

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-050
November 2020

**HIGHLANDS COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Dr. Brenda Longshore served as Superintendent of the Highlands County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Isaac Durrance	1
Donna Howerton, Chair from 11-19-19, Vice Chair through 11-18-19	2
Jan Shoop, Vice Chair from 11-19-19	3
Bill Brantley, Chair through 11-18-19	4
Jill Compton Twist	5

The team leader was Pakeishia L. Johnson, and the audit was supervised by Mark A. Arroyo, 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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HIGHLANDS COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Highlands County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-157. Our operational audit disclosed the following:

Finding 1: District records did not evidence that the District used school capital outlay surtax and ad valorem tax proceeds only for authorized purposes, resulting in questioned costs totaling \$2.5 million.

Finding 2: As of August 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 3: District school safety policies and procedures need improvement.

Finding 4: Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur. A similar finding was noted in our report No. 2018-157.

Finding 5: The District did not timely remove the IT access privileges of some former employees.

BACKGROUND

The Highlands 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 Highlands County. The governing body of the District is the Highlands 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 19 elementary, middle, high, and specialized schools and reported 12,164 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Restricted Capital Outlay Resources

To fund capital expenditures, State law¹ authorizes the Board to levy a discretionary sales surtax, referred to in law as a school capital outlay surtax, as well as ad valorem taxes within specified millage rates. State law restricts the use of the proceeds from these taxes by providing specific purposes for which the proceeds from each of these taxes may be used.

School Capital Outlay Surtax Proceeds. State law² authorizes the Board to levy, pursuant to resolution approved by a majority vote of the Highlands County electors voting in a referendum, a discretionary

¹ Sections 212.055(6) and 1011.71(2), Florida Statutes.

² Section 212.055(6), Florida Statutes.

sales surtax. The surtax proceeds may be used for construction, reconstruction, or improvement of school facilities and campuses which have a useful life expectancy of 5 or more years, and any land acquisition, land improvement, design, and engineering costs related thereto. Additionally, the proceeds may be used to retrofit and provide for technology implementation, including hardware and software, for the various sites within the District. However, State law provides that neither the proceeds of the surtax nor any interest accrued may be used for operational purposes and State law is silent regarding use of surtax proceeds for other purposes, such as for the purchase of vehicles or vehicle equipment.

In August 2016, the Highlands County voters approved the discretionary sales surtax and accompanying resolution to fund various District capital outlay projects, such as construction, renovation and remodeling of school facilities, any costs of retrofitting and providing technology implementation, including hardware and software, and vehicles for maintenance and transportation services. The District accounts for the surtax activities in the Capital Projects – Other Fund (CPO Fund).

For the 2019-20 fiscal year, the CPO Fund transferred no amounts to other funds but incurred expenditures of \$6.4 million from surtax proceeds. As part of our audit procedures, we examined District records supporting selected expenditures totaling \$1,881,682 to determine their propriety. We found that the District purchased 9 school buses and bus radios with costs totaling \$981,405, although such surtax proceeds use was not explicitly authorized by State law. We extended our procedures to evaluate the use of surtax proceeds for the 2017-18 and 2018-19 fiscal years and found that the District used the proceeds to purchase 12 school buses and 9 bus radios with costs totaling \$1,333,926. Absent statutory authority, expenditures totaling \$2,315,331 from surtax proceeds represent questioned costs.

In response to our inquiry, District personnel indicated that the purchases qualified for surtax use because the voter-approved resolution authorized vehicle purchases. Notwithstanding this response, that resolution provision appears contrary to State law and, therefore, invalid.

Ad Valorem Tax Proceeds. State law³ allows the Board to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of these ad valorem tax proceeds include, among other things, funding new construction and remodeling projects and the purchase, lease-purchase, or lease of school buses. In addition, use of the ad valorem tax proceeds for vehicles other than school buses is limited to driver's education vehicles, vehicles used for the maintenance or operation of plants and equipment, security vehicles, and vehicles used in storing or distributing material and equipment. The District accounts for ad valorem tax levy activities in the Capital Projects – Local Capital Improvement Fund (LCI Fund).

For the 2019-20 fiscal year, District LCI Fund transfers to other funds totaled \$7.1 million and expenditures totaled \$618,107. As part of our audit, we examined District records supporting selected LCI Fund transfers totaling \$2.3 million and expenditures totaling \$484,997 to determine their propriety. We found expenditures totaling \$145,968 for three passenger vans, three cars, and a sport utility vehicle that did not appear to meet the statutory restrictions for ad valorem use. According to District personnel, the vehicles were used to transport students, maintain and investigate bus routes for safety, and respond to bus accidents.

³ Section 1011.71, Florida Statutes.

In response to our inquiry, District personnel indicated that the ad valorem tax proceeds were used to purchase the vehicles because school buses are too large to pick up students from certain facilities and, therefore, passenger vans are used; and the other vehicles were considered vehicles for maintenance or operation of plants and equipment. However, although we requested, District records were not provided to demonstrate that the vehicle purchases were consistent with the statutory ad valorem limitations, resulting in questioned costs of \$145,968.

Without an appropriate understanding of the statutory restrictions on the use of school capital outlay surtax and ad valorem tax proceeds and adequate procedures to ensure the restrictions are properly observed, there is an increased risk that the District will use the proceeds for purposes other than those authorized by State law.

Recommendation: The District should:

- **Enhance procedures to ensure that school capital outlay surtax and ad valorem tax proceeds are only used for authorized purposes. Such enhancements should include training so District personnel appropriately understand and observe the restrictions associated with such use.**
- **Provide documentation to the Florida Department of Education (FDOE) supporting the allowability of school capital outlay surtax proceeds use totaling \$2,315,331 for school bus and radio purchases and ad valorem tax proceeds use totaling \$145,968 for vehicle purchases or restore the appropriate amounts to the CPO and LCI Funds.**

Finding 2: 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,⁴ 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.
- 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 law⁵ to enable taxpayers to evaluate the financial efficiency of the school

⁴ Section 1011.035(2), Florida Statutes.

⁵ Section 1010.20, Florida Statutes.

district and compare the financial efficiency of the school district with other similarly situated school districts. The 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 April 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 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, the FDOE had not provided school districts with guidance for compiling and reporting the graphical representations or the link to the transparency tool. Although the FDOE had not provided school districts a link to the transparency tool, District records did not demonstrate any efforts to create or report the required financial efficiency data or fiscal trend information for the previous 3 years.

Subsequent to our inquiry, in June 2020 the FDOE provided the District the link to the FDOE fiscal transparency tool and the District posted the link on the District Web site. In addition, District personnel indicated that, as of August 2020, the graphical representations were located on the FDOE Web site. Notwithstanding, State law requires the graphical representations to be included 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 3: School Safety

State law⁶ requires the Board and Superintendent to partner with local law enforcement agencies or security agencies to establish or assign one or more safe-school officers, such as school resource officers (SROs) or school safety officers, at each school facility. SROs are to be certified law enforcement officers and, among other things, are required to complete mental health crisis intervention training using a curriculum developed by a national organization with expertise in mental health crisis intervention.

Our examination of District records for the 2019-20 fiscal year disclosed that the Board contracted with the Highlands County Sheriff's Office (HCSO) and the Sebring Police Department (SPD) for security services at 18 District schools.⁷ According to the contracts, the HCSO would provide the District 22 SROs and the SPD would provide 3 SROs. As part of our audit procedures, we requested for examination District records to verify that the 25 SROs received the required mental health crisis intervention training; however, District records were not available at the time of our request because the District had not obtained confirmation of the SROs' training.

Subsequent to our request, the District obtained correspondence from the HCSO and the SPD that demonstrated 24 SROs completed the required training; however, records were not provided to

⁶ Section 1006.12, Florida Statutes.

⁷ The District operates 19 District schools, but one school is on South Florida State College's campus and the College provides the safe-school officer.

demonstrate that the remaining SRO completed the training. According to District personnel, the District relied on the HCSO and SPD to ensure that the SROs completed the training.

Absent effective procedures to document verification that SROs complete the required mental health crisis intervention training, the District has limited assurance that the SROs were appropriately trained to avert, or appropriately intervene during, school crises and the District cannot demonstrate compliance with State law or that all appropriate measures have been taken to promote student and staff safety.

Recommendation: The District should continue efforts to demonstrate compliance with State school safety laws. Such efforts should include documented verifications to evidence that SROs were appropriately trained.

Finding 4: Information Technology User Access – Sensitive Personal Information

The Legislature has recognized in State law⁸ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job duties and provide for documented periodic evaluations of information technology (IT) user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their duties.

Pursuant to State law,⁹ the District identifies each student using a Florida education identification number obtained by the FDOE. However, student SSNs are included in the student records maintained within the District student information system (SIS). Student SSNs are maintained in the District SIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure file procedure and provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies¹⁰ authorize designated District school personnel access to student records to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with applicable State law, State Board of Education rules, and Federal laws. District personnel indicated that the access of IT users is granted or denied when employee changes, such as transfers or terminations, are made; however, the District had not established procedures to perform periodic evaluations of access privileges to the sensitive personal information of students to ensure that the access is based on a demonstrated need.

As of June 2020, the SIS contained the SSNs of 50,288 former students and 11,534 current students, and 118 District employees had continuous IT user access privileges to this information. District personnel indicated that the District SIS did not include a mechanism to differentiate between IT user access privileges to current and former student information, although some employees with access did not require access to both to perform their job duties.

As part of our audit, we requested for examination District records supporting the access privileges of 25 selected District employees who had continuous access to the sensitive personal information of

⁸ Section 119.071(5)(a), Florida Statutes.

⁹ Section 1008.386, Florida Statutes.

¹⁰ Board Policy 8330 – *Student Records*.

students. Our examination disclosed, and District personnel responses confirmed, that 17 employees, including directors, principals, teachers, and paraprofessionals, did not require such access. In addition, we found that the other 8 employees only required occasional access to perform their duties and, although we requested, District records were not provided to justify their continuous access.

Subsequent to our inquiry, the District documented an evaluation of access privileges of employees with access to student SSNs and removed the unnecessary access privileges for 39 employees, including the 17 employees in our examination. The existence of unnecessary IT user access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against current or former District students. A similar finding was noted in our report No. 2018-157.

Recommendation: The District should continue efforts to ensure that only those employees who have a demonstrated need to access sensitive personal information of students, including student SSNs, be granted access. Such efforts should include:

- **Procedures to require and ensure the performance of documented periodic evaluations of assigned IT user access privileges to sensitive personal information to determine whether such privileges are necessary and timely removal of any unnecessary access privileges detected. If a user only requires occasional access to such information, the privileges should be granted only for the time needed.**
- **An update to the SIS to differentiate between IT user access privileges to current and former student information.**

Finding 5: Timely Deactivation of User Access Privileges

Effective management of IT access privileges includes the timely deactivation of employee IT access privileges when an employee is reassigned or separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise District data or IT resources.

According to District personnel, the human resources (HR) Department inputs an employee's separation date into the District IT system, which then notifies the MIS Department to deactivate applicable District network, finance, or HR module access privileges. To evaluate whether deactivations were timely for the 211 employees who separated from District employment during the period July 1, 2019, through March 23, 2020, we examined District records for 26 selected employees. We found that 5 former employees (the Transportation Director, a computer technician, a data operator, and 2 clerks) continued to have access 81 to 281 days, or an average of 144 days, after the employees' separation dates.

In response to our inquiries, District personnel indicated that the untimely deactivations occurred because, although notified, the MIS Department did not timely deactivate the access. Although our procedures did not identify any misuse of District resources as a result of the untimely deactivations, without prompt removal of access privileges, the risk is increased that access privileges may be misused by former employees or others.

Recommendation: The District should enhance procedures to ensure that the MIS Department promptly deactivates user access privileges when a user separates from District employment.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective action for Finding 1 in our report No. 2018-157; however, Finding 4 was also noted in that 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; school safety; compensation; other expenses; and other process 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. 2018-157.
- 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)¹¹ and adopted 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.

¹¹ 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 components of internal control and underlying principles were significant to our audit objectives.

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 (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, from the population of 167 user accounts as of March 2020, we tested the 26 user accounts that allowed update access privileges to selected critical ERP system finance and HR applications to determine the appropriateness of access privileges granted for 26 accounts.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed selected user access privileges for 26 of the 211 employees who separated from District employment during the period July 1, 2019, through March 23, 2020, to determine whether the access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a comprehensive IT risk assessment had been established to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.

- Determined whether a fire suppression system had been installed in the District's data center.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, from the population of 118 individuals who had access to sensitive personal student information, we examined the access privileges of 25 selected employees 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, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education.
- From the population of expenditures totaling \$7.8 million and transfers totaling \$7.1 million during the audit period from nonvoted capital outlay tax levy, discretionary sales surtax proceeds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$2.9 million and \$2.3 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources, including compliance with Sections 212.055(6), and 1011.71(2)(e), 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, and State Board of Education Rule 6A-1.094121, Florida Administrative Code.
- From the population of 29,224 payroll transactions totaling \$62.3 million for the period July 2019 through February 2020, examined District records supporting compensation payments totaling \$70,534 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.
- Examined District records to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and whether a portion of each instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4. and 5., Florida Statutes.
- Examined District records to determine whether the Board adopted a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties in compliance with Section 1012.22(1)(c)4.b., 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 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 Board 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.

- 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 identified eligible schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged student, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulations.
- 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 \$26.6 million during the period July 1, 2019, through April 14, 2020, we examined documentation relating to 30 payments for general expenditures totaling \$11,384.
- From the population of 184 contracted service vendors with payments totaling \$5.9 million during the period July 1, 2019, through April 14, 2020, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$1.2 million related to 13 contracts to determine whether:
 - The District complied with applicable competitive selection requirements (e.g., State Board of Education Rule 6A-1.012, Florida Administrative Code).
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- From the population of expenditures totaling \$7.7 million from non-Federal grants or appropriations during the period July 1, 2019, through April 14, 2020, examined selected expenditures totaling \$396,213 to determine District compliance with the restrictions imposed on the use of these resources.
- 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 previous 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

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 the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Administration
Brenda Longshore, Superintendent
426 School Street
Sebring, FL 33870
(863) 471-5564
longshob@highlands.k12.fl.us

October 27, 2020

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

Subject: Audit Response

Dear Ms. Norman:

We have enclosed our responses to the preliminary and tentative audit findings of the audit conducted by your office for the period ending June 30, 2020.

Finding No. 1: Restricted Capital Outlay Resources

The District will consult with the Department of Education to determine the resolution of school capital outlay surtax and ad valorem tax audit finding. Annually the District will prepare a capital outlay executive summary which will be reviewed by the board attorney and school board detailing the planned capital expenditures.

Finding No. 2: Fiscal Transparency

The District will post all of the required statutory transparency requirements on the District web page.

Finding No. 3: School Safety

The District will review its procedures to ensure that we receive documentation that all SROs have the required mental health crisis intervention training.

Dr. Brenda Longshore, Superintendent
Donna Howerton, Chairperson · Jan Shoop, Vice Chairperson
Bill Brantley · Jill Compton Twist · Isaac Durrance

A fully accredited school system of the Southern Association of Colleges and Schools
Equal Opportunity Employment and Veteran's Preference Employer

Finding No. 4: Information Technology User Access – Sensitive Personal Information

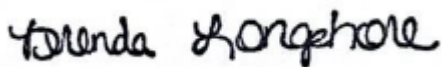
The District will review its procedures to ensure that only those employees who have a demonstrated need to access sensitive personal information of students.

Finding No. 5: Timely deactivation of User Access Privileges

The District will enhance its procedures to ensure that user privileges are deactivated when the user separates from District employment.

We wish to thank your office for the professionalism and courtesy shown by your staff during the audit. We are confident that the District will benefit from this review.

Sincerely,



Dr. Brenda Longshore
Superintendent of Schools

MA:BL/cw

Dr. Brenda Longshore, Superintendent
Donna Howerton, Chairperson · Jan Shoop, Vice Chairperson
Bill Brantley · Jill Compton Twist · Isaac Durrance

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