

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-052
November 2021

**SARASOTA COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2020-21 fiscal year, Dr. Brennan Asplen served as Superintendent of the Sarasota County Schools from August 10, 2020, Mitsi Corcoran served as Interim Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Bridget Ziegler	1
Karen Rose from 11-17-20	2
Caroline Zucker, Chair through 11-16-20	2
Tom Edwards from 11-17-20	3
Eric Robinson through 11-16-20	3
Shirley Brown, Chair from 11-17-20, Vice Chair through 11-16-20	4
Jane Goodwin, Vice Chair from 11-17-20	5

The audit was supervised by Rachel P. Sellers, 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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SARASOTA COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Sarasota County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report Nos. 2021-012 and 2019-100. Our operational audit disclosed the following:

Finding 1: District records did not evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs totaling \$236,900.

Finding 2: Contrary to State law, the District did not always provide mental health awareness and assistance training to school personnel.

Finding 3: The Chief Financial Officer had full update access privileges to information technology applications or components that allowed the employee to perform functions incompatible or inconsistent with her assigned job responsibilities.

BACKGROUND

The Sarasota 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 Sarasota County. The governing body of the District is the Sarasota County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2020-21 fiscal year, the District operated 43 elementary, middle, high, and specialized schools; sponsored 12 charter schools; and reported 42,972 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Ad Valorem Taxation

State law¹ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants, purchases of new and replacement equipment, certain enterprise resource software used to support Districtwide administration or State-mandated reporting requirements; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. State law² provides a definition of maintenance and repair that specifically excludes custodial and groundskeeping functions.

¹ Section 1011.71, Florida Statutes.

² Section 1013.01(12), Florida Statutes.

The District accounts for ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement Fund (LCI Fund). For the period July 2020 through March 2021, the District’s LCI Fund expenditures totaled \$24.3 million and transfers totaled \$21 million. According to District personnel, they continuously review the statutes as new types of purchases are made and ensure items paid by the LCI Fund are allowable per State law.

As part of our procedures, we examined District job descriptions, vendor invoices, and other District records supporting selected LCI Fund expenditures and transfers totaling \$7.5 million and \$12.5 million, respectively, to determine their propriety. As summarized in Table 1, we found that LCI Fund transfers totaling \$236,900 were used to pay personnel and vendor costs that did not appear to be allowable uses of ad valorem tax levy proceeds.

Table 1
Local Capital Improvement Fund
Questioned Costs
2020-21 Fiscal Year

Description	Amount
Salaries and Benefits Expenditures for:	
3 Equipment Mechanics	\$139,819
1 Equipment/Appliance Repair Technician	36,827
1 Custodian	578
Tool Allowance for 21 employees	9,854
Other Expenditures:	
31 P-card purchases	19,492
6 Payments to Vendors	30,330
Totals	<u>\$236,900</u>

Source: District records.

Specifically, the District LCI Fund transfers were used to pay:

- Salaries and benefits totaling \$139,819 for three equipment mechanics with duties that included repairing and maintaining small equipment such as weed trimmers, backpack blowers, and other noncapitalizable equipment. Salaries and benefits related to these duties are ineligible uses of tax levy proceeds and, although we requested, District records, such as personnel activity reports, were not provided to evidence, and District personnel were unable to estimate, the time that the mechanics spent on activities eligible for tax levy use.
- 10 vendors a total of \$49,822 for various unallowable ad valorem tax levy uses, including noncapitalizable small engine parts and repairs, lawn equipment parts, custodial golf cart parts and repairs, and supplies for grounds and landscaping services.
- Salaries and benefits totaling \$36,827 for an equipment and appliance repair technician who repaired and maintained small appliances such as handheld electrical tools and custodial equipment such as vacuum cleaners, carpet machines, and floor sweepers.
- Tool allowances totaling \$9,854 for employees performing grounds and landscaping services.
- Salaries and benefits totaling \$578 for a custodian’s accrued leave.

In response to our inquiries, District personnel responsible for approving the use of ad valorem tax levy proceeds agreed that the payments were unallowable tax levy uses. District personnel also indicated

that the proceeds were used for these purposes because they did not consider that State law specifically excluded custodial and groundskeeping functions from the definition of maintenance and repair.

Without an appropriate understanding of the statutory restrictions on the use of ad valorem tax levy proceeds and effective controls to monitor such use, there is an increased risk for the District to violate the expenditure restrictions governing the use of these proceeds.

Recommendation: The District should enhance procedures to ensure and demonstrate that ad valorem tax levy proceeds are only used for authorized purposes. Such enhancements could include appropriate training to ensure that District employees responsible for approving the use of ad valorem tax levy proceeds understand the restrictions for such use and the maintenance of records, such as personnel activity reports, that support the allowability of salary and benefits costs paid by tax levy proceeds.

Finding 2: Mental Health Care Services

Pursuant to State law,³ the District received a mental health assistance allocation totaling \$1,535,012 for the 2020-21 fiscal year to establish or expand school-based mental health care services and related training. State law⁴ requires the District to designate a school safety specialist to ensure that District school personnel receive youth mental health awareness and assistance training.

Our discussions with District personnel and examination of District records disclosed that the District had designated a school safety specialist. However, established procedures were not always effective to ensure that the District complied with statutory mental health training requirements. Specifically, District records indicated that only 1,102 (27 percent) of the 4,105 District school employees had completed the required mental health training as of August 2, 2021. In response to our inquiry, District personnel indicated that, although mental health training was provided for District personnel on a periodic basis, the District experienced difficulties during the COVID-19 pandemic in training employees and the FDOE had not specified a date to have the training completed. According to the District Five Year Strategic Plan, approved by the Board in March 2021, staff are projected to complete the training by Summer 2025.

Youth mental health awareness and assistance training helps school personnel identify and understand the signs of emotional disturbance, mental illness, and substance use disorders and provides such personnel with the skills to help a person who is developing or experiencing an emotional disturbance, mental health, or substance use problem. Without the required training, a mental health services need may not be timely identified and appropriately met and, absent documentation evidencing such training for all District personnel, the District cannot demonstrate compliance with State law. In addition, documented training enhances public awareness of District efforts to provide essential services.

Recommendation: The District should develop a plan to schedule youth mental health awareness and assistance training for each school employee and enhance procedures to ensure employees promptly receive the training.

³ Section 1011.62(16), Florida Statutes.

⁴ Section 1012.584, Florida Statutes.

Finding 3: Information Technology User Access Privileges

Access controls are intended to protect District data and resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting IT users access privileges to IT resources based on a demonstrated need to view, add, modify, or delete data and restrict employees from performing functions incompatible or inconsistent with their assigned job responsibilities.

The District enterprise resource planning system is composed of finance and human resource (HR) applications, as well as a product setup component that allows for the technical configuration and system administration of both applications. The District finance application includes, for example, the ability to create and edit vendor information, create and post journal entries, and process payment transactions. The District HR application includes, for example, the ability to add new employees, adjust pay rates, and process payroll transactions. The product setup component includes, for example, the ability to add, modify, or delete data; create IT user accounts; and to assign IT user access privileges to the District applications and setup component.

As part of our audit, we examined District records supporting the IT access privileges granted to 9 of the 11 users who, during the 2020-21 fiscal year, had access to the District applications and setup component. We found that the Assistant Superintendent - Chief Financial Officer (CFO), who had primary responsibility for monitoring District financial activities, had full update access to both the finance and HR application functions and product setup privileges.

In response to our inquiry, District management indicated that the CFO was granted full update access to the finance and HR application functions to ensure a successful business system implementation. In addition, product setup privileges were granted to the CFO because of her understanding of various District operations, the ongoing implementation of certain functions within the accounting system, and her need to occasionally confer with the system vendor. However, such privileges were incompatible or inconsistent with her assigned job responsibilities.

Our examination of District records and discussions with District personnel disclosed that the District had certain controls to reduce the risk of fraud or errors associated with unnecessary or inappropriate access privileges. These controls included, for example, documented:

- Cost center supervisor monitoring of department expenditure budgets.
- Superintendent review and approval of CFO activities and time worked.
- Board and Superintendent monthly expenditure review and approval, along with controls for overall budgetary monitoring.

While District controls compensated, in part, for the inappropriate separation of duties and our procedures did not identify any instances that the CFO misused her IT access privileges, the existence of unnecessary or inappropriate IT access privileges increases the risk that fraud or errors may occur and not be timely detected. Our examination of District records supporting selected transactions indicated that those transactions were properly supported; however, our procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control. Subsequent to our inquiries, in August 2021 the District removed the CFO's product setup privileges and unnecessary finance and HR application access privileges.

Recommendation: District management should continue efforts to assign access privileges based on a demonstrated need to view, add, modify, or delete data and restrict employees from performing functions incompatible or inconsistent with their assigned job responsibilities.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report Nos. 2021-012 and 2019-100.

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 2021 through August 2021 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 selected District processes and administrative activities, including, but not limited to, District information technology resources and related controls, school safety, fiscal transparency, compensation, construction, and other expenses. 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 Nos. 2019-100 and 2021-012.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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 2020-21 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, District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed Board information technology (IT) policies and District 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 privileges to IT data and resources. We examined selected access privileges to District's enterprise resource planning system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employee 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 applications to determine whether these accounts had been appropriately assigned and managed. Specifically, from the population of 396 users, we tested the 21 roles that allowed update access privileges to selected critical finance and HR application functions and security access functions for:
 - 11 of the 239 users who had access to the finance application.
 - 8 of the 150 users who had access to the HR application.
 - 9 of the 11 users who had security access to the District's application systems, datasets, and programs for the finance and HR applications.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, from the population of 112 individuals who had access to sensitive personal student information, we examined the access privileges of

42 selected employees to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.

- Evaluated District procedures to prohibit former employee access to District IT data and resources. We examined the access privileges for 26 of the 47 employees who separated from District employment during the period July 2020 through January 2021 to determine whether their 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 adequacy of District procedures related to security incident response and reporting.
- Evaluated physical access controls at the District data center to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District data center.
- Analyzed the District's General Fund total unassigned and assigned fund balances at May 30, 2021, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes.
- Examined the District Web site to determine whether the 2020-21 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).
- Reviewed organizational charts, audit plans, and audit agendas to determine whether the certified public accounting firm approved by the Board to serve as the District internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(l), Florida Statutes, and performed the duties specified in that section.
- From the population of expenditures totaling \$69.9 million and transfers totaling \$23.3 million during the period of July 2020 through March 2021 from non-voted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$10.8 million and \$14.7 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 population of 30 construction projects with expenditures totaling \$15 million during the period July 2020 through March 2021, selected 1 significant construction project with a guaranteed maximum price of \$22 million and expenditures of \$4.7 million, and examined documentation for selected project expenditures of \$1.3 million to determine compliance with Board policies and District procedures and applicable provisions of State law and rules. Specifically, we:

- Examined District records to determine whether the construction manager was properly selected pursuant to Section 255.103, Florida Statutes.
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the sufficiency of such procedures ensured that subcontractors were properly selected and licensed.
 - Examined District records to determine whether architects were properly selected pursuant to Section 287.055, Florida Statutes, and whether the District determined the architects were adequately insured.
 - Determined whether the Board established appropriate policies and District procedures addressing the negotiation and monitoring of general conditions costs.
 - Examined District records supporting four selected payments totaling \$1.3 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
 - Examined District records to determine whether projects progressed as planned consistent with established benchmarks, and were cost effective, and whether District records supported that the contractors performed as expected.
- From the most recent annual fire safety, casualty safety, and sanitation inspection reports, selected 30 reports with 10 noted significant deficiencies, and examined documentation to determine whether timely action was taken to correct previously cited deficiencies.
 - From a population of 192 relocatable facilities occupied by students, selected 35 facilities to determine whether the District provided for required annual inspections of existing relocatable facilities designed as classrooms or spaces intended for student occupancy and corrected deficiencies noted pursuant to FDOE Office of Education Facilities publications.
 - Examined District records to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07, 1006.12, 1006.13, 1011.62(15) and (16), and 1012.584, Florida Statutes.
 - Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District implemented procedures to promote the health, safety, and welfare of students and ensure compliance with Sections 1011.62(16) and 1012.584, Florida Statutes, and State Board of Education (SBE) Rule 6A-1.094124, Florida Administrative Code.
 - From the population of \$6.4 million total workforce education program funds expenditures during the period July 2020 through February 2021, examined District records supporting 30 selected expenditures totaling \$1.6 million 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 117 industry certifications reported for the 2020-21 fiscal year performance funding, examined 25 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
 - From the population of 1,337 adult general education instructional students reported for 92,652 contact hours reported for the Fall 2020 Semester, examined District records supporting 1,679 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.
 - Examined District records supporting teacher salary increase allocation payments totaling \$6.1 million to 2,649 instructional personnel and the required reports submitted to the FDOE (salary distribution plan and expenditure report) to determine whether the District submitted

applicable reports to the FDOE and used the funds in compliance with Section 1011.62(18), Florida Statutes.

- Evaluated severance pay provisions in the three employee contracts to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes. For one employee who received severance pay totaling \$98,362 during the audit period, we examined District records to determine whether severance payments complied with State law and Board policies.
- Determined whether the appointed Superintendent's compensation for the audit period was in accordance with State law, rules, and Board policies.
- From the population of expenditures for 1,313 contracted services totaling \$8 million during the period of July 1, 2020, through April 20, 2021, examined supporting documentation, including the contract documents, for 31 selected payments totaling \$948,540 related to 31 contracts 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.
- 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 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the Superintendent
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SarasotaCountySchools.net

November 18, 2021

Sherrill F. Norman, CPA
Auditor General
Office of Auditor General
111 West Madison Street, Suite G74
Tallahassee, FL 32399-1450

Dear Ms. Norman:

The following responses are offered with respect to the preliminary and tentative audit findings report issued October 19, 2021 on the operational audit of the Sarasota County District School Board for the fiscal year ended June 30, 2021.

Finding No. 1: District records did not evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs totaling \$236,900.

Response: While management's interpretation of the statute is different from the Auditor General, the District will revise our process to no longer transfer costs related to all small equipment repair even those costs the Auditor General deem eligible. The District restored LCI funding for the questioned costs on August 4, 2021 as a year end adjustment as of June 30, 2021.

Finding No. 2: Contrary to State law, the District did not always provide mental health awareness and assistance training to school personnel.

Response: The District concurs and has developed a plan to complete the training District-wide.

Finding No. 3: The Chief Financial Officer had full update access privileges to information technology applications or components that allowed the employee to perform functions incompatible or inconsistent with her assigned job responsibilities.

Response: Effective August 18th, 2021, the CFO had system administrative privileges removed. The District worked with the ERP system vendor and on September 7, 2021 provided Auditor General staff with an audit log of access privilege changes made in the ERP system. This report reflected that even though the CFO had updated access privileges, no administrative changes were made by the CFO.

Office of Auditor General

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November 18, 2021

As always, we appreciate the opportunity for review of our operational program procedures and wish to thank the Auditor General's staff for their professional and courteous manner in which they conducted the Operational Program audit.

If you need additional information, please feel free to contact Mitsi Corcoran, Chief Financial Officer at (941) 927-9000 ext. 31300 or via e-mail at mitsi.corcoran@sarasotacountyschools.net. We look forward to the release of the final audit report, but do reserve the right to appeal as we deem appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Asplen", written in a cursive style.

Brennan W. Asplen III, Ed.D.
Superintendent

cc: Mitsi Corcoran, Chief Financial Officer