

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS  
CLAY COUNTY DISTRICT SCHOOL BOARD  
GREEN COVE SPRINGS, FLORIDA**

**JUNE 30, 2015**

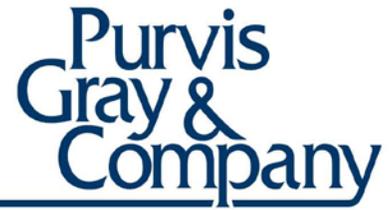
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CLAY COUNTY DISTRICT SCHOOL BOARD  
GREEN COVE SPRINGS, FLORIDA**

**JUNE 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

### **Report on the Financial Statement**

We have audited the accompanying statement of fiduciary net position of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District), as of June 30, 2015, and the related notes to the financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial Statement**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the Internal Accounts of the District, as of June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

### **Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Emphasis of Matter**

As discussed in Note 1, the accompanying financial statement presents only the Internal Accounts. The accompanying financial statement is intended to present the financial position of the Internal Accounts of the District. It does not purport to, and do not, present fairly the overall financial position of the District as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the statement of fiduciary net position. The Schedule of Changes in Assets - By School is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management of the District and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2016, on our consideration of the District's Agency Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other 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 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.

*Durvis, Gray and Company, LLP*

January 25, 2016  
Ocala, Florida

**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**JUNE 30, 2015**  
**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**

	<b>Total 2015</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 3,183,720
<b>Total Assets</b>	3,183,720
 <b>Liabilities</b>	
Accounts Payable	73,418
Due to Students and Student Organizations	3,110,302
<b>Total Liabilities</b>	3,183,720
 <b>Net Position</b>	\$ -

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**CLAY COUNTY DISTRICT SCHOOL BOARD – GREEN COVE SPRINGS, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

The financial statement of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District) has 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 are organized and operated under Section 4, Article IX, of the constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Clay County. Management of the District is independent of county and city governments. The membership of the Governing Board of the District (the Board) consists of five members elected by county-wide vote for overlapping four-year terms. The Superintendent is elected and acts as chief executive officer of the District.

For financial reporting purposes, the accompanying financial statement includes only the activity accounted for in the Internal Accounts of the District and do 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 fiduciary fund of the District as follows:

■ **Fiduciary Fund Type**

- **Agency 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-two elementary, junior or middle, high schools, a virtual K-12, and an adult community education center 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 Internal Accounts is performed in accordance with Florida Statutes, school board 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 an agency fund because the fund is custodial in nature and does not measure the results of operations.

**NOTES TO FINANCIAL STATEMENTS**  
**STUDENT ACTIVITY FUND - INTERNAL ACCOUNTS**  
**CLAY COUNTY DISTRICT SCHOOL BOARD – GREEN COVE SPRINGS, FLORIDA**  
*(Concluded)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Measurement Focus and Basis of Accounting**

The accompanying financial statement is prepared on the accrual basis of accounting.

**Cash and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits 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; thus, all bank balances of the Internal Accounts of the District are fully insured or collateralized.

Per Section 230.23(10)(k), Florida Statutes, school boards should have policies pertaining to the investment of school funds that are not needed for immediate expenditures. The District's investment policy established permitted investments, asset allocation limits and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. The District has a formal investment policy that allows listed investment and investment types including Registered Investment Companies (Mutual Funds), Intergovernmental Investment Pools, and other investments permitted by Section 218.415, Florida Statutes. Investments classified as cash equivalents include money market mutual funds, Florida Education Investment Trust, and Florida PRIME. As of the year ended June 30, 2015, the District's Internal Accounts had \$1,559,852 invested in funds of the District reported as cash equivalents. Further information on the District's cash and investments can be found in the notes to the District-wide annual financial statements.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Encumbrances**

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

**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 loss to the Internal Accounts.

## **SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN ASSETS - BY SCHOOL  
AGENCY FUND  
STUDENT ACTIVITY FUNDS - INTERNAL ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015  
CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**

	<b>Beginning Balance</b>			<b>Ending Balance</b>
	<b>June 30, 2014</b>	<b>Additions</b>	<b>(Deletions)</b>	<b>June 30, 2015</b>
Adult Community Education	\$ 10,143	\$ 32,182	\$ (25,887)	\$ 16,438
Argyle Elementary	41,007	134,498	(148,045)	27,460
Bannerman Learning Center	11,912	40,938	(39,330)	13,520
Charles E. Bennett Elementary	33,706	104,102	(108,153)	29,655
Clay High	21,657	79,175	(84,773)	16,059
Clay Hill Elementary	22,473	87,814	(82,700)	27,587
Clay Virtual Academy	216,899	769,876	(723,126)	263,649
Coppergate Elementary	2,766	13,177	(14,621)	1,322
Doctors Inlet Elementary	46,783	122,910	(126,417)	43,276
Fleming Island Elementary	50,601	167,134	(163,632)	54,103
Fleming Island High	370,795	1,632,486	(1,655,190)	348,091
Green Cove Springs Jr. High	96,037	152,123	(154,837)	93,323
Grove Park Elementary	15,300	44,186	(48,841)	10,645
Keystone Heights Elementary	25,602	112,887	(102,733)	35,756
Keystone Heights High	152,308	418,562	(414,221)	156,649
Lake Asbury Elementary	39,498	153,575	(148,939)	44,134
Lake Asbury Jr. High	95,965	256,453	(237,809)	114,609
Lakeside Elementary	37,196	113,193	(118,814)	31,575
Lakeside Jr. High	99,656	216,277	(214,031)	101,902
McRae Elementary	40,285	76,382	(91,031)	25,636
Middleburg Elementary	34,750	86,196	(96,320)	24,626
Middleburg High	365,439	713,176	(745,615)	333,000
Montclair Elementary	24,898	66,499	(70,344)	21,053
Oakleaf High School	180,495	920,363	(865,268)	235,590
Oakleaf Jr. High	97,271	323,976	(311,679)	109,568
Oakleaf Village Elementary	37,638	184,601	(165,823)	56,416
Orange Park Elementary	25,657	109,262	(111,212)	23,707
Orange Park High	205,885	635,014	(658,005)	182,894
Orange Park Jr. High	79,065	129,632	(148,772)	59,925
Paterson Elementary	76,605	222,399	(238,141)	60,863
Plantation Oaks Elementary	68,041	166,311	(176,218)	58,134
RideOut Elementary	145,412	693,457	(680,291)	158,578
Ridgeview Elementary	17,427	94,164	(92,515)	19,076
Ridgeview High School	11,833	65,819	(59,866)	17,786
S. Bryan Jennings Elementary	19,326	64,324	(62,129)	21,521
Shadowlawn Elementary	53,957	125,382	(138,817)	40,522
Swimming Pen Creek Elementary	21,234	57,851	(63,308)	15,777
Thunderbolt Elementary	77,127	174,980	(171,483)	80,624
Tynes Elementary	46,387	144,084	(141,761)	48,710
W. E. Cherry Elementary	12,375	104,622	(105,532)	11,465
Wilkinson Elementary	21,082	125,914	(97,470)	49,526
Wilkinson Jr. High	90,252	184,666	(175,948)	98,970
<b>Total</b>	<b>\$ 3,142,745</b>	<b>\$ 10,120,622</b>	<b>\$ (10,079,647)</b>	<b>\$ 3,183,720</b>

**INDEPENDENT AUDITORS' 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***

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

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 statement of fiduciary net position of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District), as of June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated January 25, 2016. Our report on the financial statement include a paragraph explaining that the financial statement includes only the fiduciary net position of the Internal Accounts and does not include other funds of the District.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Internal Accounts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the District's Internal Accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Internal Accounts' internal control over financial reporting.

*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 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 weakness or, significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control that we consider to be a significant deficiency.

**Certified Public Accountants**

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**INDEPENDENT AUDITORS' 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**

*(Concluded)*

**Internal Control Over Financial Reporting *(Concluded)***

■ **2015-01—Segregation of Duties**

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, 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 depositing cash, preparing disbursements, recording transactions into the general ledger, and reconciling bank statements. 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 detect controls to mitigate this risk including monthly review and approval of the principal's report and the bank reconciliation by each principal, a monthly account is provided to each school sponsor or instructor for their account, and monthly reviews performed by the internal audit department.

We recommend that the District continue its existing efforts to mitigate the segregation of duties issues and continue to emphasize the importance of detect controls over cash receipting and bank deposits.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Internal Accounts' financial statement is free from 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 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 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 January 25, 2016.

**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 statement 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.



January 25, 2016  
Ocala, Florida

## MANAGEMENT LETTER

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

### **Report on the Financial Statement**

We have audited the financial statements of the Student Activity Fund - Internal Accounts (the Internal Accounts) of Clay County District School Board (the District), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated January 25, 2016. Our report on the financial statement include a paragraph explaining that the financial statement includes only the fiduciary net position of the Internal Accounts and does not include other funds of the District.

### **Auditors' 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.

### **Other Reporting Requirements**

We have issued our Independent Auditors' 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 January 25, 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 made to address findings and recommendations made in the preceding financial audit report. There were no prior findings reported specific to the Internal Accounts.

### **Financial Condition**

Section 804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District has 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. This does not apply to the Internal Accounts.

### **Certified Public Accountants**

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**MANAGEMENT LETTER**  
*(Continued)*

**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 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). This does not apply to the Internal Accounts.

**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 have the following recommendations:

**2015-02—Receipts for Collections Greater Than \$5**

Per School Board Internal Accounts Manual, Collection Procedures, “Upon receipt of money from a student, the teacher/sponsor must do one of the following, if the student is not receiving merchandise at the time the collection of money is occurring: teacher receipt if collecting more than \$5.00, Tally sheet if collection \$5.00 or less or Report of tickets sold when tickets are being purchased.” During testing of cash receipts, it was noted in some instances that no receipt was issued where the teacher collected more than \$5 and merchandise was not exchanged at the time of the collection.

**2015-03—Cash Collections**

Per the Redbook, Chapter 8, Section III, 1.4(b), collections made outside of the school office must be turned in to the school office no later than the next business day. Per School Board Internal Accounts Manual, Collection Procedures, monies received during school hours are to be turned in to the school bookkeeper the same day as collected. During the audit we noted several instances where the money was held by a teacher beyond the next business day. We recommend that principals stress the importance of following school board policy to minimize the risk of loss or theft of cash.

**2015-04—Internal Account Activity**

Per Red Book Chapter 8, Section III, 4.4 (e) “collections for all sponsored fund-raising activities must be deposited in the internal fund.” Per School Board Internal Accounts Manual, Fund Raising, “All money collected for school sponsored fund-raising activities must be deposited, in total, into the internal funds of the school; all expenditures in connection with the activity must be paid by check from the internal fund.” During the audit, it was noted that activity for certain club and school sponsored activities were not accounted for in the Internal Accounts. Cash collections were retained by the club/activity sponsor and expenses were paid with those funds directly, thereby bypassing the District’s internal controls over disbursements.

**2015-05—Preapproval of Purchases**

Per Red Book Chapter 8, Section III, 3.2 (a), “a signed commitment from the principal or designee(s) must be on file before any purchase is made.” Per School Board Internal Accounts Manual, Disbursement Procedures, prior to making a purchase, an appropriate purchase request form must be completed and proper authorization received from the principal or principal’s designee. During our audit, several instances were noted where this policy was not followed. This process helps to ensure that no purchases are made where adequate resources may not be available to fund that purchase. We recommend that the principals, as the persons ultimately responsible for all purchases, encourage teachers/sponsors to obtain and file purchase orders prior to any purchases being made.

Clay County District School Board and Superintendent  
Green Cove Springs, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Other Matters (Concluded)**

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.

*Purvis, Gray and Company, LLP*

January 25, 2016  
Ocala Florida



Charlie Van Zant  
Superintendent of Schools

## SCHOOL DISTRICT OF CLAY COUNTY

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### BOARD MEMBERS:

Janice Kerekes  
*District 1*  
Carol Studdard  
*District 2*  
Betsy Condon  
*District 3*  
Johnna McKinnon  
*District 4*  
Ashley Gilhousen  
*District 5*

January 25, 2016

Purvis Gray and Company, LLP  
P.O. Box 141270  
Gainesville, Florida 32614

Please accept the following written response to the Internal Accounts preliminary and tentative audit finding for fiscal year ended June 30, 2015. Please note that corrective measures have been taken to incorporate processes to prevent a repeat of these audit finding.

### **2015-01 Segregation of Duties**

One of the tenets of sound internal control is the segregation of incompatible duties among employees. The basic premise is that to minimize employee errors and fraudulent activities, 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 depositing cash, preparing disbursements, recording transactions into the general ledger and reconciling bank statements. 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 detect controls to mitigate this risk including monthly review and approval of the principal's report and the bank reconciliation by each principal, a monthly account is provided to each school sponsor or instructor for their account, and monthly reviews performed by the internal audit department.

We recommend that the District continue its existing efforts to mitigate the segregation of duties issues and continue to emphasize the importance of detect controls over cash receipting and bank deposits.

We acknowledge that Segregation of Duties is an important element of internal control and have policy in the Board approved Internal Accounts Manual that establishes procedures that provide for checks and balances including:

1. Prohibits the Bookkeeper from being the initial receiver of funds
2. Principal receives bank statement unopened. After reviewing and initialing the statement is given to the bookkeeper for reconciling.
3. The teacher/coach/sponsor of each activity account is given a reconciliation of the account on a monthly basis for review.
4. Teacher receipt books are turned in with Monies Collected Forms and periodically checked for accuracy.

The Internal Accounts Auditor receives a copy of the Principal's Monthly Report packet that includes, Bank Reconciliation, List of Outstanding Checks, General Ledger Report, Copy of Bank Statement, Sequential List of Receipts and Checks, Detail of Accounts Payable, Detail of NSF, and copy of email regarding reconciliation reports delivered to teachers/coaches/sponsors. All 42 schools packet will continue to be reviewed each month for any irregularities in regards to policy.

### **2015-02 Receipts for Collections Greater Than \$5**

Per School Board Internal Accounts Manual, Collection Procedures, "Upon receipt of money from a student, the teacher/sponsor must do one of the following if the student is not receiving merchandise at the time the collection of money is occurring: Teacher receipt if collecting more than \$5.00, Tally sheet if collection \$5.00 or less or Report of tickets sold when tickets are being purchased." During testing of cash receipts, it was noted in some instances that no receipt was issued where the teacher collected more than \$5 and merchandise was not exchanged at the time of the collection.

The Internal Accounts Auditor reviews a minimum of 10% of all Official Receipts at each school and will continue to identify instances of noncompliance. Bookkeepers are encouraged to bring it to the attention of the Principal when multiple instances of noncompliance occur by the same individual.

### **2015-03 Cash Collections**

Per the Redbook, Chapter 8, Section III, 1.4(b), collections made outside of the school office must be turned in to the school office no later than the next business day. Per School Board Internal Accounts Manual, Collection Procedures, monies received during school hours are to be turned in to the school bookkeeper the same day as collected. During the audit we noted several instances where the money was held by a teacher beyond the next business day. We recommend that principals stress the importance of following school board policy to minimize the risk of loss or theft of cash.

The Internal Accounts Auditor reviews a minimum of 10% of all Official Receipts for compliance with all policies. In many instances when a teacher, coach or sponsor has not turned in funds the same day as collected or in the case of funds being collected after hours not turned in the next business day, a statement is attached explaining the situation and acknowledging that in the future they will follow policy. This does not negate the fact that policy was not followed but it does indicate that training has taken place and that noncompliance is not acceptable. Checking Teacher Receipt Books for compliance (date) more frequently is recommended to Bookkeepers and Bookkeepers will continue to be encouraged to bring to the attention of the Principal any repeat noncompliance.

### **2015-04 Internal Account Activity**

Per Red Book Chapter 8, Section III, 4.4 (e) "collections for all sponsored fund-raising activities must be deposited in the internal fund." Per School Board Internal Accounts Manual, Fund Raising, "All money collected for school sponsored fund-raising activities must be deposited, in total, into the internal funds of the school; all expenditures in connection with the activity must be paid by check from the internal fund." During the audit, it was noted that activity for certain club and school sponsored activities were not accounted for in the internal accounts. Cash collections were retained by the club/activity sponsor and expenses were paid with those funds directly, thereby bypassing the District's internal controls over disbursements.

The Internal Accounts Auditor reviews at least 10% of all fundraisers for compliance with policy. All fundraisers require a recap that summarizes all collections and expenditures. When all funds collected are not deposited and expenses paid directly the recaps cannot be reconciled with the internal accounts accounting system. Bookkeepers have notified Principals of noncompliance when discovered and have been encouraged to do so. Administrative support is required for compliance.

### **2015-05 Preapproval of Purchases**

Per Red Book Chapter 8, Section III, 3.2 (a), “a signed commitment from the principal or designee(s) must be on file before any purchase is made.” Per School Board Internal Accounts Manual, Disbursement Procedures, prior to making a purchase, an appropriate purchase request form must be completed and proper authorization received from the principal or principal’s designee. During our audit, several instances were noted where this policy was not followed. This process helps to ensure that no purchases are made where adequate resources may not be available to fund that purchase. We recommend that the principals, as the persons ultimately responsible for all purchases, encourage teachers/sponsors to obtain and file purchase orders prior to any purchases being made.

At a minimum, 10% of all disbursements at each school are reviewed for compliance with policy. Prior written approval is required and when not obtained it is noted. Many times a statement will be attached stating why it was not obtained and explaining that it would be in the future, again indicating that training or inservice had taken place. Bookkeepers are encouraged to notify their Principal of repeat noncompliance.

Currently, at each of our 42 schools, the Bookkeepers with the support of the Principals have been the training source for our teachers, coaches and sponsors who are responsible for the collection and disbursements of funds. Training has taken the form of inservice at the beginning of the school year at faculty meetings, “coaches & sponsors” meetings, handouts (including samples of forms with instructions) and one on one inservice sessions. Many times when Bookkeepers receive the funds and realize policy has not been following another inservice takes place on the spot. Or when the Bookkeeper is asked to pay an invoice without any prior written approval, training takes place. Next year each of the items noted above will be part of the “Internal Accounts General Policies” that will appear in the Clay County School Board Employee Handbook which every employee acknowledges that they have read. Hopefully, this will emphasize the importance of compliance and deter noncompliance.

Respectfully submitted,

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