

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-018
September 2020

**MARTIN COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Laurie J. Gaylord served as Superintendent of the Martin County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Christia Li Roberts, Chair through 11-19-19	1
Marsha Powers, Chair from 11-20-19	2
Victoria Defenthaler	3
Tony Anderson, Vice Chair from 11-20-19	4
Michael DiTerlizzi, Vice Chair through 11-19-19	5

The team leader was Jenna L. Evans, CPA, and the audit was supervised by Diana G. Garza, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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MARTIN COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Martin County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-185. Our operational audit disclosed the following:

Finding 1: As of March 2020, the District had not complied with State law by posting on its Web site all required graphical representations of summary financial efficiency data and fiscal trend information as prescribed by State law.

BACKGROUND

The Martin 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 Martin County. The governing body of the District is the Martin 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 2019-20 fiscal year, the District operated 22 elementary, middle, high, and specialized schools; sponsored 2 charter schools; and reported 18,733 unweighted full-time equivalent students.

FINDING AND RECOMMENDATION

Finding 1: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,¹ the District must post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.

In addition, effective July 1, 2019, the information posted on the District Web site must include graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years. Specifically, the District Web site must show the:

- Ratio of full-time equivalent (FTE) students to FTE instructional personnel.
- Ratio of FTE students to FTE administrative personnel.
- Total operating expenditures per FTE student.
- Total instructional expenditures per FTE student.
- General administrative expenditures as a percentage of total budget.

¹ Section 1011.035(2), Florida Statutes.

- Rate of change in the General Fund's ending fund balance not classified as restricted.

The District Web site must also include a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE) pursuant to State law² to enable taxpayers to evaluate the financial efficiency of the school district and compare the financial efficiency of the school district with other similarly situated school districts. This information must be prominently posted on the District's Web site in a manner that is readily accessible.

At the time of our review in March 2020, the District had posted the proposed, tentative, and official budgets for the 2019-20 fiscal year on its Web site; however, the Web site lacked the graphical representations and a link to the Web-based fiscal transparency tool developed by the FDOE. In response to our inquiry, District personnel indicated that, as of that date, they were working to create the graphical representations as the FDOE had not provided school districts with guidance for compiling and reporting the representations. However, although we requested, District records were not provided to demonstrate any efforts to create or report the required summary financial efficiency data or fiscal trend information for the previous 3 years.

Subsequent to our inquiry, in June 2020 the FDOE provided the District a link to the FDOE fiscal transparency tool and the District posted the link on the District Web site. Also, in that month, District personnel were working to upload the required graphical representations to the District Web site. Providing the required transparency information on the District Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate fiscal outcomes.

Recommendation: The District should continue efforts to comply with statutory transparency requirements by timely posting all required information on the District Web site.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2018-185.

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 2020 to June 2020 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.

This operational audit focused on nonpublic records protection; fiscal transparency; compensation, construction, and other expenses; school safety; tangible personal property; real property acquisition;

² Section 1010.20, Florida Statutes.

workforce development; adult general education; State grants and appropriations; construction and maintenance processes; and other processes and administrative activities. For those areas, our objectives 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. 2018-185.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)³ and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

³ The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- Board exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the District's goals and objectives.
- Management identification and analysis of and response to significant changes that could impact the internal control system.
- Management design of control activities to achieve the District's objectives and respond to risks.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the District's objectives.
- Management communication of information externally necessary to achieve the District's objectives.
- Management activities to monitor the District's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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 2019-20 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 applicable laws, rules, District policies and procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of all 271 employees with access privileges to the information of 124,913 former, 48 prospective, and 6,903 current students to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Examined the District Web site to determine whether the 2019-20 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the Web site contained the required graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years.
- From the population of expenditures totaling \$15.3 million and transfers totaling \$10.2 million for the period July 2019 through March 2020, from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted funds, examined documentation supporting selected expenditures and transfers totaling \$8.1 million and \$1.2 million, respectively, to

determine District compliance with the restrictions imposed on the use of these resources, including Section 1011.71(2)(e), Florida Statutes.

- Evaluated District procedures and examined other District records to determine whether the procedures were effective for distributing 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 to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07, 1006.12, 1006.13, 1011.62(15) and (16), and 1012.584, Florida Statutes.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and compared with previous years' inspection reports to determine whether timely action was taken to correct the deficiencies.
- From the population of tangible personal property items with recorded costs totaling \$3.7 million at April 1, 2020, selected and inspected 30 property items with recorded costs totaling \$396,338 to determine whether the District had appropriately marked the items.
- Evaluated the propriety of inspections, appraisals, and other good business practices associated with acquisition of real property made during the fiscal year.
- Evaluated Board policies and District procedures for student mental health education to determine compliance with State Board of Education 6A-1.094121, Florida Administrative Code.
- Analyzed workforce development funds expenditures totaling \$957,030 for the period July 1, 2019, through May 2, 2020, 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 77,980 contact hours for 443 adult general education instructional students during the 2019 Fall Semester, examined District records supporting 1,778 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education Rule 6A-10.0381, Florida Administrative Code.
- From the population of 1,787 noninstructional and administrative employees during the audit period, examined District records supporting 30 selected employees to determine whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities of employee misconduct which affects the health, safety, or welfare of a student, to determine compliance with Section 1001.42(6), Florida Statutes.
- Evaluated Board policies and District procedures for complaints filed against teachers or administrators to determine compliance with Section 1012.796, Florida Statutes.
- From the population of expenditures totaling \$1 million for the period July 1, 2019, through April 9, 2020, from State grant and appropriations, examined documentation supporting selected expenditures totaling \$192,914, to determine District compliance with the restrictions imposed on the use of these resources.
- 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, evaluated District efforts to timely resolve any deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.

- 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.
- 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

Laurie J. Gaylord, Superintendent
THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
1939 SE Federal Highway • Stuart, Florida 34994 • Telephone (772) 219-1200 Ext: 30222



August 24, 2020

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

Dear Ms. Norman:

Please find below the District School Board of Martin County's (the District) response to the preliminary and tentative audit finding and recommendation that were provided to the District on August 11, 2020 regarding the State of Florida Auditor General's operational audit of the Martin County District School Board.

Finding 1: The District did not timely and prominently post on its Web site all required graphical representations of summary financial efficiency data and fiscal trend information as prescribed by State law.

District's Response: The District concurs with the auditor's finding that we did not post to our website the required graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years. District staff as of the end of June 2020 obtained the required information from the Florida Department of Education and posted the information to our website in full compliance with State law.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office if you have any questions concerning this matter.

Sincerely,

A handwritten signature in blue ink that reads "Laurie J. Gaylord".

Laurie J. Gaylord
Superintendent

Cc: School Board Members
Executive Cabinet

School Board Members: Tony Anderson • Victoria Defenthaler • Michael DiTerlizzi • Marsha Powers • Christia Li Roberts

"To Educate all Students for Success"