

District School Board of Pinellas County Schedule of Findings and Questioned Costs

Summary of Audit Results

As required by United States Office of Management and Budget *Circular A-133*, Section 505, the following is a summary of the results of the audit of the District School Board of Pinellas County for the fiscal year ended June 30, 2015:

- The auditors' report expresses an unmodified opinion on the basic financial statements of the District School Board of Pinellas County (the District).
- No material weaknesses and two significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
- No instances of noncompliance material to the basic financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- The auditors' report on compliance for the major federal award programs for the District is unmodified.
- There were no audit findings relative to the major federal award programs for District School Board of Pinellas County.
- The programs tested as major programs included: Food Nutrition Cluster (CFDA 10.533, 10.555, 10.559), ARRA - State Fiscal Stabilization Fund - Race to the Top (CFDA 84.395), and Special Education Cluster (CFDA 84.027, 84.173).
- The threshold for distinguishing between Types A and B programs was \$3,000,000.
- The District did not qualify as a low-risk auditee, as defined in *OMB Circular A-133*.

District School Board of Pinellas County Schedule of Findings and Questioned Costs

Findings – Financial Statement Audit

Significant Deficiency

2015-001: Financial Reporting

Criteria

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the District to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). Laws and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

Condition

One of the principal methods that a school district uses to document accountability for public resources it receives and uses is by the information included in its annual financial report. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the School Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition. Our review of the District's 2014-15 fiscal year annual financial report, as presented for audit, concluded that while the annual financial report was prepared correctly in most areas, audit adjusting entries were required to correct certain significant items. These include:

- 1 **Capital lease adjustment of approximately \$1,700,000** – The District received bus radios during the fiscal year, however; the District determined it was not necessary to record the capital lease obligation as the radios had not yet been installed in buses as of June 30, 2015.
- 2 **Estimated insurance claims payable adjustment of approximately \$4,300,000** – The District is required to record the current value of long-term liabilities relating from self-insurance programs (worker's compensation, automobile liability and physical damage, and general liability). In order to determine the long-term liability, the District utilizes an outside actuary. The District received the actuarial report; however; it was decided to postpone the adjustment until fiscal year 2016. An adjustment was proposed by us, and recorded by the District to adjust the claims liability in the internal service fund only, resulting in a negative change in net position of approximately \$3,700,000. However, contrary to normal District policy, this additional cost was not allocated to the various governmental funds until fiscal year 2016.
- 3 **Debt service adjustments for refunding activity** – During FY15 there was a refunding of some outstanding debt of the District. The Florida Department of Education (FLDOE) provided entries to be made to record the refunding activity. Subsequent to the initial entries being provided to the District, the FLDOE revised their entries to be recorded. The revised entries were not recorded by the District.

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Cause

Adjustments #1 and #2 occurred mainly as a result of decisions made by management to not make necessary adjustments. Adjustment #3 resulted as a lack of communication from FLDOE to the finance department of the District. We were able to identify adjustments necessary, through our test work, to ensure the District's financial statements and supplementary information were properly reported, and District personnel accepted these adjustments. However, our audit procedures cannot substitute for management's responsibility to ensure the District's AFR is completely accurate.

Effect

The District's financial statements could be misstated or contain technical inaccuracies.

Recommendation

The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported. Such procedures may include enhanced review to ensure the accuracy of the financial statements. A similar finding was reported in previous years.

Response and Corrective Action Plan

See attached Corrective Action Plan.

Significant Deficiency

2015-002: Capital Asset Reconciliation

Criteria


The District is responsible for preparing financial statements in accordance with generally accepted accounting principles and for establishing internal control to ensure complete and accurate financial reporting.

Condition

As part of our audit procedures, we noted the District's schedules supporting the reported additions to construction in progress (CIP) were double counting some purchase orders. This error began during FY14. The total amount as of June 30, 2015 that was double counted was approximately \$21,700,000, \$10,600,000 of this amount relates to FY14 CIP activity. Management determined to record the entire adjustment to reduce CIP to actual in FY15.

Cause

The reports the District used to prepare the capital asset schedules included duplicate purchase orders. The capital asset process is highly manual and involves information sources from multiple unrelated sources.



District School Board of Pinellas County Schedule of Findings and Questioned Costs

Effect

The District's financial statements could be misstated and it would not be timely prevented or detected and corrected by management.

Recommendation

The District should review and establish internal control policies and procedures to ensure all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. We also suggest the District continue to look at automated alternatives for how capital assets are tracked and recorded.

Response and Corrective Action Plan

See attached Corrective Action Plan.

District School Board of Pinellas County Summary Schedule of Prior Audit Findings

| Finding # per AG Report No. 2015-130 | Management Letter Comments | Assessment of Finding by Florida Auditor General | Finding continues to be Relevant | Finding has been addressed or no longer relevant |
|---|--|---|---|---|
| 1 | Investment Controls | AM | | X |
| 2 | Inventory – Separation of Duties | AM | | X |
| 3 | Ad Valorem Taxation | AM | | X |
| 4 | Food Service Program Financial Condition | AM | X | |
| 5 | Bus Drivers | AM | | X |
| 6 | Severance Pay | AM | | X |
| 7 | Purchasing Procedures | AM | | X |
| 8 | Contractual Services | AM | | X |
| 9 | Workforce Development Funds | AM | | X |
| 10 | Adult General Education Classes | AM | | X |
| 11 | Virtual Instruction Program – Policies and Procedures | AM | | X |
| 12 | Virtual Instruction Program – Provider Contracts | AM | X | |
| 13 | Virtual Instruction Program – Options | AM | | X |
| 14 | Virtual Instruction Program – Written Parental Notifications | AM | | X |
| 15 | Virtual Instruction Program – Student Compensatory Attendance | AM | X | |
| 16 | Virtual Instruction Program – Computing Resources | AM | X | |
| 17 | Information Technology – Access Privileges | AM | X | |
| 18 | Information Technology – Security Program | AM | X | |
| 19 | Information Technology – Security Controls – User Authentication | AM | X | |

District School Board of Pinellas County Summary Schedule of Prior Audit Findings

Listed below is the District's summary of the status of prior audit findings on Federal Programs:

| Audit Report and Schedule Paragraph No. | Program Area | Description | Status |
|---|----------------------------|---|------------|
| 2014-001 | Special Education | Coordinated early intervention services documentation | Resolved |
| 2014-002 | Child Nutrition Cluster | Maintain support for split personnel charges applied to lunch program | Unresolved |
| 2014-003 | Self-insurance | Self-insurance allocation transferred to general fund with no consideration of federal programs | Resolved |
| 2014-001 | Title I | Expenses incurred outside the period of availability | Resolved |
| 2014-005 | Title I | Allowability of program expenses | Resolved |

Findings – Financial Statement Audit

Significant Deficiency

2015-001 Financial Reporting

The district should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported. Such procedure may include enhanced review to ensure the accuracy of the financial statements. A similar finding was reported in previous years.

Corrective Action Plan:

The district will continue to enhance its controls to ensure complete and accurate financial reporting. Additionally, the district will enhance its review process to ensure the accuracy of financial statements. The district is currently in the process of evaluating new ERP software to purchase and implement in the very near future. These new systems will enhance the financial reporting accuracy and will eliminate most of the manual processes currently in place.

Significant Deficiency

2015-002 Capital Asset Reconciliation

The district should review and establish internal control policies and procedures to ensure all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. We also suggest the district continue to look at automated alternatives for how capital assets are tracked and recorded.

Corrective Action Plan: The reports will be reviewed prior to entering them into the additions column of the worksheet and to ensure there are no duplicate entries. A second review will be performed by another individual to confirm the accuracy of the balances. The district is currently in the process of evaluating new ERP software to purchase and implement in the very near future. These new systems will enhance the financial reporting accuracy and will eliminate most of the manual processes currently in place.



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRICpa.com

Honorable Chairman and Members of the
District School Board of Pinellas County, Florida

Report on the Financial Statements

We have audited the financial statements of the District School Board of Pinellas County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated March 9, 2016.

Auditor's Responsibility

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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*, Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 9, 2016, 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 under the heading Prior Year Findings and Recommendations.

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District School Board of Pinellas County has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District School Board of Pinellas County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District School Board of Pinellas County. It is management's responsibility to monitor the District School Board of Pinellas County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we report the results of our determination as to whether the District School Board of Pinellas County maintains on its Web site 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.) In connection with our audit, we determined that the (District School Board of Pinellas County maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

Other Matters

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

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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 District School Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 9, 2016



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

ATTESTATION REPORT ON COMPLIANCE WITH SECTION 218.415 FLORIDA STATUTES

To the District School Board of Pinellas County
and Dr. Michael Grego, Superintendent of Schools
Largo, Florida

We have examined District School Board of Pinellas County's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2015. Management is responsible for the Council's compliance with those requirements. Our responsibility is to express an opinion on the Council's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Council's compliance with specified requirements.

In our opinion, the Council complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 9, 2016