

**INTERNAL AUDITOR'S REPORT
PASCO SCHOOLS' INTERNAL ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**INTERNAL AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BALANCE SHEET AMOUNTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the 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 balance sheet amounts of the Pasco schools' internal accounts as of the year ended June 30, 2014, and the related notes to the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the schools' balance sheet amounts, we considered the schools' internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the balance sheet amounts reported, but not for the purpose of expressing an opinion on the effectiveness of the schools' internal controls. Accordingly, we do not express an opinion on the effectiveness of the schools' internal controls.

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 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 over financial reporting 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, except as noted below. However, additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the schools' balance sheet amounts reported are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of balance sheet 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 other matters that we reported to school principals. These findings are included in the report along with the principals' responses.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MATERIAL WEAKNESS

Segregation of Duties

During the audit, we identified a control deficiency in internal control over financial reporting. The bookkeepers at the schools have the primary responsibility for most of the accounting duties. As a result of this lack of segregation of duties, internal controls are weakened increasing the risk that a misappropriation of the schools' assets could occur and not be detected in a timely manner. There are compensating controls that bolster the effect of the controls in place over financial reporting, such as monthly review and approval of the bank statements, reconciliations, and financial reports by the principals. In addition, the schools are required to submit monthly reports to the Finance Services Department. Personnel at the Finance Services Department review these reports and any discrepancies noted are immediately researched and communicated to the school.

OTHER MATTERS

An effective system of internal control should be maintained in order to monitor compliance with policies and procedures established by management. Pursuant to Florida Statutes, Section 1011.07, the District School Board of Pasco County ("District") is responsible for the administration and control of all local school funds in the District, including the activities accounted for in the Internal Accounts of each school site. The Statutes further provide that the Florida Department of Education ("Department") is responsible for adopting regulations governing the procedures for recording receipts, expenditures, deposits and disbursements of the internal funds.

The Department, by reference in Rule 6A-1.001, Florida Administrative Code, pursuant to the requirements of Section 1011.07, Florida Statutes, has incorporated the Financial and Program Cost Accounting and Reporting for Florida Schools (commonly referred to as the Red Book) as the official guide to Florida school districts for topics including chart of accounts, governmental accounting standards, program cost accounting and reporting, and school internal accounts. Chapter 7 of the Red Book addresses guidelines for the handling of school internal accounts.

The District has established the Internal Accounts Procedures Manual (“Manual”) to provide guidance to principals, school bookkeepers and other staff to ensure compliance with policies and procedures established by Chapter 7 of the Red Book. The Manual was also adopted to encourage consistency and standardization in accounting and reporting practices and to provide reference for accounting practices to be followed in the handling of school internal accounts.

We reported our findings and recommendations to the schools’ administration in a separate management letter. The principals’ responses are listed below each of our comments; however, their responses were not reviewed as part of our audit.

Prior Audit Follow Up

We reviewed prior year’s findings and recommendations to ensure that the corrective action plans outlined in the principals’ responses were implemented by the schools during this audit period. Except as noted, our audit tests disclosed that the schools had taken corrective actions for audit findings included in previous audit reports.