

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-030
September 2019

**HENDRY COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Paul K. Puletti served as Superintendent of the Hendry County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dwayne E. Brown, Vice Chair	1
Dr. Sally Berg	2
Amanda Nelson	3
Stephanie Busin	4
Jon Basquin, Chair	5

The team leader was Claudia A. Salgado and the audit was supervised by Ramon L. Bover, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850)412-2905.

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HENDRY COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Hendry County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-118. Our operational audit disclosed the following:

Finding 1: District records did not demonstrate that the District conducted required searches of the names of prospective volunteers against the applicable registration information regarding sexual predators and sexual offenders.

Finding 2: The District health insurance plan did not require documentation supporting dependent eligibility when dependents were enrolled during open enrollment or when new employees were hired. In addition, District procedures did not provide for documented periodic verifications to ensure that dependent participants in the plan remain eligible.

Finding 3: The District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult education classes to the Florida Department of Education. A similar finding was noted in our report No. 2016-118.

BACKGROUND

The Hendry 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 Hendry County. The governing body of the District is the Hendry County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 11 elementary, middle, high, and specialized schools and reported 7,114 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: School Volunteers

State law¹ requires, before making any decision to appoint a person to work as a volunteer where children regularly congregate, a search of that person's name or other identifying information be conducted against the registration information regarding sexual predators and sexual offenders through the Dru Sjodin National Sexual Offender Public Web site (NSOPW) maintained by the United States Department of Justice. If that site is not available, a search of the registration information regarding sexual predators and sexual offenders (i.e., Florida Sexual Offenders and Predators Registry) maintained by the Florida Department of Law Enforcement (FDLE) is required. State law also provides that the

¹ Section 943.04351, Florida Statutes.

search does not apply to positions or appointments for which a level 2 background screening² is conducted.

Board policies³ require that all volunteers complete an application and be subject to a background check against the FDLE Sexual Offenders and Predators Registry (FDLE Registry) prior to providing any volunteer services. In addition, Board policies require that all unsupervised volunteers and chaperones on any school-sponsored trip are required to pass a level 2 background screening. Notwithstanding, contrary to State law, neither Board policies nor District procedures required the identifying information of applicable volunteers be subjected to a search against the registration information through the NSOPW. In addition, although we requested, District records were not provided identifying the volunteers subjected to level 2 background screenings as, according to District personnel, such records were not always obtained or maintained. Consequently, for the 2017-18 fiscal year, District records did not evidence that the District's 950 school volunteers were subject to the required NSOPW search or obtained a level 2 background screening.

Although FDLE Registry checks provide some assurance, the data in the FDLE Registry is not as extensive as the national sex offender data provided through the NSOPW. In response to our inquiry, District personnel indicated that they were unaware of the requirement to complete an identifying information search through the NSOPW for volunteer applicants. NSOPW searches would provide greater assurance as to the suitability of the backgrounds of individuals and are essential given the risk associated with allowing individuals access to places where children regularly congregate.

As part of our audit, we extended our procedures to perform a search of the names of 30 selected volunteers against the NSOPW database and none of those volunteers were listed as a sexual predator or sexual offender. However, our procedures cannot substitute for management's responsibility to ensure, and document, that District schools perform the appropriate NSOPW searches of volunteer names or other identifying information in accordance with State law. Absent effective controls to ensure that NSOPW searches are performed in accordance with State law, there is an increased risk that volunteers with unsuitable backgrounds may have direct contact with students.

Recommendation: The District should take immediate action to ensure that the names or other identifying information of volunteers who work where children regularly congregate are searched against the NSOPW registration information or, as appropriate, that such volunteers obtain a level 2 background screening. The District should evaluate and make appropriate decisions based on the search and screening results. In addition, Board policies should be revised to require that, before making a decision to appoint a person who has not obtained a level 2 background screening to work as a volunteer where children regularly congregate, a search of that person's name or other identifying information be conducted against the NSOPW and records be maintained to evidence the results of the search.

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

³ Board Policy 9200, *Volunteers*.

Finding 2: Health Insurance Plan – Dependent Eligibility

For the period July 1, 2017, through June 30, 2018, the District contracted with a commercial insurance carrier to provide health insurance for District employees and their dependents and contributed \$786,500 toward health insurance premium costs. As of June 30, 2018, the District health insurance plan insured 173 employees, 43 retirees, and 180 dependents. Pursuant to State law,⁴ retirees who elect to continue participation in the District's health insurance plan pay a premium cost of no more than the premium cost applicable to active employees. Eligible dependents include spouses, qualifying children, and qualifying grandchildren if under the legal custody of the employee or retiree. Obtaining and verifying documentation supporting dependent eligibility provides assurance that only eligible dependents participate in the District health insurance plan.

According to District personnel, to enroll in the District health insurance plan, employees and retirees are required to complete a benefit enrollment application. The application identifies insurable dependents and is to be completed when an individual is hired, during open enrollment periods, or after a qualifying life event such as marriage, birth, or adoption. Before payments are made for insurance premiums, District personnel reconciled health insurance billings to payroll records to ensure that the premiums were only for eligible employees and retirees. When employees and retirees made changes outside the open enrollment periods due to a qualifying event, such as a birth or marriage, the insurance administrator required documentation evidencing the dependent's eligibility. However, District personnel indicated that, upon employment or during open enrollment periods, the health insurance provider did not require employees and retirees to provide documentation evidencing their dependents' eligibility.

In addition, according to District personnel, the District had not established procedures to require documented verification of evidence supporting dependent eligibility, such as birth and marriage certificates for child and spouse dependents. Further, District procedures had not been established to document periodic verifications to ensure that dependents of health insurance plan participants continue to be eligible for plan services.

Without dependent eligibility verification procedures, there is an increased risk that individuals receiving insurance benefits may not be insurable dependents eligible for those benefits. In addition, claims for ineligible dependents could result in increases in future health insurance premium costs paid by the District, District employees, and the District's participating retirees.

Recommendation: The District should require and ensure, upon enrollment of a dependent into the District health insurance plan, District verification of applicable documentation such as birth or marriage certificates. The District should also establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible.

Finding 3: Adult General Education

State law⁵ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general

⁴ Section 112.0801, Florida Statutes.

⁵ Section 1004.02(3), Florida Statutes.

education and General Appropriations Act⁶ proviso language requires each school district to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.⁷ State Board of Education (SBE) rules⁸ require the District to collect and maintain student enrollment and attendance information based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. A minimum enrollment threshold of 12 hours of attendance for each program must be met before a student can be counted for funding purposes. Instructional contact hours are reported up to and including the last date of attendance but should not include any instructional contact hours reported for any period beyond the last date of actual attendance.

For the 2017-18 fiscal year, the District reported 19,170 instructional contact hours for 25 adult general education classes provided to 153 students. As part of our audit, we examined District records supporting 3,455 contact hours reported for 30 students enrolled in 16 adult general education classes and found that instructional contact hours were over reported a net total of 571 hours, including 961 over-reported hours for 15 students and 390 under-reported hours for 11 students. In response to our inquiry, District personnel indicated that the errors occurred mainly because the employees who recorded class attendance did not understand the FDOE reporting requirements.

Since adult general education funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2016-118 and 2015-137.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. Such controls should include appropriate FDOE reporting requirement training for employees who record class attendance. The District should also determine to what extent adult general education hours were misreported for the 2017-18 fiscal year and contact the FDOE for proper resolution.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2016-118, except that Finding 3 was also noted in our report Nos. 2016-118 as Finding 1 and 2015-137 as Finding 3.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from March 2018 to May 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

⁶ Chapter 2017-70, Laws of Florida, Specific Appropriation 122.

⁷ FDOE-issued Technical Assistance Paper, August 4, 2017, *Adult General Education Instructional Hours Reporting Procedures*.

⁸ SBE Rule 6A-10.0381(5), Florida Administrative Code.

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. 2016-118.
- 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 the access privileges to selected critical ERP system finance application functions resulting in the review of appropriateness of access privileges granted for 119 accounts.
 - Tested the access privileges to selected critical ERP system HR application functions resulting in the review of appropriateness of access privileges granted for 30 accounts.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed access user privileges for 15 of the 194 employees who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- 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.
- 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 District procedures for protecting the sensitive personal information of students, including student social security numbers. Specifically, for the 28 individuals who had electronic access to sensitive personal student information, we requested District personnel to confirm the propriety of the access privileges granted to evaluate the appropriateness and necessity of the access privileges based on the individual's assigned job responsibilities.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).

- Examined 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.
- 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 \$3 million and transfers totaling \$158,133 during the audit period 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 \$2.5 million and \$158,053 respectively, to determine compliance with the restrictions imposed on the use of these resources.
- From the population of \$383,740 total workforce education program funds expenditures for the audit period, selected three expenditures totaling \$97,706 and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 19,170 contact hours for 153 adult general education instructional students during the audit period, examined District records supporting the 3,455 reported contact hours for 30 adult general education instructional students during the audit period to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A 10.0381, Florida Administrative Code.
- Examined District records to determine whether required internal funds audits for the 2017-18 and 2 preceding fiscal years were timely performed pursuant to SBE Rule 6A 1.087, Florida Administrative Code, and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book), and whether the audit reports were presented to the Board.
- From the population of compensation payments totaling \$48.8 million to 859 employees during the audit period, examined District records supporting compensation payments totaling \$1.4 million to 30 selected employees to determine whether their rate of pay was accurate and supervisory personnel reviewed and approved their reports of time worked.
- Examined Board policies and District procedures 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 instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- From the population of 1,259 employees and 206 contractor workers as of June 2018, examined District records for 28 selected employees and 30 contractor workers to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of 30 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 428 District teachers who received scholarships awards totaling \$556,800 during the audit period.
- 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.

- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the March 2018 reports of District student station costs. We examined District records for the one construction project completed during the period January 1, 2017, through December 31, 2017, to determine whether the March 2018 reports accurately reported student station costs and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- 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, and 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. Specifically, from the population of non-compensation expenditures totaling \$21.2 million for the audit period, we examined documentation relating to 30 payments for general expenditures totaling \$451,425.
- From the population of 206 contractual services providers with expenditures totaling \$6.6 million during the audit period, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$5.1 million related 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.
- Evaluated District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes.
- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- Evaluated District procedures for determining maintenance department staffing needs.

- 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 fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Hendry County School Board

Paul K. Puletti
Superintendent

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September 23, 2019

Mrs. Sherrill F. Norman, CPA
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

Pursuant to the provisions of Section 11.45 (4) (d), Florida Statutes herewith is the submitted statement of explanation for proposed action concerning the preliminary and tentative audit findings of the Hendry County District School Board for the fiscal year ending June 30, 2018.

Finding Number 1 – School Volunteers

The District has taken action to ensure that the names (or other identifying information) of volunteers who work where children regularly congregate are searched against the RAPTOR registration database, or as appropriate, that such volunteers obtain a level 2 background screening. In addition, board policies have been revised (June 2019) to clarify the requirement for level 2 background screenings before making a decision to appoint a person to work as a volunteer where children regularly congregate. Records will be maintained to evidence the results of the research.

Finding Number 2 – Health Insurance Plan – Dependent Eligibility

The District now requires and ensures, upon enrollment of a dependent into the District health insurance plan, that there is documentation of relevant birth or marriage certificates verifying eligibility. The District is working with its health plan consultant to establish periodic verification procedures to ensure that dependent participants in the plan continue to be eligible.

Finding Number 3 – Adult General Education

The District will strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. Such controls should include appropriate FDOE reporting requirement training for employees who record class attendance. The District will also determine to what extent adult general education hours were misreported for the 2017-18 fiscal year and contact the FDOE for proper resolution.

Sincerely yours,

A handwritten signature in black ink that reads "Paul K. Puletti".

Paul K. Puletti
Superintendent

PKP:bt