

**LEE COUNTY  
DISTRICT SCHOOL BOARD**

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Operational Audit

For the Fiscal Year Ended  
June 30, 2008



## BOARD MEMBERS AND SUPERINTENDENT

District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District</i>
	<u><i>No.</i></u>
<i>Robert D. Chilmonik</i>	<i>1</i>
<i>Jeanne S. Dozier, Chair</i>	<i>2</i>
<i>Dr. Jane E. Kuckel, Vice-Chair</i>	<i>3</i>
<i>Steven K. Tueber, J.D.</i>	<i>4</i>
<i>Dr. Elinor C. Scricca</i>	<i>5</i>

*Dr. James W. Browder, Superintendent*

The audit team leader was David Pournaras, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LEE COUNTY  
District School Board

SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

- Finding No. 1:** The District’s administration of purchasing card access privileges needed improvement.
- Finding No. 2:** Enhancements could be made to timely terminate the IT access privileges of former employees.
- Finding No. 3:** Several school advisory councils did not timely expend their lottery fund appropriation moneys.
- Finding No. 4:** Procedural enhancements should be made in the District’s monitoring of its charter schools to ensure that the schools provide the insurance coverage required by District policy and charter school contracts.
- Finding No. 5:** Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

BACKGROUND

The District is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Lee County. The governing body of the Lee County District School Board is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board.

During the audit period, the District operated 86 elementary, middle, high, and specialized schools; sponsored 14 charter schools; and reported 79,446 unweighted full-time equivalent students.

The results of our audit of the District’s financial statements and Federal awards for the fiscal year ended June 30, 2008, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

**Finding No. 1: Purchasing Cards Administration**

Our review of the District’s purchasing card program indicated that improvements were needed in the monitoring of the program.

The District provides credit cards (purchasing cards) to authorized employees for the purchase of goods and services. Purchasing cards are designed to handle and expedite low dollar purchases of goods and services in a more efficient, effective, and economical manner than may be achieved through the standard purchase order system. The District contracted with a financial institution to provide the purchasing cards and to process purchases. The District has a formal, written procedures manual that addresses various aspects related to purchasing cards such as the responsibilities of the cardholder, bookkeeper/reviewer, and the department head/principal approver; purchasing card limits; prohibited uses; the approval and payment of purchases; and procedures for lost or stolen cards.

Additionally, purchases made with purchasing cards are subject to the same rules and regulations that apply to other District purchases.

Our review of ten purchasing card transactions indicated that the purchases were within card limits, properly approved, and timely paid. Additionally, we noted that 11 personnel with purchase card privileges terminated employment with the District during the 2007-08 fiscal year. However, our tests of the purchase card privileges for the 11 personnel disclosed four whose privileges were cancelled from 41 to 136 days after the employee's termination date. Further, our review disclosed that the District's procedures manual did not provide for prompt removal of purchasing privileges for employee terminations.

According to District personnel, the purchasing privileges were not timely monitored and were, therefore, not promptly removed for the four former employees. While our tests did not disclose that the purchase cards were used after the employee termination dates, employee purchasing privileges should be stopped immediately upon termination of employment to minimize the risk of unauthorized purchases.

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**Recommendation:**     **The District should enhance controls to ensure the prompt removal of purchasing card privileges for those who terminate employment.**

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**Finding No. 2: Information Technology – User Account Management**

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User IDs and passwords are required to gain access to the District's computer network. School and departments are responsible for initiating action in an automated request system, known as the customer account request system (CARS), to manage user IDs and passwords for network access. The initiator is usually a senior secretary in the school or department, and the approver is usually a principal, assistant principal, or departmental director.

We reviewed District records for network access to e-mail, Internet/intranet, and shared folders for ten individuals who terminated employment with the District during the 2007-08 fiscal. Our tests disclosed that network access was not terminated promptly for any of the ten individuals. For example, six continued to have access privileges from 36 to 218 days after their employment termination dates as of August 5, 2008. Subsequent to our inquiry, network access was removed for these ten individuals.

District personnel indicated that the untimely removal of access privileges may have been due to unclear guidance to, or improper training of, school personnel; the lack of monitoring controls by the information technology support department; or other factors. Proper controls to restrict access to application software processing functions are necessary to protect the confidentiality, integrity and availability of the District information resources. District personnel further indicated that a new system to more timely remove terminated employees access is in the development process.

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**Recommendation:**     **The District should enhance controls over the timely deletion of IT access privileges for terminated employees to minimize the risk of compromising District resources.**

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**Finding No. 3: Lottery Fund Appropriation**

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Section 24.121(5)(c), Florida Statutes, requires the District to allocate a portion of its lottery fund appropriation to each school to be spent only on programs or projects selected by school advisory councils (SACs), provided that these moneys may not be used for capital improvements or for programs or projects that have durations of more than one year.

The District office communicates the lottery fund allocations through correspondence to SACs, and the SACs are responsible for developing spending plans for these moneys. According to District records, the District carried forward into the 2007-08 fiscal year approximately \$564,000 of unexpended lottery funds. These moneys, along with the 2007-08 lottery funds allocation, provided approximately \$1,309,000 for the SACs. However, of this amount, the SACs only expended and committed approximately \$653,000, leaving a remainder of approximately \$656,000, or 50 percent of the total lottery moneys available, to carry forward into the 2008-09 fiscal year.

We also determined that 37 of the 89 SACs which received lottery moneys, accounted for approximately \$470,000 or 72 percent of the above carry-forward amount at June 30, 2008. Of these 37 schools, we noted that four SACs, which held meetings at various times during the 2007-08 fiscal year and were allocated a combined total of approximately \$25,000 in lottery funds, did not spend any of their lottery fund allocation.

According to District personnel, the District carried forward large amounts of lottery fund moneys because, in some instances, the SACs chose to accumulate moneys to purchase high dollar items. Although the SACs are given broad discretion on how to use the lottery revenues allocated to their schools, carrying forward significant amounts is not consistent with the legislative intent that these revenues be spent in the fiscal year appropriated. A similar finding was noted in our report No. 2006-197.

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**Recommendation:**     **The District should encourage all the school advisory councils to expend the lottery proceeds for school improvement in a more timely manner.**

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#### **Finding No. 4: Monitoring of Charter Schools**

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During the 2007-08 fiscal year, the District sponsored 14 charter schools. The District's contracts with the charter schools and District Policy 2.28 require the charter schools to provide evidence of minimum amounts and annual aggregate coverage per occurrence for commercial liability, errors and omissions, and workers' compensation/employer's liability insurance, as well as hazard insurance. Our review of District records for seven of the charter schools disclosed that enhancements could be made to ensure the adequacy of insurance coverage for these schools, as follows:

- Six of the charter schools did not have errors and omissions insurance coverage, contrary to District policy and charter school contracts.
- Six of the charter schools did not have fidelity bond insurance, contrary to District policy and charter school contracts.
- Six of the charter schools' insurance policies provided 30 days written notice of cancellation, contrary to the 60-day cancellation notice required by District policy and charter school contracts.
- For four charter schools, the workers' compensation limit was \$500,000 per accident and \$500,000 per employee, contrary to the \$1 million limits per accident and per employee, respectively, required by District policy and charter school contracts.
- Two of the charter schools' insurance policies only listed the Board as a certificate holder and not as additional insured, contrary to District policy and charter school contracts.
- For one charter school, property coverage provided for a \$5,000 deductible, although District policy and charter school contract required a \$1,000 deductible.

Without adequate procedures to monitor the charter schools' insurance coverage, there is an increased risk that such coverage may not be sufficient, subjecting the schools and the District to potential losses. A similar finding was noted in our audit report No. 2006-197.

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**Recommendation: The District should enhance its procedures to ensure each charter school of the District obtains the insurance coverage required by District policy and charter school contract.**

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**Finding No. 5: Reporting of Enrollment for Adult Education Programs**

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Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, states that from the funds provided in Specific Appropriation 125, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education's (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours also stated that institutions must develop a procedure for withdrawing students for non-attendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule. The District's withdrawal policy also requires a withdrawal if a student is absent for 11 total absences during the class term.

Our tests of District records for 20 students, enrolled in 31 adult general education courses for approximately 2,600 hours, disclosed various reporting exceptions. For example, one student in an adult education course had 19 consecutive absences in one course and 31 consecutive absences in a subsequent course. Another student enrolled in one course had 7 consecutive absences, attended a day, and had 9 more consecutive absences. However, these courses were reported as if the students fully attended and completed the courses, contrary to FDOE reporting guidance and District policy. In summary, for the 20 students included in our audit tests, the District overreported approximately 1,160 hours for 15 students enrolled in 25 courses, and the excess course hours reported ranged from 22 to 195 hours per course. According to District personnel, these errors may be attributed to improperly accounting for student withdrawals or accumulated absences; ineffective training of part-time instructors on enrollment reporting procedures; inadequate monitoring of enrollment records; or other procedural deficiencies. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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**Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education. Further, the District should determine the extent of adult general education hours overreported and contact the Florida Department of Education for proper resolution.**

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2006-197.

**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 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.

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2006-197. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing District personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the District’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

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.



David W. Martin, CPA  
Auditor General

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit B.

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**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the District's information technology security awareness and training program.
Procedures to timely prohibit terminated employees' access to electronic data files.	Sampled employees who terminated during the audit period and examined supporting documentation to determine whether the District timely terminated access privileges.
Procedures for spending lottery moneys in a timely manner.	Applied analytical procedures and examined supporting documentation to determine whether the District complied with requirements related to the use of lottery funds.
Procedures for monitoring charter schools pursuant to Section 1002.33(5)(b), Florida Statutes.	Interviewed District personnel and examined supporting documentation to determine if the District effectively monitored selected operations and performance measures of its charter schools, including evidence of required insurance.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation relating to the District's fraud policy and related procedures.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes).	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Financial condition.	Applied analytical procedures to determine whether General Fund unreserved fund balance at June 30, 2008, was less than 2.5 percent of General Fund revenues.
Restrictions on use of Workforce Development funds.	Applied analytical procedures to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting.	Selected a sample of adult education students and examined supporting documentation to determine whether the District reported instructional and contact hours in accordance with FDOE requirements.

**EXHIBIT A (Continued)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the District had provided individuals with a written statement as to the purpose of collecting social security numbers, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008.
School advisory council requirements.	Examined supporting documentation to determine whether the District had established an advisory council for each school and complied with Section 1001.452, Florida Statutes.
Procedures for issuing diplomas.	Selected a sample of diploma recipients and examined supporting documentation evidencing that the recipients were eligible to graduate.
Return of fund balance of former self-insurance health fund to the original contributing funds.	Examined supporting documentation to determine whether the District properly reestablished the self-insurance health fund.
Strategic plan.	Reviewed supporting documentation to determine whether the District's strategic plan contains cost estimates.
Procurement of banking services.	Examined supporting documentation to determine whether banking services were properly bid.
District's investment policy.	Reviewed supporting documentation to determine whether the District properly followed its investment policy.
Fingerprinting and background check requirements.	Selected a sample of District and contractual personnel who had direct contact with students and examined supporting documentation to determine whether the District had obtained required fingerprint and background checks.
Construction change orders.	Reviewed supporting documentation to determine whether the District obtained proper approval of construction change orders.
Procedures for monitoring of employee extra pay claims.	Reviewed and tested extra pay claim procedures to determine effectiveness of the District's monitoring of such claims.

**EXHIBIT A (Continued)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Payroll related liabilities.	Applied analytical procedures and reviewed supporting documentation to determine whether these liabilities existed.
Certificates of Participation, Series 2004B.	Applied analytical procedures and reviewed supporting documentation to determine whether interest rates were properly computed.
Procedures for student fees at the Trade Extension School.	Applied analytical procedures and selected a sample of student payments to determine the effectiveness of District cash collection procedures, the proper recording of fees, and the assessment of fees in accordance with the approved rate structure.
Procedures relating to purchasing cards.	Reviewed a sample of purchasing card expenditures to determine the effectiveness of the District's purchasing card procedures and reviewed controls over the issuance and cancellation of card privileges.
Annual inspections of educational facilities.	Examined a sample of annual firesafety and sanitation/casualty safety inspection reports and supporting documentation to determine whether the District timely resolved noted deficiencies.

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EXHIBIT B  
MANAGEMENT'S RESPONSE



THE SCHOOL DISTRICT OF LEE COUNTY

2855 COLONIAL BLVD. ♦ FORT MYERS, FLORIDA 33966-1012 ♦ (239) 334-1102 ♦ WWW.LEESCHOOLS.NET

November 6, 2008

The Honorable David W. Martin, CPA  
Auditor General, State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

JEANNE S. DOZIER  
CHAIRMAN, DISTRICT 2  
JANE E. KUCKEL, PH.D.  
VICE CHAIRMAN, DISTRICT 3  
ROBERT D. CHILMONIK  
DISTRICT 1  
STEVEN K. TEUBER, J.D.  
DISTRICT 4  
ELINOR C. SCRIGGA, PH.D.  
DISTRICT 5  
JAMES W. BROWDER, ED.D.  
SUPERINTENDENT  
KEITH B. MARTIN, ESQ.  
BOARD ATTORNEY

Dear Mr. Martin:

Enclosed is the Preliminary and Tentative Audit Findings on the operational audit of the Lee County School Board for the fiscal year ended June 30, 2008. On the attached sheets are the district's responses. We appreciate your staff's efforts in reviewing our records and the recommendations they submitted.

Sincerely,

James W. Browder, Ed.D.  
Superintendent

Enclosures

Cc: Mrs. Jeanne Dozier, Chairman, Lee County School Board  
Dr. Jane Kuckel, Vice Chairman, Lee County School Board  
Members, Lee County School Board  
Mr. Lee Legutko, Chief Business Officer  
Mrs. Greta S. Campbell, Director of Financial Accounting

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

The School District of Lee County, Florida  
Response From the Audited District  
For Fiscal Year Ended June 30, 2008

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1:** Purchasing Card Administration

Our review of the District's purchasing card program indicated that improvements were needed in the monitoring of the program.

The District provides credit cards (purchasing cards) to authorized employees for the purchase of goods and services. Purchasing cards are designed to handle and expedite low dollar purchases of goods and services in a more efficient, effective, and economical manner than may be achieved through the standard purchase order system. The District contracted with a financial institution to provide the purchasing cards and to process purchases. The District has a formal, written procedures manual that addresses various aspects related to purchasing cards such as the responsibilities of the cardholder, bookkeeper/reviewer, and the department head/principal approver; purchasing card limits; prohibited uses; the approval and payment of purchases; and procedures for lost or stolen cards. Additionally, purchases made with purchasing cards are subject to the same rules and regulations that apply to other District purchases.

Our review of 10 purchasing card transactions indicated that the purchases were within card limits, properly approved, and timely paid. Additionally, we noted that 11 personnel with purchase card privileges terminated employment with the District during the 2007-08 fiscal year. However, our tests of the purchase card privileges for the 11 personnel disclosed 4 whose privileges were cancelled from 41 to 136 days after the employee's termination date. Further, our review disclosed that the District's procedures manual did not provide for prompt removal of purchasing privileges for employee terminations.

According to District personnel, the purchasing privileges were not timely monitored and were, therefore, not promptly removed for the four former employees. While our tests did not disclose that the purchase cards were used after the employee termination dates, employee purchasing privileges should be stopped immediately upon termination of employment to minimize the risk of unauthorized purchases.

**Recommendation:** The District should enhance controls to ensure the prompt removal of purchasing card privileges for those who terminate employment.

**Response:** Effective immediately, the Department of Procurement Services will implement the process of acquiring weekly reports run through our Information Systems Department based on data supplied from the Personnel Department of all employee terminations. This will enable us to monitor activities of personnel terminating their employment from the District that in the past our Department has not had the need to monitor. This process should only be necessary until the District fully implements PeopleSoft. In PeopleSoft there will be capabilities for notifications to be sent to the

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**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

Purchasing Card Program Administrator of all employee terminations on a daily or weekly basis.

**Finding No. 2:** Information Technology – User Account Management

User IDs and passwords are required to gain access to the District's computer network. School and departments are responsible for initiating action in an automated request system, known as the customer account request system (CARS), to manage user IDs and passwords for network access. The initiator is usually a senior secretary in the school or department, and the approver is usually a principal, assistant principal or departmental director.

We reviewed District records for network access to e-mail, Internet/intranet, and shared folders for ten individuals who terminated employment with the District during the 2007-08 fiscal. Our tests disclosed that network access was not terminated promptly for any of the ten individuals. For example, six continued to have access privileges from 36 to 218 days after their employment termination dates as of August 5, 2008. Subsequent to our inquiry, network access was removed for these ten individuals.

District personnel indicated that the untimely removal of access privileges may have been due to unclear guidance to, or improper training of, school personnel; the lack of monitoring controls by the information technology support department; or other factors. Proper controls to restrict access to application software processing functions are necessary to protect the confidentiality, integrity and availability of the District information resources. District personnel further indicated that a new system to more timely remove terminated employees access is in the development process.

**Recommendation:** The District should enhance controls over the timely deletion of IT access privileges for terminated employees to minimize the risk of compromising District resources.

**Response:** The District's network account management system was request-based and depended upon schools and departments to take action to disable network accounts when an employee left employment or was otherwise inactive. The District has developed a new automated system that compares network accounts to payroll records and automatically disables accounts that do not have a matching payroll record. Schools and departments may request to have accounts left active and provide the reason for the request to be reviewed by IT Support staff. This allows for schools and departments to address exceptions, such as network accounts for contractors that require network access but would not appear as an employee in our payroll system. The new management system has been developed and tested and is in implementation at this time, with full implementation scheduled to be completed mid-November, 2008. This new system should fully address the concern related to timely network access termination.

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Finding No. 3:** Lottery Fund Appropriation

Section 24.121(5)(c), Florida Statutes, requires the District to allocate a portion its lottery fund appropriation to each school to be spent only on programs or projects selected by school advisory councils (SACs), provided that these moneys may not be used for capital improvements or for programs or projects that have durations of more than one year.

The District office communicates the lottery fund allocations through correspondence to SACs, and the SACs are responsible for developing spending plans for these moneys. According to District records, the District carried forward into the 2007-08 fiscal year approximately \$564,000 of unexpended lottery funds. These moneys, along with the 2007-08 lottery funds allocation, provided approximately \$1,309,000 for the SACs. However, of this amount, the SACs only expended and committed approximately \$653,000, leaving a remainder of approximately \$656,000, or 50 percent of the total lottery moneys available, to carry-forward into the 2008-09 fiscal year.

We also determined that 37 of the 89 SACs which received lottery moneys, accounted for approximately \$470,000 or 72 percent of the above carry forward amount at June 30, 2008. Of these 37 schools, we noted that 4 SACs, which held meetings at various times during the 2007-08 fiscal year and were allocated a combined total of approximately \$25,000 in lottery funds, did not spend any of their lottery fund allocation.

According to District personnel, the District carried-forward large amounts of lottery fund moneys because, in some instances, the SACs chose to accumulate moneys to purchase high dollar items. Although the SACs are given broad discretion on how to use the lottery revenues allocated to their schools, carrying forward significant amounts is not consistent with the legislative intent that these revenues be spent in the fiscal year appropriated. A similar finding was noted in our report No. 2006-197.

**Recommendation:** The District should encourage all the school advisory councils to expend the lottery proceeds for school improvement in a more timely manner.

**Response:** Almost half of the schools had a smaller balance at the end of Fiscal Year 2007-08 than Fiscal Year 2006-07 which shows progress toward reducing the individual balances. In addition, it should be noted that some school advisory councils save funds until they have enough for a specific expenditure. To further reduce the outstanding balances from this funding source, the District will work with school advisory councils to encourage them to expend the lottery proceeds.

**Finding No. 4:** Monitoring of Charter Schools

During the 2007-08 fiscal year, the District sponsored 14 charter schools. The District's contracts with the charter schools and District Policy 2.28 require the charter schools to provide evidence of minimum amounts and annual aggregate coverage per occurrence for commercial liability, errors and omissions, and workers' compensation/employer's liability insurance, as well as hazard insurance. Our review of District records for seven of the charter schools disclosed that enhancements could be made to ensure the adequacy of insurance coverage for these schools, as follows:



**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

- Six of the charter schools did not have errors and omissions insurance coverage, contrary to District policy and charter school contracts.
- Six of the charter schools did not have fidelity bond insurance, contrary to District policy and charter school contracts.
- Six of the charter schools' insurance policies provided 30 days written notice of cancellation, contrary to the 60-day cancellation notice required by District policy and charter school contracts.
- For four charter schools, the workers' compensation limit was \$500,000 per accident and \$500,000 per employee, contrary to the \$1 million limits per accident and per employee, respectively, required by District policy and charter school contracts.
- Two of the charter schools' insurance policies only listed the Board as a certificate holder and not as additional insured, contrary to District policy and charter school contracts.
- For one charter school, property coverage provided for a \$5,000 deductible, although District policy and charter school contract required a \$1,000 deductible.

Without adequate procedures to monitor the charter schools' insurance coverages, there is an increased risk that such coverage may not be sufficient, subjecting the schools and the District to potential losses. A similar finding was noted in our audit report No. 2006-197.

**Recommendation:** The District should enhance its procedures to ensure each charter school of the District obtains the insurance coverage required by District policy and charter school contract.

**Response:** The District has already taken corrective measures to correct the monitoring of charter school insurance. Beginning in FY08, with the change of the District's administrator in charge of charter schools, the Director of the District's Department of Insurance and Benefits Management was asked to review charter school insurance documentation and to certify compliance with Board policy, and this new step was in place before this audit was conducted.

This new internal review procedure will be further improved to specifically check for items such as those mentioned in these preliminary and tentative findings and to move the deadline for school submittal of insurance documentation earlier in the school year to allow time for correction of deficiencies that may be identified during the District review.

**Finding No. 5:** Reporting of Enrollment for Adult Education Programs

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

State's workforce. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, states that from the funds provided in Specific Appropriation 125, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education's (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours also stated that institutions must develop a procedure for withdrawing students for non-attendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule. The District's withdrawal policy also requires a withdrawal if a student is absent for 11 total absences during the class term.

Our tests of District records for 20 students, enrolled in 31 adult general education courses for approximately 2,600 hours, disclosed various reporting exceptions. For example, one student in an adult education course had 19 consecutive absences in one course and 31 consecutive absences in a subsequent course. Another student enrolled in one course had 7 consecutive absences, attended a day, and had 9 more consecutive absences. However, these courses were reported as if the students fully attended and completed the courses, contrary to FDOE reporting guidance and District policy. In summary, for the 20 students included in our audit tests, the District overreported approximately 1,160 hours for 15 students enrolled in 25 courses, and the excess course hours reported ranged from 22 to 195 hours per course. According to District personnel, these errors may be attributed to improperly accounting for student withdrawals or accumulated absences; ineffective training of part-time instructors on enrollment reporting procedures; inadequate monitoring of enrollment records; or other procedural deficiencies. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

**Recommendation:** The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education. Further, the District should determine the extent of adult general education hours overreported and contact the Florida Department of Education for proper resolution.

**Response:** Adult Education has been working on an antiquated Student Information System that has struggled to keep pace with date requirements from DOE. We are currently in the process of purchasing SchoolDesx which will provide the necessary structure to keep track of all data elements and provide a vehicle to upload information correctly to DOE.

Steps Lee County Adult Education is taking to better track students:

1. All Adult Education staff dealing with student data will be trained and in charge of keeping more accurate records.

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**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

2. All sites will be using a required electronic attendance form that will be completed accurately and sent weekly to the information specialist at the District Adult Education office.
3. The District Information Specialist will review the attendance sheets and make appropriate withdrawals of students, figure average daily attendance, review retention patterns, etc.
4. Lee County Schools will also align its student withdrawal policy with that of the state. Students will be withdrawn after six consecutive absences in an adult education course.

FLDOE currently does not fund Adult Education programs based on contact hours, but rather on a student meeting the enrollment threshold of 12 hours. A small amount of performance based funding follows a student who is able to upgrade test scores, move to a higher level of a program, passes the GED, etc.

