

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-204
April 2019

**POLK COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Jacqueline Byrd served as Superintendent of the Polk County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Billy Townsend	1
Lori Cunningham, Vice Chair from 11-14-17	2
Hazel Sellers	3
Sara Beth Reynolds	4
Kay Fields, Chair through 11-13-17	5
Lynn Wilson, Chair from 11-14-17, Vice Chair through 11-13-17	6
Tim Harris	7

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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POLK COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Polk County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-081. Our operational audit disclosed the following:

Finding 1: The District did not always timely perform required background screenings for instructional and noninstructional employees. A similar finding was noted in our report No. 2016-081.

Finding 2: As similarly noted in our report No. 2016-081, District procedures did not ensure that independent, supervisory review and approval of time worked or leave taken by noninstructional personnel was documented.

Finding 3: The General Counsel and Director of Internal Audit Services employment agreements included a severance pay provision that did not appear to be consistent with State law.

Finding 4: Contrary to State law, the District grandfathered salary schedules for instructional personnel for the 2014-15 through 2017-18 fiscal years did not base compensation, in part, upon employee performance.

Finding 5: The Board had not adopted policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed by State law. A similar finding was noted in our report No. 2016-081.

Finding 6: District records did not document verification that the 590 charter school teachers who received Florida Best and Brightest Teacher Scholarship awards totaling \$1.1 million during the 2017-18 fiscal year were eligible for those awards.

Finding 7: District procedures did not always limit expenditures to budgeted amounts, contrary to State law and State Board of Education rules.

Finding 8: Contrary to State law, the District did not file the 2017 calendar year actuarial report for the District self-funded employee health insurance plan with the Office of Insurance Regulation, and the Board had taken no official action, as of January 2019, to establish the plan's target net position balance or funding level.

Finding 9: Absent legal authority, the District paid for preemployment physical examinations for prospective employees.

Finding 10: Improvements are needed in the administration and monitoring of the District purchasing card program.

Finding 11: The Director of Payroll had information technology (IT) access privileges that were incompatible with the Director's job assignments and the District did not periodically evaluate assigned IT access privileges to help ensure that the access privileges were appropriate and necessary for the performance of the user's assigned job duties.

Finding 12: Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal information of students may occur.

BACKGROUND

The Polk 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 Polk County. The governing body of the District is the Polk County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 133 elementary, middle, high, and specialized schools; sponsored 27 charter schools; and reported 102,863 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Employee Background Screenings

State law¹ requires that individuals hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students undergo a level 2 background screening² at least once every 5 years. To promote compliance with the statutory background screening requirements, Board policies³ require employees to undergo required background screenings upon employment and at least once every 5 years thereafter.

During the 2017-18 fiscal year, the District employed 6,370 instructional and 7,620 noninstructional personnel. According to District personnel, the Human Resource (HR) Services Division is responsible for using the District payroll system to monitor and ensure that employees obtain the required background screenings. To determine whether required background screenings were obtained, we requested for examination the most recent background screenings for 32 selected employees (12 instructional and 20 noninstructional employees) listed in the District payroll system in April 2018. We found that a background screening had not been performed for 5 employees (3 instructional and 2 noninstructional).

In response to our inquiry, District personnel indicated that the 5 employees had separated from District employment and were subsequently rehired by the District; however, the employees' background screening information was not properly tracked in the payroll system. Subsequent to our inquiries, 4 of the 5 employees obtained background screenings that noted no unsuitable backgrounds and the other employee retired in July 2018. However, the background screenings for the 4 employees were obtained, on average, more than a year after the required screening dates.

As a result of our inquiries, the District evaluated the background screenings of all employees and identified an additional 19 employees who, as of April 2018, had not obtained a required background

¹ Sections 1012.32, 1012.465, and 1012.56(10), Florida Statutes.

² A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

³ Board Policy 3121.01 – *Criminal Background and Employment History Checks*.

screening. District personnel indicated that, as of January 2019, required background screenings had been obtained for 17 of the employees and no unsuitable backgrounds were noted, 1 employee separated from the District in July 2018, and 1 employee was on leave of absence until retirement in April 2019. According to District records, the District had employed the 19 employees from 3 months to 7 years.

District personnel indicated that background screenings were not always timely obtained due to staff transitions in the HR Services Division. Absent effective controls to ensure that required background screenings are timely obtained, there is an increased risk that employees with unsuitable backgrounds may have direct contact with students. A similar finding was noted in our report No. 2016-081.

Recommendation: The District should continue efforts to ensure that required background screenings are promptly obtained, and make decisions, as necessary, based on evaluations of the screening results.

Finding 2: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional employees (e.g., administrative, clerical, and other support employees) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2017-18 fiscal year, the District reported salary costs of approximately \$49 million for noninstructional employees. According to District personnel, to document leave taken, noninstructional employees prepare time sheets to account for leave taken, submit completed leave forms to their supervisors who review and approve the forms, and then provide the approved forms to the applicable department assistant. The department assistant ensures that supervisory approval is obtained for all leave taken and enters the leave into the District's payroll system. While noninstructional employee time sheets and leave forms evidence the employees' leave taken, District records did not evidence the time worked by the employees.

In response to our inquiry, District personnel indicated the payroll system is not setup to track and approve time for noninstructional employees. Notwithstanding, without evidence of time worked and documented supervisory review and approval of noninstructional employee time worked, there is limited assurance that the noninstructional employee services are provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that noninstructional employees may be incorrectly compensated, employee leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute. A similar finding was noted in our report No. 2016-081.

Recommendation: The District should establish a mechanism for noninstructional employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Finding 3: Severance Pay Provisions

State law⁴ provides that, on or after July 1, 2011, a unit of government that enters into an employment agreement with an officer, agent, employee, or contractor that contains a provision for severance pay must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation and a prohibition of severance pay when fired for misconduct as defined by State law.⁵

The Board approved separate employment agreements with the General Counsel in March 2011 and with the Director of Internal Audit Services in September 2014, and the agreements were both subsequently extended after July 1, 2011, through June 30, 2020. According to each agreement, if the employee is terminated without cause, the Board will pay the employee compensation and benefits from the date of the discharge for the remainder of the contract term. Notwithstanding, these provisions are contrary to State law as each potentially provides for severance pay that exceeds 20 weeks of compensation. In addition, the agreements do not adhere to State law as they lack a provision prohibiting severance pay when fired for misconduct.

In response to our inquiry, the District Counsel indicated that the employment agreements followed the form of contract utilized by the Board for its appointed Superintendents, which were executed prior to the enactment of the State law limits and that new employment agreements would include the required statutory provisions. However, when the employment agreements were extended, the Board was obliged to respect the statutory limitation on severance pay.

Recommendation: The Board should take appropriate action to amend the severance clause included in the General Counsel and Director of Internal Audit Service employment agreements to be consistent with State law.

Follow-Up to Management's Response

Management indicated in the written response that neither the General Counsel nor the Director of Internal Auditor Services employment agreements contain a provision for severance pay and, therefore, the provisions of Section 214.425 (4)(a)1, Florida Statutes, do not apply. However, as indicated in the finding, both agreements expressly state that "if it is determined that the discharge was not based upon a substantial breach of contract or just cause, the [General Counsel or Director of Internal Audit Services] is entitled to the compensation and benefits from the date of discharge for the remainder of the contract term." As such, both agreements provide for pay after discharge or employment termination, i.e., severance pay. The response also states that, in the event of a dispute, the agreements must be construed to comply with State law. Notwithstanding this response, including the required employment agreement provisions would ensure that the agreements limit pay after discharge or termination to the statutory amounts and clarify that employees fired for misconduct are not entitled to severance pay. Accordingly, the finding stands as presented.

⁴ Section 215.425(4)(a), Florida Statutes.

⁵ Section 443.036(29), Florida Statutes.

Finding 4: Grandfathered Salary Schedules for Instructional Personnel

State law⁶ requires the Board to adopt a grandfathered salary schedule for instructional personnel hired before July 1, 2014, that bases a portion of each employee's compensation upon performance demonstrated under State law.⁷ The Board adopted grandfathered salary schedules for each of the 2014-15 through 2017-18 fiscal years and approved instructional personnel bargaining agreements for personnel compensated based on the grandfathered salary schedules. The grandfathered salary schedules and bargaining agreements set forth instructional personnel compensation based on instructional personnel experience and educational backgrounds; however, neither the grandfathered salary schedules nor the bargaining agreements based instructional personnel compensation, in part, on employee performance.

Table 1 shows the number of instructional personnel compensated based on the grandfathered salary schedules and total compensation of those employees.

Table 1
Number of Instructional Personnel and Related Compensation
For the 2014-15 Through 2017-18 Fiscal Years

Source	2014-15	2015-16	2016-17	2017-18
Number of Instructional Personnel Compensated Based on the Grandfathered Salary Schedule	3,583	3,213	2,882	2,685
Total Instructional Personnel Compensation Based on the Grandfathered Salary Schedule (in Millions)	\$180	\$166	\$148	\$140

Source: District records.

Consequently, the respective instructional personnel grandfathered salary schedules for the 2014-15 through 2017-18 fiscal years did not comply with State law as the schedules did not provide for compensation based upon employee performance. In response to our inquiry, District personnel indicated that they were unaware of this requirement. As of December 2018, the Board had not adopted grandfathered salary schedules in compliance with State law for the 2018-19 fiscal year. Absent grandfathered salary schedules that base a portion of each applicable employee's compensation on performance, the District cannot demonstrate compliance with State law and there is an increased risk that instructional personnel whose performance exceeds management's expectations will not be properly recognized and compensated.

Recommendation: The Board should comply with State law by adopting instructional personnel grandfathered salary schedules that base each applicable employee's compensation, in part, upon performance demonstrated under State law.

⁶ Section 1012.22(1)(c)4.b., Florida Statutes.

⁷ Section 1012.34, Florida Statutes.

Finding 5: Compensation and Salary Schedule

State law⁸ requires the Board to designate positions to be filled; prescribe qualifications for those positions; and provide for the appointment, compensation, promotion, suspension, and dismissal of employees. State law⁹ provides that, for instructional personnel and school administrators, the Board must provide differentiated pay based on District-determined factors including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify the instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in State law. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

For the 2017-18 fiscal year, the instructional personnel salary schedule provided for additional responsibilities differentiated pay, such as for directing bands, coaching athletics, and retention bonuses and stipends based on performance at designated schools. The school administrator salary schedule also provided for additional responsibilities, school demographics, and level of job performance difficulties differentiated pay, such as for elementary, middle, and high school principals. However, contrary to State law, District records did not evidence instructional personnel differentiated pay based on school demographics, critical shortage areas, and level of job performance difficulties. Additionally, District records did not evidence school administrator differentiated pay based on critical shortage areas.

In response to our inquiry, District personnel indicated that the factors were omitted from instructional personnel salaries because union negotiations were not resolved to include those factors. Although we requested, District personnel could not provide an explanation for not basing school administrator compensation on all the required factors. Without a Board-established documented process for determining which instructional personnel and school administrators are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. A similar finding was noted in both our report Nos. 2016-081 and 2013-071.

Recommendation: The Board should establish a documented process for identifying the instructional personnel and school administrators entitled to differentiated pay using the factors prescribed by State law and adopt salary schedules that specify the differentiated pay based on those factors.

⁸ Section 1001.42(5)(a), Florida Statutes.

⁹ Section 1012.22(1)(c)4.b., Florida Statutes.

Finding 6: Florida Best and Brightest Teachers Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program¹⁰ to reward classroom teachers¹¹ who achieved high academic standards during their own education. Classroom teachers eligible for a \$6,000 scholarship 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 law¹² 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.

District personnel are responsible for determining teacher eligibility for the scholarships and annually submitting the number of eligible teachers to the Florida Department of Education (FDOE). The FDOE then disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in State law. To demonstrate eligibility for a \$6,000 scholarship, District-employed teachers were required to submit to the District an application along with an official record of college entrance examination score at or above the 80th percentile based on the national percentile ranks in effect when the teacher took the assessment. District personnel determined whether District-employed teachers were evaluated as highly effective based on prior school year performance assessments. Pursuant to State law,¹³ 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.

According to District personnel, charter schools are required to submit to the District the number of charter school teachers determined to be eligible for the scholarships. However, the District had not established procedures to verify that scholarships are only awarded to eligible charter school classroom teachers.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$5.8 million to 4,648 District-employed classroom teachers and scholarships totaling \$1.1 million to 590 charter school classroom teachers. To determine whether the recipients met the eligibility requirements for the scholarships, we requested for examination District records supporting the eligibility of 30 scholarship recipients (26 District-employed teachers and 4 charter school teachers) who were awarded a total of \$130,000. Since the District had not established procedures for verifying the eligibility of charter school scholarship recipients, the District requested and obtained from the respective charter schools eligibility

¹⁰ Section 1012.731, Florida Statutes.

¹¹ 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.

¹² Section 1012.34(3)(a), Florida Statutes, requires the evaluation to include consideration of student performance.

¹³ Section 1012.731(3)(b), Florida Statutes.

documentation for the 4 charter school scholarship recipients. Our examination of the documentation provided indicated that the 26 District-employed scholarship recipients and 4 charter school scholarship recipients were eligible to receive the scholarships. However, our procedures cannot substitute for the District's responsibility to verify that charter school teachers were eligible for scholarship awards.

In response to our inquiry, District personnel indicated that initial FDOE guidance from the inception of the scholarship program placed the responsibility of maintaining eligibility support on the charter schools. Notwithstanding, the referenced FDOE guidance is no longer available on the FDOE Web site and our discussions with FDOE personnel indicated that, for enhanced accountability over these State-restricted resources, school districts should verify the eligibility of charter school scholarship recipients.

Absent District verification of the eligibility of charter school teachers before scholarships are awarded, there is an increased risk that scholarships may be awarded to ineligible recipients.

Recommendation: The District should document verifications that scholarships are awarded to eligible charter school teachers based on college entrance examination scores reported on reliable and authentic records and, as applicable, documentation that the teachers were evaluated as highly effective or effective.

Finding 7: Budgetary Controls

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriations by the Board, while the total remaining fund balance (i.e., assigned and unassigned fund balance accounts) is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions of fund balance represent the amount that may be used with the most flexibility for emergencies and unforeseen situations.

State law¹⁴ requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's total ending fund balance classified as assigned and unassigned in the District's approved operating budget is projected to fall below 3 percent of projected General Fund revenue (i.e., financial condition ratio) during the fiscal year, the Superintendent must provide written notification to the Board and the Commissioner of Education.

State law¹⁵ authorizes the Board to establish policies that allow expenditures to exceed the amount budgeted by function if the Board approves the expenditure and amends the budget within timelines established by the policies; however, the Board had not adopted such policies. State law¹⁶ provides that the official budget shall not be altered, amended, or exceeded except as authorized. State Board of Education (SBE) rules¹⁷ provide that no expenditure shall be authorized or obligation incurred that is in excess of budgetary appropriation and require that the Board approve amendments to the budget whenever the function amounts are changed from the original budget. The process for adopting and

¹⁴ Section 1011.051, Florida Statutes.

¹⁵ Section 1011.06, Florida Statutes.

¹⁶ Section 1011.05, Florida Statutes.

¹⁷ SBE Rule 6A-1.007(2), Florida Administrative Code (FAC).

amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources.

As of June 30, 2018, the District reported a total of \$34 million for the General Fund assigned and unassigned fund balance, which represents a financial condition ratio of 4.6 percent. In addition, for the 2017-18 fiscal year, the District reported General Fund expenditures totaled \$789 million for 19 functional expenditure categories. However, our examination of District records disclosed that the District over expended 5 of those categories by \$60,124 to \$4.9 million, or by a total of \$6.9 million. In response to our inquiry, District personnel indicated that the budget overexpenditures occurred because of oversights.

While the District financial condition ratio at June 30, 2018, was not below 3 percent and did not require the Superintendent to notify the Board and the Commissioner of Education, appropriate monitoring and amending the budget to meet changing financial circumstances would reduce the risk for expenditures to exceed available resources.

Recommendation: The District should enhance budgetary controls to ensure that expenditures are limited to budgeted amounts as required by State law and SBE rules.

Finding 8: Self-Funded Employee Health Insurance Plan

The District reported the self-funded employee health insurance plan in an internal service fund. According to Florida Office of Insurance Regulation (OIR) guidance,¹⁸ the OIR considers a self-funded plan with reserves equal to 60 days of anticipated claims as actuarially sound and, if a self-funded plan does not meet this threshold, the OIR may request additional information to determine the actuarial soundness of the plan. State law¹⁹ requires the District to annually submit to the OIR within 90 days after the close of the plan fiscal year a report that includes a statement by an actuary as to the plan’s actuarial soundness.

Table 2 discloses that the employee health insurance plan experienced operating losses for the 3 fiscal years ended June 30, 2016, 2017, and 2018.

**Table 2
Self-Funded Employee Health Insurance Plan
Fiscal Years Ended June 30, 2016, 2017, and 2018**

Fiscal Year Ended June 30	Net Position Balance	Operating Losses
2016	\$21,099,461	\$3,233,688
2017	\$12,678,473	\$7,922,615
2018	\$2,205,695	\$10,282,056

Source: District Records.

¹⁸ Rule 69O-149.053, FAC, adopts several forms, including Form OIR-B2-574, to be used by local governments for self-funded plans. Form OIR-B2-574, *General Information and Surplus Statements for Self-Funded Health Benefit Plans*, indicates that if a plan’s surplus is less than 60 days of anticipated claims, the OIR may ask other questions to determine the actuarial soundness of the plan.

¹⁹ Section 112.08(2)(b), Florida Statutes.

For the 2016 calendar plan year, the District provided the OIR with a certification of other available funding²⁰ to compensate for the \$3.3 million plan reserve shortage at December 31, 2016, and OIR accepted the plan as actuarially sound. For the 2017 calendar plan year, the District had a \$17.6 million plan reserve shortage to pay average claims expenses for 60 days. However, District personnel indicated that the 2017 calendar year plan was unable to be certified as actuarially sound and, accordingly, the District never filed the report, which was due March 31, 2018, or requested an extension.

During the 2017-18 fiscal year, in addition to the Board-approved contributions, the District contributed \$8.7 million to the plan, according to District personnel, to keep the plan from having a negative fund balance. In response to our inquiry, District personnel indicated that the Board was aware of the plan funding deficiency; however, although we requested, District records were not provided to demonstrate that the Board had approved the additional contributions of \$8.7 million. Absent Board approval, there is an increased risk that the contributions may be from funding sources that the Board intended to use for other purposes.

To improve the plan's financial condition, effective January 2019 the Board increased the Board-approved contributions and premiums for employees with dependents. Notwithstanding, the Board had not established policies or procedures, as of that date, identifying the plan's target net position balance or funding level and the funding sources to subsidize the plan if the plan is not self-sufficient. Given the plan operating losses, timely submittal of required annual reports to the OIR is essential for the Board and the OIR to effectively monitor the actuarial soundness of the plan and help ensure that the District meets future obligations of the self-funded employee health insurance plan. In addition, continued shortages in the self-funded employee health insurance plan may require other resources to fund the plan and increase the risk that the District may not meet its self-insurance obligations.

Recommendation: The Board should establish policies and procedures identifying a target net position balance or funding level for the self-funded employee health insurance plan and the funding sources to subsidize the plan if the plan is not self-sufficient. Also, the District should ensure that, before contributions are made to the plan, the Board approves the contributions and related funding sources. In addition, the District should ensure that the required annual report with the actuary's statement as to the plan's actuarial soundness is timely submitted to the OIR.

Finding 9: Preemployment Physical Examinations

Effective contract management ensures that contracts and related costs are legally authorized. State law²¹ identifies the Board as the contracting agent for the District and the Board routinely enters into contracts for District services. While the Board is authorized to contract for various educational services, according to an Attorney General opinion (AGO),²² a school district "may not lawfully expend school funds for preemployment physical examinations for prospective employees such as school custodians, trades persons or others whose duties will require physical exertion."

For the period July 2017 through April 11, 2018, the District paid a total of \$8.9 million for contractual services. To determine the propriety of these payments, we examined District records supporting

²⁰ General Fund undesignated fund balance totaling \$44 million.

²¹ Section 1001.41(4), Florida Statutes.

²² Attorney General Opinion 82-59.

24 selected payments totaling \$1.4 million related to 23 contracts. We found that, contrary to the AGO, the District made one payment of \$9,913 for preemployment physical examinations and X-ray examinations, ranging from \$53 to \$70 per examination, for prospective employees such as school bus operators and food service workers whose duties require physical exertion. We expanded our procedures and determined that the District paid a total of \$59,009 for these services during the 2017-18 fiscal year. In addition, although we requested, District records were not provided to evidence Board approval of these payments or other legal authority for payment of these services using District funds. In response to our inquiry, District personnel indicated that they were unaware that use of District funds for these services was prohibited.

Absent legal authority for these payments, the District used District funds for unauthorized purposes.

Recommendation: The District should ensure that District funds are not used to pay for preemployment physical examinations for without specific legal authority.

Finding 10: Purchasing Cards

The District established a Purchasing Card (P-card) program, which gives designated employees delegated authority and flexibility to make purchases of small routine materials and supplies, and travel expenditures. Board policies²³ specify that purchases made with P-cards are subject to the same rules and regulations that apply to other District purchases and are also subject to additional P-card requirements established in the *Purchasing Card Procedures Manual (P-Card Manual)*. The *P-Card Manual* requires the department head or principal to sign monthly P-card purchase reports to document supervisory review and approval of the purchases. It is the department head or principal's responsibility to resolve issues over P-card use and process disciplinary action for misuse.

District P-card expenditures totaled \$2.3 million for the period July 2017 through February 2018 and, as of April 2018, 634 P-cards were assigned to department heads and principals, who allowed use of the cards on a sign-out basis, and 24 P-cards were exclusively used for rental car services. As part of our procedures, we examined District records supporting 41 selected P-card expenditures totaling \$50,404 for the period July 2017 through February 2018 to evaluate controls over P-card use.

We found that District records did not evidence supervisory review and approval for 18 P-card expenditures totaling \$11,887 made by department heads or principals for travel, subscription services, equipment, and supplies. We expanded our procedures to scan and examine support for other P-card expenditures and identified an additional 30 expenditures totaling \$6,335 made by department heads or principals without documented supervisory review and approval. In response to our inquiry, District personnel indicated that documented, independent, supervisory approval for P-card expenditures made by department heads or principals was not required. Notwithstanding this response, without such approval, there is an increased risk of fraud or errors associated with P-card charges.

We also examined District records supporting P-card cancellations for the 19 P-cards assigned to eight cardholders who separated from District employment during the 2017-18 fiscal year. We found that 4 P-cards held by two cardholders were cancelled 43 to 69 days, or an average of 50 days, after the

²³ Board Policy 6424 – *Purchasing Cards*.

cardholders' employment separation dates. In addition, although we requested, District records were not provided to evidence the dates that 2 of the 19 P-cards were canceled. In response to our inquiries, District personnel indicated that employee turnover and non-adherence to District procedures caused the delayed P-card cancellations.

While the agreement between the District and the bank that administers the P-card program allows the District 60 days to dispute charges, and our examination of P-card expenditures for these four former employees after their employment separation dates disclosed no purchases were made for non-District purposes, untimely cancellation of P-card privileges increases the risk that the cards could be misused by former employees or others and may limit the District's ability to satisfactorily resolve disputed charges.

Recommendation: The District should enhance procedures to ensure that P-card expenditures are supported by documented, independent, supervisory approval and P-card privileges are promptly canceled upon a cardholder's separation from District employment.

Finding 11: Information Technology User Access Privileges – Human Resource Module

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibilities. Periodically evaluating assigned IT access privileges helps ensure that employees and contractors cannot access or modify IT resources inconsistent with their assigned job duties.

District personnel indicated that, after initial assignment of access privileges based on job duties, the detailed user access for the finance and human resource (HR) modules within the District IT system were not periodically evaluated. In response to our inquiry, District personnel asserted that they did not intend to implement a periodic evaluation of user access because the evaluation costs would exceed the benefits. Notwithstanding, although we requested, District records were not provided to evidence the basis for this assertion.

From the population of 1,223 individuals²⁴ with access privileges to District finance and HR modules, we examined the IT user access privileges and assigned job duties of 30 selected employees to evaluate whether the employees' privileges were consistent with their job duties. While we found that the access privileges and job duties were compatible for 29 of the employees, the District Director of Payroll (Director) had privileges that were also assigned to Human Resource Services Division personnel and were incompatible with her duties. For example, the Director could update the HR module by creating an employee, adjusting salary records, and updating employee address and bank information, along with her job-assigned monitoring responsibilities over the accuracy of payroll transactions by Payroll Department personnel. In response to our inquiry, District personnel indicated that these incompatible access privileges would be eliminated so that the Director could only perform her assigned job duties.

Although the District had certain controls (e.g., separate HR function that inputs employee information and salaries, supervisory approval of nonexempt personnel timesheets, and Board approval of salary

²⁴ The 1,223 individuals include 1,195 employees; 21 charter school employees who, for example, verify employee information for FDOE reporting and requisition and make payments for District warehouse inventory; and 7 IT-support contractors.

increases for union personnel) that somewhat mitigated the inappropriate access, the existence of unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources may occur and not be timely detected. Absent periodic evaluations of assigned IT access privileges, the District lacks assurance that the assigned access privileges remain appropriate and necessary for the performance of assigned job duties.

Recommendation: District management should ensure that assigned IT access privileges restrict employees from performing incompatible functions or functions that are not necessary for their assigned job responsibilities. In addition, the District should document the periodic evaluation of IT user access privileges to the finance and HR modules and timely remove any inappropriate or unnecessary access privileges detected, including removal of the incompatible access privileges assigned to the Director of Payroll.

Finding 12: Information Technology User Access Privileges – Student Information

The Legislature has recognized in State law²⁵ 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 IT user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,²⁶ the District identified each student using a Florida education identification number assigned by 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 policies²⁷ 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 requirements in State law, State Board of Education rules, and Federal laws and District employees are required to certify that they will comply with these requirements.

In response to our inquiries, District personnel indicated that the SIS did not have a mechanism to mask sensitive personal student information that was displayed on IT screens along with other student information nor did the SIS differentiate user access privileges to current and former student information. District personnel also indicated that certain IT users who had access to the sensitive information did not require such access for their assigned jobs, including those who did not always have a demonstrated need to access both current and former student information. District personnel also indicated that periodic evaluations of IT user access privileges to the sensitive personal information of students had not been performed to help monitor these privileges.

²⁵ Section 119.071(5)(a), Florida Statutes.

²⁶ Section 1008.386, Florida Statutes.

²⁷ Board Policy 8330, *Student Records*.

As of May 31, 2018, the SIS contained SSNs for 441,000 former and 37,000 current District students and 2,506 District employees had IT user access privileges to sensitive personal information of students. As part of our audit, we examined District records supporting these access privileges and found that 2,052 employees, including teachers, bus drivers, media specialists, and school nutrition assistants, did not have a demonstrated need to have access to this information to perform their job responsibilities. Subsequent to our inquiries, a new SIS was implemented during July 2018 and, according to District personnel, the access privileges to sensitive personal student information was reduced to 33 employees who were full-time equivalent reporting specialists or programmers. District personnel indicated that, as of October 2018, the District determined that 26 of the 33 employees needed access to current and former student information, 3 employees needed continuous access to former student information, and 4 employees no longer needed access. Notwithstanding, although we requested, District records were not provided to demonstrate why the 29 employees needed continuous access to student information or that occasional access could not be granted only for the time needed.

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

Recommendation: The District should continue efforts to ensure that only those employees who have a demonstrated need to access sensitive personal information of students have such access. Such efforts should include:

- Documented periodic evaluations of access privileges to determine whether such privileges are necessary and the timely removal of any inappropriate or 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.
- Considering upgrading the IT system to mask sensitive personal student information and to differentiate user access privileges to current and former student information.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2016-081 and 2013-071 except as noted in Findings 1, 2, and 5 and shown in Table 3.

Table 3
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year	2011-12 Fiscal Year
	Operational Audit Report No. 2016-081, Finding	Operational Audit Report No. 2013-071, Finding
1	2	Not Applicable
2	3	Not Applicable
5	1	1

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 February 2018 to January 2019 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 findings included in our report No. 2016-081.
- 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 prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed 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, network configuration management, 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 tested 30 employees' allowed update access privileges to finance and/or human resources application functions and reviewed the appropriateness of access privileges granted for 30 user accounts.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed access user privileges for 30 of the 718 employees who separated from District employment during the period July 2017 through February 2018 to determine whether the access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- 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.
- Determined whether a comprehensive, written IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.

- Determined whether a fire suppression system had been installed in the District's data center.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 2,506 individuals who had access to the information to evaluate the appropriateness and necessity of the access privileges based on the employee's designated 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. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances as of June 30, 2016, June 30, 2017, and 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.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools.
- 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 for the audit period to determine whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
- For the audit period, examined District budgets and budget amendments to determine whether they were prepared and adopted in accordance with State law and State Board of Education (SBE) rules.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2015-16 and 2016-17 fiscal years.
- Examined District records to determine whether the required internal funds audit for the 2016-17 fiscal year was timely performed pursuant to 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 report was presented to the Board.
- Examined District records to determine whether required component unit audits for the 2016-17 and 2017-18 fiscal years were timely performed pursuant to SBE Rule 6A-1.0013, FAC, and Section 218.39(1)(e), Florida Statutes, for charter schools.
- Reviewed organizational charts, audit plans, and audit agendas for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(l), Florida Statutes. We also determined whether the internal auditor developed audit work plans based on annual risk assessments considering input from other finance and administrative management.
- Reviewed the audit reports for the District's direct-support organizations and charter schools for the 2016-17 and 2017-18 fiscal years to determine whether the audits were performed pursuant to Section 1001.453, Florida Statutes, and Chapters 10.700 and 10.850, Rules of the Auditor General, as applicable.

- From the population of expenditures totaling \$164.2 million and transfers totaling \$226 million during the period July 2015 through February 2018 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$7.8 million and \$14.7 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- From the population of payments totaling \$629,269 during the period July 1, 2017, through March 27, 2018, for a new software application, examined documentation supporting all payments to determine whether the District evaluated the effectiveness and suitability of the software applications prior to purchase, the purchases were made through the competitive vendor selection process, and deliverables met the contract terms and conditions.
- Examined District records and evaluated District procedures to determine whether the District distributed the correct amount of local capital improvement funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- For the one significant construction project with expenditures totaling \$25.8 million examined District records to determine whether the District complied with Board policies and District procedures and provisions of State laws and rules. Also, for the construction management contract with guaranteed maximum price of \$25.8 million, we:
 - Examined District records to determine whether the construction manager was properly selected.
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District ensured subcontractors were properly selected and licensed.
 - Examined District records to determine whether architects were properly selected and adequately insured.
 - Examined District records supporting 22 selected CME payments totaling \$22.4 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
 - Examined District records supporting general conditions costs totaling \$1.2 million to determine whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether District records supported that the contractors performed as expected.
 - Examined District records supporting all construction manager payments totaling \$25.8 million to determine whether the District made use of its sales tax exemption to make direct purchases of materials.
- Evaluated District policies and procedures to ensure that all new construction, renovation, remodeling, day labor, and maintenance projects conform to the Florida Building Code, Florida Fire Prevention Code, and other applicable building and safety codes.
- Examined District records for leases of educational facilities and sites to determine compliance with the provisions of Section 1013.15, Florida Statutes.
- Examined supporting documentation for the Workforce Development Program expenditures totaling \$11.3 million 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 67 industry certifications eligible for the 2016-17 fiscal year performance funding, examined 26 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 189,055 contact hours for 1,375 adult general education instructional students for the Fall 2017 Semester, examined District records supporting 1,440 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.
- Evaluated the adequacy of District procedures for withdrawing adult general education students for nonattendance in accordance with SBE Rule 6A-10.0381(9)(a)3, FAC.
- Determined whether the District, for adult general education programs, assessed a block tuition at \$45 per half-year or \$30 per term pursuant to Section 1009.22(3)(c), Florida Statutes.
- From the population of 94,524 compensation payments totaling \$443 million to 14,016 employees during the period July 2017 through February 2018, examined District records supporting compensation payments totaling \$115,958 to 30 selected employees to determine whether the payments were properly documented, classified, approved, and only paid to authorized employees for work performed or properly certified vacation or sick leave.
- Evaluated all three employee contracts with severance pay provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined District procedures to determine whether adequate controls had been established to ensure documented supervisory review and approval of noninstructional employees' reports of time worked.
- Examined District records to determine whether the Board adopted a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties in compliance with Section 1012.22(1)(c)4.b., Florida Statutes.
- From the population of 5,819 instructional personnel and 274 school administrators during the period July 2016 through June 2017, examined documentation for 30 selected employees 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, and 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.
- Examined District records, as of April 2018, for 32 employees and 30 contractors selected from the population of 13,990 employees and 393 contractors to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined District records supporting 30 of the 3,513 District volunteers during the period July 1, 2017, through May 18, 2018, 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.
- Evaluated District procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District submitted to the Florida Department of Education (FDOE) accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to each eligible principal.

- Examined District records supporting the eligibility of:
 - 26 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 4,648 District classroom teachers who received scholarships awards totaling \$5.8 million during the audit period.
 - 4 selected charter school recipients of the awards from the population of 590 charter school classroom teachers who received scholarships awards totaling \$1.1 million 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 based on the Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions. Specifically, we:
 - Compared the records of active health insurance participants to the active list of District employees.
 - Selected 30 employees who separated from District employment during the period July 2017 through February 2018 to determine whether their health insurance had been promptly canceled upon employment separation.
- Reviewed the financial records of the District self-insured health insurance program for the audit period to determine whether the program was fiscally sound.
- From the population of 1,418 payments totaling \$282,274 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 30 selected payments totaling \$12,244 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- From the population of 14,159 purchasing card (P-card) transactions totaling \$2.3 million during period July 2017 through February 2018, examined documentation supporting 41 selected transactions totaling \$50,404 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for eight cardholders who separated from District employment during the audit period.
- Determined whether rebate revenues for the audit period totaling \$82,986 for the P-card program were allocated to the appropriate District funds.
- Reviewed Board policies and District procedures related to identifying potential conflicts of interest. For ten Board Members and employees 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, including charter 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.
- 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; and applicable vendors were properly selected. Specifically, from the population of non-compensation expenditures totaling \$127.2 million during the period July 1, 2017, through March 21, 2018, we examined documentation relating to:

- 30 payments for general expenditures totaling \$13,036.
- 30 travel expenditures totaling \$13,134.
- From the population of 325 vendor contracts totaling \$8.9 million during the period July 1, 2017, through April 11, 2018, examined supporting documentation, including the contract documents, for 24 selected payments totaling \$1.4 million related to 24 contracts totaling \$6.1 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 the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, we reviewed District records to determine whether the District appropriately reported to the FDOE, pursuant to the 2017 General Appropriations Act (Chapter 2017-234, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, established budgetary plans and priorities, included consideration of resources 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. We also determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.
- Examined the contract documents for one FDOE-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.
- 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, stylized initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



April 1, 2019

Sherrill F. Norman, CPA
State of Florida Auditor General
Claude Denson Pepper Building
Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The responses to the Preliminary and Tentative Findings on the operational audit for fiscal year ending June 30, 2018 have been completed. Please accept this letter along with the attached as the submission from the Polk County Schools operational audit.

We understand that additional comments could be shared upon final review. If you have any questions on the responses, you may contact Dave Denbow, Director of Accounting, at (863) 457-4710 or by email at dave.denbow@polk-fl.net.

Sincerely,

Jacqueline Byrd
Superintendent
Polk County District School Board

Attachment

STUDENTS FIRST



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Polk County District School Board
Management Response to Preliminary and Tentative Findings
Operational Audit for Fiscal Year 2017-18

Finding 1: The District did not always timely perform required background screenings for instructional and noninstructional employees. A similar finding was noted in our report No. 2016-081.

Management Response:

The District will adopt procedures to ensure that non-instructional and instructional applicants are screened in a timely manner.

Finding 2: As similarly noted in our report No. 2016-081, District procedures did not ensure that independent, supervisory review and approval of time worked or leave taken by noninstructional personnel was documented.

Management Response:

The District purchased Kronos hardware and software to assist with monitoring employees time worked. Kronos is currently being piloted with the food service employees. Upon successful implementation, the District will recommend to the Board expansion of the program to all employees.

Finding 3: The General Counsel and Director of Internal Audit Services employment agreements included a severance pay provision that did not appear to be consistent with State law.

Management Response:

Neither the attorney contract nor the internal auditor contract contains a provision for severance pay, therefore the provisions of subparagraph (a)(1) would not apply. Neither contract provides for termination, other than for substantial breach or just cause. There are no provisions for termination for convenience.

In the event of a contract dispute, the contracts must be construed in such a way as to comply with Florida law; in other words, the contracts cannot operate to violate the law. In the event of any ambiguity between the contracts and the law, the law would control.



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Finding 4: Contrary to State law, the District grandfathered salary schedules for instructional personnel for the 2014-15 through 2017-18 fiscal years did not base compensation, in part, upon employee performance.

Management Response:

The District will address this issue during the upcoming collective bargaining season.

Finding 5: The Board had not adopted policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed by State law. A similar finding was noted in our report No. 2016-081.

Management Response:

Administration will submit policies to the Board and implement procedures for adopted policies to identify instructional personnel that are entitled to differentiated pay based upon State law.

Finding 6: District records did not document verification that the 590 charter school teachers who received Florida Best and Brightest Teacher Scholarship awards totaling \$1.1 million during the 2017-18 fiscal year were eligible for those awards.

Management Response:

The District will seek verification from the charter schools that the 590 teachers are eligible for the Best and Brightest award.

Finding 7: District procedures did not always limit expenditures to budgeted amounts, contrary to State law and State Board of Education rules.

Management Response:

The District's enterprise resource platform (ERP) does not allow cost centers to overspend budget. The only exception is for certain payroll entries to process with insufficient budget to ensure there are no disruptions that would cause employees not to get paid. The District has added a step to its year-end process to ensure functional area budgets have balances before final closing.



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Finding 8: Contrary to State law, the District did not file the 2017 calendar year actuarial report for the District self-funded employee health insurance plan with the Office of Insurance Regulation, and the Board had taken no official action, as of January 2019, to establish the plan's target net position balance or funding level.

Management Response:

The School Board of Polk County was advised in a Board Work Session dated March 13, 2018 that the self-funded employee health plan was unable to be certified as actuarially sound due to the depletion of reserves. At that time, it was discussed that a filing extension would be requested in order to provide sufficient time to negotiate plan design and funding changes with the collective bargaining units.

The collective bargaining process did not conclude until September, 2018 for the January 1, 2019 plan year. Therefore, a decision was made to provide the 2017 health plan performance reports to the Office of Insurance Regulation along with the actuarial report that will be submitted for the 2018 plan year.

The School Board has committed to allocate necessary funds each July 1 to bring the plan into a positive position over the next five years.

Finding 9: Absent legal authority, the District paid for preemployment physical examinations for prospective employees.

Management Response:

The District will adopt procedures to address preemployment physical examinations for prospective employees.

Finding 10: Improvements are needed in the administration and monitoring of the District purchasing card program.

Management Response:

Purchasing Department staff now receive an automated report generated from SAP reflecting staffing changes. This report facilitates a more timely notification of staff changes that may impact the procurement card program. Additionally, a new module is being implemented within SAP that will further enhance tracking and notification capabilities. There are no plans at this time to effect additional approval levels.



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Finding 11: The Director of Payroll had information technology (IT) access privileges that were incompatible with the Director's job assignments and the District did not periodically evaluate assigned IT access privileges to help ensure that the access privileges were appropriate and necessary for the performance of the user's assigned job duties.

Management Response:

The District intends to address the segregation of duties issue regarding the Payroll Director, however, this will be a very large and time-consuming project due to the need to redesign the existing payroll process to move responsibilities from the Payroll Director. The District will also initiate efforts to design a process for an annual review of user securities.

Finding 12: Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal information of students may occur.

Management Response:

The District has upgraded to a new Student Information System that has stricter control over user access to sensitive student data. Sensitive student data is hidden from view for all users except those who are responsible for its entry. Control of access is at the District level rather than the school level and is based on user job roles as defined by the District. An annual review of user access will be conducted by the District access team.



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