

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-140
March 2019

**NASSAU COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Dr. Kathy K. Burns served as Superintendent of the Nassau County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Donna Martin, Chair	1
Gail G. Cook, Vice Chair	2
Jamie Deonas	3
Dr. Kimberly Joyce Fahlgren	4
Jonathan Petree	5

The team leader was Jillian M. Litchfield, and the audit was supervised by Randy R. Arend, CPA.

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NASSAU COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Nassau County School District (District) focused on selected District processes and administrative activities and included a follow-up on the finding noted in our report No. 2016-127. Our operational audit disclosed the following:

Finding 1: The Board did not make a documented determination that, rather than competitively selecting or directly negotiating with a service provider, the best option for accomplishing the Districtwide Telephone System Upgrade Project at the lowest cost with acceptable quality was to utilize the services of District Maintenance Department employees working extra hours and being paid overtime or earning compensatory time. The Districtwide Telephone System Upgrade Project began during the 2017-18 fiscal year and had projected costs totaling \$2.6 million for certain District facilities and schools.

Finding 2: The District did not have policies and procedures for documenting and monitoring overtime and compensatory time.

Finding 3: The District expended ad valorem tax levy proceeds totaling \$45,718 for group health insurance benefits based on Maintenance Department employee overtime hours worked. However, since the District General Fund appropriately paid for the insurance benefits of these employees based on their regular work hours, the \$45,718 represents questioned costs of ad valorem tax levy proceeds.

Finding 4: The District disbursed Florida Best and Brightest Teacher Scholarship Program awards totaling \$29,600 to recipients who did not meet the eligibility requirements for the awards.

Finding 5: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

BACKGROUND

The Nassau 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 Nassau County. The governing body of the District is the Nassau 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 2017-18 fiscal year, the District operated 16 elementary, middle, and high schools and reported 11,811 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Districtwide Telephone System Upgrade Project

State Board of Education (SBE) rules¹ require the District, when acquiring information technology, as defined in State law,² to make any acquisition through the competitive solicitation process or by direct negotiation and contract with a vendor or supplier, as best fits the needs of the District as determined by the Board. Alternatively, District personnel may be used to undertake projects or activities that could be obtained through service contracts. Effective procurements require documented considerations of these options, including Board determinations of District employee and service provider qualifications, anticipated benefits, and related costs.

Only after the details of qualifications, anticipated benefits, and related costs are considered and documented should the Board decide whether to utilize a competitively selected or directly negotiated service provider, or to perform the services with District labor and equipment. Board-documented considerations help demonstrate the reasonableness of the costs associated with the services and promote government transparency.

Our discussions with District personnel and examination of District records indicate that, during the 2017-18 fiscal year, the District Maintenance Department began the Districtwide Telephone System Upgrade Project (Project) using employees to perform the work after regular work hours, earning overtime and compensatory time. The Project includes network cabling replacements and upgrades for telephone and Internet connections and network router, switch, and Voice over Internet Protocol telephone handset replacements. District budget records for the 2017-18 and 2018-19 fiscal years indicate that the total estimated cost of the Project will be \$2.6 million for the District Office, the Facilities and Transportation Departments, and eight District schools. The Project estimated costs for the remaining seven schools will be determined in future years. As detailed in Table 1, for the 2017-18 fiscal year, Project costs were mostly for Maintenance Department employees who worked overtime and earned compensatory time performing the installations at various District locations.

¹ SBE Rule 6A-1.012(14), Florida Administrative Code.

² Section 282.0041(11), Florida Statutes, defines information technology as equipment, hardware, software, firmware, programs, systems, networks, infrastructure, media, and related material used to automatically, electronically, and wirelessly collect, receive, access, transmit, display, store, record, retrieve, analyze, evaluate, process, classify, manipulate, manage, assimilate, control, communicate, exchange, convert, converge, interface, switch, or disseminate information of any kind or form.

Table 1
Districtwide Telephone System Upgrade Project Costs
For the 2017-18 Fiscal Year

Location	Work Order Charges			Costs of Materials and Supplies from Inventory	Total Costs
	Salary Costs	Benefits Costs	Total Salary and Benefit Costs		
District Office	\$122,963	\$35,917	\$158,880	\$2,319	\$161,199
West Nassau High School	174,249	50,898	225,147	2,672	227,819
Fernandina Beach High School	50,666	14,800	65,466	364	65,830
Facilities Department	5,491	1,604	7,095	108	7,203
Facilities with Costs under \$5,000	8,602	2,513	11,115	-	11,115
Total Work Order Charge Costs	<u>\$361,971</u>	<u>\$105,732</u>	<u>\$467,703</u>	<u>\$5,463</u>	<u>473,166</u>
Direct Equipment Purchases^a					<u>133,648</u>
Total Telephone Upgrade Project Costs					<u>\$606,814</u>

^a Direct equipment purchases of \$133,648 were for the District Office telephone system equipment not accounted for as work order charges.

Source: District records.

We found that the District purchased the District Office equipment using the prices available under another state's purchasing contract. For the network equipment to be installed at the remaining locations, the District issued a request for proposals and received proposals from two respondents. After consideration of the proposals, in April 2018 the Board awarded the contract for the acquisition of the equipment and District management decided that District personnel would install the equipment working extra hours and being paid overtime or earning compensatory time during the 2018-19 fiscal year. In response to our inquiries, District personnel indicated that they did not prepare cost estimates or obtain quotes or bids for the labor costs associated with the Project before installation began because, based on the professional experience of District Maintenance Department personnel, the installation services could be performed by District personnel at lower costs than contracting for the services. Notwithstanding the District's explanation, District records did not evidence that acquiring the equipment and utilizing District personnel to perform the Project was determined by the Board to be the best option for accomplishing the Project.

Without a documented Board determination of the best acquisition process for the Project, District records did not evidence compliance with SBE rules or that the acquisition was made in accordance with Board expectations. In addition, absent independent estimates of the Project costs and a cost-benefit analysis to evaluate whether the Project services performed by District personnel working extra hours and being paid overtime and earning compensatory time would cost less than contracting for the services, District records do not evidence that the work was performed at the lowest cost with acceptable quality.

Recommendation: The Board should comply with SBE rules and document a determination of the best process for acquiring future IT acquisitions and the Districtwide Telephone System Upgrade Project. For the Districtwide Telephone System Upgrade Project, the determination should demonstrate, based on District needs, whether the remainder of the Project should be performed by:

- **District Maintenance Department personnel working extra hours and being paid overtime and earning compensatory time;**
- **Competitively selecting and contracting with a service provider; or**
- **Directly negotiating and contracting with a service provider.**

Finding 2: Overtime and Compensatory Time

Pursuant to the Fair Labor Standards Act and the Board Bargaining Agreement for Support Personnel for the 2017-18 through 2019-20 fiscal years, nonexempt employees who work more than 40 hours in a given work week shall be paid overtime or earn compensatory time, and all such time shall be compensated by the Board at its discretion as overtime or compensatory time. All overtime or compensatory time shall be earned at one and one-half times regular pay.

Effective procedures for authorizing and monitoring overtime and compensatory time include requiring pre-authorization for such time, documenting the time worked and overtime paid or compensatory time used, and limiting the amount of time worked to ensure the time is reasonable and does not adversely impact staff productivity. The District Maintenance Department timekeeping procedures provide for nonexempt employees to clock in and clock out using a timeclock to account for the hours worked each day.

In connection with the Districtwide Telephone System Upgrade Project discussed in Finding 1, several District Maintenance Department employees worked a significant amount of overtime and earned compensatory time. However, according to District personnel, the District did not have policies and procedures for documenting and monitoring this time. Instead, each department was responsible for establishing their own procedures for controlling overtime and compensatory time. In addition, the District had not performed a cost-benefit analysis considering current staffing levels, personnel utilization, and the feasibility of using part-time employment, rotating shifts, or, as discussed in Finding 1, outsourcing the Project services performed by District Maintenance Department employees.

Salary expenditures for District Maintenance Department overtime totaled \$355,127 for the period October 2017 through June 2018. Table 2 lists the overtime pay, regular pay, and total pay for 12 District Maintenance Department employees who received overtime pay exceeding \$10,000 for the 9-month period October 2017 through June 2018.

Table 2
Maintenance Department Employees
With Overtime Pay Exceeding \$10,000

For the Period October 2017 through June 2018

Employee	Total Overtime Hours	Total Overtime Pay	Total Regular Pay	Total Regular and Overtime	Overtime Pay Percentage of Regular Pay
1	1,278	\$ 49,778	\$39,726	\$89,504	125%
2	1,115	51,032	42,160	93,192	121%
3	802	37,642	43,377	81,019	87%
4	735	16,414	22,795	39,209	72%
5	702	30,866	43,377	74,243	71%
6	464	17,269	37,901	55,170	46%
7	410	20,143	45,335	65,478	44%
8	405	14,097	34,251	48,348	41%
9	404	17,136	43,377	60,513	40%
10	412	15,804	39,118	54,922	40%
11	359	13,482	38,239	51,721	35%
12	320	10,408	33,034	43,442	32%
Total		<u>\$294,071</u>			

Source: District records.

As shown in Table 2, the overtime paid to each of the 12 District Maintenance Department employees exceeded 30 percent of their total pay for the period October 2017 through June 2018. For each of the 12 employees, we selected timesheets for four selected payroll periods and examined the 48 timesheets and other District records to evaluate the adequacy of District payroll records and monitoring procedures associated with overtime and compensatory time. We found that:

- The District Bargaining Agreement provides for two 15-minute work breaks and a 30-minute lunch during the regular work day; however, no guidelines were established for reporting and documenting overtime hours worked. For the timesheets we reviewed, when overtime was worked, employees did not clock out using the timeclock at the end of the workday. Instead, employees manually recorded overtime hours worked in full-hour increments on the timesheet and clocked out prior to clocking in the next work day. As such, the timesheets generally did not indicate starting and ending work times for the overtime hours worked.

According to District personnel, the timeclock was not available to employees after regular work hours and the District did not have alternate procedures to substantiate the overtime worked, such as the use of sign-in and sign-out sheets. Absent such, District records did not evidence the accuracy or reasonableness of the overtime and compensatory time recorded.

- While District Maintenance Department employees understood that the Project would be performed by working extra hours and being paid overtime or earning compensatory time, no guidelines were established for preapproving or monitoring this time. For example, most Maintenance Department employees reported 5 hours or less of overtime each day; however, others consistently reported more overtime or earned more compensatory time. Specifically:
 - For the 10-day payroll period February 16 through March 1, 2018, one employee worked regular work days from 7:15 am to 3:45 pm and then reported 8 hours of overtime each workday (16-hours each day). Assuming the overtime work started at 3:45 pm and the

employee did not take a dinner break, the employee worked until 11:45 pm each day and reported to work at 7:15 am the following workday.

- Another employee did not use the timeclock for the regular workday but manually recorded 8-hour workdays for 8 of the 10 workdays³ during the February 16 through March 1, 2018, payroll period and earned 8 hours of overtime each of the 8 workdays.
- For the 14-day payroll period May 2 through May 21, 2018, another employee worked regular workdays from 7:15 am to 3:45 pm and reported 129 hours of overtime, including 8 or 9 hours of overtime on most weekdays, 3 12-hour weekend days, and a 17-hour weekend day.
- For the period May 16 through May 20, 2018, an employee worked regular workdays from 7:15 am to 3:45 pm and then reported 10 hours of overtime each day for May 16, 17, and 18. Assuming the overtime work started at 3:45 pm on May 16, the employee worked until 1:45 am the next day, reported to work at 7:15 am on the following 2 workdays (May 17 and 18), and then reported 12 hours of overtime on Saturday and 14 hours of overtime on Sunday.
- For the 20-day payroll period June 4 through June 29, 2018, an employee worked regular 10-hour workdays from 6:30 am to 5:00 pm. The employee then reported 8 hours of overtime for 4 workdays, or until 1:00 am assuming the overtime work started at 5:00 pm, and 10 hours of overtime on 1 work day, or until 3:00 am assuming the overtime work started at 5:00 pm, followed by 2 13-hour weekend days.

In response to our inquiries, District management indicated that they knew the employees worked the overtime or earned the compensatory time hours reported based on correspondence with the employees after regular workday hours. Notwithstanding, our examination of the correspondence did not evidence the starting and ending times for the overtime worked or compensatory time earned, reducing the usefulness of the correspondence. Without District-established procedures for pre-approving, recording, and monitoring overtime and compensatory time, the District's ability to demonstrate the reasonableness of the hours is limited.

- While overtime hours worked were reported on timesheets, the District Maintenance Department timekeeper accounted for the cumulative balance of overtime hours on manual ledgers instead of through the District's payroll system with the overtime hours periodically either paid to employees or taken as compensatory time. However, the overtime was not necessarily paid and the compensatory time was not necessarily used in the same pay period as the hours were earned.

In response to our inquiries, District personnel indicated that the timing of the overtime payments or use of compensatory time, was at the discretion of the employee and Department management. Notwithstanding, without recording the overtime and compensatory hours, as other employee work time through the payroll system, there is an increased risk that the hours earned and used may be inaccurate.

- District records did not evidence Board approval to compensate the District Maintenance Department personnel for overtime instead of allowing them to earn compensatory time, contrary to the Board Bargaining Agreement for Support Personnel. In response to our inquiries, District personnel indicated that the services had to be performed after regular working hours so students and District personnel would not be disrupted and Maintenance Department personnel were needed during the workday to perform their regular assigned duties. District personnel also indicated that determining whether extra hours worked by employees should be compensated as paid overtime or earned compensatory time is considered a management decision. Notwithstanding, the Board did not delegate this decision to District management.

Since overtime and compensatory time is earned on a one and one-half times basis, its extensive and continued use has a negative effect on District operations in that overall salary costs increase significantly

³ This employee recorded compensatory time used for the other 2 workdays of the payroll period.

without a corresponding increase in the number of hours actually spent on operations. Without procedures that establish the basis for pre-authorizing, recording, monitoring, and limiting overtime and compensatory time, employee services may not be consistent with Board expectations and there is an increased risk of unforeseen overtime costs and that errors, waste, fraud, or abuse may occur and not be timely detected.

Recommendation: The District should establish policies and procedures for appropriately controlling employee overtime and compensatory time. Such policies and procedures should require that this time be:

- Limited based on management’s discretion and the reasonableness of the time. The reasonableness of the time should be supported by a cost-benefit analysis that provides alternatives to overtime when large amounts of overtime are anticipated. This analysis should include current staffing levels, personnel utilization, and the feasibility of using part-time employment, rotating shifts, and, as discussed in Finding 1, outsourcing these services.
- Pre-approved before the time is worked.
- Recorded in the District payroll system and accounted for through use of standardized methods and forms.
- Compensated by the Board at its discretion as either overtime or compensatory time pursuant to the Board Bargaining Agreement for Support Personnel.

Finding 3: Ad Valorem Taxation

State law⁴ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools and acquiring certain enterprise resource software used to support Districtwide administration or State-mandated reporting requirements.

The District accounts for ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement Fund (LCI Fund). For the 2017-18 fiscal year, District LCI Fund expenditures totaled \$8.4 million and transfers totaled \$2.7 million. To determine the propriety of District uses of ad valorem tax levy proceeds, we examined District records supporting selected LCI Fund expenditures totaling \$2.2 million and transfers totaling \$1.5 million and found that the District generally used LCI Fund moneys for authorized purposes. However, we also noted that the District expended ad valorem tax levy proceeds totaling \$45,718 to the General Fund for group health insurance benefits based on District Maintenance Department employee overtime hours worked. However, since the District General Fund appropriately paid the insurance benefit costs of these employees pursuant to a negotiated bargaining agreement for their regular work hours, the \$45,718 represents questioned costs of ad valorem tax levy proceeds.

In response to our inquiries, District personnel indicated that including the health insurance benefits costs in the LCI Fund expenditures was a misunderstanding and that the \$45,718 would be corrected during

⁴ Section 1011.71(2), Florida Statutes.

the 2018-19 fiscal year. Without a proper understanding of the restrictions governing the use of ad valorem tax levy proceeds, the risk that the District will violate these restrictions is increased.

Recommendation: The District should enhance procedures to ensure that ad valorem tax levy proceeds are used only for authorized purposes and refund the \$45,718 from the General Fund to the LCI Fund. Such enhancements should include appropriate training to ensure that the applicable District employees understand the restrictions for the use of ad valorem tax levy proceeds.

Finding 4: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program⁵ to reward classroom teachers⁶ who achieved high academic standards during their own education. Classroom teachers eligible for a \$6,000 scholarship award are those who scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law⁷ in the school year immediately preceding the year in which the scholarship will be awarded or, if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment. In addition, State law provides for a \$1,200 or \$800 scholarship for a classroom teacher who was evaluated as highly effective or effective, respectively, pursuant to State law in the school year immediately preceding the year in which the scholarship will be awarded. Also, pursuant to State law,⁸ once a classroom teacher is deemed eligible for this award by the District, the teacher shall remain eligible as long as he or she remains employed by the District as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

District personnel are responsible for determining teacher eligibility for the scholarships and annually submitting the number of eligible teachers to the FDOE. The FDOE then disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in State law.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$994,000 to 615 District-employed⁹ teachers, including 10 prekindergarten teachers. To determine whether the recipients met the eligibility requirements for the scholarships, we requested for examination District records supporting the eligibility of 40 scholarship recipients who were awarded a total of \$74,800. We found that the 10 prekindergarten teachers were awarded scholarships totaling \$29,600 but did not meet the statutory definition of a classroom teacher.

In response to our inquiry, District personnel indicated that the prekindergarten teachers were eligible for the scholarships because prekindergarten teachers hold valid Florida teaching certificates as required

⁵ Section 1012.731, Florida Statutes.

⁶ Section 1012.01(2), Florida Statutes, defines classroom teachers as K-12 staff members assigned the professional activity of instructing students in courses in classroom situations, including basic instruction, exceptional student education, career education, and adult education, including substitute teachers.

⁷ Section 1012.34, Florida Statutes.

⁸ Section 1012.731(3)(b), Florida Statutes.

⁹ According to District records for the 2017-18 fiscal year, there were no charter schools in the District.

for all teachers within the District and are required to fulfill the same duties and responsibilities as all other teachers. Notwithstanding the District's response, prekindergarten students include children who are not yet ready for kindergarten and the scholarship is limited to classroom teachers as defined in State law,¹⁰ which is limited to K-12 personnel. In addition, the term "Prekindergarten Instructor" is defined separately in State law.¹¹

Absent effective procedures to limit scholarships to statutory defined classroom teachers, there is an increased risk that scholarships may be awarded to ineligible recipients.

Recommendation: The District should enhance procedures to ensure that scholarships are only awarded to eligible recipients who meet the classroom teacher statutory definition. In addition, the District should refund the FDOE for the awards totaling \$29,600 paid to the ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Finding 5: Information Technology User Access Privileges

The Legislature has recognized in State law¹² that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of information technology (IT) user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,¹³ the District identified each student using a Florida education identification number obtained from the FDOE. However, student SSNs are included in the student records maintained within the District Student Information System (SIS). Student SSNs are maintained in the District SIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and provide student transcripts to colleges, universities, and potential employers based on student-authorized requests.

Board policies¹⁴ allow designated District school personnel access to student records to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with applicable State law, SBE rules, and Federal laws, and District employees are required to certify that they will comply with these requirements. Notwithstanding, as of June 2018, District personnel indicated that, although periodic evaluations of IT user access privileges to sensitive personal information of students had been performed, District records were not maintained to evidence these evaluations.

¹⁰ Section 1012.01(2)(a), Florida Statutes.

¹¹ Section 1002.51(6), Florida Statutes, defines prekindergarten instructors to include teachers who provide instruction to students in a prekindergarten program.

¹² Section 119.071(5)(a), Florida Statutes.

¹³ Section 1008.386, Florida Statutes.

¹⁴ Board Policy 5.79, Student Records.

As of June 2018, the District SIS contained sensitive personal information, including SSNs, for 32,781 former and 11,696 current District students and 67 individuals had continuous IT user access privileges to this information. We requested District personnel to confirm that the access privileges of these individuals were necessary for the individuals to perform their assigned responsibilities. In response to our request, in July 2018 the District determined that 42 individuals, including guidance counselors, certain data entry operators, and contracted SIS software provider employees, did not require such access and removed the unnecessary access for these individuals.

According to District personnel, the other 25 individuals were employees who needed continuous access to sensitive personal information of students. However, although we requested, District records were not provided to demonstrate that the continuous access to both current and former student information was needed or that occasional access could not be granted for the specific time needed. District personnel indicated that employees with access to student SSNs continue to have such access even though students transfer to another school, move from the District, or graduate. In addition, the District SIS did not include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information, although employees may need access to current but not former student information.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against District students or others.

Recommendation: To ensure access to sensitive personal information of students is properly safeguarded, the District should:

- **Establish documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected. If an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.**
- **Consult with the SIS provider regarding a District SIS upgrade to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.**

PRIOR AUDIT FOLLOW-UP

The District had taken corrective action for the applicable finding included in our report No. 2016-127.

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 March 2018 to November 2018 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:

- 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 the finding included in our report No. 2016-127.
- 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 programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, 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; 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 transactions, as well as events and conditions, occurring during the 2017-18 fiscal year audit period, and selected District actions taken 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 District information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we examined District records supporting selected user access privileges for:
 - The 85 users who had update access privileges to the finance application.
 - The 79 users who had update access privileges to the HR application.
 - The 3 users included in the default network administrator system group who had complete access to network resources.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed selected access user privileges for 30 of the 146 employees who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated District procedures for protecting the sensitive personal information of students, including student social security numbers. For the 67 individuals who had electronic access to sensitive personal information of students, we requested District personnel to confirm the propriety of the access privileges granted to evaluate the appropriateness and necessity of the access privileges based on the individual's assigned job responsibilities.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2018, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to evaluate the District's ability to make future debt service payments.
- Examined the District Web site to determine whether the 2017-18 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether required internal funds audits for the 2016-17 and 2 preceding fiscal years were timely performed pursuant to State Board of Education (SBE) Rule 6A-1.087, Florida Administrative Code (FAC), and Chapter 8 – School Internal Funds,

Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book), and whether the audit reports were presented to the Board.

- From the population of expenditures totaling \$10.1 million and transfers totaling \$2.8 million during the audit period from ad valorem tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$2.4 million and \$1.6 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- For the one significant construction project with expenditures totaling \$31.2 million and in progress during the 2017-18 fiscal year (the new Wildlight Elementary School), examined project documentation to determine compliance with Board policies and District procedures and provisions of State laws and rules, and examined District records to determine whether the contractor and architect were properly selected, adequately insured, and paid in accordance with the contract.
- Examined copies of the District's facility annual fire safety, casualty safety, and sanitation inspection reports prepared from January 2018 through March 2018. From the population of 24 inspection reports, we selected 14 reports with 193 noted deficiencies and examined documentation to determine whether timely action was taken to correct the deficiencies.
- Interviewed District personnel and examined supporting documentation to determine whether floor plans for the newly constructed educational facility were submitted to law enforcement and fire agencies by October 1, 2018, pursuant to Section 1013.13, Florida Statutes.
- From the population of workforce development funds expenditures totaling \$404,492 during the period July 1, 2017, through April 19, 2018, analyzed expenditures totaling \$136,894 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 41,486 contact hours for 224 adult general education instructional students during the Fall 2017 Semester, examined District records supporting 1,682 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with SBE Rule 6A-10.0381, FAC.
- From the population of compensation payments totaling \$87.6 million made to 2,188 employees during the audit period, examined District records supporting compensation payments totaling \$66,530 to 33 selected employees to determine whether their rate of pay was accurate and supervisory personnel reviewed and approved their reports of time worked.
- From the population of overtime payments totaling \$355,127 for District Maintenance Department employees during the period October 2017 through June 2018, selected four payroll periods for 12 employees who received overtime payments exceeding \$10,000, and examined District records supporting overtime payments totaling \$294,071 to these employees to determine whether Board policies and District procedures were adequate and the supporting documentation evidenced the approval of, and necessity for, the overtime payments.
- From the population of 850 instructional personnel and 33 school administrators compensated a total of \$80.2 million during the audit period, examined supporting documentation for 32 selected employees who were compensated a total of \$2.2 million to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes. We also determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.

- From the population of 2,188 employees and 1,881 contractor workers as of April 2018, examined District records for 16 employees and 18 contractor workers selected to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for the audit period for school volunteers to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of 40 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 615 District teachers who received scholarship awards totaling \$994,000 during the audit period.
- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Reviewed Board policies and District procedures related to identifying potential conflicts of interest. For the five Board members and the Superintendent who were required to file statements of financial interests, we reviewed Florida Department of State, Division of Corporation, records; statements of financial interests; and District records to identify any potential relationships with District vendors that represent a conflict of interest.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We examined District records to determine whether the District identified eligible schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged student and distributed all remaining funds to all eligible schools in accordance with Federal law and regulation.
- From the population of 249 contractual services providers with expenditures totaling \$4.3 million during the period July 1, 2017, to April 19, 2018, examined supporting documentation, including the contract documents, for 38 selected payments totaling \$2 million to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- Determined whether non-compensation expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies. Specifically, from the population of non-compensation expenditures totaling \$32 million for the audit period, we examined District records supporting 30 selected payments for general expenditures totaling \$6.3 million.
- Evaluated District procedures for performing the Districtwide Telephone System Upgrade Project to determine whether the Board made a documented determination of the best acquisition process for the Project.
- Evaluated District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes.

- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- Evaluated District procedures for determining Maintenance Department staffing needs.
- Evaluated the adequacy of District Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District procedures for verifying that all VIP teachers for the audit period were properly certified and had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Examined District records for the audit period to determine whether the District provided the required number of VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined District accounting records for the audit period to verify that the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Examined student records and evaluated District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials and, for those eligible students who did not already have such resources in their home, computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- From the population of 158 students enrolled in the District VIP during the audit period, examined District records for 30 selected students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements, as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Examined the contract documents for the Florida Department of Education approved VIP provider to determine whether the contracts contained required statutory provisions. Also, we:
 - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
 - Examined the contract and other related records to determine whether the District documented the reasonableness of the student-teacher ratios established in the contract.
 - Examined contract fee provisions and determined how fees were assessed for services rendered.
- Evaluated District established controls to determine whether residual VIP funds were used for other technological tools, as required by State law.
- 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

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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Kathy K. Burns, Ed.D.
Superintendent of Schools

The Nassau County School District

1201 Atlantic Avenue
Fernandina Beach, Florida 32034

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February 27, 2019

Ms. Sherrill F. Norman, Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

The following is in response to the findings of our audit for the fiscal year ended June 30, 2018.

Finding No. 1: Districtwide Telephone System Upgrade Project: At the time of the project, the District's phone system was under the direct supervision and management of the Director of Maintenance and Facilities. During the 2017-2018 fiscal year, the District's Maintenance Department began the Districtwide Telephone System Upgrade Project using employees to perform the work after hours. The Director of Maintenance and Facilities determined, based on his cost analysis, that the project could be completed cheaper in-house, with overtime. The Superintendent directed the Director of Maintenance and Facilities to plan the work, determine the time needed, and monitor the project as well as the overtime needed to complete the project. Once the Superintendent became aware of the extent of overtime and expense, the project overtime hours were stopped. Now that the auditors have reviewed the project and provided their recommendations, we will revisit the project as a whole, and work to ensure that all the appropriate documentation of the decision on how to proceed is maintained and proper approval of the Board sought.

Our mission is to develop each student as an inspired life-long learner and problem-solver with the strength of character to serve as a productive member of society.

The Nassau County School District does not discriminate on the basis of race, color, national origin, gender, age, disability or marital status in its educational programs, services or activities, or in its hiring or employment practices.

Finding No. 2: Overtime and Compensatory Time: The Superintendent and staff have developed an overtime policy which addresses the items in the auditor's recommendation. This proposed policy will be presented to the Board in March 2019 for advertisement and approval.

Finding No. 3: Ad Valorem Taxation: We recognized our error in the processing of the Workorder reclassification when identified by the auditors and will proceed with the repayment to the Capital Funds. We will update our documentation of the Workorder reclassification process to ensure that the handling of benefits is correctly handled in the future between regular earnings and overtime earnings.

Finding No. 4: Florida Best and Brightest Scholarship Program: The only Pre-K teachers the district has are for the Exceptional Student Education Program funded under the FEFP Program and not under the Voluntary Pre-K program which is why they were considered eligible for the Best and Brightest Scholarship Program. We will seek clarification from the Department of Education as to whether payments to these individuals were appropriate and additionally, their guidance on the appropriate actions to be taken going forward.

Finding No. 5: Information Technology User Access Privileges: We recognize your concerns concerning this matter. The District will update security review procedures to include a scheduled review of access to privileged information. Our SIS provider, FOCUS, released new security features in Version 9.0, which the district updated to on 02/22/2019. The district will work to implement new encryption and authentication methods as related to the SSN field.

Sincerely,

A handwritten signature in blue ink that reads "Kathy K. Burns". The signature is written in a cursive style.

Kathy K. Burns, Ed.D.
Superintendent