Office of the Chief Auditor
Mark Magli, Chief Auditor
600 Southeast Third Avenue
Fort Lauderdale, Florida 33301
phone: 754-321-2400 • fax: 754-321-2719
mark.magli@browardschools.com
www.browardschools.com/audit

The School Board of Broward County, Florida

Sarah Leonardi, Chair
Dr. Jeff Holness, Vice Chair

Lori Alhadeff
Maura McCarthy Bulman
Adam Cervera, Esq.
Debra Hixon
Nora Rupert
Rebecca Thompson
Dr. Allen Zeman

Dr. Howard Hepburn
Superintendent of Schools

August 5, 2026

Members of the School Board of Broward County, Florida
Members of the School Board Audit Committee
Dr. Howard Hepburn, Superintendent of Schools

Ladies and Gentlemen,

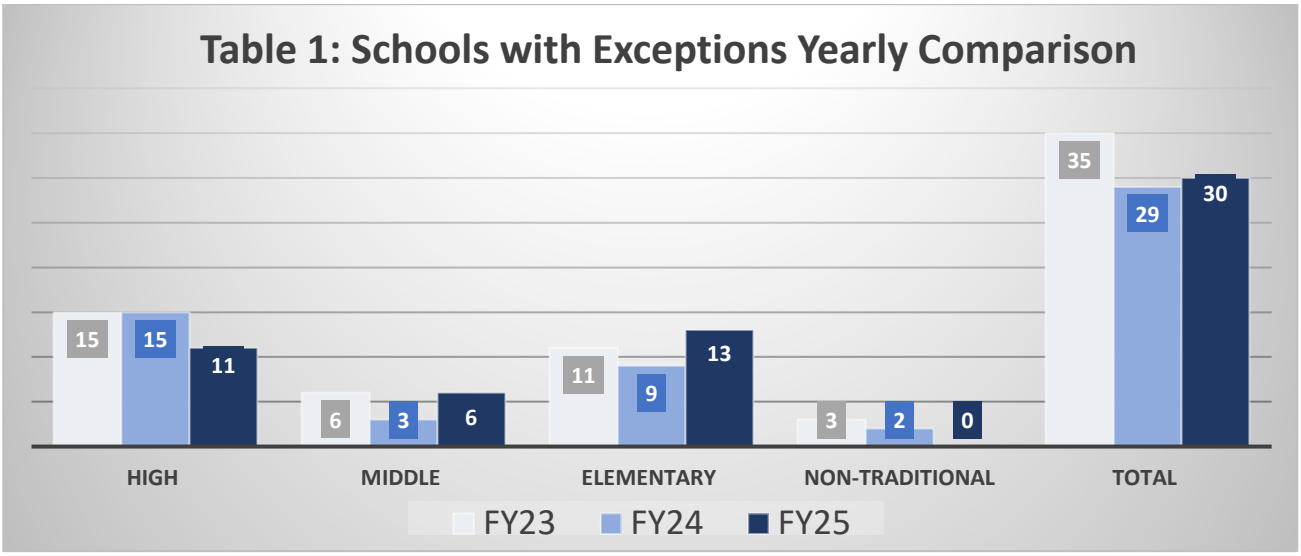
We have audited the Statement of Changes in Fund Balances for the Internal Funds of two hundred twenty-six (226) schools for school year 2024-25 pursuant to the Florida State Board of Education, Administrative Rule 6A-l.00 I and School Board Policy 1700.

The total year-end balance of Broward's non-Charter schools' Internal Funds (including the Technical Colleges and Community Schools) was $24.2M in June 2024 and $24.3M in June 2025. During fiscal year 2024, the combined total of inflows was approximately $106M, and the combined total of outflows was approximately $105M.

An audit includes evaluating and examining, on a test basis, the locations' financial statements and supporting documents. The assessment of internal controls was conducted to promote compliance with various Florida Statutes, Board Policies and particularly Financial and Program Cost Accounting and Reporting for Florida Schools ("Red Book") Chapter 8 Internal Funds as well as Broward County Public Schools ("District") Standard Practice Bulletins ("SPB"). Our audits indicated that one hundred ninety-six (196) schools generally complied with prescribed policies and procedures. The thirty (30) remaining schools' reports contained audit exceptions.

This report provides a summary of the audit exceptions identified in the internal fund audits for FY2025. Included are year-over-year comparisons of audit exceptions from FY2023 through FY2025. See **Summary of FY2025 Audit Exceptions, Attachment 1,** for the chart summary of exceptions, OCA recommendations, financial impact and disposition of implemented corrective actions for ongoing issues.

In a year-over-year comparison of audit exceptions from FY2023 through FY2025, the number of schools with exceptions increased from twenty-nine (29) for FY2024 to thirty (30) for FY2025, but there was an overall decline in exceptions from thirty-five (35) in FY2023.

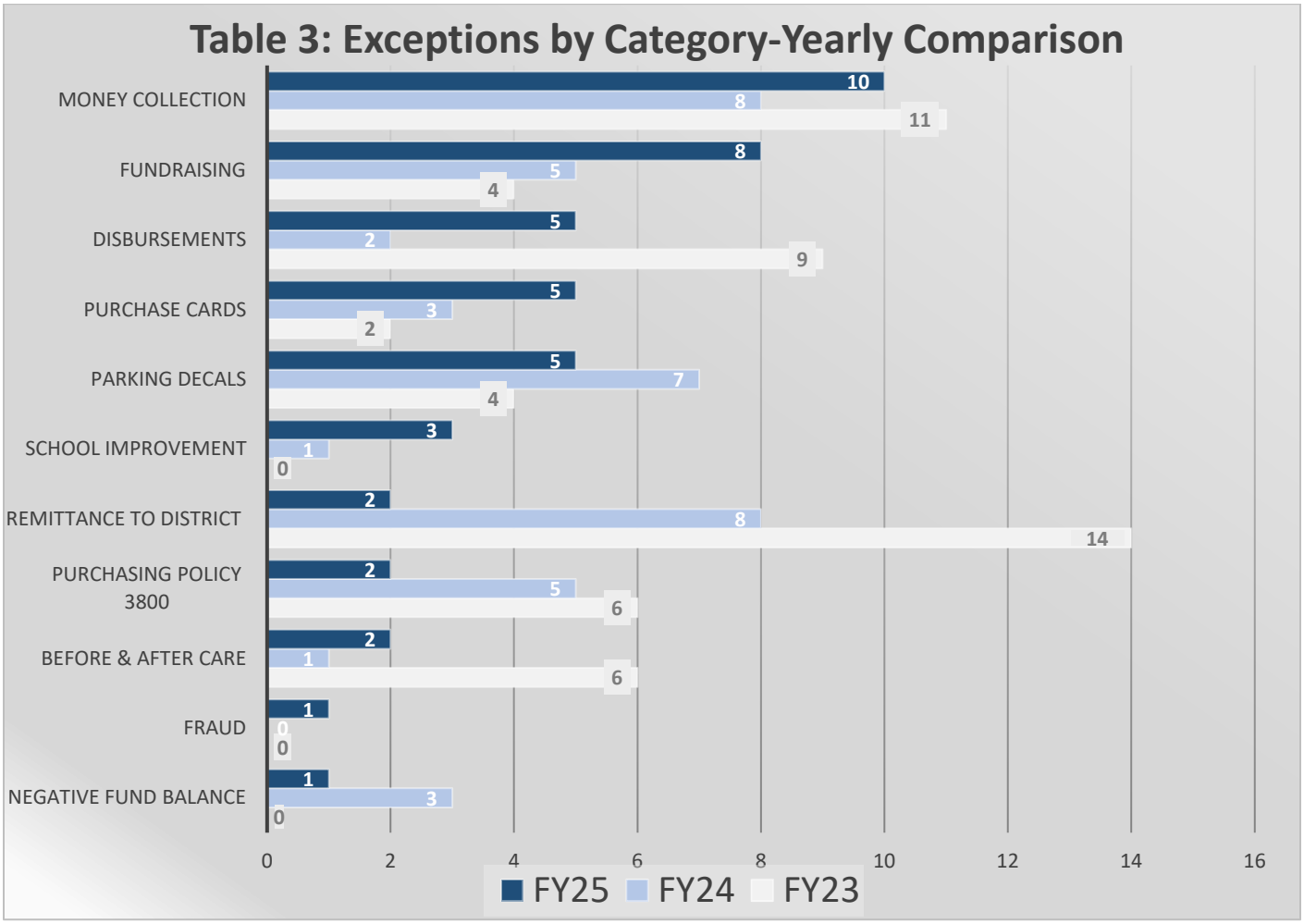


Principals have the choice to utilize the Business Support Center ("BSC") shared services for bookkeeping or have a bookkeeper in house dedicated to the school ("Non-BSC"). BSC schools accounted for an increasing proportion of schools and exceptions over the three-year period, the exception rate increased from 12% to 15% between FY2024 and FY2025. The number of Non-BSC exception schools declined from 13 in FY2023 to 5 in FY2025, while the exception rate improved from 19% to 9% over the same period.

Table 2: SUMMARY OF EXCEPTIONS BY SERVICE TYPE – BSC & NON-BSC

	Schools Serviced	Percentage of Schools	Exception Schools	Percentage of Exceptions	Exception Rate
			FY2023		
BSC	**158**	**70%**	**22**	**63%**	**14%**
Non-BSC	**68**	**30%**	**13**	**37%**	**19%**
Total	226		35		15%
			FY2024		
BSC	**159**	**70%**	**19**	**66%**	**12%**
Non-BSC	**67**	**30%**	**10**	**34%**	**15%**
Total	226		29		13%
			FY2025		
BSC	**168**	**74%**	**25**	**83%**	**15%**
Non-BSC	**58**	**26%**	**5**	**17%**	**9%**
Total	226		30		13%

The total number of exceptions increased from forty-three (43) in FY2024 to forty-four (44) in FY2025. There were a notable number of exceptions for money collection, fundraising (yearbooks), disbursements, purchase cards and parking decals.



DESCRIPTION OF EXCEPTIONS

I. MONEY COLLECTION

According to Redbook Chapter 8, all money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, reports of tickets issued and sold, or other auditable records. Additionally, all deposits must equal the total amount of money taken in and recorded on receipts for the period covered by the deposit. District procedures, identified in SPB I-302 Cash Collections, state that all receipting documents and pre-numbered tickets shall be maintained on perpetual inventories, which shall be retained for audit purposes.

During the FY2025 internal fund audits, it was noted that ten (10) schools did not properly comply with the controls and procedures set forth by Red Book Chapter 8 and District procedures related to money

collections. Due to the failure to keep documentation logs and/or proper perpetual inventories, there were seven (7) instances where money collection receipting documents were missing and not made available for audit. In three (3) instances money collected was not deposited into the schools' bank accounts, the amounts totaled $2,358.00.

Recommendation:

The OCA recommends that principals and BSC review the Red Book Chapter 8 as well as SPBs I-302 and I-403 and ensure compliance to the procedures and requirements stated in the guidance. To prevent the recurrence of exceptions, comprehensive training should be provided for schools with noted deficiencies on the importance of following the procedures and controls provided in the state requirements, Standard Practice Bulletins and District policy.

II. FUNDRAISING

According to Red Book Chapter 8, collecting and expending internal funds shall be in accordance with the Constitution of the State of Florida, Florida States, Florida Administrative Code and district school board rules. Furthermore, each fundraising activity shall be planned to finance a specific objective and a financial report filed with the principal's office at the close of each activity. SPB I-402 Fundraising Activities states that the sponsor of each class, club or department is responsible for providing adequate financial documentation and records which must be retained for audit.

During the review of the school's fundraising activities, we noted three (3) schools where financial statements and related inventory documentation were not consistently completed for fundraising or other school events such as yearbooks, homecoming and prom. Financial reports provide transparency for student organizations and allow the principal to review the fundraising activities to ensure the purposes are worthwhile and consistent with the school organizations or student club's mission as required by Red Book Chapter 8.

Recommendation:

The OCA recommends that principals, BSC, and bookkeepers/budget support specialists review Red Book Chapter 8 and SPB I-402 and ensure the sponsors and advisors are aware of the requirements for fundraising activities and that all required documentation is completed and maintained for audit. Additional support should include comprehensive training for all bookkeepers/budget support specialists more specifically defining their responsibilities and requirements.

Yearbooks

Five (5) schools had issues with their yearbook sales which led to audit exceptions. The issues included losses in sales resulting in a negative fund balance and resulting in an inability to pay the vendor invoice. In other instances, online sales were not properly tracked resulting in overpayments or the failure to receive applicable refunds and commissions. In one instance, a high school did not have their yearbook published for the 2024-25 school year, due to issues with the vendor. The OCA noted that refunds had not been issued to the students.

In addition, five (5) other schools also incurred losses on their yearbook sales; for these schools it did not result in negative account balances or the inability to pay the vendor invoice.

The OCA recommends that principals and the yearbook advisors review Yearbook RFP approved vendors' pricing terms to select the most cost-effective option that allows the publication sales to properly support itself. The OCA also recommends yearbook advisors strengthen budgeting and monitoring procedures by carefully estimating order quantities and monitoring revenues and expenditures throughout the year to prevent future deficits.

The OCA has additional concerns regarding the ability to monitor online sales made directly through a vendor after the issuance of the final invoice to the school. Specifically, there is a need to ensure that schools will be credited for proceeds from any subsequent sales.

The District renewed RFP FY23-278 Yearbook on May 2026, for a one year period through May 2027. Although the corrective action in the management's response was to revisit the yearbook RFP contract, there were no indications that there were amendments to the contract before renewal.

III. DISBURSEMENTS

Per Red Book Chapter 8, approved pre-numbered checks shall be used to disburse and account for funds. The principal is responsible for all financial transactions and proper check signatures, and these records should be maintained for audit pursuant to Florida Statute Chapters 119 and 257, Per SPB I-305 Disbursements, disbursements from internal accounts must be authorized in writing by the principal and be accompanied by required documentation.

There were five (5) schools that received exceptions related to disbursements. The issues identified included the school failing to retain disbursement documentation for audit, issuing gift cards without completing required documentation, and duplicative payments to vendors.

Recommendation:

The OCA recommends that the principals, BSC, and bookkeepers/budget support specialists review Red Book Chapter 8 and SPB I-305 and develop training to ensure that proper documentation is completed prior to disbursements and maintained as required by record retention requirements to be made available for audit purposes.

IV. PURCHASE CARDS

Purchase Cards ("P-Cards") are audited for compliance with the District's Purchase Card Manual, proper authorizations, and review of purchases.

A review of the FY2024 P-Card documentation indicated that a new process was initiated which required schools to send payments to the BSC to "pre-load" the school's P-Cards related to internal fund purchases. The OCA auditors used available pre-load documentation and p-card statements to create reconciliations for several schools audited. It was noted that for several schools there were noted overpayments of pre-load amounts that were not refunded or in other instances purchases that exceeded the amount pre-loaded. There were no formal written procedures or a requirement for the reconciliation of p-card pre-loads and expenditures to identify excess or deficient funding for each p-card.

The BSC received an exception for this issue. In the management response, BSC indicated that they would no longer be using pre-loaded p-cards and that, during September of 2025, a reconciliation was completed whereby refunds were issued to resolve any outstanding balances related to the pre-load of purchase cards. During the audit, the OCA noted that reconciliations were not completed for five (5)

schools. Two (2) of the schools underfunded their p-cards requiring payments of $14,703, and three (3) schools overfunded their cards, resulting in refunds totaling $10,977.

Once these schools were brought to the attention of the BSC, additional reconciliations were completed for the remainder of schools to ensure all outstanding balances from pre-loads were resolved. A follow up review on the issue will be conducted during the FY2026 audit cycle.

Recommendation:

The OCA recommends p-card statements be reconciled promptly upon receipt and that transactions be reviewed and authorized for payment in accordance with established procedures.

V. PARKING DECALS

Per Redbook Chapter 8 and SPB I-402 Fundraising Activities, a financial report shall be filed with the principal's office at the close of each fundraising activity. The sponsor of each class, club or department is responsible for providing adequate financial documentation and records which must be retained for audit. As stated in SPB I-313 Sales and Use Tax, Florida Statute Section 212.03(6) requires every person who leases or rents parking spaces for motor vehicles in parking lots to collect sales tax on the rental charge.

Per Redbook Chapter 8, the repair and maintenance of district school board equipment for which District funds are available is a restricted expenditure and considered inappropriate. Chapter 8 also states that parking decals issued may be restricted by the District school board as to use and should be accounted for in a trust account.

During the FY2025 internal audits, exceptions for parking decals included failure to provide inventory and financial documentation as well as the failure to remit the sales tax to the District. During the FY2024 and FY2025 school audits, OCA noted that payment for golf cart repairs directly from the internal funds did not allow for proper tracking of maintenance spending for the awarded contract and hindered the historical perspective for calculating future spend authority. As noted, the repair and maintenance of district school board equipment is a restricted expense. Based on an OCA analysis, the approximate amount spent from internal funds for golf cart maintenance and purchases was $64,000 for FY2024 and $22,000 for FY2025.

Currently, the District School Board policy does not provide guidance regarding the use of the parking fees collected.

Recommendation:

The Office of the Chief Auditor recommends that principals and staff receive training on the requirements of Redbook Chapter 8 and SPB I-402 to ensure fundraising proceeds are collected for a specified objective, financial documentation and records are adequate, as well as retained for audit. Additionally, all applicable sales tax should be remitted to the District monthly.

The OCA has recommended that the Board review the policy governing parking fees to determine whether these funds should be classified as special revenue to the District, to be used for governmental activities such as golf cart repair and maintenance or graduation venue expenses. In response to the audit exceptions, the Board made a motion to draft policy guidelines for parking decal revenues. Please

see, Regular School Board Meeting ("RSBM") November 12, 2025 Agenda Request Form approved for Item B-1, **Attachment 2.**

It was also recommended that expenses related to golf cart purchases, repairs and services be paid and tracked through District purchase orders to ensure adequate spend authority reporting. Please see OCA Follow Up to Management Response submitted with the Internal Funds Report at the RSBM on June 17, 2025, **Attachment 3**.

VI. SCHOOL IMPROVEMENTS

Per Red Book Chapter 8, 2.5 General a. This category encompasses all accounts for funds that are *to be used for the general welfare of the student body* (Emphasis added). Additionally, Chapter 8, 3.4 Restricted Expenses, restricts expenditures on equipment, definition includes furniture, or supplies used for curriculum or classroom use. Standard Practice Bulletin ("SPB") I-204 Trusts states that up to 15% of the General account may be used to pay for school improvements. Such funds should be transferred to a trust account specifically established to track school improvement expenditures. Per SPB I-205, the purchase of materials, supplies and postage appropriated for in the school's budget funds is an inappropriate expenditure, except when the school's budget funds have been verified as being exhausted or unavailable.

Three (3) schools utilized funds in excess of the generally allowable 10-15% for furniture purchases, which are restricted expenditures, per Chapter 8. During audit, the total amount of identified funds these schools expended for furniture related to school improvements was $23,649.83.

Recommendation:

The OCA recommends review of the updated SPB I-204 Trust implemented in April 2025. The updated SPB allows District staff to determine the use of internal funds and exceed fifteen percent (15%) without limitation. Consideration should be given to GASB 84 and the designation of internal funds as fiduciary and custodial, therefore, school improvement expenditures should be reviewed to ensure they are consistent with the allowable uses of internal funds. Please see "Follow Up to Discovery Elementary School Business Support Center Response," January 16, 2024, **Attachment 4**.

VII. REMITTANCES TO THE DISTRICT

Per Red Book Chapter 8, collections for the district school board, such as out-of-state tuition, adult matriculation and tuition fees, course fees, reimbursement for damages and sales tax are trust funds and must be accounted for in a trust account. SPB I-204 Trusts requires these funds to be remitted to the District monthly and all funds should be remitted by the end of the fiscal year.

A review of the trial balances of schools and trust accounts for FY2025 indicated that (2) schools had issues with non-remitted funds totaling $12,166.17. This reflected an improvement from the FY2024 audits, which identified non-remitted funds at five (5) schools totaling $96,567.10.

Recommendation:

The OCA recommends that the BSC create dedicated trust accounts for funds collected for remittance to the District. This practice ensures that such accounts are readily identifiable and can be effectively reviewed for proper remittance in accordance with established policies and procedures.

VIII. SPECIAL REVENUE

Per Red book, Chapter 8, Section I – Principles, 3. "If district school board faculty or staff determine the general use of funds, or if funds are used for the benefit of faculty and staff, they should not be considered as custodial funds, but special revenue funds." Per Red Book, Chapter 4 – Fund Structure, funds are reported in the Miscellaneous Special Revenue Funds to reflect the resources that can be used by the School Board to support its governmental and business-type activities and avoid overstating the fiduciary funds.

In the Internal Funds Audit Report of the BSC transmitted at the RSBM on December 16, 2025 (Item DD-3), an observation was noted that rebates from credit card processing fees from school e-stores meant to cover technology license fees and further updates were held in the BSC internal funds account. However, approximately $500K of technology license fees related to the department's function were paid from the District General Fund. These rebates held in the internal funds account had grown to a balance in excess of $1M with no specified purpose for use.

Recommendation:

The OCA recommended that the Accounting and Financial Reporting Department ("AFRD") review the fees to determine whether the rebate revenues should be remitted to the District and classified as Special Revenue to align with Red Book Chapter 4. In December 2025, the AFRD issued a memorandum accepting the OCA's recommendation and the funds were subsequently remitted to the District's General Fund.

IX. FRAUD INVESTIGATION

In October of 2025, a high school principal requested an audit of the school's internal funds due to suspicious activity of the school's bookkeeper. The audit revealed several segregation of duty issues with the bookkeeper's additional role as a club sponsor. The bookkeeper's role as a club sponsor allowed for use of the student activity funds to purchase items and request reimbursements. The auditors found that the bookkeeper purchased approximately $3,375.00 of tangible items, purchased on behalf of the club, that could not be located on the school's campus. According to the Principal, several disbursements and reimbursements were not authorized. The District's Special Investigative Unit ("SIU") also investigated the matter and referred it to the local police department.

Recommendation:

The OCA recommended that management implement policies or procedures restricting bookkeepers and budget support specialists from serving as club sponsors to address the segregation of duties issues and reduce the risk of fraud.

THE OFFICE OF THE CHIEF AUDITOR
SUMMARY OF FY2025 INTERNAL FUND AUDIT EXCEPTIONS

Exception Category	Summary of Issue	FY23 Schools w/Exceptions	FY23 Financial Impact	FY24 Schools w/Exceptions	FY24 Financial Impact	FY25 Schools w/Exceptions	FY25 Financial Impact	Disposition of Corrective Actions
Money Collection	Receipting Documentation – BC-40P and/or Money Collection Envelopes were not retained and presented for as required by Florida Department of Education Redbook Chapter 8 – Internal Funds. Funds collected not deposited into the school's bank account.	8	Unable to Determine	6	Unable to Determine	7	Unable to Determine	Needs Improvement
	Funds collected not deposited into the school's bank account.	3	($1,097)	2	($1,680)	3	($2,358.00)	Needs Improvement
Fundraising	Financial statements and inventory documentation were not completed as required by Redbook Chapter 8	4	N/A	3	N/A	3	N/A	Needs Improvement
	Yearbook financial reports or losses on sales	0		2	($3,029.30)	5	($11,155.05)	Needs Improvement
	Sales taxes paid on prom ticket sales and yearbooks	0		District-wide Issue	Not fully quantified	0	N/A	Improved - District updated Standard Practice Bulletin based on Technical Assistance Advisory from Department of Revenue
Disbursements	Funds were expended for purchases that the were not the intended purpose of the collection.	7	($23,572.35)	0		0		Improved
	Duplicative payments to vendors.	0		0		2	(3,178.60)	Needs Improvement
	Proper documentation was not maintained to support disbursements.	2	Unable to Determine	2	($9,912.00)	3	($9,985.00)	Needs Improvement
Purchase Cards	Noted issues with proper authorizations of statement purchases	2	($1,426.14)	1	N/A	0		Improved
	No formal written procedures or requirement for the reconciliation of purchase card pre-loads and expenditures to identify excess or deficient funding for each purchase card.	0		District-wide Issue	Not fully quantified	5	($14,703) Two (2) Schools Underfunded $10,977 Three (3) Schools Overfunded	Pending Follow Up Audits - Business Support Center has updated procedures for Purchase Cards

* Item not included in written summary as it was either addressed in another category or had less than 3 occurences with no financial impact.

THE OFFICE OF THE CHIEF AUDITOR
SUMMARY OF FY2025 INTERNAL FUND AUDIT EXCEPTIONS

Exception Category	Summary of Issue	FY23 Schools w/Exceptions	FY23 Financial Impact	FY24 Schools w/Exceptions	FY24 Financial Impact	FY25 Schools w/Exceptions	FY25 Financial Impact	Disposition of Corrective Actions
Parking Decals	Failure to provide inventory and financial documentation and/or did not remit applicable sales tax.	3	N/A	1	N/A	3	N/A	Needs Improvement
	Expenditures for Staff	1	($6,925)	2	($10,451)	0		Improved
	Charge in excess of limit set by SBBC Policy 5307	0	Unable to Determine	4	Unable to Determine	1	N/A	Improved - District communicated policy pricing requirement
	Spending for repair and maintenance of golf carts from internal funds	0		District-wide Issue	$64,000	District-wide Issue	$22,000	Pending policy recommendations per RSBM 11.12.25 Item B-1 ARF.
School Improvements	Amount expended exceeded amount indicated in SPB and funds were used on restricted expenses.	0		1	($10,793.52)	3	($23,649.83)	Needs Improvement - Pending OCA recommendations for review of Standard Practice Bulletin
Remittances to District	Fee Based Childcare Collections not remitted to the District as required by Business Practice Bulletin C-100	8	$345,216.26 (District Level)	1	$15,893.32 (District level)	0		Improved
	Cambridge Re-Take Test Fees collected not remitted to the District	0		5	$80,673.78 (District Level)	1	$10,313.38 (District Level)	Improved - District communicated requirement for schools to remit related funds
	Testing fees and various other funds not remitted to the District	6	$139,400.00 (District Level)	2	0	1	$1,852.79 (District Level)	Improved
Purchasing Policy 3800*	The minimum three quotes were not obtained for purchases in excess of $5,000	2	N/A	3	N/A	1	N/A	Improved
	Use of vendors not approved in awarded contracts.	3	N/A	2	N/A	1	N/A	Improved
	Purchase not in compliance with technology purchasing procedures	1	N/A	0		0		Improved
Negative Fund Balance*	Losses in yearbook sales resulted in the yearbook account ending in a negative balance.	0		3	($5,329.65)	1	($5,083.91)	Improved
Before and After School Care*	Schools did not follow District approved contract requirements and vendors	4	($132,450.00) (District Level)	0		0		Improved
	Activity Fees collected were not fully utilized and exceeded the District allowable carry over amount. The school did not lower the fees in the subsequent year as required.	2	N/A	1	N/A	2	N/A	Needs Improvement

* Item not included in written summary as it was either addressed in another category or had less than 3 occurences with no financial impact.

THE OFFICE OF THE CHIEF AUDITOR
SUMMARY OF FY2025 INTERNAL FUND AUDIT EXCEPTIONS

Exception Category	Summary of Issue	FY23 Schools w/Exceptions	FY23 Financial Impact	FY24 Schools w/Exceptions	FY24 Financial Impact	FY25 Schools w/Exceptions	FY25 Financial Impact	Disposition of Corrective Actions
Special Revenue	The OCA recommended that rebate revenues held in the Business Support Center's internal funds should be special revenues and remitted to the District's General Fund.	0		0		1	1,300,000.00 (District Level)	Accounting and Financial Reporting agreed with the recommendation and reclassified these funds from fidicuary to special revenue in FY2026.
Fraud Investigation	The principal requested an audit and SIU investigation related to the bookkeeper's purchases and reimbursements as a club sponsor. Audit noted several issues including unauthorized purchases, fundraising, and segregation of duties.	0		0		1	($3,375.87)	Needs Improvement - OCA recommended formal procedure for segregation of dutes with bookkeeping and club sponsorship

* Item not included in written summary as it was either addressed in another category or had less than 3 occurences with no financial impact.

Status: ADDED ITEM

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

2025-11-12	Regular School Board Meeting
CATEGORY:	B. Board Members
DEPARTMENT:	Board Member - District 9 - At Large

Agenda Item Number:	B-1.
Consent or Open Item:	Consent
Special Order:	NO
Time for Special Order:	

TITLE:

Parking Decals and Use of Associated Funds
ADDED

REQUESTED ACTION:

Direct the superintendent to draft policy guidelines clarifying that parking decal revenues are to be treated as special revenue if the funds are intended for restricted expenditures. (Hixon)

RATIONALE:

For the Requested Actions, Background/History, Alignment to the 2027 Goals and Guardrails, Measurable Outcome(s)/Return on Investment, Financial Impact, and Rationale, please see the Executive Summary.

EXHIBITS:

- Executive Summary
- FY2024 Audits Summary

FINANCIAL IMPACT:

There is no financial impact to the District.

STRATEGIC PLAN ALIGNMENT:

Student Focus Outcomes

N/A

OR • **Business Operations**

BOARD ACTION:

(For Official School Board Records Only)

APPROVED

SOURCE OF ADDITIONAL INFORMATION

Name:	John Sullivan	Phone:	754-321-2616
Name:		Phone:	

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Senior Leader & Title

John J. Sullivan, Chief of Staff and Communications

Signature

John J. Sullivan, Chief of Staff and Communications Nov 5,

Electronic Signature
Form \$4189 Revised 7/24
HH/JJS

Approved in Open Board Meeting On: November 12, 2025

By: Debra Hixon
School Board Chair

The Office of the Chief Auditor
Follow Up to Monarch High School Business Support Center Response

The audit of Monarch High School resulted in an exception relating to parking fees, the Office of the Chief Auditor (OCA) made the following recommendation as it relates to the use of parking fees collected from students for the repair and maintenance of golf carts:

The Office of the Chief Auditor recommends that expenses related to golf carts purchases, repairs and services are paid and tracked through District purchase orders for adequate spend authority reporting. Additionally, the Board should consider implementing guidelines for the use of parking fees and remittance to the District if the revenue is to be taken into consideration for the use of golf cart repair and maintenance costs.

The Business Support Center (BSC) Rationale for Rejection as stated below:

The conditions presented the purchasing of a non-capital bid item through an Internal Funds PO, utilizing an approved bid vendor, as an exception given the spend was not included in the contract spend authority reported to the board.

Contract spend authority applies to funds approved by the School Board through the budget development process, including the five governmental funds delineated in the annually published budget book, excluding Internal Funds (See Exhibit A).

OCA Follow Up to Management Response

If the District School Board or Staff determines the use of the parking fees then the funds should be considered Special Revenue funds and are subject to the requirements of Chapter 4 Special Revenue Funds

Per the Financial & Program Cost Accounting & Reporting for Florida Schools (Redbook) :

Chapter 8 Internal Funds - Section I – Principles 2. & 3.:

2. In meeting a requirement of Governmental Accounting Standards Board (GASB) Statement 84, Fiduciary Activities, the financial transactions of school organizations shall be accounted for and reported as custodial funds, if designated as fiduciary. **If the financial activities are not designated as fiduciary, the activities are reported in special revenue funds 491-499, Miscellaneous**.

3. **If the district school board or faculty or staff determine the general use of funds**, or if funds are used for the benefit of faculty and staff, **they should not be considered as custodial funds, but special revenue funds.**

Chapter 8 Internal Funds - Section 2.4 Trust

e. Collections for parking decals issued by secondary schools and career centers **may be restricted by the district school board** as to use, and if so, should be accounted for separately in a trust account.

Chapter 8 Internal Funds – Section 3.4 Restricted Expenditures, The following expenditures from internal funds are **deemed inappropriate** and shall not be made **except from trust funds collected for a specifically identified purpose**.

h. **Repairs and maintenance of district school board equipment for which district school board funds are available**. The exception is for revenues derived from career education production shops, which may be used for these purposes.

Redbook Chapter 4 – Fund Structure and Expenditure Accounts

This presents fund and expenditure account numbers and related definitions.

4XX – Special Revenue Funds **are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.** Special revenue funds should not be used to account for resources held in trust for individuals, private organizations or other governments.

491-499 Miscellaneous Special Revenue.

Funds are reported in the Miscellaneous Special Revenue Funds to reflect the resources that can be used by the school board to support its governmental and business-type activities and avoid overstating the fiduciary funds. The funds held in each Special Revenue Fund are restricted to a specific purpose. Following implementation of GASB 84, Fiduciary Activities, assets held by school districts and not reported in fiduciary funds should be reported in Miscellaneous Special Revenue funds. School districts are strongly encouraged to establish policies and procedures regarding administrative involvement or direct financial involvement over such funds.

The Office of the Chief Auditor
Follow Up to Discovery Elementary School Business Support Center Response
January 16, 2026

The audit of Discovery Elementary School resulted in an exception relating to school improvement purchases, the Office of the Chief Auditor (OCA) report is summarized as follows:

A review of the school improvement disbursements indicated that the school spent $6,499.90, thirty-one (31%) of the General Account, to purchase twenty-two (22) adult office chairs in September 2024. The purchase amount exceeded the ten to fifteen percent (10-15%) of the General Account as deemed generally acceptable per Standard Practice Bulletin (SPB) I-205 General.[1] However, SPB I-205 also states the purchase of materials, supplies and postage appropriated for in the school's budgeted funds is an inappropriate expenditure, except when the school's budgeted funds were verified as being exhausted or unavailable. According to the Financial and Program Cost Accounting and Reporting for Florida Schools Manual ("Redbook") Chapter 8, 2.5, General account funds are to be utilized for the general welfare of the student body. Chapter 8, 3.4 Restricted Expenses, also restricts expenditures on equipment or supplies used for curriculum or classroom use.

The Business Support Center (BSC) Director's response to the audit exception stated:

> *After careful review, the BSC rejects the conditions and recommendations of the audit finding related to School Improvements. Standard Practice Bulletin (SPB) I-204 was updated to explicitly define the proper handling of School Improvement Trust Accounts in response to a previous audit finding. Based on the conditions observed, the school operated in compliance with SPB I-204, which permits the purchase of tangible property to update or enhance areas of the building used by students or the public.*
>
> *In addition, the Chief Auditor was provided written confirmation on 2/21/2025 from the Florida Department of Education that our revised Standard Practice Bulletin would supersede requirements contained in Chapter 8 of the Florida Financial & Program Cost Accounting & Reporting for Florida Schools regarding this issue.*

OCA Follow Up to Management Response

In response to the audit exception, the BSC Director referenced an email sent to the Chief Auditor on February 21, 2025 which included a Florida Department of Education ("FDOE") letter, dated June 18, 2012 (See Attachment 1), as a justification for revising the Standard Practice Bulletin and the BSC's rejection of the conditions and the recommendations reported in the audit of internal funds for Discovery Elementary.

In the letter, the FDOE replied to a letter former BCPS superintendent (R.R.) previously submitted to the FDOE, on June 7, 2012, notifying the Commissioner of Education of the District's intent to centralize its school internal fund accounting and a request to modify policies and procedures regarding the school internal funds as outlined in "Redbook."

[1] See SPB I-205 Subsection III. A. 5.

The Office of the Chief Auditor
Follow Up to Discovery Elementary School Business Support Center Response
January 16, 2026

On January 5, 2026, the OCA requested the BSC Director provide a copy of the June 7, 2012 letter from the former superintendent (R.R) referenced in the FDOE letter for further context; however, it was not provided as of the date of this OCA response.

The email also included correspondence dated January 13, 2025, Attachment 2, wherein the BSC Director wrote the following:

> *"Based on this history, can you please confirm that BCPS is able to modify, at our discretion, the policies and procedures contained in the Redbook Chapter 8, by issuing our own clearly written board approved policies and officer approved internal procedures."*

The OCA reviewed the FDOE's response provided in the email to the BSC director, which stated the following:

> *"The district* ***school board can modify policies and procedures*** *regarding school internal fund, from outlined in the 2023 Red Book, to best meet its needs.* (Emphasis Added)
>
> ***District management*** *is responsible for the design, implementation, and maintenance of internal control around school internal fund, as well as providing an annual audit of school internal funds as part of the financial audit requirements."* (Empasis Added)

The communication indicated that the "school board" has the authority to modify policies and procedures regarding school internal funds but specified that management was responsible for the design, implementation, and maintenance of the internal control around internal fund.

The BSC Director also wrote that SPB I-204 Trusts was updated. The updated SPB was made effective in April 2025, which was subsequent to the purchase of the items noted in the report (See Attachment 3). The updated SPB I-204 as well as the recently updated SPB I-305 Disbursements (*December 1, 2025*) modifies policies and procedures outlined in Redbook Chapter 8 without District school board approval, specifically pertaining to restricted expenses and parking fees. As stated by the FDOE, the District school board can modify policies and procedures, district management is responsible for the design, implementation and maintenance of the controls.

The OCA recommends that Business Support Center submit modifications to policies and procedures for Internal Funds that are not in line with Redbook Chapter 8 to the District School Board for review and approval in accordance with the letter and email guidance provided by the FDOE.

GUIDANCE

- School Board Policy 3410 Internal Funds:

I. Monies collected and expended within a school by pupils and school personnel shall be used for financing the normal program of student activities, to provide necessary and proper services and materials, and for other purposes consistent with the school program as established and approved by The School Board of Broward County.

The Office of the Chief Auditor
Follow Up to Discovery Elementary School Business Support Center
Response January 16, 2026

- Redbook Chapter 8 Internal Funds - Section I – Principles:

2. In meeting a requirement of Governmental Accounting Standards Board (GASB) Statement 84, Fiduciary Activities, the financial transactions of school organizations shall be accounted for and reported as custodial funds, if designated as fiduciary. **If the financial activities are not designated as fiduciary, the activities are reported in special revenue funds 491-499, Miscellaneous**.

3. If the district school board or faculty or staff determine the general use of funds, or **if funds are used for the benefit of faculty and staff**, **they should not be considered as custodial funds, but special revenue funds.**

7. Custodial funds shall be used to benefit activities authorized by the District School Board.

9. Funds collected shall be expended to benefit those students in school unless the funds are being collected for a specific documented purpose or are generated by career education productions shops…funds designated for general purposes shall be used to benefit the student body.

- Redbook Chapter 8 Internal Funds – Section 3.4 Restricted Expenditures, the following expenditures from internal funds are **deemed inappropriate** and shall not be made **except from trust funds collected for a specifically identified purpose**.

a. **Equipment**, supplies, forms and postage for curricular or classroom use. The exception is for revenues derived from career education production shop, which may be used for these purposes.

h. **Repairs and maintenance of district school board equipment for which district school board funds are available**. The exception is for revenues derived from career education production shops, which may be used for these purposes.

- Redbook Chapter 8 Internal Funds – Section 5 Modification of Chapter Provisions, 5.1 School districts that use centralized accounting systems for internal funds may apply to the Commissioner of Education for modification of the policies and procedures in the chapter.