

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-027
September 2023

**WALTON COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2022-23 fiscal year, A. Russell Hughes served as Superintendent of the Walton County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Tammy Smith, Chair from 11-22-22, Vice Chair through 11-21-22	1
Kim Kirby	2
William (Bill) Eddins Jr., Chair through 11-21-22	3
Jeri Michie	4
Jason Catalano, Vice Chair from 11-22-22	5

The team leader was Jim Beaumont, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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WALTON COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Walton County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2021-047. Our operational audit disclosed the following:

Finding 1: District school safety procedures need improvement to ensure that school resource officers have received required psychological evaluations and mental health crisis intervention training.

Finding 2: Contrary to Government Finance Officers Association guidelines, Board policies did not address a reasonable and appropriate range to maintain for the unrestricted fund balance of the General Fund or provide a plan for using amounts over that range.

Finding 3: Contrary to State law, the District credited interest earnings totaling \$1.8 million to the General Fund that were produced by and should have been credited to other funds.

Finding 4: District controls over tangible personal property inventories need improvement.

Finding 5: The District did not comply with State law by timely and prominently posting on its Web site the required proposed and tentative budget information for the 2022-23 fiscal year. A similar finding was noted in our report No. 2021-047.

Finding 6: The District had not established a comprehensive information technology (IT) risk assessment to provide a documented basis for managing IT risks.

Finding 7: The District needs to establish and test a comprehensive IT disaster recovery plan to provide for continuing critical operations in the event of a disaster.

Finding 8: A comprehensive IT security incident response plan needs to be established to ensure an appropriate, effective, and timely response to security incidents.

Finding 9: District IT security controls relating to monitoring critical systems activity need improvement.

BACKGROUND

The Walton County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Walton County. The governing body of the District is the Walton County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2022-23 fiscal year, the District operated 15 elementary, middle, and high schools, along with a technical center and a virtual school; sponsored 2 charter schools; and reported 11,498 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: School Safety – School Resource Officers

State law¹ requires that the Board and the Superintendent partner with local law enforcement agencies to establish or assign one or more safe-school officers, such as school resource officers (SROs), at each school facility. SROs must be certified law enforcement officers, undergo criminal background checks, drug testing, and a psychological evaluation, and complete mental health crisis intervention training using a curriculum developed by a national organization with expertise in mental health crisis intervention.

For the 2022-23 school year, the Board contracted with the Walton County Sheriff's Office for SROs and 35 SROs served at the 16 District school facilities. The contract required the SROs to be certified deputies² but did not require the SROs to receive a psychological evaluation or complete the required mental health crisis intervention training. According to District personnel, the District relies on the Sheriff's Office to ensure that the SROs receive required psychological evaluations, and the District provides the SROs the required mental health crisis intervention training.

In response to our inquiry, District records were provided to demonstrate that, before services were provided, 32 SROs had undergone the required psychological evaluations and 15 SROs had completed the required mental health crisis intervention training. However, no records were provided to support the required evaluations for 3 SROs or the required training for 20 SROs and, according to District personnel, District procedures had not been established for monitoring completion of the required training.

Absent effective procedures to require and ensure documented verification of all SRO requirements, the District cannot demonstrate compliance with State law or that appropriate measures have been taken to promote student and staff safety.

Recommendation: The District should enhance procedures to ensure and demonstrate compliance with State school safety laws. Such enhancements should include added provisions in the Sheriff's Office contract requiring confirmation that each SRO has received the required psychological evaluation and specifying that the SROs would complete the required mental health crisis intervention training provided by the District. Procedural enhancements should also include the maintenance of records that demonstrate each SRO obtained the required evaluation and training.

Finding 2: General Fund Unrestricted Fund Balance Policies

State law³ requires the District to maintain a General Fund ending fund balance sufficient to address normal contingencies. In addition, the Government Finance Officers Association's guidelines (GFOA Guidelines)⁴ recommend that governments establish a formal policy on the level of General Fund unrestricted fund balance that should be maintained. The GFOA Guidelines further provide that, in some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the

¹ Section 1006.12, Florida Statutes.

² All Walton County Sheriff's Office certified deputies are subject to criminal background checks and drug testing.

³ Section 1011.051, Florida Statutes.

⁴ GFOA Best Practice, *Fund Balance Guidelines for the General Fund*.

General Fund over their formal policy reserve requirement even after considering potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed.

Board policies⁵ require that the Board strive to maintain a General Fund unrestricted ending fund balance of at least 5 percent of General Fund annual revenues. In addition, Board policies require the Board to assign in the initial General Fund operating budget no less than 1.5 percent of the initial amount of General Fund revenues to provide for unforeseen contingencies. However, Board policies do not address what the Board considers to be an acceptable range of General Fund unrestricted fund balance to maintain or how amounts over that range would be addressed.

At June 30, 2022, the District reported a General Fund unrestricted fund balance of \$60.5 million, including \$7.2 million (approximately 12 percent) assigned for unforeseen contingencies. As part of our audit, we compared the District General Fund unrestricted⁶ fund balance to the District General Fund revenues for the 2012-13 through the 2021-22 fiscal years to calculate each year’s financial condition ratio. As disclosed in Table 1, the financial condition ratios over that 10-year period significantly increased from 3.4 percent to 53.1 percent.

Table 1
General Fund Financial Condition Ratios
For the 2013 through 2022 Fiscal Year Ends

Fiscal Year Ended June 30	Unrestricted Fund Balance in Millions (A)	Total Revenues in Millions (B)	Ratio (A)/(B)
2022	\$60.5	\$114.0	53.1%
2021	53.4	106.5	50.1%
2020	44.7	101.9	43.9%
2019	36.3	94.1	38.6%
2018	28.8	87.0	33.1%
2017	22.2	82.2	27.0%
2016	13.2	76.1	17.3%
2015	8.2	73.5	11.2%
2014	1.9	65.9	2.9%
2013	2.1	62.6	3.4%

Source: District’s audited financial statements.

In contrast, the average financial condition ratio for all 67 Florida school districts as of June 30, 2022, was 11.6 percent. In response to our inquiries, District personnel indicated that they were aware of the financial resource increases, which were, in part, due to increases in Walton County property values and related property tax revenues. In addition, as described in Finding 3, some interest earnings reported in the General Fund should have been reported in other funds and that incorrect reporting contributed to the General Fund’s increased fund balance.

⁵ Board Policy 7.105, *Budget Implementation*.

⁶ The District General Fund unrestricted fund balance includes both assigned and unassigned fund balances.

District personnel indicated that the Board discussed the fund balance during budget meetings and executive sessions and considered the fund balance when making management decisions. District personnel also indicated that they believed maintaining a strong fund balance was critical to address contingencies such as catastrophic damage from major storms should they occur. Notwithstanding, without Board policies addressing a reasonable and appropriate range for the unrestricted fund balance in the General Fund and how amounts over that range would be addressed, there is an increased risk that District financial resources may not be used as effectively as possible to guide budgetary decisions and address District short-term and long-term needs.

Recommendation: The Board should establish policies to address a reasonable and appropriate range to maintain for the General Fund unrestricted fund balance and how amounts over that range would be addressed.

Follow-up to Management’s Response

Management indicates in their response that they understand the importance of maintaining sufficient resources and will continue to consider the District’s financial stability in all decision making. Notwithstanding, the amount of District resources maintained has significantly increased over the past 10 years and the Board has not taken action to specify what would be a sufficient range necessary to maintain financial stability or how to address amounts over that range. Consequently, we continue to recommend that the Board establish policies to address a reasonable and appropriate range to maintain for the General Fund unrestricted fund balance and how amounts over that range would be addressed.

Finding 3: Interest Earnings

State law⁷ requires the District to credit interest or profits on investments to the specific budgeted fund that produced the earnings. The District invested available cash resources in various pooled investment accounts during the 2022-23 fiscal year; however, procedures had not been established, and employees had not been properly trained, to allocate interest earnings to the funds that produced the earnings. As a result, the District credited interest earnings totaling \$1,797,384 to the General Fund that were produced by and should have been credited to other funds, including \$1,725,420 to the Capital Projects – Local Capital Improvement Fund and \$71,964 to the Special Revenue – Food Service Fund.

In response to our inquiry, District personnel indicated that they were unaware of the State law and, in August 2023, credited the interest earnings to the correct funds. Without procedures and appropriate training regarding the proper allocation of interest earnings, there is an increased risk that the District will not comply with State law and interest earnings will be used for purposes that do not align with the restrictions governing the earnings.

Recommendation: To ensure compliance with State law, the District should establish procedures and provide training to employees regarding the proper crediting of interest earnings to the funds that produced the earnings. In addition, District personnel should review pooled investment interest allocations made in previous fiscal years and, if necessary, transfer any misallocated interest to the funds that produced the earnings.

⁷ Section 1011.09(1), Florida Statutes.

Finding 4: Tangible Personal Property Inventory

State law,⁸ Florida Department of Financial Services (DFS) rules,⁹ and Board policies¹⁰ require the District to maintain adequate records of tangible personal property (TPP), such as furniture, fixtures, and equipment, and motor vehicles. Those provisions also require that a complete physical inventory be taken annually, the results of the physical inventory be compared to the property records, and any differences be researched and resolved. All TPP items found during the inventory must be included in the property records, which must identify the inventory date and individual attesting to the items' existence. Items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. If the investigation determines that an item was stolen, the District is required to file a report with the appropriate law enforcement agency describing the missing item and the circumstances surrounding its disappearance.

During the 2021-22 fiscal year, District personnel performed physical inventories at the 23 District cost centers¹¹ and, at June 30, 2022, the District reported TPP items with recorded values totaling \$44.5 million. As part of our audit, we selected for examination District records supporting the physical inventories conducted at 6 cost centers with 8,891 TPP items with recorded values totaling \$10.3 million. We found that District personnel did not document that they located 1,653 items with recorded values totaling \$1.2 million and, although we requested, District records did not demonstrate that a thorough investigation was performed to locate those items.

In response to our inquiries, District personnel indicated that 1,149 of the items not identified as located were for one school and consisted of laptops either assigned to students or physically located at an administrative cost center and that appropriate follow-up was not conducted to locate those items. In addition, some inventories were completed over 2 months after the inventory count sheets were prepared and, therefore, some of the items could have been moved from their earlier location. According to District personnel, the inventory items were left pending and will be checked during the next inventory.

Absent effective annual physical inventory procedures, the District cannot demonstrate compliance with State law, DFS rules, and Board policies; accountability over TPP is diminished; and there is an increased risk that any loss or theft of District property will not be timely detected, reported to the appropriate parties, or correctly reflected in District property and accounting records.

Recommendation: The District should enhance procedures to provide for proper accountability of District TPP. Such procedures should include a thorough, documented investigation of items not located during the physical inventory. Items determined to be stolen should be promptly reported to the appropriate law enforcement agency.

Finding 5: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to the District budget and related information. Pursuant to State

⁸ Chapter 274, Florida Statutes.

⁹ DFS Rules Chapter 69I-73, Florida Administrative Code.

¹⁰ Board Policy 7.77, *Inventories and Property Records*.

¹¹ 16 physical schools and 7 administrative cost centers.

law,¹² the District must post graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years. The District is also required to post on its Web site 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.

At the time of our review in May 2023, we found that the District properly posted the required graphical representations for the previous 3 years. The District Web site also contained the Board's official budget for the 2022-23 fiscal year; however, the Web site lacked the proposed and tentative budgets for that fiscal year. In response to our inquiry, District personnel indicated that the information was omitted due to an oversight.

Subsequent to our inquiry, in May 2023 District personnel posted the required proposed and tentative budgets on the District Web site. Providing required budget information on the District Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes. A similar finding was noted in our report No. 2021-047.

Recommendation: The District should continue efforts to comply with statutory transparency requirements by timely posting all required information on the District Web site.

Finding 6: Information Technology Risk Assessment

Management of information technology (IT) risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps entity personnel identify and understand the greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. A comprehensive IT risk assessment should consider specific threats and vulnerabilities, and the severity of such threats and vulnerabilities, at the Districtwide, system, and application levels and document the range of risks that District systems and data may be subject to, including those posed by internal and external users. IT risk assessments help support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, to formally accept residual risk.

In response to our inquiries, District personnel indicated that, as of June 2023, a comprehensive IT risk assessment had not been conducted but that the District was working with the State on developing a risk assessment program. The absence of a comprehensive IT risk assessment may lessen District assurances that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding the risks to accept and other risks to mitigate through appropriate controls.

Recommendation: The District should continue efforts to conduct a comprehensive IT risk assessment to provide a documented basis for managing IT risks.

Finding 7: Information Technology Disaster Recovery Plan

An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster

¹² Section 1011.035(2), Florida Statutes.

recovery plan should identify key recovery personnel; critical data, processes, and applications; steps to reestablish connectivity with the host vendor; and step-by-step procedures for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District obtains certain IT services, such as financial, payroll, and other critical applications from the Panhandle Area Educational Consortium (PAEC),¹³ and PAEC developed an IT cooperative agreement whereby member districts agreed to serve as alternate processing sites for each other if a disaster interrupts critical IT operations. In response to our inquiry, District personnel indicated that key systems are Web-based applications and vendor hosted; therefore, disaster recovery is covered through vendors contracted by PAEC. In addition, District personnel indicated that, because the District uses a subscription-based enterprise resource planning system and District data is stored over the Internet, the risk that critical District operations would be severely impacted by a disaster is not as great as it once was. Notwithstanding, as of June 2023 the District had not established and tested a District disaster recovery plan that included key elements such as key recovery personnel; critical data, processes, and applications; steps to reestablish connectivity with the host vendor; and step-by-step procedures for recovery.

Without a detailed and tested disaster recovery plan that identifies critical elements for recovery, District efforts to minimize the impact of, and timely recover from, a disaster or a disruption of IT operations may be hindered.

Recommendation: To provide for continuing critical operations in the event of a major hardware or software failure, the District should establish a comprehensive disaster recovery plan that includes the identity of key recovery personnel; critical data, processes, and applications; steps to reestablish connectivity with the host vendor; and step-by-step procedures for recovery. In addition, the District should test the plan at least annually.

Finding 8: Information Technology Security Incident Response Plan

State law¹⁴ requires the Board to determine the policies and programs that are necessary for the efficient operation and general improvement of the District. To ensure an appropriate, effective, and timely response to security incidents, it is important for District management to develop, and the Board to approve, a comprehensive IT security incident response plan and distribute the plan to each incident response team member.

Comprehensive security incident response plans typically detail responsibilities and procedures for identifying and logging security violations through use of a centralized reporting structure; notifying appropriate local, State, and Federal authorities when loss or damage to entity data or IT resources has or may have occurred; and training incident response team members to ensure that members understand and can perform required procedures. Such plans also include responsibilities and procedures for promptly notifying affected parties about security breaches of confidential personal information;

¹³ PAEC is a regional, non-profit, educational service agency established to provide cooperative services to 13 member districts.

¹⁴ Section 1001.41(1), Florida Statutes.

periodically reviewing critical system resources to ensure continued integrity; and analyzing and assessing security incidents to determine whether additional actions are necessary.

In response to our inquiries, District personnel indicated that, as of June 2023, the District did not have a comprehensive IT security incident response plan in place but that the District was currently developing such a plan. Should an incident occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a comprehensive IT security incident response plan may result in the District's failure to take appropriate and timely action to prevent further loss or damage to the District's data and IT resources and appropriate authorities and affected parties may not be promptly notified.

Recommendation: To provide reasonable assurance that the District will timely and appropriately respond to events that may jeopardize the confidentiality, integrity, or availability of District data and IT resources, the District should continue efforts to develop and obtain Board approval of a comprehensive IT security incident response plan. At a minimum, the plan should include:

- **Procedures for capturing and maintaining applicable events.**
- **The process for involving appropriate authorities.**
- **The process for notifying applicable parties of a security breach.**
- **Identification of response team members and training requirements with regard to the team member roles and responsibilities.**

Finding 9: Information Technology Monitoring of Systems Activity

The effective logging and monitoring of systems activity includes the regular collection, reporting, and review of activity related to critical or sensitive IT resources, including applications, to provide data owners with, among other things, assurance that unauthorized or inappropriate access to, or modification of, data will be detected.

In response to our inquiry, District personnel indicated that controls are in place to limit the number of employees authorized to make changes to critical data fields in the District finance and human resources systems, activity logs built into key system software track user activities, and District personnel monitor such activity as need arises. However, our review indicated that although certain default activity in the District finance and human resources systems was logged, the District had not established procedures to routinely monitor identified critical systems activity, such as vendor information or employee pay rate changes, for unauthorized or inappropriate activity. The absence of routine monitoring of critical systems activity increases the risk that unauthorized or inappropriate activity, should it occur, may not be timely detected.

Recommendation: District management should identify critical systems activity, routinely monitor such activity for unauthorized or inappropriate activity, and document such monitoring.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2021-047, except that Finding 5 was also noted in that report as Finding 5.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from April 2023 through July 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on selected District processes and administrative activities. For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2021-047.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency

and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the 2022-23 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Board policies, District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Reviewed Board policies and District procedures to determine whether the policies and procedures addressed certain important information technology (IT) control functions, such as security, logging, and monitoring.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the District's finance and human resources applications for the eight employees with either systemwide access or access to selected critical functions to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities and whether the access privileges prevented the performance of incompatible duties.
- Examined selected application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether the District had established a comprehensive IT security awareness and training program.
- Determined whether the District had established a comprehensive IT risk assessment to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether the District had a comprehensive IT disaster recovery plan in place that was designed properly, operating effectively, and recently tested.
- Evaluated the adequacy of District procedures related to security incident response and reporting.
- Inquired whether the District had expenditures or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- Examined the District Web site to determine whether the 2022-23 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the District Web site contained, for each public school within the District and for the District, the required graphical representations of summary financial efficiency data and fiscal trend information for the previous 3 years and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).

- Evaluated the adequacy of Board policies and District procedures relating to the General Fund unrestricted fund balance.
- Evaluated District procedures for allocating interest earnings and examined related records to determine whether the District complied with Section 1011.09(1), Florida Statutes, that requires the District to credit interest earnings to the specific budgeted fund that produced the earnings.
- From the population of expenditures and transfers totaling \$28.8 million during the period July 2022 through March 2023 from nonvoted capital outlay tax levy proceeds, certificates of participation proceeds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$11.9 million to determine District compliance with the restrictions imposed on the use of these resources, such as compliance with Section 1011.71(2), Florida Statutes.
- From the population of \$1.6 million total workforce education program funds expenditures for the audit period, selected expenditures totaling \$1.4 million and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 123 industry certifications eligible for 2022-23 fiscal year performance funding, examined 25 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records supporting 489 reported contact hours for four selected students from the population of 2,067 contact hours reported for the eight adult general education instructional students during the Fall 2022 Semester to determine whether the District reported the instructional contact hours in accordance with State Board of Education Rule 6A-10.0381, Florida Administrative Code.
- Evaluated District controls over the collection of District childcare fees to determine whether incompatible duties were properly separated, receipts were properly accounted for and reconciled to bank deposits, and fees were collected before services were provided.
- Examined documentation supporting the District's annual tangible personal property physical inventory process to determine whether the inventory results were reconciled to the property records, appropriate follow-up and investigation was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen.
- Evaluated District procedures for identifying and inventorying attractive items pursuant to Florida Department of Financial Services Rules, Chapter 69I-73, Florida Administrative Code.
- Examined District records to determine whether the Board adopted salary schedules for differentiated pay and also compensation based on performance for instructional personnel and school administrators in compliance with Section 1012.22, Florida Statutes.
- Examined District records for the audit period supporting the teacher salary increase allocation received pursuant to Chapter 2022-156, Laws of Florida, Specific Appropriation 86, totaling \$938,755 for 791 instructional personnel and records supporting payments totaling \$26,563 to 30 selected instructional personnel to determine whether the District used the allocation in compliance with Section 1011.62(14), Florida Statutes (2022). We also examined District records to determine whether the District submitted required reports (salary distribution plan and expenditure report) to the FDOE.
- Evaluated the effectiveness of Board policies and District procedures for investigating all reports of alleged misconduct by personnel if the misconduct affects the health, safety, or welfare of a student and notifying the result of the investigation to the FDOE pursuant to Section 1001.42(7)(b)3., Florida Statutes.

- Evaluated District procedures for acquiring health insurance for officers and employees and examined related records to determine whether the District complied with Section 112.08, Florida Statutes.
- For the two construction management projects with guaranteed maximum price contracts totaling \$84.8 million awarded during the period July 2022 through March 2023, examined documentation for the 29 subcontractor bid awards totaling \$65.9 million to determine whether the District properly monitored subcontractor selections.
- Examined District records to determine whether the Board had adopted appropriate school safety policies and the District had implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07 and 1006.12, Florida Statutes; and Section 1011.62(12), Florida Statutes (2022).
- Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District had implemented procedures to promote the health, safety, and welfare of students and ensure compliance with Section 1012.584, Florida Statutes; Section 1011.62(13), Florida Statutes (2022); and SBE Rule 6A-1.094124, Florida Administrative Code.
- Evaluated District procedures for assigning and monitoring purchasing card transaction limits.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each school district on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

A. Russell Hughes
Superintendent of Schools



145 Park Street
DeFuniak Springs, FL 32435
850.892.1100
Fax 850.892.1191
www.walton.k12.fl.us

September 22, 2023

Management Response

The Walton County School District acknowledges the receipt of the Operational Audit Findings for the audit period ending June 30, 2023. The responses to the preliminary and tentative findings are as follows:

Finding # 1: School Safety- School Resource Officers

The District will ensure that School Resource Officers obtain the required trainings and evaluations as required by law. These requirements will be included in the yearly contract with the Walton County Sheriff's Office and documentation demonstrating compliance will be maintained by the Walton County School District Safety Specialist.

Finding # 2: General Fund Unrestricted Fund Balance Policies

The District understands the importance of maintaining sufficient resources and fiscal responsibility. Budgeting decisions are made with the students, teachers, staff and public in mind. We acknowledge the position taken by the auditor general and will continue to consider our financial stability in all decision making.

Finding # 3: Interest Earnings

The District will establish procedures going forward to allocate interest earnings. Entries were made to allocate interest to the appropriate funds prior to closing the fiscal year. Subsequently, we will review prior year allocations and transfer funds if needed.

Finding # 4: Tangible Personal Property Inventory

Procedures have been enhanced to ensure that physical inventories are performed thoroughly and adequately. Finance staff will follow-up with property custodians on items not located or properly accounted for. Training will also be provided during the 23/24 Fiscal Year to educate staff on adequate handling and reporting of tangible personal property inventory.

Finding #5: Fiscal Transparency

The District is aware of the requirement and failed to post the 22/23 Tentative Budget due to an oversight. We understand the importance of posting financial information to keep the public informed.

Finding #6: Information Technology Risk Assessment

The District IT Department will continue to work with the State of Florida on the development of a Risk Assessment Program to identify and mitigate potential threats.

Finding #7: Information Technology Disaster Recovery Plan

The District will work to establish a comprehensive Disaster Recovery Plan to ensure that data and operations are recovered in the event of a hardware or software failure and will test such plan once per year.

Finding #8: Information Technology Security Incident Response Plan

District IT staff will begin development of a board approved Security Incident Response Plan to ensure prompt action to events which could jeopardize the confidentiality and integrity of District data.

Finding #9: Information Technology Monitoring of Systems Activity

Management will implement processes to timely detect unauthorized systems activity and monitor in an attempt to minimize the risk of inappropriate activity.

Sincerely:

A. Russell Hughes
Superintendent of Schools

"Preparing the Whole Child for a Life of Success"

Tammy Smith
District 1

Kim Kirby
District 2

Bill Eddins, Jr.
District 3

Jeri Michie
District 4

Jason Catalano
District 5