

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2021-121  
February 2021

**BAY COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2019-20 fiscal year, William V. Husfelt III served as Superintendent of the Bay County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Jerry Register	1
Ginger Littleton <sup>a</sup>	2
Pamm Chapman, Vice Chair	3
Ryan Scott Neves	4
Steven T. Moss, Chair	5

<sup>a</sup> Board Member resigned 12-25-19, and position remained vacant through 6-30-20.

The team leader was Grace Arrington, 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](mailto:tedwaller@aud.state.fl.us) or by telephone at (850) 412-2887.

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# BAY COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Bay County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-201. Our operational audit disclosed the following:

**Finding 1:** District school safety policies and procedures need improvement.

**Finding 2:** Required background screenings were not always performed for contractor workers. A similar finding was noted in our report No. 2018-201.

**Finding 3:** District records did not evidence that the District used discretionary sales surtax moneys only for authorized purposes, resulting in questioned costs of \$5.9 million.

**Finding 4:** District monitoring of the construction management entity (CME) subcontractor payment process needs improvement.

**Finding 5:** The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

**Finding 6:** Contrary to State law, District records did not demonstrate that six contractors, who were paid for District remediation projects, each exceeding \$200,000 and collectively totaling \$54.8 million, provided the District certified copies of payment and performance bonds.

**Finding 7:** District controls over monitoring health self-insurance claims payments continue to need improvement.

**Finding 8:** The District did not always ensure the eligibility of insured dependents who participated in the District health self-insurance plan was verified and documented.

**Finding 9:** The District did not timely comply with State law requiring, effective July 1, 2019, the District to post on its Web site graphical representations of summary financial efficiency data and fiscal trend information.

**Finding 10:** District controls over purchasing cards continue to need improvement.

## ***BACKGROUND***

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The Bay 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 Bay County. The governing body of the District is the Bay 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 30 elementary, middle, high, and specialized schools, a virtual school, a technical school; sponsored 11 charter schools; and reported 24,658 unweighted full-time equivalent students.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: School Safety**

State law<sup>1</sup> requires the Board to formulate and prescribe policies and procedures for emergency drills associated with active shooter and hostage situations and the drills must be conducted at least as often as other emergency drills. Pursuant to the Florida Fire Protection Code (Fire Code)<sup>2</sup> and Board policies,<sup>3</sup> fire emergency drills must generally be conducted every month a facility is in session. Board policies also require each school to conduct 10 active shooter and hostage situation drills per year and school principals to submit a written record of each drill to the Board.

In addition, State law<sup>4</sup> requires that the Board and Superintendent partner with law enforcement agencies to establish or assign one or more safe-school officers, such as school resource officers (SROs), school safety officers (SSOs), school guardians, or security guards at each school facility within the school district, including charter schools, and the Board must collaborate with charter school governing boards to facilitate charter school access to all safe-school officer options to best meet the needs of the District and charter schools. State law specifies background and training requirements for SROs, SSOs, and school guardians, for example, SROs are required to complete mental health crisis intervention training using a curriculum developed by a national organization with expertise in mental health crisis intervention.

To determine whether the District conducted the required emergency drills (7 active shooter and hostage situation emergency drills and 7 fire emergency drills) during the period August 2019 through February 2020,<sup>5</sup> we requested for examination support for 42 emergency drills conducted at 3 of the 41 District and charter schools. We found that District records were not maintained to demonstrate the conduct of 10 (48 percent) of the 21 active shooter and hostage situation emergency drills and 6 (29 percent) of the 21 fire emergency drills. In response to our inquiries, District personnel indicated that the District did not enforce the requirement for drills to be conducted as often as required because they were anticipating a change in the State law requiring the drills. Notwithstanding, the anticipated change did not occur and the State law in effect during the 2019-20 school year required the District to complete the drills.

District personnel indicated that, during the 2019-20 school year, the Bay District Schools Police Department (BDSPD) assigned a police officer to 18 District schools and 1 charter school and the Bay County Sheriff's Office (BCSO) provided an SRO at 12 District schools for each day school was in session. The District required an administrator from each school to provide a monthly confirmation indicating that an SRO was present as required. As part of our audit procedures, we requested for examination the October 2019 confirmations from the school administrators at the 12 District schools that were to receive BCSO SRO services. While District personnel provided confirmations from the school

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<sup>1</sup> Section 1006.07(4), Florida Statutes.

<sup>2</sup> Section 20.2.4.2.3 of the Florida Fire Prevention Code, 6th Edition (2017).

<sup>3</sup> Board Policy 2.108, *Emergency Evacuation Drills*.

<sup>4</sup> Section 1006.12, Florida Statutes.

<sup>5</sup> In March 2020, Bay County schools were closed due to the COVID-19 pandemic; therefore, drills were only required for the 7-month period August 2019 through February 2020.

administrators of 3 schools, District personnel could not locate the administrator confirmations for the other 9 schools.

In addition, District personnel did not verify that safe-school officers were present each day school was in session at the other 10 charter schools. Since the District allowed the 10 charter schools to decide how to obtain the required safe-school officer services, District personnel believed that the District was not responsible for verifying that services were provided.

As part of our audit procedures, we also requested District records for examination to determine whether the SROs assigned to each school completed the required mental health crisis intervention training. However, District personnel indicated that they did not verify that the BCSO SROs completed the training.

Absent effective procedures to ensure that required active shooter and hostage situation and fire emergency drills are timely conducted; one or more safe-school officers are assigned during school hours at each school, including charter schools; and SROs complete required mental health crisis intervention training, the District cannot demonstrate compliance with State law and the Fire Code or that appropriate measures have been taken to promote student and staff safety.

**Recommendation: The District should enhance procedures to demonstrate compliance with State school safety laws. Such enhancements should include documented verifications that:**

- **For each month school is in session, District and charter schools conduct both active shooter and hostage situation and fire emergency drills.**
- **At least one safe-school officer is assigned during school hours at each school.**
- **SROs complete the required mental health crisis intervention training.**

## **Finding 2: Contractor Worker Background Screenings**

State law<sup>6</sup> requires that each person hired or contracted to serve in an instructional or noninstructional capacity who is permitted access on school grounds when students are present or who has direct contact with students must undergo a level 2 background screening<sup>7</sup> at least once every 5 years. Additionally, State law<sup>8</sup> provides that noninstructional contractors may be exempt from the background screening requirements if the contractors are under the direct supervision of a school district employee or contractor who has had a criminal history check and meets the statutory screening requirements. State law<sup>9</sup> also requires the District to verify the results of the background screening of a noninstructional contractor whose background screening was completed by another school district within the last 5 years using the shared system implemented by the Florida Department of Law Enforcement (FDLE).

To promote compliance with the statutory background screening requirements, the District Safety and Security Department is responsible for completing background screenings for contractor workers or using the FDLE shared system to verify the results of noninstructional contractor workers' background screenings completed by other school districts within the last 5 years. However, District Safety and

<sup>6</sup> Sections 1012.32, 1012.465, 1012.467, and 1012.56(10), Florida Statutes.

<sup>7</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the Federal Bureau of Investigation.

<sup>8</sup> Section 1012.468(2), Florida Statutes.

<sup>9</sup> Section 1012.467(2)(f) and (7)(a), Florida Statutes.

Security Department personnel indicated they do not maintain lists of contractor workers required to undergo the background screenings within the last 5 years. Instead, they rely on District personnel in the schools and departments receiving the contracted services to ensure that contractor workers have a current District-issued identification badge, which expires every 5 years and must be worn by each contractor worker to indicate they passed the screening requirements.

The Board routinely contracts for services such as school health and food services. According to District records obtained from Student Services and Food Service Department personnel for the period July 2019 through February 2020, 220 contractor workers provided these services and were permitted access on school grounds when students were present or had direct contact with students. To determine whether required background screenings were timely obtained, we requested for examination District records supporting screenings of those workers and found that the required background screenings had not been obtained for:

- 1 school health and 2 food service contractor workers.
- 4 food service contractor workers at least once in the last 5 years. The most recent background screenings for these workers were completed during the period July 2013 through February 2015.

In response to our inquiries, District personnel indicated that the contractor workers were probably allowed access without the required screenings because District personnel did not verify that the workers had a current identification badge. Subsequent to our August 2020 inquiries, in August and October 2020, the District obtained background screenings for the 6 contractor workers still working at the District and determined that each contractor worker had a suitable background.

Absent effective controls to ensure that required background screenings are timely obtained and evaluated, there is an increased risk that contractor workers with unsuitable backgrounds may have direct contact with students. A similar finding was noted in our report No. 2018-201.

**Recommendation: The District should enhance procedures to identify contractor workers who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make personnel decisions, as necessary, based on evaluations of the screening results. We also recommend that the District develop procedures to appropriately monitor when all background screenings are due and ensure that contractor workers obtain the required background screenings at least once every 5 years.**

### **Finding 3: School Capital Outlay Surtax Resources**

State law<sup>10</sup> authorizes the Board to levy a discretionary sales surtax, pursuant to a resolution approved by a majority vote of the Bay County electors voting in a referendum. 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 surtax proceeds nor any interest accrued may be used for operational

<sup>10</sup> Section 212.055(6), Florida Statutes.

purposes, and State law is silent regarding the use of surtax proceeds for other purposes, such as modular classroom leases.

In August 2010, Bay County voters approved the discretionary sales surtax and accompanying resolution to fund various capital outlay projects, such as construction, reconstruction, or improvement of school facilities and campuses that have a useful life expectancy of 5 years or more, land acquisition or improvement, associated design and engineering costs, and costs of retrofitting and providing technology implementation, including hardware and software. The District accounts for surtax activities in the Capital Projects – Other Fund (CPO Fund).

For the period July 2018 through February 2020, the District reported \$22.6 million in expenditures from surtax proceeds. As part of our audit procedures, we requested for examination, and District personnel provided, District records supporting \$3.5 million in surtax expenditures. We noted expenditures totaling \$986,064 for modular classroom leases and related costs paid to two vendors. District records indicated that during the period July 2018 through February 2020, the District paid a total of \$5.9 million to these two vendors, and District personnel confirmed that the payments were for modular classroom leases and related costs.

In response to our inquiries, District personnel indicated that the modular classroom leases were necessary to provide student classrooms during the reconstruction of District facilities damaged as a result of Hurricane Michael and, therefore, were authorized by State law. However, the use of surtax proceeds for these purposes is not explicitly authorized by State law and, as such, represent, questioned costs.

**Recommendation: The District should enhance procedures to ensure school capital outlay surtax 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. In addition, the District should provide documentation to the Florida Department of Education (FDOE) supporting the allowability of surtax proceeds totaling \$5.9 million for modular classroom leases and related costs or restore that amount to the CPO Fund.**

#### **Follow-up to Management's Response**

*Management indicates in their response that they are not in agreement with this finding and that the District was operating under an emergency order issued by the Governor which suspended procurement requirements. However, the Governor's emergency order (Executive Order 18-276) referenced Section 252.38, Florida Statutes, which applies to political subdivisions of the State. As Section 252.34(9), Florida Statutes, defines the term political subdivision to mean any county or municipality created pursuant to law and does not include school districts, the emergency order did not suspend statutory requirements applicable to school district use of surtax proceeds. Consequently, the finding and related recommendation stand as presented.*

#### **Finding 4: 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 retained by the District. Good business practices dictate that District personnel monitor the CME subcontractor selection, contracting, 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.

During the 2019-20 fiscal year, the District incurred expenditures totaling \$2.3 million pursuant to an \$8.2 million GMP contract for the Lynn Haven Cafeteria and Renovations Project (Lynn Haven Project), which included \$6.6 million for 29 subcontractors. The GMP contract required the CME to solicit subcontractor bids and award subcontracts. District personnel attended the bid openings and maintained copies of the bid tabulations, and the CME retained the bid proposals.

In response to our inquiries, District personnel indicated that copies of subcontractor contracts were obtained from the CME and compared to the bid tabulations. However, District personnel did not verify the propriety of the subcontractor payment process by comparing subcontractor contracts and subsequent change orders to CME GMP contract and payment requests. Instead, District personnel relied on the CME to ensure that subcontractors were paid in accordance with the CME GMP contract and subcontractor contracts.

As part of our audit, we requested for examination District records for the Lynn Haven Project supporting selected subcontractor expenditures totaling \$281,535. However, District records provided for our review did not include all applicable subcontractor change orders and were, therefore, insufficient to determine that subcontractor expenditures totaling \$221,372 included on the CME pay request agreed with the subcontractor contracts and change orders.

Absent effective monitoring of subcontractor payment processes, the District has limited assurance that subcontractor services were obtained at the lowest cost consistent with acceptable quality or that CME payment requests included appropriate amounts for subcontractor costs, and 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 verify that subcontractors are correctly paid in accordance with the CME GMP contract and subcontractor contracts.**

#### **Follow-up to Management's Response**

*Management indicates in their response that "the project in question did not go over budget for the original scope of work and subcontractors were properly paid." Notwithstanding this response, District records did not demonstrate that District personnel compared subcontractor contracts and subsequent change orders to CME GMP contract and payment requests. Without the documented comparisons, there is limited assurance that subcontractor services were obtained at the lowest cost consistent with acceptable quality, CME payment requests included appropriate amounts for subcontractor costs, and maximum cost savings were realized under the GMP contract. Consequently, the finding and related recommendation stand as presented.*

## Finding 5: General Conditions Costs

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For contracts that include general conditions costs, appropriate policies and procedures could include, for example:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other school districts.
- Negotiations with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices, and comply with the GMP contract.

The GMP contract for the Lynn Haven Project included general conditions costs totaling \$764,915 that were billed to the District on monthly payment requests. According to District personnel, the then District Director of Facilities was responsible for negotiating and determining the reasonableness of general conditions costs for the Project. However, the District had not established policies or procedures for effectively negotiating, monitoring, and documenting the reasonableness of the general conditions costs, and District records did not document the methodology used and factors considered during the negotiation process to establish the reasonableness of the general conditions costs. Additionally, detailed documentation, such as CME payroll records or copies of CME-paid invoices, was not obtained by the District to support the propriety of the general conditions costs billed and paid.

In response to our inquiries, District personnel indicated that they did not require the CME to provide that documentation due to its volume. Notwithstanding, absent effective negotiation of general conditions costs and monitoring of detailed documentation, at least on a sample or test basis, to support CME general conditions costs, the District may be limited in its ability to determine the propriety of CME payment requests for general conditions costs or to realize cost savings associated with general conditions costs in GMP contracts.

**Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs. In addition, the District should maintain records that evidence the receipt and review of sufficiently detailed documentation, at least on a sample or test basis, supporting the general conditions costs included in CME payment requests.**

## Finding 6: Payment and Performance Bonds

State law<sup>11</sup> requires a person entering into a contract with the District for a construction or repair project exceeding \$200,000, to execute and record in the public records, a payment and performance bond with

<sup>11</sup> Section 255.05(1), Florida Statutes.

a surety insurer. In addition, before commencing the work, the contractor must provide to the District a certified copy of the recorded bond. The bond guarantees payment of the contractor's obligation to those who furnish labor, services, or materials for the project, and protects the District from financial loss should the contractor fail to properly perform the contracted services.

In October 2018, Hurricane Michael caused major damage to District property and facilities. The Board subsequently entered contracts for emergency remediation projects,<sup>12</sup> each exceeding \$200,000, and the six contractors for the projects were paid a total of \$54.8 million. As part of our audit procedures, we requested for examination the contractor payment and performance bonds for those projects. In response, District personnel indicated that bonds were not provided because they believed State law did not require the bonds and, even if required, the District had the authority to waive that requirement in an emergency pursuant to the Governor's Executive Order 18-276, which referenced Section 252.38, Florida Statutes.<sup>13</sup> However, Section 252.38, Florida Statutes, applies to political subdivisions of the State, and Section 252.34(9), Florida Statutes, defines the term political subdivision, as it is used throughout the State Emergency Management Act,<sup>14</sup> to mean any county or municipality created pursuant to law and does not include school districts.

According to District records, as of July 2020, the contractors had completed the remediation projects. Notwithstanding, without payment and performance bonds, the District may incur unnecessary costs if contractors fail to pay all workers and suppliers associated with a project or do not properly perform contracted services.

**Recommendation: The District should, for future construction or repair projects with costs that will exceed \$200,000, comply with State law by obtaining certified copies of recorded payment and performance bonds from contractors before work commences.**

#### **Follow-up to Management's Response**

*Management indicates in their response that "the District believes the actions taken were allowed under the Governor's Executive order." Notwithstanding this response, as stated in the finding, the Governor's Executive Order 18-276 referenced Section 252.38, Florida Statutes, which applies to political subdivisions of the State. As Section 252.34(9), Florida Statutes, defines the term political subdivision to mean any county or municipality created pursuant to law and does not include school districts, the finding and recommendation stand as presented.*

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<sup>12</sup> Remediation projects included labor, materials, equipment, and subcontracted services necessary for mitigation, restoration, and repair of District facilities.

<sup>13</sup> In response to Hurricane Michael, the Governor's Executive Order 18-276, authorized, in accordance with Section 252.38, Florida Statutes, political subdivisions within the State to waive certain procedures and formalities otherwise required of the political subdivisions.

<sup>14</sup> Sections 252.31 through 252.60, Florida Statutes.

## Finding 7: Health Self-Insurance Claims Payments

The District provides health insurance through a self-insurance program and, as permitted by State law,<sup>15</sup> the Board contracts with a servicing agent to administer the plan by evaluating and paying claims. During the 2019-20 fiscal year, the District remitted \$20.7 million to the service agent for claims payments.

To provide assurances that claims payments were for eligible participants, for accurate amounts, and to appropriate service providers, it is important for the District to require the service agent to obtain and provide the District with a service organization controls (SOC) 1 Type 2 report as described in *Statements on Standards for Attestation Engagements*.<sup>16</sup> However, the District contract with the service agent did not require the service agent to obtain and provide such a report. In response to our inquiries, District personnel indicated that the contract lacked that provision due to an oversight.

Obtaining a SOC 1 Type 2 report could have provided the District with assurance as to the suitability of the design and operating effectiveness of the service agent's claims processing controls and identified District controls that should be designed, placed in operation, and operating effectively to complement the service agent's controls. Subsequent to our inquiries, in August 2020, the District obtained a copy of the service agent's most recent SOC 1 Type 2 report, which was for the period October 2018 through September 2019.

In the absence of assurances provided by a SOC 1 Type 2 report regarding the effectiveness of claims processing controls, the District should have performed, or contracted for the performance of, a test of claims payments processed by the service agent to obtain those assurances. District personnel indicated that they did not perform a review of claims documentation for the District health self-insurance plan because they relied on an insurance consultant to approve payments to the District service agent prior to making claims payments. However, based on our review of the insurance consultant contract, a review of documentation supporting claims was not required and, although we requested, District records were not provided to evidence that the insurance consultant performed a review of claims documentation.

As part of our audit, we requested for examination documentation supporting 30 selected claims payments totaling \$162,465 and determined that the selected payments were authorized and for eligible participants; however, our procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control over claims payments processing. Without assurance that controls over claims payments are suitably designed and operating effectively, there is an increased risk of erroneous or fraudulent payments. A similar finding was noted in our report No. 2018-201.

**Recommendation: The District should establish procedures to effectively monitor health self-insurance claim payments. Specifically, the District should:**

- **Amend the service agent contract to require the service agent to annually obtain and timely submit to the District a service auditor's report on the service agent's claims processing**

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<sup>15</sup> Section 1011.18(6)(b), Florida Statutes.

<sup>16</sup> A *Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification AT-C Section 320 Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, SOC 1 Type 2 report contains a service auditor's opinion on the fairness of the presentation of the service organization management's description of the service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives included in the description throughout a specified period.

**controls. Until the service agent contract is amended to require such a report, the District should perform a test of claim payments to evaluate the propriety of the agent's claims processing.**

- **Once required and obtained, review the service auditor's report and make appropriate decisions regarding continued use of the service agent based on the auditor's opinions in the report.**

### **Finding 8: Health Self-Insurance Plan Dependent Eligibility**

During the 2019-20 fiscal year, the District provided health insurance through a self-insurance program for District employees and their dependents and contributed \$15.6 million toward health insurance premium costs. Pursuant to State law,<sup>17</sup> retirees who elect to continue participation in the District health self-insurance plan pay a premium cost of no more than the premium cost applicable to active employees. As of July 2020, the District health self-insurance plan insured 2,009 employees, 294 retirees, and 1,146 employee and retiree dependents.

Dependents may be enrolled in the District health self-insurance plan upon an employee's initial employment, during open enrollment periods, and beyond those periods for certain qualifying events such as marriage or birth of a dependent. Dependents eligible to participate in the plan include spouses, qualifying children, and qualifying grandchildren, if under the legal custody of the employee or retiree. To ensure that dependents who participate in the plan are eligible, procedures should be established to obtain and verify documentation supporting dependent initial and continued eligibility and to promptly remove dependents from the plan who are no longer eligible.

According to District personnel, District procedures require employees to provide documentation of dependent eligibility upon initial employment, during open enrollment periods, and beyond those periods for qualifying events. In addition, District personnel monitor the age of dependents and terminate coverage for dependents who exceed the age of eligibility and employees must annually confirm and document the eligibility status of their dependents. However, District personnel indicated that, if employees do not provide the requested documentation to justify dependent eligibility, dependent coverage is not terminated. Moreover, District procedures have not been established to provide for periodic verifications to ensure that dependent participants remain eligible.

As part of our audit, we requested for examination District records to support the eligibility of 30 selected dependents participating in the District health self-insurance plan, including 26 children and 4 spouses. However, according to District personnel, records were not available to support the eligibility of 19 of the 26 dependent children. Absent records demonstrating the eligibility of dependents participating in the District health self-insurance plan, the authority for their participation is not readily apparent. In addition, claims paid on behalf of ineligible dependents could result in increased health insurance premium costs to the District and participating employees and retirees.

By not terminating dependent coverage when dependent eligibility documentation is not provided and absent periodic dependent eligibility verification procedures for all employee and retiree dependents,

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<sup>17</sup> Section 112.0801, Florida Statutes.

there is an increased risk that dependents receiving insurance benefits may not be eligible for those benefits.

**Recommendation:** The District should require and ensure verification of documentation to support the eligibility of all dependents enrolled into the District health self-insurance plan. The District should also establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible. Absent records supporting dependent eligibility, insurance benefits for those dependents should be discontinued.

## **Finding 9: 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,<sup>18</sup> 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 law<sup>19</sup> to enable taxpayers to evaluate the financial efficiency of the District and compare the financial efficiency of the 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 proposed, tentative, and official budgets for the 2019-20 fiscal year were displayed on the District Web site; however, the Web site lacked the required graphical representations and link to the Web-based fiscal transparency tool developed by the FDOE. In response to our inquiries, District personnel indicated that they did not include the graphical representations and link because the FDOE had not yet provided that information to the District.

In June 2020, the FDOE provided the fiscal transparency tool and data for the graphical representations to the District, and District personnel subsequently added a link to the fiscal transparency tool and the graphical representations to the District Web site. Providing the required transparency information on

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<sup>18</sup> Section 1011.035(2), Florida Statutes.

<sup>19</sup> Section 1010.20, Florida Statutes.

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 10: Purchasing Cards**

Purchasing cards (P-cards) are charge cards 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 448 P-cards to employees. P-card purchases totaled \$3.4 million during the period July 2019 through February 2020.

The District designated a Program Administrator to oversee the P-card program and developed a comprehensive *Purchasing Card Program Policies and Procedures Manual (P-Card Manual)* that addresses management controls over the issuance, use, and cancellation of P-cards. The *P-Card Manual* also provides that cost center managers will notify the Program Administrator of any employee who has transferred, retired, or is no longer with the District so the card can be canceled.

To evaluate whether P-cards were promptly canceled upon employment separation during the period July 2019 through February 2020, we requested for examination District records supporting the P-cards of the 11 cardholders who separated from District employment during that period. As of May 2020, the date of our inquiries, P-cards for 4 of the cardholders had not been canceled. Subsequent to our inquiries, District personnel canceled the P-cards 138 to 286 days, or an average of 217 days, after the cardholders' employment separation dates.

District personnel indicated that the untimely P-card cancellations were because cost center managers did not timely notify the Program Administrator of the employment separations. District personnel also indicated that the applicable department bookkeeper or secretary had the 4 P-cards and, therefore, the cardholders could not have misused the cards. Our examination of P-card activity disclosed that no purchases were made after the 4 cardholders' employment separation dates; however, untimely cancellation of P-card privileges increases the risk of P-card misuse, even when the physical P-cards are collected, and may limit the District's ability to satisfactorily resolve disputed charges. A similar finding was noted in our report No. 2018-201.

**Recommendation:** The District should remind cost center managers to timely notify the Program Administrator to promptly cancel P-card privileges upon a cardholder's separation from District employment.

## ***PRIOR AUDIT FOLLOW-UP***

The District had taken corrective actions for applicable findings included in our report No. 2018-201 except that Findings 2, 7, and 10 were also noted in that report as Findings 1, 7, and 4, respectively.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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 April 2020 to November 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; fiscal transparency; school safety; construction activities; adult general education contact hour reporting; industry certification funding; required background screenings; health self-insurance plan dependent eligibility; use of restricted resources; contractual services 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. 2018-201.
- 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)<sup>20</sup> 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.

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<sup>20</sup> 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.

## COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
<b>Control Environment</b>	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"> <li>• Demonstrate commitment to integrity and ethical values.</li> <li>• Exercise oversight responsibility.</li> <li>• Establish structures and reporting lines and assign authorities and responsibilities.</li> <li>• Demonstrate commitment to a competent workforce.</li> <li>• Hold individuals accountable for their responsibilities.</li> </ul>
<b>Risk Assessment</b>	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"> <li>• Establish clear objectives to define risk and risk tolerances.</li> <li>• Identify, analyze, and respond to risks.</li> <li>• Consider the potential for fraud.</li> <li>• Identify, analyze, and respond to significant changes that impact the internal control system.</li> </ul>
<b>Control Activities</b>	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"> <li>• Design control activities to achieve objectives and respond to risks.</li> <li>• Design control activities over technology.</li> <li>• Implement control activities through policies and procedures.</li> </ul>
<b>Information and Communication</b>	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"> <li>• Use relevant and quality information.</li> <li>• Communicate necessary information internally to achieve entity objectives.</li> <li>• Communicate necessary information externally to achieve entity objectives.</li> </ul>
<b>Monitoring</b>	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> <li>• Conduct periodic or ongoing evaluations of the internal control system.</li> <li>• Remediate identified internal control deficiencies on a timely basis.</li> </ul>

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 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, Board policies and District 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, 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 District 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. Specifically, we tested the 29 roles that allowed update access privileges to selected critical finance and HR application functions resulting in the review of the appropriateness of access privileges granted for 47 accounts.

- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 29 individuals who had access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed agreements between the Board and software license and hosting providers to evaluate whether the agreement provisions adequately addressed security controls related to the District student records, finance, and human resource systems.
- Examined Board, committee, and advisory board meeting minutes and other records to determine whether the District complied with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined the District Web site to determine whether the 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 (FDOE).
- Examined District records to determine whether the District technical career center informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- From the population of expenditures totaling \$44.3 million and transfers totaling \$25.5 million during the period July 2018 through February 2020, from nonvoted capital outlay tax levy proceeds, discretionary sales surtaxes, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$9.8 million and \$9.4 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources, such as compliance with Section 1011.71(2), Florida Statutes.
- From the 27 significant construction projects in progress at June 30, 2020, with cumulative expenditures totaling \$52.2 million, selected 1 project with cumulative expenditures totaling \$7.9 million, including \$2.3 million during the 2019-20 fiscal year, and examined District documentation to determine whether the District complied with State laws, State Board of Education (SBE) rules, and Board policies, and whether District procedures were adequate to provide effective oversight of the project.
- 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 SBE 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.

- Examined District records to determine whether District procedures were effective for timely distributing the correct amount of local capital improvement funds to its eligible charter schools for the 2017-18 fiscal year by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- Determined whether the District evaluated the effectiveness and suitability of newly purchased software applications for the finance and human resources enterprise resource planning systems prior to purchase and that the software applications were acquired in accordance with SBE Rule 6-A-1.1012(14), Florida Administrative Code.
- From the population of \$2.2 million in total workforce education program funds expenditures for the period July 2019 through February 2020, selected 30 expenditures totaling \$750,742 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 80 industry certifications eligible for 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 13,366 contact hours for 160 adult general education instructional students during the Fall 2019 Semester, examined District records supporting 5,810 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with SBE Rule 6A-10.0381, Florida Administrative Code.
- From the population of 1,746 District employees who received Florida Best and Brightest Teacher Program awards totaling \$2.1 million, examined District records supporting 30 employees who received awards totaling \$69,768 to determine whether the employees were eligible to receive the awards.
- 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.
- Examined District records to determine whether a portion of instructional personnel and school administrators' compensation was based on performance in accordance with Section 1012.22(1)(c)4. and 5., Florida Statutes.
- From the population of 4,291 employees and all District contractors, examined District records for 30 employees and 220 contractor workers to assess whether individuals who had direct contact with students or access to school grounds when students were present were subjected to required fingerprinting and background screenings.
- Evaluated the effectiveness of Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities related to employee misconduct which affects the health, safety, or welfare of a student, to determine the sufficiency of those policies and procedures to ensure compliance with Section 1001.42(6), Florida Statutes.
- Evaluated District procedures for monitoring service agent health insurance claims processing controls. To determine the propriety of District claims expense, we examined District records supporting 30 selected claims processed by the service agent totaling \$162,465 from the claims expense population totaling \$17.9 million.
- Evaluated Board policies and District procedures to ensure that health insurance was provided to eligible dependents.

- Evaluated District procedures for assigning and monitoring purchasing card (P-card) single and monthly transaction dollar limits, pre-approving P-card purchases in accordance with District procedures, and timely canceling P-cards for cardholders who separated from District employment.
- 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, including charter 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 students, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulations.
- From the population of contracted services expenditures totaling \$12.3 million during the period July 2019 through February 2020, examined supporting documentation, including the contract documents, for 12 selected payments totaling \$4.7 million to determine whether.
  - The District complied with applicable competitive selection requirements (e.g., SBE Rule 6A-1.012, Florida Administrative Code).
  - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
  - District records evidenced that services were satisfactorily received and conformed to contract terms before payment.
  - The payments complied with contract provisions.
- Examined contract documents for the FDOE-approved virtual instruction program provider to determine whether the contract contained necessary provisions.
- 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***

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each school district 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 written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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**WILLIAM V. HUSFELT III**  
SUPERINTENDENT

1311 Balboa Avenue  
Panama City, Florida  
32401-2080

(850) 767-4100  
Hearing Impaired Access  
(800) 955-8770 Voice  
(800) 955-8771 TDD

[www.bay.k12.fl.us](http://www.bay.k12.fl.us)

Board Members:

Jerry Register  
District 1

Brenda Ruthven  
District 2

Pamm Chapman  
District 3

Winston Chester  
District 4

Steve Moss  
District 5

January 26, 2021

Ms. Sherrill F. Norman, CPA  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32999-1450

Subject: Operational Audit for Bay District Schools

Dear Ms. Norman:

In response to the Preliminary and Tentative Operational Audit findings of the Bay County School District for the fiscal year ending on June 30, 2020, I am offering the attached summary of findings and responses.

If you have any additional questions or concerns, please contact Sandra Davis at 850-767-4217 or [davissd@bay.k12.fl.us](mailto:davissd@bay.k12.fl.us).

Sincerely,

A handwritten signature in blue ink, appearing to read "W. Husfelt, III", with a long horizontal line extending to the right.

William V. Husfelt, III  
Superintendent

Cc: Ken Danley

# Preliminary and Tentative Audit Findings on the Operational Audit For the 2019 – 2020 Fiscal Year

This operational audit of the Bay County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-201. Our operational audit disclosed the following:

Finding 1: District school safety policies and procedures need improvement.

Response to Finding 1:

The findings related to emergency drills during the 2019-2020 school year are correct. Full compliance with the number of required emergency drills was impossible due to two major factors. The first was the State's substantial delay in sending the new requirements to the districts. The second was the unexpected loss of three months of brick and mortar instruction.

The required number of fire and active assailant situational drills has been communicated to all school administrators. The school principals will submit written documentation to the Safety and Security Department (SSD) after drill completion. In addition, the SSD staff maintains an electronic document which identifies the date and type of drill performed at each school site. Bay District Schools Police Department (BDSPD) Officers are accounted for daily via radio transmission and time logs. The Bay County Sheriff's Department (BCSO) provides safe school officers for twelve schools. The school principals must verify SRD attendance by submitting written documentation to the SSD each month. In addition, SSD staff maintains an electronic document to efficiently monitor progress and compliance. It has not been the practice of District personnel to verify the daily attendance of a safe school officer at charter schools unless they have partnered with BDSPD to meet the state requirement. BDS officials collaborate and provide guidance regarding the safe school officer program to charter school leaders and governing boards in accordance with state law. BDS is unable to provide documentation verifying completion of the required mental health training for the BCSO officers assigned to our schools. District officials will work collaboratively with the BCSO to obtain documentation of required training completion. We do have supporting documentation verifying Bay District Schools Police Department Officers completed the required mental health and crisis prevention training.

Finding 2: Required background screenings were not always performed for contractor workers. A similar finding was noted in our report No. 2018-201.

#### Response to Finding 2:

The Bay District Schools Safety and Security Department (SSD) diligently strives to ensure full compliance with all statutory background screening requirements. After a thorough review of our procedures, modifications are being made to our screening and fingerprinting management software to incorporate an alert system. Safety and Security Department staff will now receive notification reports of contracted employees once they are within six months of background screening expiration. BDS departments receiving the contracted services will be provided reports as applicable. District departments and the SSD will work collaboratively to ensure all contractors receive required screenings prior to expiration or access to school campuses will be restricted.

Finding 3: District records did not evidence that the District used discretionary sales surtax moneys only for authorized purposes, resulting in questioned costs of \$5.9 million.

#### Response to Finding 3:

Bay District Schools is not in agreement with this finding. Historically, all expenses necessary for the “construction, reconstruction, or improvement of school facilities and campuses” has been paid with half-cent funds when undertaking construction projects approved. These modular classroom units were leased as an immediate need after Hurricane Michael to house students while the campus was being rebuilt due to extensive hurricane damages sustained. The use of modular classrooms was and is intended to provide safe learning environments so that construction does not negatively impact student learning. Additionally, during this time period the District was operating under an emergency order issued by the Governor which suspended procurement requirements. FEMA has also accepted these lease agreements as necessary measures and expenses related to recovery efforts. As an example, prior to Hurricane Michael modular classrooms were leased with half-cent funds to house students while renovations were being completed at Surfside Middle School.

Finding 4: District monitoring of the construction management entity (CME) subcontractor payment process needs improvement.

#### Response to Finding 4:

The BDS Facilities Department diligently works with the selected Construction Manager to develop the best value guaranteed maximum price for the District. This includes verifying all trade work is properly advertised for bids; including, but not limited to, representatives from the Facilities Department being present for all bid

openings. Once the project is underway the Construction Manager, which was selected by the District's "professional services selection committee", manages all aspects of the construction process. Payments made to subcontractors are made by the Construction Manager and are verified by the Architect of Record and the Construction Manager based on the percentage of work completed. Records are maintained to show subcontract amounts do not go over the originally contracted amount. The project in question did not go over budget for the original scope of work and subcontractors were properly paid. The timeline for completion was extended due to Hurricane Michael along with the facility being used as a community gathering point immediately after the storm. Additional scope was added to the project to repair items that were damaged during Hurricane Michael.

**Finding 5: The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.**

**Response to Finding 5:**

The BDS Facilities Department has implemented a procedure to only allow itemized expenditures within the general conditions portion of the Guaranteed Maximum Price. The Construction Manager estimates the amount of the general conditions cost to be included. The Construction Manager is required to submit detailed invoices with every payment application. Any savings lower than the estimated amount for general conditions will be verified and retained by the District.

**Finding 6: Contrary to State law, District records did not demonstrate that six contractors, who were paid for District remediation projects, each exceeding \$200,000 and collectively totaling \$54.8 million, provided the District certified copies of payment and performance bonds.**

**Response to Finding 6:**

Bay District Schools were operating under the Governor's Executive Order 18-276 which recognized that our area was in a state of emergency related to Hurricane Michael. Within the order, it states the State Coordinating Officer could "Suspend the effect of any statute, rule, or order that would in any way prevent, hinder, or delay any mitigation, response, or recovery action necessary to cope with this emergency." The restoration and mitigation projects were being completed as quickly as possible and under the supervision of licensed architects and engineers on continuing contract with the District. To halt all projects to complete scopes of work and identify all costs associated, including those being paid by insurance, would have prevented mitigation and recovery from proceeding for an extended period of time. At this critical time, to require mitigation contractors to obtain Bonds would have prevented forward movement in the recovery process which would have led to greater impacts on students being able to get back in their

educational environments. The District believes the actions taken were allowed under the Governor's Executive order.

**Finding 7: District controls over monitoring health self-insurance claims payments continue to need improvement.**

**Response to Finding 7:**

The District is confident that the current controls over claims' payments are adequate and is evident from the lack of errors found by this audit as well as our independent review process. The District currently contracts with FBMC Benefits Management, Inc. to advise the District on all insurance matters and requires FBMC to review and approve all monthly claims' invoices from Florida Blue before making any payments. The District has also hired another Third-party CPA firm to do a more intensive review of claims to ensure that Florida Blue is paying claims in accordance with the District's plans. In addition to this audit, the Florida Auditor General's sample testing found no errors. The District is in the process of amending FBMC's contract to specify their review process so that it is even more transparent.

**Finding 8: The District did not always ensure the eligibility of insured dependents who participated in the District health self-insurance plan was verified and documented.**

**Response to Finding 8:**

The District does verify eligibility of dependents and was not found to be covering ineligible dependents in an Auditor General's Audit or a Third-party audit contracted by the District. Currently, this verification is done manually, but we are requesting that the benefit enrollment company make programmatic changes allowing employees to upload dependent eligibility documents at the time that dependent coverage is selected. Dependent coverage will not be available as a selection until the documentation is uploaded. As these program changes will take time, the elections and documents will be manually monitored until the change is made.

**Finding 9: The District did not timely comply with State law requiring, effective July 1, 2019, the District to post on its Web site graphical representations of summary financial efficiency data and fiscal trend information.**

**Response to Finding 9:**

It was impossible to meet the State requirements this year since FLDOE did not provide us with the required information until after the deadline. We will continue to publish the information yearly as required as soon as we receive it from FLDOE.

Finding 10: District controls over purchasing cards continue to need improvement.

Response to Finding 10:

One of the District's controls is to issue cards to employees at the time they are approved to make a purchase. Employees are to return the cards with receipts to their supervisor after a purchase is made. As proven through many years of auditing, this process has prevented any unwanted charges from retirees or terminated employees. The District will work with our Human Resources Department to deactivate purchasing cards on the date of retirement or termination which will provide an additional layer of protection.