

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-026
October 2024

**CLAY COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2023-24 fiscal year, David S. Broskie served as Superintendent of the Clay County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Erin Skipper	1
Mary Bolla, Vice Chair	2
Beth Clark	3
Michele Hanson	4
Ashley Gilhousen, Chair	5

The team leader was Donald Hemmingway, CPA, and the audit was supervised by Ivo Njabe, 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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CLAY COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Clay County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2022-081. Our operational audit disclosed the following:

Finding 1: District records did not always support the eligibility of dependents participating in the District's health insurance plan.

Finding 2: As similarly noted in our report No. 2022-081, contrary to State law, the required graphical representations of summary financial efficiency data and fiscal trend information were not timely posted on the District Web site for the 2021-22 and 2022-23 fiscal years.

Finding 3: District controls over contracted services and related payments continue to need enhancement.

BACKGROUND

The Clay 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 Clay County. The governing body of the District is the Clay 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 2023-24 fiscal year, the District operated 43 elementary, middle, high, and specialized schools; sponsored 4 charter schools; and reported 40,166 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Health Insurance

Pursuant to State law¹ and the Board-adopted collective agreements for the 2023-24 fiscal year, the District provided a health insurance plan for applicable employees, retirees, and dependents. During the 2023-24 fiscal year, the District paid medical and pharmacy claims totaling \$33.2 million for 4,161 plan participants, including 1,288 dependents.

To ensure that only eligible dependents participate in the health insurance plan, procedures to obtain and verify documentation supporting dependent initial and continued eligibility are necessary. Enrollment in the plan may occur upon initial employment, during open enrollment periods, or for qualifying life events such as marriage and birth or adoption of dependents, and removal from plan participation may occur during open enrollment and for qualifying life events. However, the District had not established procedures to perform and document verifications of the eligibility of dependents upon initial enrollment or periodic verifications that dependents of plan participants continue to be eligible for plan services.

¹ Section 112.0801, Florida Statutes.

To evaluate dependent eligibility to participate in the health insurance plan, in June 2024 we requested for examination District records supporting the eligibility of the 61 dependents of 30 selected District employees and retirees. However, District records supporting the dependent eligibility for 19 of the 61 dependents were not provided. In response to our inquiries, District personnel indicated that the missing eligibility records were due to staff turnover and human error and that they planned to reverify the eligibility of all dependents and terminate coverage, as appropriate.

Absent documentation supporting dependent initial and continuing eligibility, there is an increased risk that individuals receiving insurance benefits may not be eligible for those benefits, increasing premium costs paid by the District and District employees and participating retirees.

Recommendation: The District should enhance procedures to ensure and demonstrate that dependents participating in the District health insurance plan are eligible. Such enhancements should include procedures to document:

- **Verifications of the eligibility of all dependents upon initial enrollment in the District health insurance plan.**
- **Periodic verifications of the continued eligibility of dependents.**

Finding 2: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,² the District must post on its Web site, for each public school within the District and for the District, certain graphical representations of summary financial efficiency data and fiscal trend information for the previous 3 years. Specifically, the District Web site must show fiscal trend information for the previous 3 years on 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.

At the time of our review in April 2024, the District Web site included the graphical representations for the 2020-21 fiscal year; however, the Web site lacked the required graphical representations for the 2021-22 and 2022-23 fiscal years. In response to our inquiry, District personnel indicated that the required graphical representations were not posted due to an oversight.

Subsequent to our inquiry, in April 2024 District personnel posted all required graphical representations on the District Web site. Providing the required financial efficiency data and fiscal trend information in a timely manner enhances citizen involvement and the ability to analyze, monitor, and evaluate fiscal outcomes. A similar finding was noted in our report No. 2022-081.

² Section 1011.035(2), Florida Statutes.

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

Finding 3: Contracted Services

Effective contract management ensures that contracts establish an appropriate understanding of the expected services and that satisfactory receipt of the services is documented prior to payment. The Board routinely enters into contracts for services and, for the period July 2023 through February 2024, payments for contracted services totaled \$4.3 million.

To evaluate District controls over contracted services and the related payments, we examined District records supporting 13 selected contract payments totaling \$543,911 and found that District controls over sports physical therapy services could be improved. Specifically, although the amount on the vendor invoice supporting a \$26,880 payment for monthly sports physical therapy services to prevent and treat student athlete injuries was consistent with the Board-approved contract monthly rate, the contract did not identify the athletic trainer who would provide the services. In addition, according to District personnel, the vendor provided a certified athletic trainer to provide services to student athletes during home sporting events; however, District records did not demonstrate verification that the athletic trainer was certified to provide, and satisfactorily provided, the services. During the period January 1, 2024, through July 31, 2024,³ the District paid a total of \$188,160 to the vendor.

According to District personnel, the documentation deficiencies for sports physical therapy services were due to oversights. Without effective procedures requiring and ensuring adequate documentation of satisfactory receipt of goods and services prior to payment, there is an increased risk that services received may not be consistent with District expectations or for overpayments to occur. A similar finding was noted in our report No. 2022-081.

Recommendation: The District should enhance procedures to require and ensure that contracts establish an appropriate understanding of the expected services and that documented confirmation is maintained to demonstrate that, prior to payment, services were satisfactorily received and complied with the contract provisions.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2022-081 except that Findings 2 and 3 in this report were noted as Findings 3 and 4, respectively.

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.

³ The contract required site visits for two to four times per week on selected school days at Junior/Senior high schools and during home sporting events.

We conducted this operational audit from March 2024 through July 2024 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. 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. 2022-081.
- 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 the selection and examination of transactions and records, as well as events and conditions, occurring during the 2023-24 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 and the related requirements.
- 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, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. From the population of 402 employees with access privileges to District enterprise resource planning system financial or human resources applications, we examined District records supporting 30 selected employees' access privileges to determine the appropriateness and necessity of the access privileges based on employee job duties and user account functions and whether the access privileges prevented the performance of incompatible duties.
- Evaluated District procedures to prohibit former employee access to electronic data files. Specifically, we reviewed selected user access privileges for the 61 employees who separated from District employment during the period July 2023 through May 2024 to determine whether the access privileges were timely deactivated.
- Determined whether the District had a comprehensive IT disaster recovery plan in place that was designed properly, operating effectively, and had been recently tested.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- 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 the District had established a comprehensive IT risk assessment 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.
- Inquired whether the District had expenditures or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- Examined the District Web site to determine whether the 2023-24 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the District Web site contained, for each public school within the District and for the District, the required graphical representations 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).
- From the population of expenditures and transfers totaling \$33.9 million during the period July 2023 through February 2024 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting 11 selected payments totaling \$3.9 million to determine District

compliance with the restrictions imposed on the use of these resources, such as compliance with Section 1011.71(2), Florida Statutes.

- Examined District records to determine whether the District levied a discretionary sales surtax at a rate not to exceed 0.5 percent pursuant to a resolution passed by a majority vote of the electors in Clay County effective January 1, 2021. We also determined whether:
 - The resolution described the capital outlay projects to be funded, included a statement that revenues collected must be shared with eligible charter schools, and set forth a plan for the use of the surtax proceeds.
 - Neither the proceeds of the surtax nor any interest accrued were used for operational purposes.
 - Surtax revenues shared with charter schools were expended in a manner consistent with the allowable uses provided for in Section 1013.62(4), Florida Statutes.
- From the six significant construction projects with expenditures totaling \$77.7 million, selected one construction management entity project with a guaranteed maximum price contract totaling \$35.5 million and examined documentation for all project expenditures to determine compliance with Board policies, 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.
 - District personnel properly monitored subcontractor selections and licensures.
 - The architects were properly selected pursuant to Section 287.055, Florida Statutes, and adequately insured.
 - Appropriate Board policies and District procedures addressing the negotiation and monitoring of general conditions costs had been established.
 - Documentation supporting the payments to the construction manager and architect were sufficient and complied with the contract provisions.
 - The contractor furnished a payment and performance bond as required by Section 1013.47, Florida Statutes.
- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the cost of construction reports of District student station costs. We examined District records for the two construction projects completed during the 2021 through 2023 calendar years to determine whether the District accurately reported student station costs.
- 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, and 1011.62(12), Florida Statutes.
- Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District had implemented procedures to promote the health, safety, and welfare of students and ensure compliance with Sections 1012.584 and 1011.62(13), Florida Statutes; and State Board of Education (SBE) Rule 6A-1.094124, Florida Administrative Code.
- Examined District records to determine whether District procedures were effective for timely distributing the correct amount of local capital improvement funds to eligible charter schools, pursuant to Section 1013.62(3), Florida Statutes.
- Examined supporting documentation for \$430,050 of the \$460,446 total workforce education program funds expenditures for the period July 2023 through February 2024 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).

- Examined the 8 industry certifications eligible for performance funding during the audit period to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records supporting 1,416 reported contact hours for 30 selected students from the population of 48,351 contact hours reported for 535 adult general education instructional students during the Fall 2023 Semester to determine whether the District reported the instructional contact hours in accordance with SBE Rule 6A-10.0381, Florida Administrative Code.
- From the compensation payments totaling \$192.1 million to 5,904 employees during the period of July 1, 2023, through April 15, 2024, examined District records supporting compensation payments totaling \$84,867 to 30 selected employees to determine whether the rate of pay complied with the Board-approved salary schedule and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined District records for the period July 2023 through May 2024 for 35 employees and 40 contractor workers selected from the population of 5,980 employees and 2,392 contractor workers to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records supporting school volunteers for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Evaluated the effectiveness of Board policies and District procedures for reporting personnel subject to the disqualification list to the FDOE in accordance with SBE Rule 6A-10.084, Florida Administrative Code.
- From the population of purchasing card (P-card) transactions totaling \$1.2 million for the period July 1, 2023, through April 19, 2024, examined documentation supporting 30 selected transactions totaling \$77,416 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for the 6 cardholders who separated from District employment during the period July 2023 through April 2024.
- Reviewed Board policies and District procedures related to identifying potential conflicts of interest. For the 5 Board members and 7 selected employees from the 52 total employees required to file statements of financial interests, we reviewed Florida Department of State, Division of Corporation records; statements of financial interests; and District records to identify any potential relationships with District vendors that represent a potential conflict of interest.
- Determined whether non-compensation expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, SBE rules, contract terms and Board policies; and applicable vendors were properly selected. Specifically, from the population of non-compensation expenditures totaling \$73.8 million for the period July 2023 through February 2024, we examined documentation supporting 30 selected payments for general expenditures totaling \$7.7 million.
- From the population of payments totaling \$4.3 million during the period July 2023 through February 2024 related to 166 contracts for services, examined supporting documentation, including the contract documents, for 13 selected payments totaling \$543,911 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.
- Expanded our evaluation of District controls over payments totaling \$161,280 for sports physical therapy services for the period January 2024 through July 2024, to determine whether:
 - District records evidenced that services were satisfactorily received and conformed to contract terms before payment.
 - The payments complied with contract provisions.
- Evaluated District procedures for acquiring health insurance for officers and employees and examined related records to determine whether the District complied with Section 112.08, Florida Statutes.
- Evaluated Board policies and District procedures to ensure that health insurance was provided only to eligible employees, retirees, and dependents during the 2023-24 fiscal year. Specifically, we examined documentation for 61 dependents of 30 selected District employees and retirees from the 4,161 total health insurance participants, including 1,288 dependents, to determine whether the District documented the eligibility of dependents participating in the District health insurance plan.
- Examined District records for the audit period to determine whether District procedures ensure that vendor information changes are properly authorized, documented, and verified.
- 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



CLAY COUNTY DISTRICT SCHOOLS

900 WALNUT STREET, GREEN COVE SPRINGS, FL 32043

P (904) 336-6500 F (904) 336-6536 W oneclay.net

SUPERINTENDENT OF SCHOOLS

David S. Broskie

BOARD MEMBERS:

Erin Skipper, District 1
Mary Bolla, District 2
Beth Clark, District 3
Michele Hanson, District 4
Ashley Gilhousen, District 5

October 1, 2024

Sherrill F. Norman, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399

Re: The District's written response to the operational audit findings for the fiscal year ended June 30, 2024.

Please accept the following written statements of explanation concerning the preliminary and tentative audit findings and recommendations dated September 6, 2024. Please note that corrective measures have been taken to incorporate processes to prevent a repeat of these findings.

I would like to express our appreciation for the manner in which the audit was conducted. Your staff conducted themselves professionally throughout the audit and has been helpful in identifying and discussing the areas addressed in the audit.

Should you need additional information, please contact Dr. Susan M. Legutko, Assistant Superintendent for Business Affairs, at (904)336-6721 or via e-mail at Susan.Legutko@myoneclay.net.

We look forward to the release of the final audit report.

Respectfully,

A handwritten signature in blue ink that reads "David S. Broskie".

Mr. David S Broskie, Superintendent
Clay County District Schools

CC: Dr. Susan M. Legutko, Assistant Superintendent Business Affairs

DISCOVERING ENDLESS POSSIBILITIES

Clay County District Schools is an Equal Opportunity Employer.



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Ashley Gilhousen, District 5

Finding Number #1: Health Insurance

District records did not always support the eligibility of dependents participating in the District's health insurance plan.

Recommendation: The District should enhance procedures to ensure and demonstrate that dependents participating in the District's health insurance plan are eligible. Such enhancements should include procedures to document:

- Verifications of the eligibility of all dependents upon initial enrollment in the District health insurance plan.
- Periodic verifications of the continued eligibility of dependents.

District Response: The District will enhance its procedures to ensure periodic verification procedures are developed and followed. Such procedures will include the following:

1. To ensure dependent eligibility, dependent verification audits of the medical plan will be completed through a random sampling of employees, including new hires and qualified life events (marriages, deaths, births, etc.).
2. Dependent verification is handled through a new web enrollment system. The system, BenefitFocus, sends a communication to the employee's work or home email, whichever the employee has assigned as their preferences in the system, the following notices regarding the dependent eligibility verification process:
 - a. Initial Notice with dependent eligibility and documents requested
 - b. A 2nd Notice is sent if there is no response from the initial notice
 - c. If the dependent is found to be a non-eligible dependent, then they will be canceled.
3. During the School year, when an employee requests a qualified life event/midyear change if dependents are added, the District requests the required documentation to meet the dependent qualifications along with the documentation to satisfy HIPPA and the IRS tax Code Section 125.

Finding Number #2: Fiscal Transparency

As similarly noted in our report No. 2022-081, contrary to State law, the required graphical representations of summary financial efficiency data and fiscal trend information were not timely posted on the District website for the 2021-22 and 2022-23 fiscal years.

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Recommendation: The District should continue efforts to comply with statutory transparency requirements by timely posting all required information on the District's website in a timely manner.

District Response: The District concurs and has updated the school district's website with graphical representations of summary financial efficiency data and fiscal trend information. The District will continue to monitor the Department of Education's release of data and ensure the information is posted on the website in a timely manner.

Finding Number #3: Contracted Services

District controls over contracted services and related payments continue to need enhancement.

Recommendation: The District should enhance procedures to require and ensure that contracts establish an appropriate understanding of the expected services and that document confirmation is maintained to demonstrate that, prior to payment, services were satisfactorily received and complied with the contract provisions.

District Response: The District has implemented procedures for reviewing services set forth by the contract as required prior to payment. This review includes but is not limited to, cross-referencing invoices, timesheets, and other supporting evidence from the site administrators.

DISCOVERING ENDLESS POSSIBILITIES

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