days.

Our test of 19 students who were funded by the Program and withdrew during the 2013-14 fiscal year disclosed that 16 of these students were eligible to receive post-withdrawal disbursements, totaling \$8,038, for funds earned while in attendance; however, due to a misunderstanding of the post-withdrawal disbursement process, no payments were made to the 16 students.

Our recalculation of the returns for the 19 students in our test disclosed that the District did not accurately determine the amount of Program funds earned by the students as of the students’ withdrawal date, contrary to Title 34, Section 668.22, CFR, as follows:

- For 10 students, unearned funds, totaling \$9,483, were due to be returned to the ED.
- For 7 students, post-withdrawal disbursements, totaling \$5,566, were due to the students.
- For 2 students, overawards, totaling \$600, were due to be returned to the ED.

Opinion Modification. Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (modifications) should be made in the auditor’s report. As the District did not comply with the requirements regarding the administrative capability, eligibility, verification, disbursements, financial reporting, and return of Pell grant funds compliance requirements applicable to its Federal Pell Grant Program, our report on the District’s compliance with those requirements includes a modification to that effect.

Recommendation: The District should review and revise all financial aid award and disbursement policies and procedures to ensure compliance with all statutory requirements of the Federal Pell Grant Program. In addition, the District should document to the grantor (ED) the allowability of the questioned costs, totaling \$19,236, or restore these moneys to the Program.

District Contact Person: Thomas Rollins, Principal, George Stone Technical Center

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

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, 2014*

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
Moore, Stephens, Lovelace, P.A.	Title I Grants to Local Educational Agencies (CFDA No. 84.010); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388) -Reporting	The District improperly included the School Improvement Grants Cluster expenditures in the Title I expenditures reported on the Schedule of Expenditures of Federal Awards for the 2012-13 fiscal year.	Corrected.	

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EXHIBIT A
MANAGEMENT'S RESPONSE



THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD
PENSACOLA, FL 32505
PHONE 850/432-6121, FAX 850/469-6379
<http://www.escambia.k12.fl.us>
MALCOLM THOMAS, SUPERINTENDENT

February 9, 2015

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Preliminary and Tentative Audit Finding and Recommendation of the Federal
Audit of the Escambia County District School Board for the Fiscal Year
Ended June 30, 2014

Dear Mr. Martin:

Enclosed is our response to the preliminary and tentative audit finding of the Federal audit
for the fiscal year ended June 30, 2014.

We appreciate the opportunity to respond to the finding. 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
Superintendent

MT:TSC:dlh

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDING

Federal Awards Finding No. 2014-001:
Program: Federal Pell Grant (CFDA No. 84.063)
Questioned Costs: \$19,236

District Response:

The District has initiated a process in which all financial aid award and disbursement policies and procedures will be thoroughly reviewed for needed revisions to ensure compliance with statutory requirements of the Federal Pell Grant Program. Accurate, updated policy will be developed based on Federal guidance and best practices. Accordingly, new procedures will be used by school administration to provide for the consistent, day-to-day operations of the financial aid office.

Currently, the George Stone Technical Center is (1) determining whether an adequate number of properly trained personnel are involved with the financial aid process and whether duties are segregated for purposes of internal controls, (2) making improvements in training and professional development opportunities for financial aid personnel and Pell Grant administration, and (3) developing job descriptions for Pell Grant and financial aid professionals to potentially hire new, qualified personnel.

In addition, the District will document to the grantor (ED) the allowability of questioned costs to the extent possible.