

Report No. 2019-213
May 2019

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

**ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, E. Wayne Gent served as Superintendent of the St. Lucie County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Debbie Hawley, Vice Chair from 11-7-17	1
Carol A. Hilson	2
Dr. Donna Mills, Chair from 11-7-17, Vice Chair through 11-6-17	3
Kathryn Hensley	4
Troy Ingersoll, Chair through 11-6-17	5

This audit was supervised by Tim L. Tucker CPA.

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ST. LUCIE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the St. Lucie County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-139. Our operational audit disclosed the following:

Finding 1: The District disbursed a total of \$30,000 for Florida Best and Brightest Teacher Scholarship Program awards to 5 teachers who did not meet the statutory eligibility requirements and, therefore, were ineligible for the awards.

Finding 2: The District did not always timely provide monthly financial reports to the Board to assist in making appropriate policy decisions. A similar finding was noted in our report No. 2016-139.

Finding 3: Without specific legal authority, the District paid \$8,000 to its direct-support organization for certain awards reception expenses.

Finding 4: Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students and employees may occur.

Finding 5: As similarly noted in prior audit reports, most recently in our report No. 2016-139, some unnecessary or inappropriate IT access privileges continue to exist.

BACKGROUND

The St. Lucie 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 St. Lucie County. The governing body of the District is the St. Lucie County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 38 elementary, middle, high, and specialized schools; sponsored 4 charter schools; and reported 39,865 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Best and Brightest Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program¹ to reward classroom teachers² 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 law³ 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.

The District's Best and Brightest Scholarship Committee (Committee) personnel are responsible for determining teacher eligibility for scholarships and annually submitting the number of eligible teachers to the Florida Department of Education (FDOE). The FDOE 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 teachers are required to submit to the District an official record of his or her college entrance examination score demonstrating that the teacher scored at or above the 80th percentile based on the national percentile ranks in effect when the teacher took the assessment. District personnel determine whether District teachers were evaluated as highly effective or effective based on State law. Pursuant to State law,⁴ 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.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$2.6 million to 1,820 District-employed teachers and no charter school employees received a scholarship award. To determine whether the recipients met the eligibility requirements for the scholarships, we requested for examination District records supporting 96 District employees who were awarded a total of \$576,000. We found that:

- Two District scholarship recipients each received both a \$6,000 and \$800 scholarship award but were ineligible for the \$6,000 award because they were evaluated as effective, instead of highly effective, in the 2016-17 school year. In response to our inquiries, District personnel indicated

¹ Section 1012.731, Florida Statutes.

² 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.

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

⁴ Section 1012.731(3)(b)(1), Florida Statutes.

that the errors occurred because of Committee oversights, resulting in overpayments totaling \$12,000.

- Three District scholarship recipients each received \$6,000 but were not evaluated in the 2016-17 school year. In response to our inquiries, District personnel indicated that the Committee decided to award scholarships to these three recipients because the recipients were on approved leave during parts of the evaluation period and were evaluated as highly effective in the 2015-16 school year. Notwithstanding, since the teachers were not evaluated as effective or highly effective in the 2016-17 school year, the recipients were not eligible for the scholarships, resulting in overpayments totaling \$18,000. Subsequent to our inquiries, in January 2019 District personnel indicated that the Committee will no longer award the scholarship to teachers who were not evaluated in the preceding school year.

Absent effective procedures to limit scholarships to those classroom teachers who meet the statutory eligibility requirements, there is an increased risk that scholarships will be awarded to ineligible recipients. According to the District personnel, the District intends to repay the FDOE for the \$30,000 overpayments to these teachers. Further, District personnel indicated that procedures were changed, and the Committee will no longer award scholarships to teachers who were not evaluated in the preceding school year.

Recommendation: The District should enhance procedures to ensure that scholarships are only awarded to eligible recipients who meet statutory requirements for each award, including being evaluated as highly effective or effective in the previous school year. In addition, the District should refund the FDOE for the awards totaling \$30,000 paid to the ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Follow-Up to Management's Response

Management's response indicates that the law's eligibility requirement leaves vague the status of teachers who were not evaluated in the school year immediately preceding the year in which the scholarship will be awarded because they were on approved medical leave. Notwithstanding this response, the plain meaning of the statute renders teachers who were not evaluated in the immediately preceding school year ineligible for the scholarship.

Finding 2: Monthly Financial Reports

State Board of Education (SBE) rules⁵ require that the Superintendent, at least monthly, submit financial statements (reports) for use and consideration by the Board. Our review of District records for the 2017-18 fiscal year disclosed that, contrary to the SBE rules, the Superintendent only submitted financial reports during 5 months of the 2017-18 fiscal year, reducing the effectiveness of Board's financial monitoring procedures. A similar finding was noted in our audit report No. 2016-139.

District personnel indicated that monthly reporting was not performed because of staffing changes and oversights, and improvements were implemented so that compliance would be met for monthly financial reporting to the Board. Subsequent to our initial inquiry, we noted that the District improved monthly reporting procedures and, for the months July through October 2018, submitted to the Board financial reports each month.

⁵ SBE Rule 6A-1.008, Florida Administrative Code (FAC).

Financial reports submitted monthly to the Board provide the Board with the financial information necessary to make effective and efficient management decisions to help avoid financial mismanagement.

Recommendation: The District should continue efforts to ensure that financial reports are provided monthly to the Board.

Finding 3: Direct Support Organization Payment

State law⁶ provides that a district school board direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, school districts. State law⁷ authorizes the Board to permit a DSO to use District property, facilities, and personal services. The Board approved The St Lucie County Education Foundation, Inc. (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the District. In addition, SBE rules⁸ authorize the Board to adopt rules to use of a portion of profits from auxiliary enterprises, such as from vending machines or supply stores, for receptions, awards, or other types of recognition for meritorious performance.

District records indicated that, during 2017-18 fiscal year, the District made six payments totaling \$18,700 to the Foundation. We examined District records supporting these payments and noted that, while five of these payments totaling \$10,700 were for moneys collected by the District on behalf of the Foundation, there was no apparent legal authority for an \$8,000 payment the District made to the Foundation for reimbursement of certain awards reception expenses.

In response to our inquiry, District personnel indicated that the \$8,000 payment was made pursuant to a January 2018 agreement with the Foundation for reimbursement of the reception expenses, such as food, beverage, and decoration expenses. District personnel also indicated that the District had accumulated auxiliary enterprise resources for bank account signing bonuses and supply rebates that exceeded the \$8,000 payment. However, although we requested, District records were not provided to evidence that the Board had adopted a rule to use auxiliary enterprise resources to reimburse these expenses or other legal authority for this payment.

Recommendation: The District should only pay the Foundation for expenses specifically allowed by State law, and the District should seek to recover from the Foundation the \$8,000 paid for the awards reception expenses. In addition, should the Board decide to use a portion of profits from auxiliary enterprises for receptions, awards, or other types of recognition for meritorious performance, the Board should adopt rules to establish the authority for such use in accordance with the SBE rules.

Finding 4: Information Technology User Access Privileges – Sensitive Personal Information

The Legislature has recognized in State law⁹ 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

⁶ Section 1001.453, Florida Statutes.

⁷ Section 1001.453, Florida Statutes.

⁸ SBE Rule 6A-1.0143, FAC.

⁹ Section 119.071(5)(a), Florida Statutes.

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 individuals 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,¹⁰ the District identified each student using a Florida education identification number assigned by the Florida Department of Education (FDOE). However, student SSNs are included in the District's management information system (MIS). Student SSNs are maintained in the District MIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and to enable the District to provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. In addition, the District identified each District employee using a unique identification number. Employee SSNs are maintained in employee records within the District MIS to, for example, verify citizenship or immigration status, process employee benefits, and comply with Federal reporting requirements. Board policies¹¹ allow designated District employees access to student and employee records in the exercise of their respective job duties.

As of November 2018, the District MIS contained information for 140,157 former and 33,174 current District students and 4,945 current District employees. District records indicated that 651 employees had Districtwide IT user access privileges to the sensitive personal information of former and current students, and 429 employees had Districtwide IT user access privileges to the sensitive personal information of employees.

As part of our audit, we examined District records supporting access privileges for 252 selected employees who had access to sensitive personal information of students, and found that 220 employees, including principals, assistant principals, deans, and guidance counselors, did not have a demonstrated need for such Districtwide access, but instead only required access to their assigned schools. In addition, we examined District records supporting access privileges for 100 selected employees who had Districtwide access to sensitive personal information of employees, and found that 91 employees, including principals, assistant principals, school secretaries, food service workers, bookkeepers, and clerks, did not require such access to perform their job responsibilities.

In response to our inquiries, District personnel indicated that, although the District IT Department reviewed IT user access for new hires and changes requested by respective departments, other evaluations of employee IT user access privileges to sensitive personal information were not routinely performed. District personnel also indicated that the MIS did not include a mechanism to differentiate the access privileges to current student information from the access privileges to former student information and employees with access privileges to both former and current student information did not always have a demonstrated need for such access. In addition, these users had access privileges to current and former student SSNs for all District schools, regardless of the users' demonstrated need. According to District personnel, they are in the process of determining the appropriate access privileges for employees.

¹⁰ Section 1008.386, Florida Statutes.

¹¹ Board Policy 5.70, Student Records and Board Policy 3.53 Social Security Numbers.

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

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

- **Documented periodic evaluations of the necessity for IT user access privileges and the timely removal of any inappropriate or unnecessary access privileges detected. If an individual only requires occasional access to sensitive personal information, access privileges should be granted only for the time needed.**
- **Updates to the MIS to differentiate IT user access privileges to current student information from access privileges to former student information and to limit access privileges to specific schools based on the users' demonstrated need.**

Finding 5: Information Technology User Access Privileges – Business Application

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls grant employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Documenting periodic evaluations of assigned IT access privileges help ensure that IT users cannot access or modify IT resources that are unnecessary or incompatible with their assigned job responsibilities. District IT personnel indicated that access privileges were updated based on notifications from Human Resources (HR) reviews of Board meeting minutes for personnel changes and user access change requests; however, an annual evaluation of IT user access privileges to the IT business application system information was not performed to help monitor these privileges.

Our evaluation of selected access privileges to the District business application, including finance and HR, disclosed some access privileges that were unnecessary or that permitted certain employees to perform incompatible functions. Specifically, we found that:

- Five IT Services (ITS) programmers had update access privileges that provided the ability to update critical finance and HR transactions by, for example, adding and modifying vendors, creating and approving requisitions and invoices, creating purchase orders, creating new employees, changing employee addresses, and creating and recording journal entries. These access privileges were contrary to an appropriate separation of IT technical support and application end-user responsibilities. According to the District Security Administrator, these employees provide training and support for all District end-users and, as of February 2019, a review of how to appropriately separate these duties was ongoing.
- The Director of Financial Reporting (DFR) and Director of Financial Operations/Purchasing (DFO) had update access privileges that provided the ability to update critical finance transactions by, for example, adding and modifying a vendor, creating and approving requisitions and invoices, and creating purchase orders. Further, the DFO approved purchase orders and had the ability to process accounts payables and issue payments and the DFR had ability to add vendors and process transactions and issue payments. Subsequent to our inquiries, in December 2018 the District removed access privileges as appropriate to separate these duties.

While District controls (e.g., management review of change or edit reports and budgetary restrictions) mitigate some risks associated with these access control deficiencies, inappropriate access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur without timely detection. Similar findings were noted in our audit report Nos. 2016-139 and 2013-171.

Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, appropriate evaluations of access privileges, and timely removal or adjustment of any unnecessary and inappropriate access detected. In addition, 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.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our previous audit reports, except as noted in Findings 2 and 5 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year	2011-12 Fiscal Year
	Audit Report No. 2016-139, Finding	Audit Report No. 2013-171, Finding
2	5	Not Applicable
5	7	9

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2018 to February 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. 2016-139.
- 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 76 roles that allowed update access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for 573 accounts.
- Tested 127 roles that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 442 accounts.
- Tested the 100 roles that allowed view access privileges to selected critical ERP system HR and finance functions resulting in the review of the appropriateness of access privileges granted for 91 accounts.
- Evaluated District controls based on review of selected records to determine whether the District provided individuals with a written statement as to the purpose of collecting their social security numbers. We also evaluated whether District controls appropriately secured and protected the sensitive personal information of students. Specifically, from the population of 651 individuals who had access to sensitive personal student information, we examined the access privileges of 252 employees to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibility. In addition, from a population of 429 employees who had access to sensitive information of other employees, we examined access privileges of 100 selected employees to evaluate the appropriateness and necessity of the access privileges based on each employee's assigned job responsibilities.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools.
- Examined Board, committee, and advisory board meeting minutes and other records 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 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.
- From the population of expenditures totaling \$26 million and transfers totaling \$36.9 million during the audit period from nonvoted capital outlay tax levy proceeds, voted sales tax proceeds and Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$7.8 million and \$8.9 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- 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.
- 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 financial reports and analyses presented to the Board during the audit period to determine whether the Board monitored financial results and related budget estimates.
- 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 required internal funds audits for the 2016-17 and 2 preceding fiscal years were 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 reports were presented to the Board.
- Examined District records supporting the six payments and transfers totaling \$18,700 made by the District during the audit period to its direct-support organization (DSO) to determine the legal authority for such transactions.
- Reviewed Board policies and District procedures and evaluated controls over the Transportation Department inventory to determine the adequacy of District controls for safeguarding inventory items.
- Evaluated the District's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine compliance with State law and Board policies.
- Reviewed several employment contracts for various District personnel and identified one contract (Superintendent's contract) that contained severance pay provisions. We evaluated the severance pay contract provisions in that contract to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- From the compensation payments totaling \$111.2 million to 5,594 employees during the period of July 1, 2017, through January 31, 2018, examined District records supporting compensation payments totaling \$45,590 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Determined whether the appointed Superintendent's compensation for the audit period was in accordance with State law, rules, and Board policies.
- Determined whether the District used the Florida Department of Education (FDOE) evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786, FAC, to evaluate the charter school applications received during the audit period for the fiscal viability of the charter schools and the competency of the staff responsible for operating the charter schools before the charters were granted.
- Determined whether the District properly calculated and withheld the administrative fee from funding for charter schools in accordance with Section 1002.33(20)(a) and 17(b), Florida Statutes. We tested the calculation of the administrative fee and withholding for 2 months for each of the four District charter schools.
- Determined whether the required audits of charter schools and the DSO had been performed and were timely completed in accordance with, as applicable, SBE Rule 6A-1.0013, FAC; Section 218.39(1)(e), Florida Statutes; Chapters 10.700 and 10.850, Rules of the Auditor General; and Section 1001.453, Florida Statutes.
- For the one charter school that was not renewed or was terminated in the 2017-18 or 2 preceding fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the charter school, except as previously agreed upon by the District.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.

For the one charter school subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.

- Determined whether the District developed and implemented procedures for monitoring financial condition of charter schools including review of charter school budgetary controls, financial condition ratios, and evidence of required insurance.
- Evaluated District records and determined whether the District properly monitored the new charter school during the audit period to evaluate whether charter school employees received appropriate training, pursuant to Section 1002.33(6)(f), Florida Statutes.
- Evaluated District records and determined whether the District verified, for the audit period, that the one new charter school subjected employees and contractor workers to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
- From the population of 2,449 instructional personnel and 104 school administrators compensated a total of \$124.9 million during the audit period, examined documentation for 16 selected employees who were paid a total of \$28,332 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 for the audit period for 30 employees and 40 contractor workers selected from the population of 5,594 employees and 56 contractor workers during the audit period 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 volunteers for the audit period 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 the District's 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 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 96 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 1,820 District teachers who received scholarships awards totaling \$2.6 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 District's policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Reviewed District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed procedures for the reasonableness of procedures for acquiring other types of commercial insurance to determine

whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.

- For one construction management contract with guaranteed maximum price of \$2 million and expenditures totaling \$442,072 during the audit period, examined documentation for project expenditures of \$442,072 to determine compliance with Board policies and District procedures and provisions of State laws and rules. Specifically, 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.
 - Determined whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records supporting two selected payments totaling \$442,072 to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
 - 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.
- Reviewed the District's 5-year facilities work plan for the audit period and determined whether the District maintained records that supported the information reported in the plan.
- Examined District records to determine if the land acquisition totaling \$2 million for the new administrative site was acquired in accordance with law. Specifically, we:
 - Examined documentation to determine if the site was based on existing and anticipated site needs along with most economical and practical locations for the site selected pursuant to Section 1013.36(1), Florida Statutes.
 - Examined documentation to determine if two appraisals for the new administrative site were obtained and the price paid was the lowest of the two appraisals as required by Section 1013.14, Florida Statutes.
- From the population of 2,978 purchasing card (P-card) transactions totaling \$832,344 during the audit period, examined documentation supporting 15 selected transactions totaling \$8,755 to determine whether P-cards were administered in accordance with Board policies and District procedures.
- From the population of 2,001 e-Payable transactions totaling \$3.9 million during the audit period, examined documentation supporting 15 selected transactions totaling \$109,202 to determine whether e-Payables were administered in accordance with Board policies and District procedures.
- Determined whether rebate revenues for the audit period totaling \$78,252 for the P-card program and \$7,709 for the e-Payable program were allocated to the appropriate District funds.
- 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.

- 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.
- 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. We also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements, and evaluated District efforts to timely resolve any deficiencies identified during inspections.
- 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.
- 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 \$71.5 million for the audit period, we examined documentation relating to:
 - 28 payments for general expenditures totaling \$247,388.
 - 2 travel expenditures totaling \$97.
- From the population of 184 vendor consultant contracts with payments totaling \$6.4 million during the audit period, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$1.2 million related to 30 contracts 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.
- Evaluated the adequacy of District Virtual Instruction Program (VIP) policies and procedures.
- Examined the contract documents for the two FDOE-approved VIP providers 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 inquired as to how fees were determined for services rendered.
- 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



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Board Members
Debbie Hawley, Chairman
Kathryn Hensley, Vice Chairman
Carol A. Hilson
Troy Ingersoll
Dr. Donna Mills
Superintendent
E. Wayne Gent

4/18/2019

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

Dear Auditor General Norman:

We have reviewed the preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your operational audit of the St. Lucie County District School Board for the fiscal year ended June 30, 2018.

We acknowledge the findings and recommendations presented in the report, and present the following responses:

Finding #1: Florida Best and Brightest Scholarship Program (The District awarded funds totaling \$30,000 to ineligible scholarship recipients).

The district agrees with the finding for two of the five teachers awarded the Best and Brightest Teacher Scholarship. As a result of Hurricane Irma, the appeal process for final evaluation scores in St. Lucie County was not concluded until December 20, 2017, however the deadline to submit for the Best and Brightest Teacher Scholarship was December 1, 2017. Both teachers identified by the Auditor General had earned the \$6,000 Scholarship in 2015-2016. Upon review of their 2016-2017 final evaluation score, both teachers had grounds for an appeal to be granted for their "effective" evaluations. In fairness to the employees, the Best and Brightest committee decided to consider the evaluation from the 2015-2016 fiscal year together with grounds for an appeal to be granted on the 2016-2017 evaluation in late December; thus, the committee erred on the side of caution and submitted their names to receive the \$6,000 scholarship.

We respectfully disagree with the finding for the remaining three teachers that were on an approved medical leave. It has been our past practice that teachers had to be present during survey 2 and 3 reporting periods to have a final score calculated. While an instructional practice score (IPS) would be awarded, they would not be eligible to have the student performance measure (SPM) and/or value-added model (VAM) applied. Statute provides that a classroom teacher must have been evaluated as highly effective in the school year immediately preceding the year in which the scholarship will be awarded, however it does not provide any guidance on cases when employees are on an approved medical leave. Additionally, the Florida Department of Education was explicit that eligibility can only be determined by the employing school district or the charter school governing board. As a



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result, the committee opted to consider the 2015-2016 highly effective final evaluation rating, the 2016-2017 highly effective IPS, and length of leave to determine that the three employees on approved medical leave should be awarded the Best and Brightest \$6,000 award. Due to this audit finding and because we want to continually advocate for the best interest of our employees, the district now calculates a final evaluation for all teachers present after 43 days.

Finding #2: Monthly Financial Reports (The District did not submit monthly financial reports to the board during 5 months of the 2017-2018 fiscal year).

The district agrees with this finding, and would like to include that during the 2017-2018 fiscal year the district experienced some staffing changes and as a result the district did not submit monthly financial reports to the Board as required by SBE. When this was discovered we immediately submitted missing monthly financial reports and have consistently submitted them every month since then. In order to continue our efforts to ensure that financial reports are provided monthly to the board we have created a permanent placeholder on the board agenda, and if that item is not satisfied prior to publishing then it can be addressed for correction.

Finding #3: Direct Support Organization Payment (The District made payment to the Education Foundation for \$8,000 to cover expenses with no apparent legal authority).

The District does agree with this finding and will seek to recover from the Foundation the \$8,000 paid for the awards reception expenses. For the future, the district will either cease this practice or adopt rules to establish the authority to use auxiliary profits for such use in accordance with SBE rules. Within the finding it is identified that evidence of a Board adopted rule was requested but not provided by the district, however the district has no record of this request but will acknowledge that there is no board adopted rule establishing authority for such use in accordance with SBE rules.

Finding #4: Information Technology User Access Privileges-Sensitive Personal Information (The district did not have effective controls in place to restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of IT user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities).

In reviewing the Employees with the demonstrated need to have access to Student and Employee SSNs. We have determined that for the Student System the Job Titles with access to the Student's SSN are Principals, Guidance Counselors, Deans and Data Specialists will have access to Students in their assigned School. Selected ITS Team Members will have District wide access for State Reporting and end-user support. We have determined that for the Business System the Job Titles/Departments with access to the Employee's SSN are Human Resources, Payroll, Finance, School Secretaries (for Employees within their assigned School), and selected ITS Team Members will have District wide access for State Reporting and end-user support. In addition, we have scheduled quarterly Team meetings to review Employee access to the Skyward systems. In these meetings, we review the Security Groups, the Employees in each Group and their access to SSNs. Following our quarterly meetings, we will meet with the TSD (Technical Support Desk) to update them on any changes to our Security Process.

Finding #5: Information Technology User Access Privileges – Business Application (The District did not evaluate IT user access privileges to the IT business application system to monitor that privileges were appropriate).

In December 2018 the Director of Financial Reporting's and the Director of Financial Operations/Purchasing's access were updated to reflect a division of duties. We have created quarterly meetings to review access and duties that are assigned to each SLPS Employees. We have created documentation on the process of creating/updating access to Skyward, based on the Job associated to each function of Skyward. Our ITS Team Members have access to Skyward for State Reporting and to support our end-users with their questions and issues. This access is necessary to replicate issues and either assist the user in the correction or work with the software vendor to develop the resolutions.

Sincerely,



E. Wayne Gent
Superintendent
501 NW University Blvd
Port St. Lucie, FL 34986