

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-047
October 2020

**WALTON COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, A. Russell Hughes served as Superintendent of the Walton County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Gail Smith	1
Kim Kirby	2
William (Bill) Eddins Jr., Chair through 11-18-19	3
Marsha Winegarner, Vice Chair	4
Jason Catalano, Chair from 11-19-19	5

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, 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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WALTON COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Walton County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-093. Our operational audit disclosed the following:

Finding 1: District monitoring of the construction management entity (CME) subcontractor competitive selection process needs improvement. Subcontractor service costs of \$1.3 million were included in a Board-approved CME guaranteed maximum price contract for \$1.64 million.

Finding 2: The District needs to strengthen controls over the collection of school-age child care fees. A similar finding was noted in our report No. 2018-093.

Finding 3: The District used Florida Best and Brightest Teacher Program (Program) funds to compensate certain instructional personnel for the performance portion of their salaries, rather than providing separate Program awards to eligible classroom teachers.

Finding 4: The District did not advertise for competitive bids for health insurance as required by State law.

Finding 5: 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.

Finding 6: As similarly noted in our report No. 2018-093, the District needs to strengthen controls over purchasing cards.

BACKGROUND

The Walton 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 Walton County. The governing body of the District is the Walton 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 18 elementary, middle, high, and specialized schools; sponsored 2 charter schools; and reported 10,192 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Subcontractor Services

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both the design and construction phases and for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which

allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. Good business practices dictate that District personnel monitor the CME subcontractor selection and payment processes to ensure that services are obtained at the lowest cost consistent with acceptable quality and to realize maximum cost savings under the GMP contract.

In May 2019, the Board entered into a GMP contract with a CME for the Science, Technology, Engineering, Arts, and Math School Project (STEAM Project).¹ In July 2019, the Board approved the STEAM Project final GMP contract for \$1.64 million, which included 19 subcontractor services totaling \$1.3 million. Our examination of District records disclosed that the STEAM Project CME provided the District with subcontractor bids, bid tabulation sheets, and contracts, and District personnel indicated that they reconciled CME pay requests to subcontractor services and cost amounts on bids, contracts, and invoices before CME payments were made. However, District procedures did not require District personnel attendance at, nor did District personnel attend, the CME subcontractor bid openings to verify that the CME competitively selected subcontractors. Instead, District personnel relied on the CME subcontractor selection process; however, such reliance provided the District with limited assurance that subcontractor services were obtained at the lowest cost consistent with acceptable quality.

District personnel attendance at subcontractor bid openings would provide additional assurance that subcontractor services were obtained at the lowest cost consistent with acceptable quality and that CME pay requests included appropriate amounts for subcontractor costs. Absent such monitoring efforts, the District may not realize maximum cost savings under a GMP contract.

Recommendation: To ensure that the District realizes maximum cost savings under a GMP contract, the District should establish procedures to require and document District personnel attendance at CME subcontractor bid openings and verify that the CME selected and contracted with the subcontractor with the lowest bid consistent with acceptable quality.

Finding 2: School-Age Child Care Fee Collections

The District operates Student Programs in Community Education (SPICE), a fee-supported, school-age child care program offered after school at eight District schools during the school year and during July and August 2019 at three of the eight schools. Board-approved SPICE policies and procedures for the 2019-20 school year established the child care fee rates and required that the fees be paid in full on or before the beginning of each week.

Effective fee collection controls include separating the incompatible duties of collecting fees, preparing documents to record collections, and updating student attendance records; and independent verifications to confirm that the prenumbered receipts issued to collection locations are properly accounted for and that amounts listed on the receipts agree with bank deposit amounts. If the District does not have a sufficient number of staff to appropriately separate duties, compensating controls, such as independent

¹ During the period July 2019 through March 2020, the District had three significant construction projects in progress and incurred expenditures totaling \$4.4 million. From those projects, we selected the STEAM Project to evaluate District controls over construction projects.

reconciliations (i.e., fee audits) of student registration and attendance records to recorded fee collections and deposits, are necessary.

During the 2019-20 fiscal year, the District recorded \$430,242 in SPICE fee collections at the eight schools, including collections totaling \$214,424 at Freeport and Maude Saunders Elementary Schools. To obtain an understanding and evaluate the adequacy and sufficiency of District controls over the child care fee collection process, we inquired of District personnel, reviewed District procedures, and examined District records associated with fee collections at Freeport and Maude Saunders Elementary Schools. As similarly noted in our report No. 2018-093, we found that for each of these locations:

- One employee performed the incompatible duties of collecting fees, preparing documents used to record collections, and updating student attendance records.
- District personnel independent of the fee collection process did not verify that prenumbered receipts assigned to the collection sites were properly accounted for nor trace amounts listed on the receipts to bank deposit amounts.
- Independent fee audits were not conducted.

In response to our inquiries, District personnel indicated that the deficiencies occurred, in part, due to a limited number of staff. In addition, the District provided services to certain students before fees were collected and, as of March 17, 2020, \$5,893 was due from the parents of 80 students at the two locations. District personnel indicated that they were aware that the Board-approved SPICE policies required payment of fees in full on or before the beginning of each week but did not follow the requirement.

District personnel also indicated that, due to concerns regarding child care collections at Dunes Lake Elementary School during the 2019-20 fiscal year, District personnel performed additional procedures to evaluate collections at that location. Specifically, District personnel attempted to trace amounts listed on receipts to bank deposits and reconcile student attendance records to fee collections but noted unaccounted for collections totaling approximately \$10,700. In response to our inquiries in July 2020, District personnel indicated that an employee at the school had the incompatible duties of collecting fees, preparing documents used to record collections, and updating student attendance records, and that the District did not renew the employee's contract.

Without adequately separating incompatible duties, or establishing appropriate compensating controls, errors or fraud, should they occur, may not be timely detected and resolved. Also, failure to collect fees before services are provided increases the risk that fees may remain uncollected. According to District personnel, in the 2020-21 school year, the District eliminated the use of prenumbered receipts and began use of a new software system that supports online and in-person payment offerings from a single platform; thereby, reducing errors, increasing efficiency, and creating an easy-to-follow audit trail.

Recommendation: The District should continue to strengthen controls over child care fee collections to ensure that:

- **Incompatible duties are appropriately separated or, if the District does not have a sufficient number of staff to appropriately separate duties, compensating controls exist. Such compensating controls could include independent fee audits of student registration and attendance records to recorded fee collections and deposits.**
- **District records that identify initial collections through online or in-person payment offerings are independently reconciled to bank deposits.**

- Fees are collected in full on or before the beginning of each week in accordance with the Board-approved SPICE policies.

Finding 3: Instructional Personnel Grandfathered Salary Schedule

State law² requires the Board to adopt for instructional personnel hired before July 1, 2014, a grandfathered salary schedule that bases a portion of each employee’s compensation upon performance demonstrated under State law.³ For each of the 2017-18 through 2019-20 fiscal years, the Board adopted instructional personnel grandfathered salary schedules and approved instructional personnel bargaining agreements for employee compensation. In addition, for the 2019-20 fiscal year, the Board approved memoranda of understanding that supplemented the salary schedule and bargaining agreement.

According to District personnel, based on those documents, the performance portion of the instructional personnel salaries was funded by the Florida Best and Brightest Teacher Program (Program)⁴ for those employees who met the Program requirements. A different funding source was used to fund the performance portion of the salaries of instructional personnel who did not meet the Program requirements. Notwithstanding, we are unaware of any authority for using Program awards to meet statutory performance pay requirements, rather than providing separate Program awards to eligible classroom teachers.

Table 1 shows the number of instructional personnel who were compensated based on the grandfathered salary schedules for employee performance primarily⁵ using Program awards and the amount of those awards.

Table 1
Instructional Personnel Compensated for Performance
Using Florida Best and Brightest Teacher Program Awards
For the 2017-18 Through 2019-20 Fiscal Years

	2017-18	2018-19	2019-20
Number of Instructional Personnel	278	260	263
Total Program Awards Used	\$413,600	\$400,112	\$440,091

Source: District records.

In response to our inquiry, District personnel indicated that they believed Program awards were authorized to compensate employees for performance as required by State law; however, although we requested, District records, such as correspondence with the Florida Department of Education (FDOE) or other legal guidance, were not provided to demonstrate the authority for that understanding. Absent

² Section 1012.22(1)(c)4.b., Florida Statutes.

³ Section 1012.34, Florida Statutes.

⁴ Section 1012.731, Florida Statutes (2019). The Program was previously named the Florida Best and Brightest Teacher Scholarship Program and provided for State funded awards to classroom teachers based, in part, on their performance demonstrated under State law. During the 2020 Legislative Session, Chapter 2020-94, Laws of Florida, repealed the Program.

⁵ According to District personnel, the 2018-19 fiscal year bargaining agreement was approved using Program award amounts equal to the amounts awarded in the 2017-18 fiscal year. After the bargaining agreement was approved, the District determined that certain 2018-19 fiscal year Program award amounts would be less than the amounts approved in the bargaining agreement. As a result, the District paid affected employees the \$84 difference using District funds.

such authority, instructional personnel who were eligible for both Program awards and performance pay may have been underpaid.

Recommendation: The District should consult with the FDOE to determine whether Program funds were appropriately used to comply with the State law requirement for instructional personnel to be compensated, in part, based on employee performance. If the FDOE determines that Program funds were not appropriately used, the District should obtain guidance from the FDOE regarding any necessary remedial actions.

Finding 4: Insurance – Competitive Selection

Pursuant to State law,⁶ before entering into any contract for life, health, accident, hospitalization, legal expense, or annuity insurance, or all or any kinds of such insurance, for District officers and employees, the District must advertise for competitive bids and such contract must be let upon the basis of such bids. State law provides that the District is authorized to undertake simultaneous negotiations with qualified bidders during the selection process.

In June 2019, the Board approved the District Insurance Committee's recommendation to continue contracting with the District health insurance provider. During the 2019-20 fiscal year, the District paid \$8 million and employees paid \$3.4 million to the provider for health insurance premiums. In response to our inquiries, District personnel indicated that health insurance premiums have not increased since October 2017 and the District health insurance plan is a grandfathered health insurance plan,⁷ which allows the District to maintain significantly lower premiums for employees. In addition, District personnel believed that the District may forgo excess premium refunds due from the health insurance provider if the District advertised for health insurance bids. Notwithstanding, although we requested, District records were not provided to evidence, and District personnel were unaware of, the most recent date that bids were obtained.

Competitive bids for insurance and negotiations with qualified bidders would demonstrate compliance with State law and also provide assurance that health insurance was obtained at the lowest cost consistent with acceptable quality.

Recommendation: As required by State law, the District should advertise for competitive bids for health insurance before entering into health insurance contracts.

Finding 5: 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,⁸ 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.

⁶ Section 112.08(2)(a), Florida Statutes.

⁷ A grandfathered health insurance plan is a health insurance policy created or purchased on or before March 23, 2010, the effective date of the Patient Protection and Affordable Care Act.

⁸ Section 1011.035(2), Florida Statutes.

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.
- 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 FDOE pursuant to State law⁹ 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 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 the District Web site, which also included links to certain financial efficiency data such as District school costs per pupil compared to other Florida school districts. However, the Web site lacked the statutory required 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 the statutory information had not been posted because the District had not received from the FDOE District graphical representations or a link to the transparency tool.

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. 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.

Finding 6: Purchasing Cards

Purchasing cards (P-cards) are designed to provide a cost effective, convenient, and decentralized method for individuals to make business purchases on behalf of an organization. The District established a P-card program and, as of March 2020, had assigned 196 P-cards to employees. P-card purchases totaled \$5.7 million during the period July 2019 through March 2020.

Board policies¹⁰ authorize P-card use for small purchases of goods and services under the amount listed for goods qualifying as property in State law,¹¹ which is \$1,000, but allow exceptions at the discretion of

⁹ Section 1010.20, Florida Statutes.

¹⁰ Board Policy 7.70, *Purchasing and Bidding*.

¹¹ Section 274.02, Florida Statutes.

the District Chief Financial Officer or designee. District P-card guidelines¹² require each P-card to have both a single and a monthly transaction dollar limit.

According to District personnel and records, the District established monthly transaction dollar limits of \$5,000 to \$200,000 for P-cards but had not established single transaction dollar limits. In response to our inquiries, District personnel indicated that the monthly limits effectively limited the amount an employee could purchase in a single P-card transaction. Notwithstanding this response, establishing single transaction dollar limits for P-cards would help the District regulate individual P-card purchases and ensure that P-cards are used in accordance with Board policies and District P-card guidelines. A similar finding was noted in our report No. 2018-093.

Recommendation: The District should strengthen controls over P-cards by establishing single transaction dollar limits for P-cards.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report No. 2018-093, except that Findings 2 and 6 were also noted in that report as Findings 4 and 5.

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; fiscal transparency; school safety; construction activities; school-age child care fee collections; adult general education contact hour reporting; industry certification funding; restricted resource, employee compensation, and other expenditures; 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

¹² *Walton County School District P-card Procedures Manual.*

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. 2018-093.
- 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)¹³ 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.

¹³ 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, the COSO developed a framework for internal control that consists of five components and 17 underlying principles.

- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the District's goals and objectives.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.
- Management identification and analysis of and response to risks.
- Management consideration of the potential for fraud.
- 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 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 and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the District's finance and human resources (HR) applications for the 11 employees with system wide access to determine the appropriateness and necessity of the access based on employees' assigned job responsibilities and whether the access prevented the performance of incompatible duties.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 36 employees who had access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the employees' 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, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education.
- Examined District records and evaluated construction planning processes to determine whether processes were comprehensive and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- From the three significant construction projects in progress during the period July 2019 through March 2020 with expenditures totaling \$4.4 million, selected one project and examined selected expenditures totaling \$948,373 to determine compliance with Board policies, District procedures, and provisions of State laws and rules. Specifically, we:
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether such procedures ensured subcontractors were properly selected and licensed.
 - Determined whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records supporting the expenditures to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.

- Obtained the 2019 cost of construction report of District student station costs and examined District records for the one construction project completed during the period January 2019 through December 2019 to determine whether the reports accurately reported student station costs and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports for District facilities to determine whether annual inspections were performed in accordance with Section 1013.12, Florida Statutes, and whether timely action was taken to correct previous deficiencies.
- Interviewed District personnel and examined supporting documentation to determine whether floor plans for all newly constructed or remodeled educational facilities were timely submitted to law enforcement and fire agencies pursuant to Section 1013.13, 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 State Board of Education Rule 6A-1.094121, Florida Administrative Code, and Sections 1006.07, 1006.12, 1006.13, 1011.62(15) and (16), and 1012.584, Florida Statutes.
- Evaluated District procedures and examined District records to determine whether the procedures were effective for timely distributing the correct amount of local capital improvement funds to eligible charter schools pursuant to Section 1013.62(3), Florida Statutes.
- From the population of nonvoted capital outlay tax levy and other restricted capital project funds' expenditures totaling \$8.4 million during the period July 2019 through March 2020, examined documentation supporting selected expenditures totaling \$5.3 million to determine District compliance with the restrictions imposed on the use of these resources, such as District compliance with Section 1011.71(2)(e), Florida Statutes.
- From the population of \$846,666 total workforce education program funds expenditures for the period July 2019 through February 2020, selected expenditures totaling \$635,936 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 122 industry certifications eligible for the 2019-20 fiscal year performance funding, examined 24 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 3,239 contact hours for 20 adult general education instructional students during the Fall 2019 Semester, examined District records supporting 756 reported contact hours for 9 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 controls over the collection of District school-age child care fees.
- Examined District records to determine whether the Board adopted salary schedules that provide for differentiated pay and compensation based on performance for both instructional personnel and school administrators in compliance with Section 1012.22, Florida Statutes.
- 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 acquiring health insurance for officers and employees and examined related records to determine whether the District complied with Section 112.08, Florida Statutes.

- Evaluated District procedures for assigning and monitoring purchasing card single and monthly transaction dollar limits.
- Examined District records to determine whether the District properly informed parents and students about students' rights to participate in a virtual instruction program (VIP) and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- 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

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each district school board on a periodic basis. 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 a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

A. Russell Hughes
Superintendent of Schools



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DeFuniak Springs, FL 32435
850.892.1100
Fax 850.892.1191
www.walton.k12.fl.us

October 19, 2020

**Walton County District School Board
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2020**

Finding Number: 2020-1
Planned Corrective Action: District Facilities Staff typically attend bid openings to ensure that the subcontractors are competitively selected and qualified to perform the service at a fiscally desirable cost. Moving forward, a member of the Facilities staff will attend all competitive bid openings.
Anticipated Completion Date: June 30, 2021
Responsible Contact Person: Stephanie Hofheinz, Jill Smith

Finding Number: 2020-2
Planned Corrective Action: District Staff is working on enhancing procedures for the collection of childcare fees in our SPICE programs. These procedures have been shared with principals and responsible employees so that adequate controls are in place to ensure that fees are collected, verified, and reconciled in a timely manner. The Finance Department has also implemented School Pay which will allow parents to make online payments and provide an audit trail for receipts and payments.
Anticipated Completion Date: November 30, 2020
Responsible Contact Person: Stephanie Hofheinz, Wyndy Crozier

Finding Number: 2020-3
Planned Corrective Action: The District has reached out to Suzanne Pridgeon, Deputy Commissioner of Finance and Operations at the Florida Department of Education for a determination on this issue. If the ruling does not support our position, we will develop and implement a performance pay plan for upcoming fiscal years.
Anticipated Completion Date: June 30, 2021
Responsible Contact Person: Stephanie Hofheinz

"Preparing the Whole Child for a Life of Success"

Gail Smith
District 1

Kim Kirby
District 2

Bill Eddins, Jr.
District 3

Marsha Winegarner
District 4

Jason Catalano
District 5

Finding Number: 2020-4
Planned Corrective Action: The District understands that state law dictates competitive bids for Health Insurance products. However, due to our grandfathered Status with Florida Blue, soliciting bids would void this plan offering and cost the district millions of dollars in pro-share revenues each year. The Insurance Committee will evaluate insurance needs prior to the new year and make recommendations to improve the program based on current needs and trends. Management will continue to monitor the insurance program and consider the recommendation made by the auditors while exercising fiscal responsibility.
Anticipated Completion Date: June 30, 2021
Responsible Contact Person: Stephanie Hofheinz, Candy Bodie

Finding Number: 2020-05
Planned Corrective Action: District Staff will continue efforts to post all required documents and information to the website. We are working with the Office of Funding and Financial Reporting to ensure that fiscal transparency data is posted and easily accessible to the public.
Anticipated Completion Date: June 30, 2021
Responsible Contact Person: Stephanie Hofheinz

Finding Number: 2020-06
Planned Corrective Action: District Finance Staff has contacted SunTrust Bank and is working on establishing single transaction purchasing card limits for all cardholders. Monthly limits were reviewed and reduced after the previous operational audit and are increased as needed with documentation from the appropriate supervisor. These limits are revised based on purchase needs in order to expedite the purchasing function. The purchasing card program is being utilized to every extent possible in order to maximize rebate earnings for the District. Purchasing policies will be updated to reflect this change which would more accurately outline our current practices.
Anticipated Completion Date: December 31, 2020
Responsible Contact Person: Stephanie Hofheinz

Sincerely,



A. Russell Hughes
Superintendent of Schools