

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-040
October 2020

**UNION COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Carlton Faulk served as Superintendent of the Union County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Allen Parrish	1
Russell Gordon, Vice Chair from 11-12-19	2
Curtis L. Clyatt, Chair from 11-12-19, Vice Chair through 11-11-19	3
Becky Raulerson, Chair through 11-11-19	4
Terra Johnson	5

The team leader was Ashton Balkcom, and the audit was supervised by Denita K. Tyre, 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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UNION COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Union County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-028. Our operational audit disclosed the following:

Finding 1: As of May 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.

Finding 2: The District needs to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education. A similar finding was noted in our report No. 2018-028.

BACKGROUND

The Union 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 Union County. The governing body of the District is the Union 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 four elementary, middle, high, and specialized schools; and reported 2,321 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

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.

¹ Section 1011.035(2), Florida Statutes.

- Total instructional expenditures per FTE student.
- General administrative expenditures as a percentage of total budget.
- 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 May 2020, the proposed, tentative, and official budgets for the 2019-20 fiscal year and the link to the Web-based fiscal transparency tool developed by the FDOE were displayed on the District Web site; however, the Web site lacked the required graphical representations. In response to our inquiry, District personnel indicated that the graphical representations had not been posted because the FDOE had not provided guidance about these new requirements. 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 May 2020, the FDOE provided the District with, and the District posted on the District Web site, the required graphical representations. Providing the required budgetary transparency information on the District Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes.

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

Finding 2: Adult General Education Classes

State law³ 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 education, and General Appropriations Act⁴ proviso language required each district to report enrollment for adult general education programs in accordance with FDOE instructional hours reporting procedures.⁵ State Board of Education (SBE) rules⁶ require the District to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. FDOE procedures provide that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last day of attendance.

² Section 1010.20, Florida Statutes.

³ Section 1004.02(3), Florida Statutes.

⁴ Chapter 2019-115, Laws of Florida, Specific Appropriation 125.

⁵ FDOE's Technical Assistance Paper: *Adult General Education Instructional Hours Reporting Procedures*, Dated September 2019.

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

The District reported 3,992 instructional contact hours provided to 50 students enrolled in 12 adult general education courses for the Fall 2019 Semester. As part of our audit, we examined District records for 2,339 contact hours reported for 30 students enrolled in 9 adult general education courses. We found that the District over reported instructional contact hours by a net total of 46 hours due to 68 over-reported hours (ranging from 2 to 16 hours) for 8 students and 22 under-reported hours (ranging from 2 to 18 hours) for 3 students. The inaccurate reporting was primarily due to errors in calculating days of attendance and data input errors.

In response to our inquiry, District personnel indicated that the errors occurred because of staff turnover and the new employee responsible for recording instructional contact hours was not familiar with the FDOE reporting requirements. Since adult general education funding is based, in part, on enrollment data submitted to the FDOE, it is important that the District report accurate data. A similar finding was noted in our report No. 2018-028.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2019-20 fiscal year and contact the FDOE for proper resolution.

PRIOR AUDIT FOLLOW-UP

Regarding the two findings in our report No. 2018-028, the District took corrective action for Finding 1, but Finding 2 was also noted in this report as Finding 2.

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 August 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 information technology resources and related controls; public meetings and communications; school safety; compensation, construction, and other expenses; and other processes and administrative activities. For those areas, our audit 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. 2018-028.
- 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)⁷ 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.

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 and management commitment to integrity and ethical values.
- Board exercise of oversight responsibility.
- Management identification and analysis of and response to risks.

⁷ 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.

- Management design of control activities to achieve the District's objectives and respond to risks.
- Management design of controls over information technology.
- 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 internally necessary 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.

- 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 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 selected user access privileges for:
 - The 26 users who had access to the finance application and the 19 users who had access to the HR application.
 - The 3 users who had security access to the District application systems, datasets, and programs for the finance and HR applications.
- Reviewed selected access user privileges for 14 of the 37 former employees who separated from District employment during the period July 2019 through April 2020 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.
- Reviewed the agreement between the Board and the North East Florida Educational Consortium (NEFEC) for IT services and examined payments totaling \$121,828 to NEFEC to determine whether the payments were made in accordance with the terms of the agreement.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- 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.
- Examined Board, committee, and school advisory council meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and District records 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).
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2020, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes.
- From the population of expenditures totaling \$363,373 for the period July 2019 through April 2020 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures totaling \$183,477 to determine District compliance with the restrictions imposed on the use of these resources, such as District compliance with Section 1011.71(2), Florida Statutes.
- From the population of \$104,742 total workforce education program fund expenditures for the audit period, selected expenditures totaling \$79,712 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 3,992 contact hours for 50 adult general education instructional students for the Fall 2019 Semester, examined District records supporting 2,339 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.

- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the ten employees who had access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned duties.
- 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, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education.
- Examined District records to determine whether required internal funds audits for the 2017-18 and 2018-19 fiscal years were timely performed pursuant to State Board of Education 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 compensation payments totaling \$11.1 million to 471 employees during the period July 1, 2019, through March 13, 2020, examined District records supporting compensation payments totaling \$45,353 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.
- 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 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.
- Evaluated District procedures for bidding and purchasing health insurance and examined related records to determine whether the District complied with Section 112.08, Florida Statutes. We also reviewed 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.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. From the inspection reports, we selected reports with noted deficiencies and examined documentation to determine whether timely action was taken to correct the deficiencies.
- 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.
- Determined whether the District complied with State Board of Education Rule 6A-1.094121, Florida Administrative Code, for student mental health education.
- Reviewed Board policies and District procedures related to identifying potential conflicts of interest for all District employees required to file statements of financial interests. We reviewed Florida Department of State, Division of Corporation, records; statements of financial interests; and

District records to identify any potential relationships with District vendors that represent a conflict of interest.

- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We also examined District records to determine whether the District properly identified the eligible school and limited the Title I allocation based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged students, and distributed all remaining funds to the eligible school in accordance with Federal law and regulations.
- 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 and reviewed inspection reports for compliance with Federal and State inspection requirements.
- 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 \$4.7 million for the audit period, we examined documentation relating to:
 - 30 payments for general expenditures totaling \$82,424.
 - 13 payments for non-Federal grant or appropriations totaling \$452,769.
 - 10 payments for contracted services totaling \$351,580.
- 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

THE SCHOOL BOARD OF UNION COUNTY
Carlton Faulk, Superintendent
55 SW 6th Street
Lake Butler, FL 32054
(352) 448-5051 FAX 386-496-4819

Board Members: Allen Parrish, District 1 Russell B. Gordon, District 2 Curtis Clyatt, District 3 Becky Raulerson, District 4 Terra Johnson, District 5

October 14, 2020

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

Dear Ms. Norman:

Please accept the statements below as our official response to the preliminary and tentative audit findings dated October 1, 2020 for the Union County District School Board for the fiscal year ending June 30, 2020.

Finding No. -1 Fiscal Transparency: As of May 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.

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

District Response: The District worked closely with FDOE and professional state advisory groups to properly implement the statutory requirements. The District adhered to the guidance provided and will continue all efforts to comply with this and all other statutory requirements.

Finding No. -2 Adult General Education Classes: The District needs to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education. A similar finding was noted in our report No. 2018-028.

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Affirmative action/equal opportunity employer

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2019-20 fiscal year and contact FDOE for proper resolution.

District Response: The district agrees with the finding. The updated parameters of what now defines a contact hour will be used going forward. Noted to all parties copied on this response that no funds are impacted by this finding.

We appreciate the assistance provided by the Gainesville section office during the audit.

If you have any questions or need further assistance please contact me.

Sincerely,



Carlton Faulk
Superintendent
Union County District School Board

Pc: Renae P. Prevatt
Lanier Clyatt