

**STATE OF FLORIDA  
AUDITOR GENERAL**



**COMPLIANCE SUPPLEMENT  
DISTRICT SCHOOL BOARD AUDITS  
For the Fiscal Year Ended June 30, 2018**

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## **BACKGROUND AND PURPOSE**

Pursuant to Section 11.45(9)(a), Florida Statutes,\* the Auditor General provides technical advice to the Florida Department of Education in developing a compliance supplement for financial audits of district school boards conducted by independent certified public accountants. This Compliance Supplement document constitutes technical advice for financial audits of district school boards for the fiscal year ended June 30, 2018.

The purpose of this Compliance Supplement is to assist auditors in identifying significant compliance issues that affect the operations of school districts and to provide a resource for the efficient and cost-effective research of significant laws and rules applicable to school district operations. This Compliance Supplement is not intended to supplant the judgment of, or risk assessments performed by, the independent certified public accountant engaged to perform the audit.

The Federal Government establishes requirements and publishes guidance for the audit of Federal awards. That guidance includes the 2 CFR Part 200, Appendix XI, Compliance Supplement issued by the Executive Office of the President, Office of Management and Budget. Accordingly, the Auditor General does not publish technical advice for audits of Federal award programs.

\*Note: All references to Florida Statutes are to Florida Statutes (2017).

## **ABBREVIATIONS**

The following abbreviations are used in this Compliance Supplement:

AGO	Attorney General Opinion
AU-C	AICPA Statements on Auditing Standards and Related Auditing Interpretations (clarified)
board	District School Board
CFR	Code of Federal Regulations
FAC	Florida Administrative Code
FDOE	Florida Department of Education
FEFP	Florida Education Finance Program
FTE	Full-Time Equivalent
GAA	General Appropriations Act
GASB	Governmental Accounting Standards Board
SBE	State Board of Education
SBE Rule	State Board of Education Rule, Florida Administrative Code
USC	United States Code

## **BOARD ORGANIZATION AND MINUTES**

### Compliance Elements

Board meetings are required to be open and accessible to the public, and minutes are required to be kept. [Sections 1001.372(2) and 1001.42(1), Florida Statutes] (Note: There are numerous interpretations relating to public meetings and records that are incorporated in the *Government-In-The-Sunshine Manual (2018)*, prepared by the Office of the Attorney General. These should be considered in reviewing board compliance related to official actions.)

The general powers and duties of the board are described in Sections 1001.41, 1001.42, and 1001.43, Florida Statutes.

The general powers and duties of the district school superintendent are described in Sections 1001.49 and 1001.51, Florida Statutes.

### Suggested Audit Procedures

- Determine whether board meetings were open and accessible to the public, and that minutes of the meetings, including any special committee or workshop meetings, were maintained as prescribed by law.
- If the board adopted an anti-fraud policy to provide guidance to employees for communicating significant known or suspected fraud to appropriate individuals, assess whether the policy is sufficient and appropriate to:
  - Define and provide examples of actions constituting fraud. (Note: AU-C 240.11 defines fraud and AU-C 240.A77 provides examples of circumstances that indicate the possibility of fraud.)
  - Identify consequences of fraudulent behavior.
  - Require individuals to communicate and report known or suspected fraud to appropriate school district personnel.
  - Include incident-reporting procedures that allow individuals to anonymously report policy violations and known or suspected fraud.
  - Establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, including reporting it to the appropriate authorities.
  - Require school district personnel to comply with all applicable laws and regulations and to maintain accurate records of reported known or suspected fraud. (Note: Section 1012.315, Florida Statutes, provides a list of offenses that would disqualify persons from school district employment. Also, AU-C 250.A2 provides examples of the types of policies and procedures an entity may implement to assist in the prevention and detection of noncompliance with laws and regulations.)

- Educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts.

## **ANNUAL FINANCIAL REPORT**

### Compliance Elements

The superintendent is required to prepare for board approval, an annual financial report. The annual financial report and all official parts thereof must be submitted to the Commissioner of Education no later than September 11th of each year. The annual financial report is composed of the following forms: ESE 348, Report of Financial Data to the Commissioner of Education; ESE 145, Superintendent's Annual Financial Report; ESE 374, Schedule of Maturities of Indebtedness; and ESE 523, Information Concerning Authorized Obligations Under Sections 1011.14 and 1011.15, Florida Statutes. [Section 1001.51(12)(b), Florida Statutes, and SBE Rule 6A-1.0071]

### Suggested Audit Procedures

- Determine whether the board approved the annual financial report and submitted it timely to the Commissioner of Education.

## **SCHOOL INTERNAL ACCOUNTS**

### Compliance Elements

The board is required to provide for annual audits of the school internal accounts. [Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools – 2017* (Red Book)]

### Suggested Audit Procedures

- Determine whether the board provided for the school internal accounts annual audit.

## **DIRECT-SUPPORT ORGANIZATIONS**

### Compliance Elements

A school district direct-support organization (DSO) with more than \$100,000 in expenditures or expenses is required to make provision for an annual audit of its financial accounts. The audit is to be conducted by an independent certified public accountant in accordance with the Rules of the Auditor General. [Section 1001.453(4), Florida Statutes, and Chapter 10.700, Rules of the Auditor General]

## Suggested Audit Procedures

Determine whether:

- The required DSO audit was timely completed and filed with the school district.
- The required audit was conducted in accordance with generally accepted government auditing standards.

## **CHARTER SCHOOLS AND CHARTER TECHNICAL CAREER CENTERS**

### Compliance Elements

Each charter school and charter technical career center must provide for an annual financial audit by an independent certified public accountant in accordance with the Rules of the Auditor General. [Section 218.39(1)(e) and (f), Florida Statutes, and Chapter 10.850, Rules of the Auditor General]

Charter schools shall provide for an annual financial report and program cost report in the State-required formats for inclusion in the district reporting in compliance with Section 1011.60(1), Florida Statutes. [Section 1002.33(9)(g)2., Florida Statutes]

Charter schools that are not classified as high-performing charter schools and charter technical career centers must submit monthly financial statements to the school district. Alternatively, high-performing charter schools may submit quarterly financial statements to the school district. The financial statements must be in a form prescribed by the FDOE. The school district shall review each monthly or quarterly financial statement to identify the existence of any conditions identified in Section 1002.345(1)(a), Florida Statutes. [Sections 1002.33(9)(g)3., 1002.331(2)(c), and 1002.34(11)(f), Florida Statutes]

A school district, as sponsor of a charter school or charter technical career center, shall receive and review all applications for a charter school or charter technical career center using an evaluation instrument developed by the FDOE. [Sections 1002.33(6)(b) and 1002.34(5), Florida Statutes]

A school district, as sponsor of a charter school or charter technical career center, shall monitor and review the charter school or charter technical career center in its progress toward the goals established in the charter, and monitor the revenues and expenditures of the charter school or charter technical career center. [Sections 1002.33(5)(b) and 1002.34(6)(f), Florida Statutes]

The charter shall include a description of procedures that identify various risks and provide for a comprehensive approach to reduce the impact of losses; plans to ensure the safety and security of students and staff; plans to identify, minimize, and protect others from violent or disruptive student behavior; and the manner in which the school will be insured, including whether or not the school will be

required to have liability insurance, and, if so, the terms and conditions thereof and the amounts of coverage. [Section 1002.33(7)(a)11., Florida Statutes]

When a charter is not renewed or is terminated, the school shall be dissolved under the provisions of law under which the school was organized, and any unencumbered public funds, except for capital outlay funds and Federal charter school program grant funds, from the charter school shall revert to the sponsor. In the event a charter school is dissolved or is otherwise terminated, all board property and improvements, furnishings, and equipment purchased with public funds shall automatically revert to full ownership by the board, subject to complete satisfaction of any lawful liens or encumbrances. [Section 1002.33(8)(e), Florida Statutes]

If a charter is not renewed or is terminated, the charter school is responsible for all debts of the charter school. The school district may not assume the debt from any contract made between the governing body of the school and a third party, except for a debt that is previously detailed and agreed upon in writing by both the school district and the governing body of the school and that may not reasonably be assumed to have been satisfied by the school district. [Section 1002.33(8)(f), Florida Statutes]

Upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than \$10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract, is for reasonable attorney fees and costs during the pendency of any appeal, or is for reasonable fees and costs to conduct an independent audit. An independent audit shall be completed within 30 days after the notice of nonrenewal, closure, or termination to account for all public funds and assets. A provision in a charter contract that contains an acceleration clause requiring the expenditure of funds based upon closure or upon notification of nonrenewal or termination is void and unenforceable. A charter school may not enter into a contract with an employee that exceeds the term of the school's charter contract with its sponsor. [Section 1002.33(9)(o), Florida Statutes]

Charter schools and charter technical career centers are subject to an expedited review if one of the following occurs: failure to provide for an audit required by Section 218.39, Florida Statutes; failure to comply with reporting requirements pursuant to Section 1002.33(9) or Section 1002.34(11)(f) or (14), Florida Statutes; a deteriorating financial condition identified through an annual audit pursuant to Section 218.39(5), Florida Statutes, a monthly financial statement pursuant to Section 1002.33(9)(g) or Section 1002.34(11)(f), Florida Statutes, or a quarterly financial statement pursuant to Section 1002.331(2)(c); or notification pursuant to Section 218.503(2), Florida Statutes, that one or more of the conditions specified in Section 218.503(1), Florida Statutes, have occurred or will occur if action is not taken to assist the charter school or charter technical career center. [Section 1002.345, Florida Statutes] Upon notification that one or more of the

conditions in Section 218.503(1), Florida Statutes, have occurred or will occur if action is not taken to assist the charter school or charter technical career center, the school sponsor or the sponsor's designee and the Commissioner of Education shall contact the governing body of the school or center to determine what actions have been taken by the governing body to resolve or prevent the condition. [Section 218.503(4), Florida Statutes]

A school district is required to determine the funding of students enrolled in a charter school as follows: the sum of the school district's operating funds from the FEFP as provided in Section 1011.62, Florida Statutes, and the GAA, including gross State and local funds, discretionary lottery funds, and funds from the school district's current operating discretionary millage levy; divided by total funded weighted FTE students in the school district; multiplied by the weighted FTE students for the charter school. Charter schools whose students or programs meet the eligibility criteria in law shall be entitled to their proportionate share of categorical program funds included in the total funds available in the FEFP by the Legislature, including transportation, the research-based reading allocation, and the Florida digital classrooms allocations. Total funding for each charter school shall be recalculated during the year to reflect the revised calculations under the FEFP by the State and the actual weighted full-time equivalent students reported by the charter school during the FTE student survey periods designated by the Commissioner of Education. [Section 1002.33(17)(b), Florida Statutes]

A school district may withhold a percentage of a charter school's available funds, as defined in Section 1002.33(17)(b), Florida Statutes, calculated based on weighted FTE students, as sponsor of the charter school, for administrative purposes except that when 75 percent or more of the students enrolled in the charter school are exceptional students as defined in Section 1003.01(3), Florida Statutes, the percentage of those available funds shall be calculated based on unweighted FTE students. In addition, a sponsor may withhold up to a 5-percent administrative fee for enrollment up to and including 250 students in a charter school or a virtual charter school, and 500 students within a charter school system which meets all of the following: (a) includes conversion charter schools and nonconversion charter schools; (b) has all of its schools located in the same county; (c) has a total enrollment exceeding the total enrollment of at least one school district in the State; (d) has the same governing board for all of its schools; and (e) does not contract with a for-profit service provider for management of school operations. For a high-performing charter school as defined in Section 1002.331, Florida Statutes, a sponsor may withhold up to a 2-percent administrative fee for enrollments up to and including 250 students in a charter school. [Section 1002.33(20)(a), Florida Statutes]

Further, sponsors may not charge charter schools any additional fees or surcharges for administrative and educational services in addition to the maximum administrative fees withheld pursuant to Section 1002.33(20)(a), Florida Statutes.

## Suggested Audit Procedures

- Determine whether the school district verified that its charter schools and charter technical career centers provided for the required audits and whether the school district timely obtained copies of audit reports for its review.
- Determine whether the school district verified that the charter school and charter technical career center audits were conducted in accordance with generally accepted government auditing standards.
- Determine whether the school district verified that the charter schools provided annual financial report and program cost report information in the State-required format for inclusion in the school district's reporting in compliance with Section 1011.60(1), Florida Statutes. [Section 1002.33(9)(g), Florida Statutes]
- Determine whether the school district has procedures for monitoring the operations and performance of its charter schools and charter technical career centers, including procedures for monitoring revenues and expenditures and maintaining evidence of insurance required by the respective charters. Such monitoring should include determinations of whether:
  - Charter schools not classified as high performing and charter technical career centers submitted monthly financial statements to the school district.
  - Charter schools classified as high performing submitted quarterly financial statements to the school district.
  - Charter schools and charter technical career centers have established appropriate budgetary controls to avoid significant financial declines and ensure expenditures are limited to available resources.
  - Upon notification that one or more of the conditions in Section 218.503(1), Florida Statutes, had occurred or will occur if action is not taken to assist the charter school and charter technical career center, the school district or school district designee contacted the governing body of the school to determine what actions had been taken to resolve or prevent the condition.[Sections 1002.33(5)(b), 1002.33(7)(a)11., 1002.33(9)(g)3., 1002.34(6)(f), 1002.34(11)(f), and 218.503(4), Florida Statutes]
- For new charter schools, determine whether the school district evaluated the charter school application before the charter was granted, using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786. Specifically, evaluate whether the school district adequately addressed the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school. (Note: Charter school sponsors must evaluate Model Florida Charter School Applications using Form IEPC-M2, Florida Charter School Application Evaluation Instrument. Copies of the form may be obtained electronically on the FDOE

Web site at <http://www.fldoe.org/schools/school-choice/charter-schools/charter-school-reference.>)

- For charter technical career centers, determine whether the school district evaluated the charter technical career center application before the charter was granted, using the FDOE evaluation instrument required by Section 1002.34(5), Florida Statutes.
- For charter school charters that were not renewed or were terminated, evaluate the sufficiency and appropriateness of school district procedures to ensure that unencumbered public funds, and property and improvements, furnishings, and equipment purchased with public funds of the school reverted to the school district. Also, determine whether school district procedures prohibit the school district from assuming the debt of any contract made between the school and a third party, except those debts previously agreed upon by the school district. See Section 1002.33(8)(e) and (f), Florida Statutes. In addition, evaluate whether the school district appropriately monitored compliance with Section 1002.33(9)(o), Florida Statutes (i.e., limited nonrenewed or terminated charter schools expenditures to \$10,000 without prior approval, as required; charter school audit completed within 30 days after charter school nonrenewal or termination; prohibited contracts with employees that exceed the term of the school's charter contract with the school district; prohibited accelerated expenditure charter contract clauses that require expenditure of funds upon closure, nonrenewal, or termination).
- For charter technical career center charters that are not renewed or are terminated, evaluate the sufficiency of school district procedures to ensure that the facility reverts to the board if constructed entirely with K-12 public school funds or in accordance with the sponsor agreement if jointly funded by the school district and Florida College System institution funds.
- Evaluate whether school district procedures were sufficient and appropriate to determine whether its charter schools and charter technical career centers were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.
- For any district charter schools or charter technical career centers subjected to an expedited review, determine whether the school district notified the applicable governing board within 7 business days after one or more of the conditions occurred, as required by Section 1002.345(1)(b), Florida Statutes. Also, determine whether the school district, along with the governing board, developed a corrective action plan and filed the plan with the FDOE within 30 business days after notification pursuant to Section 1002.345(1)(c), Florida Statutes.
- Determine whether the school district complied with requirements to provide charter schools with required funding, including Local Capital Improvement Revenue (LCIR) and whether fees assessed were within statutory limits. [Section 1002.33(17)(b) and 1002.33(20)(a), Florida Statutes]

## **SCHOOL ADVISORY COUNCILS**

### Compliance Elements

Section 1001.452, Florida Statutes, requires the board to establish an advisory council for each school in the school district or, if the school district has 10,000 or fewer students, allows the board to establish a districtwide advisory council, and requires the board to develop procedures for the election and appointment of advisory council members. This section establishes requirements for the representative makeup of the school advisory council membership and for the election of school advisory council members. Chapter 2017-234, Section 8, Laws of Florida, requires that if the school district receives Educational Enhancement "Lottery" funds in accordance with Section 1008.36, Florida Statutes, and there are funds remaining after payment to qualified schools, up to \$5 per unweighted student shall be allocated to be used at the discretion of the school advisory councils. These moneys should be clearly earmarked for the school advisory councils' use and not subject to override by the principal or by school district staff. [Section 24.121(5)(c), Florida Statutes]

Note: The State is to withhold Educational Enhancement Trust Fund funding from school districts that have one or more schools that do not comply with the school advisory council membership composition requirements. [Section 24.121(5)(d), Florida Statutes]

### Suggested Audit Procedures

- Determine whether the school district established an advisory council for each school or, if the school district has 10,000 or fewer students, established a districtwide advisory council.
- Test to determine whether school advisory council members were representative of the groups specified in law. Review AGO 2008-16 prior to completing this step. The AGO is available using the following hyperlink:  
<http://myfloridalegal.com/ago.nsf/Opinions/5634E57A908E25D8852574250071E799>
- Determine whether the school district allocated the required moneys for use by the school advisory councils in accordance with Chapter 2017-234, Section 8, Laws of Florida.

## **BUDGETS AND LOCAL TAX LEVY**

### Compliance Elements

School districts are required to prepare an annual budget in the form distributed by the Commissioner of Education to advertise the budget, hold public hearings on the budget, and submit the adopted budget to the Commissioner. The laws and rules governing the budget process are found in Chapter 200 and Sections

1001.42(12)(b) and (g), 1011.01 through 1011.11, Florida Statutes; and SBE Rules 6A-1.004 through 6A-1.0071. Also, Sections 1011.012 and 1013.61, Florida Statutes, address requirements for an annual capital outlay budget and require that the budget designate the proposed capital outlay expenditures by project for the year from all fund sources. These sections preclude expending funds on any capital project not included in the budget, as amended. Sections 1011.012(2) and 1013.35(2), Florida Statutes, require that, prior to adoption of the district capital outlay budget, the board shall prepare a tentative district facilities work program that includes elements specified in these sections.

The school district receives current education operating funding primarily from local and State sources. Revenues from local sources are primarily generated by local county ad valorem taxes. Revenues from State sources are primarily received through the FEFP funding formula. The FEFP formula is designed to maintain equity in funding across all Florida school districts, taking into account the school district's funding ability based on the local property tax base. FEFP revenues are generated based on the reported numbers of FTE students in various educational program categories. Under the provisions of Section 1011.71, Florida Statutes, the Commissioner of Education provides to the school district the amount of the minimum local tax millage rate to provide the nonvoted required local effort for operating funds. Additionally, a maximum nonvoted discretionary millage amount may be levied for current operations as set forth in Chapter 2017-234, Section 6, Laws of Florida.

The school district may levy an additional nonvoted amount under the provisions of Section 1011.71, Florida Statutes, to be used for capital outlay purposes set forth in this section. (Note: Bond resolutions for general obligation bonds will address the millage authorized for any local bonds that were approved by local referendum.)

Pursuant to Section 1011.71(3), Florida Statutes, if the revenue from the 1.5 mills is insufficient to meet the payments due under a lease-purchase agreement entered into by the board before June 30, 2009, pursuant to Section 1011.71(2)(e), Florida Statutes, or to meet other critical district fixed capital outlay needs, the board, in addition to the 1.5 mills, may levy up to 0.25 mills for fixed capital outlay in lieu of levying an equivalent amount of the discretionary mills for operations as provided in the GAA. The millage levied pursuant to this subsection is subject to the provisions of Section 200.065, Florida Statutes, and when combined with the 1.5 mills authorized in Section 1011.71(2), Florida Statutes, may not exceed 1.75 mills. If the school district chooses to use up to 0.25 mills for fixed capital outlay, the compression adjustment pursuant to Section 1011.62(5), Florida Statutes, shall be calculated for the standard discretionary millage that is not eligible for transfer to capital outlay.

Also, the board, upon approval by local referendum, may levy a millage for operational purposes, which is in addition to the nonvoted required local effort and nonvoted discretionary local effort levies authorized by Section 1011.71(1), Florida

Statutes, and Chapter 2017-234, Section 6, Laws of Florida. The maximum nonvoted discretionary millage which may be levied pursuant to the provisions of Section 1011.71(1), Florida Statutes, by district school boards in the 2017-2018 fiscal year shall be 0.748 mills. This millage shall be used to calculate the discretionary millage compression supplement as provided in section 1011.62(5), Florida Statutes. To be eligible for the supplement, a district must levy the maximum.. [Section 1011.71(9), Florida Statutes]

Under the provisions of Section 212.055(6), Florida Statutes, a board may levy, pursuant to approval by a majority vote of the electors of the county, a discretionary sales capital outlay surtax at a rate that may not exceed 0.5 percent. The proceeds must be used for school facilities as set forth in this section.

(Note: Section 1011.62(6)(b), Florida Statutes, provides additional flexibility for boards to use certain State appropriations for board-specified academic classroom instruction. The uses of these resources for board-specified academic instruction are to be authorized by the board through a resolution and an amendment to the school district's operating budget for the audit period.)

Section 1011.051, Florida Statutes, provides guidelines for general funds and requires that the board maintain a general fund ending fund balance that is sufficient to address normal contingencies. This section states that, if at any time, the portion of the general fund's ending fund balance not classified as restricted, committed, or nonspendable in the district's approved operating budget is projected to fall below 3 percent of projected general fund revenues during the current fiscal year, the superintendent shall provide written notification to the board and the Commissioner of Education. If at any time the portion of the general fund's ending fund balance not classified as restricted, committed, or nonspendable in the school district's approved operating budget is projected to fall below 2 percent of projected general fund revenues during the current fiscal year, the superintendent shall provide written notification to the board and the Commissioner of Education. Within 14 days after receiving such notification, if the Commissioner determines that the school district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Section 218.503, Florida Statutes, the Commissioner shall appoint a financial emergency board that shall operate consistent with the requirements, powers, and duties specified in Section 218.503(3)(g), Florida Statutes.

Section 1013.62(3), Florida Statutes, requires a school district to provide a charter school LCIR authorized in Section 1011.71(2), Florida Statutes. The LCIR is allocated based on capital outlay FTE students. However, the school districts' LCIR is reduced by the school district's annual debt service obligations incurred as of March 1, 2017, and any amount of participation requirement pursuant to Section 1013.64(2)(a)8., Florida Statutes, that is being satisfied by revenues raised by the discretionary millage. A charter school's LCIR allocation is reduced by the amount of State funds allocated to the charter school in Section 1013.62(2), Florida Statutes.

## Suggested Audit Procedures

- Determine whether the school district prepared an annual budget in the form prescribed by the Commissioner of Education, advertised the budget, and held public hearings, and whether the board subsequently approved and submitted the budget to the Commissioner. Test to determine whether the board approved any amendments to the original budget.
- Determine whether the board allocated to schools within the district an average of 90 percent of the funds generated by all schools and that each school received at least 80 percent of the funds generated by that school based upon the FEFP and the GAA, including gross State and local funds, discretionary lottery funds, and the funds from the current operating discretionary millage levy (excluding supplemental academic instructional funds). (Note: Unused funds at the end of each fiscal year shall remain with the school and not revert to the school district.) [Section 1011.69, Florida Statutes]
- Determine whether final expenditures do not exceed the authorized budget, as amended. (Note: If significant overexpenditures occurred prior to the board amending the budget, determine whether such overexpenditures were authorized under board policies.) [Section 1011.06(2), Florida Statutes]
- Determine whether the board levied the required local effort millage prescribed by the Commissioner of Education, and that the optional nonvoted discretionary operating millage did not exceed that set by law.
- Determine whether any amounts levied for operational purposes, which are in addition to the nonvoted required local effort and nonvoted discretionary local effort levies authorized by Sections 1011.71(1) and 1011.71(3), Florida Statutes, were approved by local referendum and were within the 10-mill limitation pursuant to Section 1011.71(9), Florida Statutes.
- Determine whether the board prepared a tentative district facilities plan in accordance with Section 1013.35, Florida Statutes, prior to the adoption of the budget. See also the **CAPITAL OUTLAY ACTIVITIES** section.
- Test to determine compliance with the capital outlay project budget requirements of Section 1013.61, Florida Statutes.
- Determine whether the first year of the adopted district educational facilities plan constitutes the capital outlay budget required in Section 1013.61, Florida Statutes.
- Determine whether the district educational facilities plan includes long-range planning for facilities needs over 5-year, 10-year, and 20-year periods, as required by Section 1013.35(2), Florida Statutes.
- If the board levied the optional capital outlay millage, determine whether the advertisement conformed to the requirements of Section 200.065(10), Florida Statutes, and specified the projects and number of school buses anticipated to be funded by the additional taxes. Also, determine whether amendments to

the budget for the local capital outlay levy proceeds were handled in accordance with Section 200.065(10), Florida Statutes.

- Determine whether the local optional capital outlay millage was levied if required pursuant to Section 1013.64(2)(a)8., Florida Statutes (Special Facility Construction).
- If the school district has outstanding general obligation bonds, determine whether the amounts levied were within the amounts authorized by the approved referendum and were based upon reasonable projections of the amount of funds needed to pay the required debt service and/or satisfy required reserves.
- If the board levied the sales capital outlay surtax, determine whether the board's resolution set forth the capital outlay projects to be funded. [Section 212.055(6)(c), Florida Statutes]
- If during the course of the audit it is determined that the school district met one or more of the conditions specified in Section 218.503(1), Florida Statutes, determine compliance with Section 218.503(2), Florida Statutes.
- Review the board's financial position and report deteriorating financial conditions and/or deficit balances to the members of the governing body at the conclusion of the audit as required by Section 218.39(5), Florida Statutes.
- Review the board's financial position and evaluate for compliance with Section 1011.051, Florida Statutes, regarding the general fund's ending fund balance.
- Determine whether a school district distributed the correct amount of capital outlay funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3)(e), Florida Statutes. In addition, determine whether the school district's annual debt service obligation amounts reported to the FDOE were accurate and supported.

## **BUDGET TRANSPARENCY**

### Compliance Elements

Section 1011.035(2), Florida Statutes, requires each board to post on its Web site a plain language version of each proposed, tentative, and official budget which describes each budget item in terms that are easily understandable to the public. This information must be prominently posted on the school district's Web site in a manner that is readily accessible to the public.

### Suggested Audit Procedures

- Review the school district's Web site and evaluate whether it complies with Section 1011.035(2), Florida Statutes.

## **CASH AND INVESTMENTS**

### Compliance Elements

Section 136.01, Florida Statutes, requires that school district moneys be deposited to qualified public depositories as defined in Section 280.02, Florida Statutes. Section 1011.18, Florida Statutes, specifies requirements for payments into and withdrawals from the school district accounts. Additionally, SBE Rule 6A-1.0012 establishes requirements and minimum security measures that should be met for electronic funds transfers.

Sections 218.415, 1011.22, and 1011.18, Florida Statutes, address the types of authorized investments for school districts. (Note: Terms of bond resolutions may also affect the types of investments that may be authorized for bond proceeds. Section 1011.09(1), Florida Statutes, requires that a board credit interest or profits on investments to the specific budgeted funds as defined by Section 1010.01, Florida Statutes, that produced the earnings unless otherwise authorized.)

Section 218.415(22), Florida Statutes, and Rules of the Auditor General Section 10.805(9), require that certified public accountants conducting audits of school districts pursuant to Section 218.39, Florida Statutes, report, as part of the audit, whether the school district has complied with Section 218.415, Florida Statutes.

### Suggested Audit Procedures

- Determine whether depositories used by the school district have been designated as qualified public depositories by the State Chief Financial Officer. (Note: The list of qualified depositories is available at the following Web site: <https://www.myfloridacfo.com/division/treasury/collateralmanagement/PublicDepositories.htm>)
- Test to determine whether checks are signed by the chair or vice-chair, and the superintendent. For electronic funds transfers, determine whether there is a written agreement between the school district and the bank that meets the requirements of SBE Rule 6A-1.0012 and test to determine whether the other minimum security measures specified by the SBE rule are in place. These tests should consider the requirements of Section 1011.18(4), Florida Statutes, governing the withdrawal of moneys from school district depositories and the exemptions in Section 1011.18(6), Florida Statutes, for self-insurance and third-party administered employee fringe benefit programs.
- If the school district used surplus funds for investments other than those specified in Section 218.415(17), Florida Statutes, determine whether the board adopted an investment policy that includes all the requirements listed in Section 218.415(1) through (15), Florida Statutes. Test for compliance with the investment policy.
- Test to determine whether the school district's investments were authorized by law and, if applicable, in accordance with its investment policy.

- Where pooled bank and/or investment accounts are utilized, test to determine whether adequate records are maintained to properly segregate fund or account balances and that interest earnings are properly allocated. [Section 1011.09(1), Florida Statutes]

## **ACCOUNTS RECEIVABLE**

### Compliance Elements

Generally, a school district shall not lend or use its credit to aid any corporation, association, partnership, or person.

### Suggested Audit Procedures

- Determine the authority for the accounts receivables and evaluate for allowability (e.g., the receivable may be an extension of credit that is contrary to Article VII, Section 10 of the State Constitution).

## **TEMPORARY ADVANCES BETWEEN FUNDS**

### Compliance Elements

Section 1011.09(2), Florida Statutes, authorizes a board to temporarily advance moneys from one fund, as defined by the accounting system required by Section 1010.01, Florida Statutes, to another fund when insufficient moneys are available to meet current obligations if the temporary advance is repaid within 13 months. The temporary advance must not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

### Suggested Audit Procedures

- Determine whether temporary advances did not exceed the time frame for repayment and whether any such advances did not adversely affect implementation or fulfillment of activities accounted for in the fund from which the moneys were advanced.

## **TANGIBLE PERSONAL PROPERTY**

### Compliance Elements

Chapter 274, Florida Statutes, and Department of Financial Services (DFS), Rule 69I-73, FAC, establish record keeping and annual inventory requirements for school district tangible personal property. These laws and rules also address requirements for disposal of tangible personal property.

### Suggested Audit Procedures

Test to determine whether:

- The school district established records for, and marked new acquisitions in accordance with Section 274.02, Florida Statutes, and DFS Rules 69I-73.003 and 69I-73.004, FAC.
- Any disposals of tangible personal property were made in accordance with Sections 274.05 through 274.07 and 1013.28, Florida Statutes, and DFS Rule 69I-73.005, FAC.
- An annual physical inventory was made of all tangible personal property and reconciled to the property records, and whether the reconciling items were promptly investigated and resolved. [Section 274.02, Florida Statutes, and DFS Rule 69I-73.006, FAC]

## **RESTRICTED REVENUE SOURCES**

### Compliance Elements

School districts receive restricted revenue sources from the State under various provisions of law. These revenue sources are to be used for specific programs and objectives. These sources may include funds for transportation (Section 1011.68, Florida Statutes), instructional materials (Section 1011.67, Florida Statutes), supplemental academic instruction (Section 1011.62(1)(f), Florida Statutes), workforce development (Sections 1011.80 and 1011.801, Florida Statutes), the school recognition program (Section 1008.36, Florida Statutes), or other restricted State resources.

### Suggested Audit Procedures

- Determine whether the school district established appropriate accounting records for recording in its budgetary accounts the expenditures of the various restricted sources of funding.
- Test expenditures of restricted sources for compliance with the restrictions governing their use.
- Determine whether workforce development funds are used for school district workforce development programs and not used to support K-12 programs or school district K-12 administrative indirect costs in accordance with the GAA (Chapter 2017-70, Section 1, Specific Appropriation 10, and Section 2, Specific Appropriation 122, Laws of Florida) and Section 1011.80, Florida Statutes. If tuition or out-of-State fees are assessed for workforce development courses, ensure such funds are not used to support K-12 programs or district K-12 administrative indirect costs.
- Determine whether the school district received rebates authorized from contracts with purchasing card/credit card programs, or e-payable systems

providers, generated from expenditure of restricted resources and determine whether the rebates were properly allocated to the appropriate restricted funds from which the invoices generating the rebates were paid (e.g., if vendors were paid from Federal grant funds via the e-payable system or purchasing card/credit card programs, an allocable portion of the rebate should be refunded to the Federal grant).

## **PERSONNEL AND PAYROLL**

### Compliance Elements

Provisions relating to school district personnel matters are generally found in Chapter 1012, Florida Statutes. Other provisions are found in Sections 112.215, 215.425, 1001.50, and 1011.60(4), Florida Statutes. Provisions relating to school bus operators are generally found in SBE Rule 6A-3.0141.

### Suggested Audit Procedures

- Test to determine whether instructional personnel held current professional certification under the provisions of Sections 1012.56 and 1012.585, Florida Statutes.
- Section 1012.56(10), Florida Statutes, requires all instructional personnel to receive a Federal Bureau of Investigation (FBI) Level 2 screening every 5 years. Test to determine whether this screening was performed for instructional personnel who were recertified during the audit period. [Section 1012.465, Florida Statutes, establishes the requirement for Level 2 screenings.]
- For employees hired during the audit period, test to determine whether (1) the school district verified and documented the employee's required education and experience to meet the position requirements and (2) the school district provided for a complete set of fingerprints to be taken and obtained and reviewed the required background check information (Section 1012.32, Florida Statutes). Per Section 1012.315, Florida Statutes, instructional and school administrator applicants for any position that requires direct contact with students are ineligible for employment if convicted of certain felonies and misdemeanors.
- For instructional personnel and school administrators hired during the current audit period for any position that requires direct contact with students, test to determine whether, prior to employment, the school district (1) conducted employment history checks with each of the employee's previous employers, and documented the results, including any unsuccessful efforts to contact an employer and (2) screened the employee through use of the educator screening tools described in Section 1001.10(5), Florida Statutes, and documented the findings. [Section 1012.27(6), Florida Statutes]

- Determine whether procedures are in place for obtaining fingerprints and FBI Level 2 screenings for noninstructional employees and contracted personnel (unless exempt from the fingerprinting and criminal history checks as provided by Section 1012.468, Florida Statutes), who are permitted access on school grounds when students are present, who have direct contact with students, or who have access to or control of school funds, including vendors. [Section 1012.465, Florida Statutes]
- If the school district established a sick leave pool, evaluate whether the plan meets the eligibility, contributions, and use limitation requirements of Section 1012.61(3), Florida Statutes.
- Test to determine whether payments for accumulated leave to employees comply with school district policy and whether the policy is in compliance with the provisions of Sections 1012.61 and 1012.65, Florida Statutes, relative to the limitations on the amounts that may be paid.
- Determine if the board members and the superintendent were properly compensated. Also, as provided in Section 1001.50(5), Florida Statutes, an appointed superintendent may not receive annual remuneration from State funds in excess of \$225,000 and the board shall determine the reasonableness of the appointed superintendent's total annual compensation in accordance with the provisions of Section 1001.50(3) and (4), Florida Statutes. [Sections 1001.395 and 1001.47, Florida Statutes]
- Determine whether the school district's instructional salary schedule made provision to implement Section 1012.22(1)(c), Florida Statutes. Each board shall adopt a grandfathered salary schedule with differentiated pay for both instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided by Chapter 447, Florida Statutes, and must allow differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
- Determine whether the school district established performance assessment procedures for instructional personnel and school administrators that are based on student performance, instructional practice, instructional leadership, and other indicators of performance in accordance with Section 1012.34(3), Florida Statutes, and whether a portion of each instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4, Florida Statutes.
- If the school district provides bonuses to any school district employee, determine whether the board has adopted a policy, resolution, plan, or salary schedule in accordance with Section 215.425(3), Florida Statutes.
- If the school district offers a deferred compensation program to its employees, determine whether the school district complied with the provision of Section 112.215(6)(b), Florida Statutes, in approving the plan.

- Determine whether terminal payment for accumulated leave to employees is authorized and correctly calculated in accordance with applicable sections of law. Specifically:
  - Section 1012.65, Florida Statutes, provides that “effective July 1, 2001, terminal pay for accrued vacation leave may not exceed a maximum of 60 days of actual payment. This limit does not impair any contractual agreement established before July 1, 2001. For unused vacation leave accumulated before July 1, 2001, terminal payment shall be made pursuant to the board’s policies, contracts, or rules that are in effect on June 30, 2001.”
  - Section 1012.61(2)(a)4., Florida Statutes, provides that, for instructional and educational support employees, terminal pay for accumulated sick leave, may not exceed an amount determined as follows: (a) during the first 3 years of service, the daily rate of pay multiplied by 35 percent times the number of days of accumulated sick leave; (b) during the next 3 years of service, the daily rate of pay multiplied by 40 percent times the number of days of accumulated sick leave; (c) during the next 3 years of service, the daily rate of pay multiplied by 45 percent times the number of days of accumulated sick leave; (d) during the next 3 years of service, the daily rate of pay multiplied by 50 percent times the number of days of accumulated sick leave; and (e) during and after the 13th year of service, the daily rate of pay multiplied by 100 percent times the number of days of accumulated sick leave.
  - Section 1012.61(2)(a)5., Florida Statutes, provides that, for employees other than instructional and educational support employees, “sick leave accrued after June 30, 2004, shall be compensated at no more than the daily rate of pay applicable at the time the sick leave was earned.”
- If the school district makes annual payments for accumulated sick leave that is earned for that year and unused (other than terminal payment) at the end of the school year, determine whether the payment is based on no more than 80 percent of the daily rate of pay. [Section 1012.61(2)(a)3., Florida Statutes]
- Determine whether contracts or employment agreements, or renewal or renegotiation of existing contracts or employment agreements entered into by the board, on or after July 1, 2011, with an officer, agent, employee, or contractor include a requirement that severance pay provided may not exceed an amount greater than 20 weeks of compensation and a prohibition of provision of severance pay when the officer, agent, employee, or contractor has been fired for misconduct, as defined in Section 443.036(29), Florida Statutes. [Sections 215.425(4)(a), 1001.42(24) and 1001.50(2), Florida Statutes]
- Determine whether severance pay received on or after July 1, 2011, by an officer, agent, employee, or contractor, that is not provided for in a contract or employment agreement, represented the settlement of an employment dispute

and did not exceed an amount greater than 6 weeks of compensation. [Section 215.425(4)(b), Florida Statutes]

- Determine whether the school district properly addressed any complaints filed against teachers or administrators in accordance with Section 1012.796, Florida Statutes.
- If the school district participated in the Dale Hickman Excellent Teaching Program during the fiscal year, determine whether teacher bonuses for National Board of Professional Teaching Standards certification and teacher mentoring services were awarded and paid in accordance with Section 1012.72, Florida Statutes.
- Determine whether the school district complied with SBE Rule 6A-3.0141 by verifying commercial licensure, obtaining background screenings, and reviewing the driving history records of school bus operators.

## **EARLY RETIREMENT PROGRAMS**

### Compliance Elements

Although school district employees participate in the Florida Retirement System, a school district may provide for an early retirement program under the provisions of Section 1012.685, Florida Statutes, provided that certain eligibility requirements are met. This section limits the amount of the benefits that may be provided to the total difference between the retirement benefit based on average monthly compensation and creditable service as of the member's early retirement date and the State early retirement benefit. To fund the program, a school district may invest funds or purchase annuities. Such programs must comply with Article X, Section 14 of the State Constitution with regard to the actuarial soundness of the program. Section 112.63, Florida Statutes, requires an actuarial report on a 3-year basis; however, the reporting requirements of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, Pe5.133, necessitate an actuarial report on a 2-year basis.

### Suggested Audit Procedures

Determine whether:

- The school district's early retirement program complies with Section 1012.685, Florida Statutes, with regard to the eligibility requirements for the participation in the programs and the amount of benefits that may be provided.
- An actuarial valuation has been performed in the last 2 years and whether the actuarial required funding has been met. (Note: If the program consists solely of purchased annuities that fully fund the benefits, and the program is offered strictly as a year-to-year option in the school district's employee salary package, this step is not applicable.)

## **CAPITAL OUTLAY ACTIVITIES**

### Compliance Elements

The general requirements governing capital construction and maintenance activities are found in Chapter 1013, Florida Statutes, and the Commissioner of Education's *State Requirements for Educational Facilities, 2014*, incorporated by reference into SBE Rule 6A-2.0010. Section 287.055, Florida Statutes, addresses negotiation of contracts with architects and engineers. Construction and maintenance activities must adhere to the requirements set forth in law and rule. These laws and rules govern such activities as: (1) the manner of contracting for educational facilities; (2) the manner of ensuring compliance with building code requirements; (3) site selection and land acquisition; (4) annual inspections of educational and ancillary facilities for compliance with safety and sanitation standards; (5) disposal of real property; (6) lease-purchases of educational facilities and sites; and (7) the educational plant survey and needs assessment documentation process and educational facilities work program. (Note: Provisions in Chapter 1013, Florida Statutes, relating to the capital outlay project budget requirements are discussed above in the section **BUDGETS AND LOCAL TAX LEVY**.)

In addition, the school district may receive various sources of restricted capital facilities moneys that must be used for acquisition and maintenance of capital facilities (including tangible personal property). These include the allocations of the Public Education Capital Outlay moneys (PECO), the local optional tax levy under Section 1011.71, Florida Statutes, impact fees under Section 163.31801, Florida Statutes, or local bond and certificates of participation issue proceeds. In assessing risk, the auditor will need to be alert to such sources of funds that are restricted for capital outlay use only. The budget document referred to in Section 1013.61, Florida Statutes, (see also **BUDGETS AND LOCAL TAX LEVY** above) should show the sources of funds to be used for each budgeted project.

### Suggested Audit Procedures

Test to determine whether:

- Earmarked capital outlay resources, e.g., PECO, proceeds of local optional tax levy pursuant to Section 1011.71, Florida Statutes, and local bond and certificate of participation issue proceeds, were expended in accordance with restrictions imposed on the use of the resources. Section 1011.71(2), Florida Statutes, requires that 1.5-mill tax moneys be used for costs of: (1) new construction and remodeling projects (without regard to prioritization, sites and site improvement or expansion to new sites, existing sites, auxiliary facilities, athletic facilities, or ancillary facilities); (2) maintenance, renovation, and repair of existing facilities or of leased facilities to correct deficiencies pursuant to Section 1013.15(2), Florida Statutes; (3) purchase, lease-purchase, or lease of school buses; (4) purchase, lease-purchase, or lease of new and replacement equipment; computer and device hardware and operating system software

necessary for gaining access to or enhancing the use of electronic and digital instructional content and resources; and enterprise resource software applications that are classified as capital assets in accordance with definitions of the GASB, have a useful life of at least 5 years, and are used to support districtwide administration or State-mandated reporting requirements (enterprise resource software may be acquired by annual license fees, maintenance fees, or lease agreements.); (5) payments for educational facilities and sites due under a lease-purchase agreement, not exceeding, in the aggregate, an amount equal to three-fourths of the proceeds from the millage levied pursuant to Section 1011.71(2), Florida Statutes (the three-fourths limit is waived for lease-purchase agreements entered into before June 30, 2009, by a district school board pursuant to this paragraph.); (6) loan payments approved pursuant to Sections 1011.14 and 1011.15, Florida Statutes; (7) payment of costs directly related to complying with State and Federal environmental statutes, rules, and regulations governing school facilities; (8) renting or leasing buildings, relocatables, or sites; (9) school buses when a school district contracts with a private entity to provide student transportation services if the district meets the requirements of Section 1011.71(2)(i); (10) opening day collection for the library media center of a new school; and (11) payout of sick leave and annual leave accrued as of June 30, 2017, by individuals who are no longer employed by a school district that transfers to a charter school operator all day-to-day classroom instruction responsibility for all FTE students funded under Section 1011.62, Florida Statutes. (Note: Section 1011.71(5), Florida Statutes, provides for the expenditure of \$100/unweighted FTE of 1.5-mill tax moneys for certain motor vehicles and insurance premiums for property and casualty insurance, provided the school district meets certain requirements, as described in that Section.)

- Procedures for contracting for construction of new facilities or major additions to existing facilities conformed to Sections 1013.45, 1013.46, 1013.47, and 255.20, Florida Statutes, and Section 4, *State Requirements for Educational Facilities, 2014*.
- Architects and engineers were selected in accordance with Sections 1013.45(4) and 287.055, Florida Statutes.
- Pursuant to Section 255.103(4), Florida Statutes, continuing contracts with construction management or program management entities were entered into for work during a defined period on construction projects described by type which may or may not be identified at the time of entering into the contract.
- Policies have been developed to establish minimum insurance coverage requirements for design professionals and whether such insurance is in effect prior to awarding projects.
- The educational plant survey and the facilities work program were prepared in accordance with Sections 1013.31, and 1013.35, Florida Statutes, and Section 3, *State Requirements for Educational Facilities, 2014*.

- Any energy savings contracts entered into under the provisions of Section 1013.23, Florida Statutes, conformed to the requirements relating to the selection of the contract provider; provided for a guaranteed measurable annual savings; and limited the contract length as specified by law.
- The annual inspections of educational and ancillary facilities, including relocatables, were made for compliance with safety and sanitation standards prescribed by Sections 4.4 and 5, *State Requirements for Educational Facilities, 2014*. [Sections 1013.12 and 1013.20, Florida Statutes]
- The school district provided to the law enforcement agency and fire department with jurisdiction over each educational facility a copy of the floor plans and other relevant documents as required by Section 1013.13, Florida Statutes. These documents are to be submitted or updated by October 1 of each year for facilities that were new or modified during the preceding year.
- Appraisals were obtained for any land acquisitions as required by Section 1013.14, Florida Statutes, and that site selection and inspection procedures required by Sections 1013.36 and 1013.365, Florida Statutes, were followed.
- For construction projects:
  - The contract was awarded pursuant to competitive bids, if applicable. [Sections 1013.45 and 1013.46, Florida Statutes]
  - The board pre-qualified bidders and that the bid was accompanied by evidence that the bidder holds an appropriate certificate or licensure or that the prime contractor has a current valid license. [Section 1013.46(2), Florida Statutes]
  - The construction plans were properly reviewed and approved. [Sections 1013.37(2), 1013.371(3), and 1013.38, Florida Statutes]
  - Prototypes were constructed and tested prior to the award, if reuse of existing architectural plans agreements was awarded. [Section 287.055(10), Florida Statutes, and Section 4.3(9), *State Requirements for Educational Facilities, 2014*]
  - The school district provided for the required project inspections during construction for compliance with the Florida Building Code and Florida Fire Prevention Code by inspectors or a chief building official certified pursuant to Chapter 468, Florida Statutes. [Section 1013.371, Florida Statutes]
  - Change orders were board-approved. If change orders were approved by other than the board, determine whether the board, by board policy, authorized a designated individual to approve the change orders in the name of the board for preestablished amounts and whether the approvals were reported to the board and entered into the official minutes. [Section 1013.48, Florida Statutes]

- A payment and performance bond was provided (Section 1013.47, Florida Statutes), and all required insurance was in force. [Section 4.2(1), *State Requirements for Educational Facilities, 2014*]
- The contract provided for penalty clauses relating to completion dates and were enforced, unless the board approved the waiving of penalties. [Section 1013.47, Florida Statutes]
- Continuing contracts with construction management or program management entities identified a defined period for the construction projects described by type which may or may not be identified at the time of entering into the contract.
- Final payment was made only after the project had been inspected by the architect or other person designated by the board and they had issued a written certification that the project was constructed in accordance with the approved plans, specifications, and change orders, and the board, acting on these recommendations had accepted the project. [Section 1013.50(1), Florida Statutes]
- The school district provided for the required independent inspection of construction projects prior to occupancy for compliance with statutes, rules, and codes affecting the health and safety of the occupants. [Section 1013.37(2)(c), Florida Statutes]
- The required letter of assurance with regard to water quality was obtained prior to occupancy of the facility. [Section 403.862(1)(c)2., Florida Statutes, and Department of Environmental Protection Rule 62-555.345, FAC]
- The required certificate of occupancy was received prior to occupancy. [Section 4.1, *State Requirements for Educational Facilities, 2014*]
- A separate project account was kept for each project that was subject to Section 1013.371(3), Florida Statutes. [SBE Rule 6A-1.011]
- For leased facilities, inspections and other requirements of Section 1013.15, Florida Statutes, were met.
- For infrastructure capital outlay funded by impact fees, determine whether the impact fees collected are earmarked for the construction of new capital educational facilities to accommodate new growth, pursuant to Section 163.31801, Florida Statutes.
- Day-labor projects conformed to Section 1013.45(1)(e), Florida Statutes, and Section 4.2(2), *State Requirements for Educational Facilities, 2014*.
- The amounts reported to the FDOE as expended/encumbered in the current audit period for various PECO funds are in agreement with the school district's accounting records and that the superintendent certified that the PECO funds are in compliance with applicable laws. [Section 1013.31(2), Florida Statutes] In accordance with Section 216.301(2)(a), Florida Statutes, PECO allocations

must be expended or under the terms of a binding contract by February 1 of the third fiscal year of the appropriation.

- Pursuant to Section 1013.64(6)(b)2., Florida Statutes, the school district maintained accurate documentation to support the costs of new construction of educational plant space. Also, determine whether, pursuant to Section 1013.64(6)(b)1., Florida Statutes, the school district limited the use of specified restricted funds to the total cost per student station statutory thresholds. (Note: If a contract was executed for architectural and design services or for construction management services before July 1, 2017, a school district may use funds from any source for the new construction and such funds are exempt from the total cost per student station requirements pursuant to Section 1013.64(6)(b)5., Florida Statutes.)

## **PURCHASING AND OTHER EXPENDITURES AND EXPENSES**

### Compliance Elements

The general requirements relating to school district purchasing practices are found in SBE Rule 6A-1.012, which require that the board establish purchasing rules, and set forth the bid requirements and the exemptions from these requirements. Other provisions addressing purchasing include Department of Agriculture and Consumer Services Rule 5P-1.003, FAC, which addresses purchases of school food service program items, and Section 112.08(2)(a), Florida Statutes, which addresses the acquisition of various group insurance coverages for school district officers and employees. As noted in the section **CAPITAL OUTLAY ACTIVITIES**, Chapter 1013, Florida Statutes, and the *State Requirements for Educational Facilities, 2014*, address purchasing requirements related to land and capital facilities.

Section 1001.42(12)(i), Florida Statutes, addresses conflicts of interest relating to school district officials, and Chapter 112, Part III, Florida Statutes, provides a code of ethics for public officers and employees. Section 112.3145, Florida Statutes, requires that employees, as defined by Section 112.3145(1)(a)3., Florida Statutes, who have the authority to make any purchase exceeding \$20,000 must file financial disclosure forms. (Note: The Commission on Ethics has determined that an individual who acts as signatory of the purchase order is a “purchasing agent” for purposes of financial disclosure. See [CEO 88-62](http://www.ethics.state.fl.us) at <http://www.ethics.state.fl.us> and select Research, Advisory Opinions, 1988, 88-62. Also see Section 112.312(20), Florida Statutes, for the statutory definition of a purchasing agent.)

Travel expenditures are governed by Section 112.061, Florida Statutes. Section 112.061(3)(e), Florida Statutes, provides that travel expenses of public officers or employees for the purpose of implementing, organizing, directing, coordinating, or administering, or supporting the implementation, organization, direction, coordination, or administration of, activities related to or involving travel

to a terrorist state shall not be allowed under any circumstances. For purposes of this section, “terrorist state” is defined as any state, country, or nation designated by the United States Department of State as a sponsor of terrorism.

Electronic transfers of funds are addressed in Chapter 668 and Sections 215.85, 1010.11, and 1011.18(4), Florida Statutes. SBE Rule 6A-1.0012 sets forth the minimum security measures for direct deposit by electronic transfer of funds or other medium.

Section 1001.453, Florida Statutes, addresses school district DSOs use of school district property. While DSOs may use property, facilities, and personnel services of school districts, there is no explicit authority to provide cash or make loans (of any type) by the school district to a DSO.

SBE Rule 6A-1.012(10) addresses acquiring (whether by purchase, lease, or rental) information technology resources [Section 282.0041(11), Florida Statutes]. A school district may make an acquisition through the competitive solicitation process, or by direct negotiation and contract with a vendor or supplier, as best fits the needs of the school district as determined by the board.

Section 218.391, Florida Statutes, prescribes procedures to select and contract for audit services and the required elements of the contract.

### Suggested Audit Procedures

- Determine whether the board has adopted purchasing policies, and whether the policies address the extent to which purchasing authority has been delegated to the superintendent as set forth in SBE Rule 6A-1.012.
- Test to determine whether purchases were made in accordance with laws, rules, and board policies.
- For the board members, superintendent, chief financial officer, and all employees with the authority to make a purchase exceeding \$20,000, determine whether the employees filed financial disclosure forms in accordance with Section 112.3145, Florida Statutes. Compare financial disclosure forms to vendor lists and related payment records to assess whether conflicts of interest may have existed.
- Determine whether the board has adopted appropriate and sufficient policies, and the school district has implemented control procedures over electronic transfers of funds, such as electronic payments to vendors. Such controls should ensure that the responsibilities for initiation and approval of electronic payments were properly separated, and each electronic payment was confirmed in writing and signed by the superintendent or the superintendent’s designee.

- Determine whether the school district did not contract with its employees for services beyond those provided in the salary contract. [Section 112.313(3), Florida Statutes]
- Test to determine whether school district funds were used for travel expenses to implement, organize, direct, coordinate, administer, or support the implementation, organization, direction, coordination, or administration of, activities related to or involving travel to a terrorist state. [Section 112.061(3)(e), Florida Statutes]
- Determine whether the school district transferred resources other than property, facilities, or personnel services to a DSO (e.g., cash, extending credit, doing business with one of its DSOs at prices that exceed the DSO's cost of providing the goods or services). [Section 1001.453, Florida Statutes, authorizes school districts to provide property, facilities, or personnel services to DSOs; however, no explicit authority exists for other transfers.]
- Determine whether the school district evaluated the effectiveness and suitability of the information technology (e.g., software application) prior to purchase. Determine whether the information technology was acquired using a competitive selection process. Evaluate the method used by the school district to ensure that it acquired the information technology that would meet its needs at the best price/lowest cost. [SBE Rule 6A-1.012(10)]
- Determine whether the school district followed Section 218.391, Florida Statutes, which requires establishment of an audit committee, for selecting auditors/audit firms, and followed prescribed procedures to contract for the audit services.

## **INSURANCE AND RISK MANAGEMENT PROGRAMS**

### Compliance Elements

Section 1001.42(12)(k), Florida Statutes, provides the general requirements for the protection against loss for school district property. For example, school districts may purchase insurance, be self-insured, or enter into risk management programs as set forth in law. Section 112.08, Florida Statutes, addresses group insurance coverage for school district officers and employees and prescribes requirements that must be met when this coverage is provided through risk management programs that include self-insurance. If the school district is self-insured for workers' compensation coverage, the qualified servicing entity should be approved by the Office of Insurance Regulation. Section 1010.07, Florida Statutes, requires each board to ensure that each official and employee responsible for handling, expending, or authorizing the expenditure of funds shall be appropriately bonded or insured to protect the board and the funds involved.

## Suggested Audit Procedures

- Determine whether the board made provision to protect against loss or damage of school district property or loss resulting from any liability for which the board or its officers, agents, or employees may be responsible.
- Determine whether competitive bids were sought for insurance coverage, such as group health insurance, provided for district officers and employees. [Section 112.08(2)(a), Florida Statutes] Also, review school district methods for acquiring commercial insurance, such as for property, casualty, workers' compensation or any other insurance not specified in Section 112.08(2)(a), Florida Statutes, to determine whether the basis for selecting particular carriers is documented in district records and conforms to good business practice. (For example, SBE Rule 6A-1.012(15), allows school districts to competitively select or directly negotiate for insurance other than insurance acquired pursuant to Section 112.08, Florida Statutes. However, if competitive selection procedures were not followed, school district records should document the basis upon which the school district decided not to competitively procure these services and why direct negotiations with the insurance carrier were more beneficial for the school district.)
- If the school district has elected to self-insure for group health insurance, determine whether the plan has been approved as to actuarial soundness by the Office of Insurance Regulation (Section 112.08(2)(b), Florida Statutes); and whether the administrator or insurance company has been approved by the Office of Insurance Regulation (Section 112.08(2)(a), Florida Statutes). (<http://www.floir.com>)
- If the school district is self-insured for workers' compensation coverage, determine whether the qualified servicing entity was approved by the Office of Insurance Regulation. [DFS Rule 69L-5.229, FAC]
- If the school district uses a service agent, determine whether the agent was bonded for fidelity in amount equal to 10 percent of claims processed annually and for errors and omissions in an equal amount not to exceed \$250,000 for each. [Section 626.897(7), Florida Statutes]
- If the school district uses an administrator, determine whether the administrator kept in full force and effect a fidelity bond equal to at least 10 percent of the amount of the funds handled or managed annually by the administrator. [Section 626.8809, Florida Statutes]
- If the school district participated in a risk management program that is administered by a trust or other school-related association, determine whether the school district obtained a copy of the required audit of the program. [Section 1001.42(12)(k), Florida Statutes]
- For the school district's health insurance program, determine whether controls were designed properly and operating effectively to ensure that only eligible employees and their eligible dependents are allowed to participate in the

program. Such participation should be authorized by board action, such as board-approved policies, salary schedules, or union contracts.

## **DEBT FINANCING**

### Compliance Elements

A board is limited by law to the manner in which it may incur debt (Sections 1001.42(12)(e) and 1011.12, Florida Statutes). Current loans in anticipation of the receipt of current school funds (tax anticipation notes) are governed by Section 1011.13, Florida Statutes. Loans for capital outlay purposes are governed by Section 1011.14, Florida Statutes. Obligations to eliminate major emergency conditions are governed by Section 1011.15, Florida Statutes. Provisions for retirement of existing indebtedness that is unfunded or in default are found in Section 1011.16, Florida Statutes.

School districts may issue bonds creating a long-term indebtedness as prescribed by law. General provisions governing bond issues are found in Chapter 132 and Sections 215.84, 218.38, 218.385, 1010.40 through 1010.59, and 1011.21 through 1011.23, Florida Statutes. (Note: In assessing risk, the auditor will also need to review any Special Acts that may impact the initial issue or refunding of any revenue bonds.)

Tax exempt debt is subject to the Internal Revenue Code and Internal Revenue Regulations, primarily Title 26, Section 148, USC, and Title 26, Section 1.148, CFR. These provisions govern the manner in which the debt must be administered in order to maintain its tax-exempt status.

Debt securities issued by school districts are subject to the continuing annual financial and operating disclosure requirements of the Securities and Exchange Commission (SEC) in SEC Rule 15c2-12. [Title 17, Section 240.15c2-12, CFR]

### Suggested Audit Procedures

- For any current operating loans, determine whether: (1) the amount borrowed does not exceed 80 percent of the amount included in the official budget as the estimated school district tax, unless the tax roll is subject to litigation; and (2) such current loans are defeased no less than 5 business days prior to the issuance of any new loan that is to be repaid from the subsequent year's revenues. [Sections 1011.13(1)(a) and (c) and 1011.13(2)(c), Florida Statutes]
- For capital outlay loans obtained pursuant to Section 1011.14, Florida Statutes, determine whether: (1) the amount of the loan or loans do not exceed one-fourth of the school district ad valorem tax revenue for the preceding year; and (2) the board adopted and spread upon its minutes a resolution giving the nature of the obligations to be incurred, stating the plan of payment, and providing that such funds will be budgeted during the period of the loan from the current revenue to retire the obligations maturing during the year.

- For any new bond issues, determine whether: (1) school district records document the authority for the debt; (2) if sold other than by competitive bid, that school district records provide the specific reasons that a negotiated sale was in the best interest of the school district; and (3) that the required truth-in-bonding statements are included. [Sections 218.385, 1010.47, and 132.09, Florida Statutes]
- For any new bond issues, if a negotiated sale was used, determine whether there was documentation of a board resolution detailing specific findings as to the reason for a negotiated sale, and a disclosure statement from the managing underwriter, financial consultant, or financial advisor. [Section 218.385(6), Florida Statutes]
- For any debt issued during the period, determine whether the rates of interest comply with the provisions of Section 215.84(3), Florida Statutes. [Sections 215.84, 1011.13, 1011.14, and 1011.15 Florida Statutes]
- The restrictions on the use of the debt proceeds should be considered in the tests performed in the **CAPITAL OUTLAY ACTIVITIES** section and **PURCHASING AND OTHER EXPENDITURES AND EXPENSES** section.
- School districts may be involved in the issue of certificates of participation or lease revenue bonds. These are generally issued under the provisions of Section 1013.15, Florida Statutes, and involve a third party that issues the debt. The auditor will need to review the specific debt indenture documents to assess the authority and restrictions on this debt to determine whether the school district is in compliance with the provisions of Section 1013.15, Florida Statutes, with regard to the leased facilities, and that the arrangement does not constitute an obligation extending beyond the current budget year.
- If the debt is tax exempt, the school district will be subject to the arbitrage rebate and restrictions of the Internal Revenue Code. For issuers whose total tax exempt debt issued within the calendar year does not exceed \$5,000,000, audit procedures would be limited to verification that the required information return was filed and that at least 95 percent or more of the net proceeds were used for local governmental (school district) activities and that the issue was not a private activity bond (Title 26, Section 148(f)(4)(D), USC). Note that the \$5,000,000 limitation would take into account all tax-exempt obligations issued during the calendar year. Also, the arbitrage rebate restrictions generally will not apply if the proceeds from the issue have been spent within 6 months of the date of issue. For purposes of tax anticipation notes, this safe harbor rule requires that, at some point within 6 months of the issuance of the notes, the cumulative cash flow deficit must exceed 90 percent of the proceeds of the issue (Title 26, Section 148(f)(4)(B)(iii), USC). The cumulative cash flow deficit is defined as the excess of the amount the issuer spends during the calculation period over the sum of the amounts other than note proceeds available for payment of the expenditures. Also, exceptions to the arbitrage restrictions are provided for tax exempt debt for which the proceeds are spent at required levels over a specific period (Title 26, Section 148(f)(4)(C), USC). The issue may also

be exempt if the school district invests the proceeds in certain other tax-exempt securities or in the Federal Treasury Demand Deposit SLGS Program (Title 26, Section 1.148-2(d)(2)(v), CFR). Suggested audit procedures dealing with the arbitrage rebate and restriction requirements are noted below.

- Determine whether the school district filed with the IRS the required information return form 8038-G relative to the issue of the debt. [Title 26, Section 149(e), USC]
- If the debt issue(s) is considered by the school district to be exempt from the arbitrage rebate and restrictions because the cumulative tax-exempt debt for the calendar period in which the debt was issued does not exceed \$5,000,000, determine whether the total tax-exempt debt issued during the calendar year did not exceed \$5,000,000. [Title 26, Section 148(f)(4)(D), USC]
- If the school district considers an issue exempt from the arbitrage rebate and restrictions because the proceeds were expended within 6 months of issue, determine whether the school district's records document that the funds were expended within the 6-month period. See notation above regarding the requirements relative to tax anticipation notes. [Title 26, Section 148(f)(4)(B), USC]
- If the school district considers the issue to be exempt from the arbitrage rebate and restrictions because of the types of securities in which the proceeds have been invested, review the school district's records to determine the basis for the exemption and that the investments were of the nature represented by the school district. [Title 26, Section 1.148-2(d)(2)(v), CFR]
- For construction bond issues for which the school district elected the 2-year spend-out provisions in order to exempt the issue from the arbitrage rebate and restrictions, determine whether the school district's records demonstrate that at least 75 percent of the issue is to be used for construction on school district property and that the cumulative expenditures from the proceeds are made within the following schedule from the date of issue: within 6 months, 10 percent; 12 months, 45 percent; 18 months, 75 percent; 24 months, 100 percent. An issuer is treated as meeting this requirement if the only unspent proceeds at the end of 24 months is a reasonable retainage not exceeding 5 percent and the reasonable retainage is spent within an additional 12 months. (Note: An issuer electing this provision may also elect to pay a penalty in lieu of any required rebate in the event of failure to meet the spend-out provisions.) [Title 26, Section 148(f)(4)(C)(ii), (iii), and (vii), USC]
- For all issues for which the school district elected the 18-month spend out provisions in order to exempt the issue from the arbitrage rebate and restrictions, determine whether the school district records demonstrate that the cumulative expenditures from the proceeds are made within the following schedule from the date of issue: within 6 months, 15 percent;

within 12 months, 60 percent; and within 18 months, 100 percent. An issuer is treated as meeting this requirement if the only unspent proceeds at the end of 18 months is a reasonable retainage not exceeding 5 percent of the issue and the reasonable retainage is spent within an additional 12 months. (Note: This exception does not apply to an issue any portion of which is treated as meeting the 24-month exception.) [Title 26, Section 1.148-7(d), CFR]

- Determine whether the projects constructed from the proceeds are not for use in a private activity, for example, a cafeteria which will be contracted to a private contractor for operation. [Title 26, Section 148(f)(4)(C)(iv)(II), USC]
- Determine whether the school district has complied with terms of the issue(s) relative to engaging any professional services (e.g., a rebate administrator) to assist in ensuring compliance with the arbitrage rebate and arbitrage restriction provisions.
- For those debt issues for which an arbitrage rebate amount is required to be calculated, complete the following procedures. (Note: These procedures would be applicable to those issues not determined to be exempt in the steps above.)
  - Evaluate school district compliance with the temporary period restrictions in which arbitrage may be earned. For issues for capital facilities funding, the temporary period would generally be 3 years from the date of issue if: (1) 85 percent of the spendable proceeds are spent within the 3-year period; (2) a substantial binding contract to commence work on or acquire the project is incurred within 6 months after the bonds are delivered; and (3) work on or acquisition of the project(s) proceeds with due diligence to completion (Title 26, Section 1.148-2(e)(2)(i), CFR). The permissible period for tax anticipation notes is different; however, given the requirements under Florida law regarding repayment of these notes, the temporary period discussed in Title 26, Section 1.148-2(e)(3)(ii), CFR, should be met. If the school district has not expended the proceeds within the prescribed time frame, determine the actions taken by the school district to obtain an approved extension of the period under which the proceeds are to be expended or to otherwise restrict the investment of the remaining portion to ensure that arbitrage earnings do not occur.
  - Determine whether school district records separate the proceeds received from the issue and identify amounts of the proceeds invested and the interest earned thereon.
  - Determine whether the school district appropriately determined the bond yield for purposes of the rebate calculation.
  - Evaluate the adequacy of school district procedures to compute the arbitrage rebate amount.

- If the bond resolutions require the rebate amount to be calculated and placed in a rebate account periodically, determine whether the school district has complied with these restrictions.
- If the debt issue has a required reserve under the terms of the bond resolutions:
  - Determine whether no more than 10 percent of the bond proceeds were transferred to the required reserve. Under Title 26, Section 148(d)(2), USC, a bond could be treated as an arbitrage bond if more than 10 percent of the proceeds are transferred to the reserve fund. For a higher amount to be transferred, approval from the U.S. Treasury would be necessary.
  - Determine whether the arbitrage rebate calculation was made for any moneys placed in a required reserve fund. This would include any proceeds from the issue as well as moneys from other sources. (Note: The arbitrage calculation would not apply to any moneys in a so-called bona fide debt service fund set up to service the debt.)
  - Evaluate whether the amounts held in a bona fide debt service fund for the payment of debt service did not exceed the limitation under the definition of a bona fide debt service fund. A bona fide debt service fund is defined as a fund used primarily to achieve a proper matching of revenues and debt service within each bond year. A bona fide debt service fund must be depleted at least once each year except for a reasonable carryover amount not to exceed the greater of: (a) one-year's earnings on the fund or (b) one-twelfth of annual debt service. [Title 26, Section 1.148-1(b), CFR]

(Note: Under the Tax Reform Act of 1986, debt service funds (so-called "interest and sinking funds" as opposed to required reserve funds) were subject to rebate requirements if the debt service fund for the issue earned more than \$100,000. The Technical and Miscellaneous Revenue Act of 1988 revised the debt service fund requirements to exclude from the rebate requirements the debt service funds for all fixed rate, long-term (maturities of 5 years or longer) issues. For issues prior to November 11, 1988, the issuer was allowed a one-time election to adopt the amendment for the affected bond issues. If the issuer did not elect to adopt the new rules, then the debt service fund earnings for the affected issue would still be subject to the \$100,000 limitation. These provisions apply to moneys held for use in meeting debt service payments and not to moneys held to meet required reserves. In effect, this exclusion would apply to those moneys held in the debt service fund for the issue in excess of the required reserve. However, these amounts would be limited under the definition of a bona fide debt service fund set forth in the Internal Revenue Code as defined above. If the school district has taken the election discussed above, it would appear that the total required debt service for all bond issues outstanding could be considered in computing the amount of the bona fide debt service requirements. If the election was not taken, a review of each bond issue dated prior to November 11, 1988, would have to be made on an issue by issue basis to verify that the earnings did not exceed

\$100,000 on the debt service fund excluding any required reserve for that issue.) [Title 26, Section 148(f)(4)(A)(ii), USC]

- Determine whether any amounts due to the U.S. Treasury for arbitrage rebates were properly remitted. The first rebate installment payment must be made for a computation date that is not later than 5 years after the issue date. Subsequent rebate installments must be made for a computation date that is not later than 5 years after the previous computation date. Each rebate payment must be made no later than 60 days after the computation date. [Title 26, Section 1.148-3(f) and (g), CFR]
- For those issues for which the school district elected to pay the penalty in lieu of rebate, review the school district's calculation and payment. Under Title 26, Section 148(f)(4)(C)(vii), USC, an issuer of a construction issue may elect on or before the issue date to pay a penalty (the 1.5 percent penalty) to the United States in lieu of the obligation to pay the rebate amount on available construction proceeds upon failure to satisfy the spending requirements. The 1.5 percent penalty is calculated separately for each spending period, including each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds equal the amount of available construction proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental purposes of the issue by that date. The 1.5 percent penalty must be paid to the United States no later than 90 days after the end of the spending period to which it relates. [Title 26, Section 1.148-7(k), CFR]
- Evaluate, as applicable, school district procedures for filing the continuing annual financial and operating information disclosures with the Municipal Securities Rulemaking Board. (<http://www.sec.gov/info/municipal/nrmsir.htm> or <http://www.emma.msrb.org>)

## **CONSORTIUMS AND JOINT PROJECTS**

### Compliance Elements

School districts may establish and participate in educational consortiums that are designed to provide joint programs and services to cooperating school districts (Section 1001.42(4)(j) and 1001.42(14), Florida Statutes). SBE Rule 6A-1.099 generally governs the operations of such arrangements. A school district electing to join a consortium shall by resolution declare its participation setting forth at least the following: (1) the specific needs of the school district that will be met by the consortium activities; (2) the services to be received by the school district; (3) a beginning date of entry into the agreement; (4) a termination date for the agreement or an annual renewal option; and (5) amounts of funds to be paid annually for the services received or the specific method of computation used to determine such amounts.

The superintendents of the participating school districts or his/her designee shall constitute the consortium board of directors.

The consortium shall establish a district of record to act as fiscal agent. Personnel shall be employed under the salary schedule of the district of record and ownership and control of property shall be vested in the district of record.

#### Suggested Audit Procedures

- Determine whether the board approved a resolution to participate in the consortium.
- If the school district serves as the district of record, determine whether the school district properly accounted for consortium activities.

### **EDUCATIONAL FACILITIES BENEFIT DISTRICTS**

#### Compliance Elements

School districts may participate in an educational facilities benefit district (EFBD) through an interlocal cooperative agreement with local general purpose governments in accordance with Section 1013.355, Florida Statutes. The purpose of EFBDs is to assist in financing the construction and maintenance of educational facilities. EFBDs have authority to finance and construct educational facilities, borrow money, and levy non-ad valorem assessments. The school district's responsibility for any debt service payment on debt issued by the EFBD will depend on the terms of the interlocal agreement. Generally, a school district's liability for debt service payments (referred to as gap funding) will be the difference between the revenues and assessments collected by the EFBD and the debt service payments.

#### Suggested Audit Procedures

Determine whether:

- The agreement with the EFBD provides for accounting to the school district for non-ad valorem assessments levied and collected, use of debt service proceeds, and investment of funds to effectively limit the gap funding required by the school district.
- Funds contributed by the school district to the EFBD are not used for operational costs.

## **STUDENT FEES**

### Compliance Elements

The general principle governing fees charged by a board is that the board must point to the specific provision of law or rule authorizing the fee.

Section 1000.04, Florida Statutes, establishes that Florida's K-20 education system provides for the delivery of public education through publicly supported and controlled K-12 schools, State colleges, State universities and other postsecondary educational institutions, other educational institutions, and other educational services as provided or authorized by the Constitution and laws of the State. Article IX of the State Constitution provides, in part, that adequate provision shall be made by law for a uniform system of free public schools. Public K-12 schools are defined in Section 1000.04(1), Florida Statutes, to include charter schools and consist of kindergarten classes; elementary, middle and high school grades and special classes; school district virtual instruction programs; workforce education; career centers; adult, part-time, and evening schools, courses, or classes as authorized by law to be operated under the control of boards; and lab schools operated under the control of State universities.

Sections 1009.22, 1009.25, 1009.26, and 1009.27, Florida Statutes, address fees for workforce education and provide the circumstances under which fees for these types of courses are to be charged.

### Suggested Audit Procedures

- Tests of revenues should consider moneys collected from fees to determine whether such fees were approved by the board and that the board has cited the specific authority to charge the fee.

## **ADULT EDUCATION ENROLLMENT AND REPORTING**

### Compliance Elements

The GAA (Chapter 2017-70, Section 2, Specific Appropriation 122, Laws of Florida) states "For adult general education programs, fees shall be assessed in accordance with Section 1009.22, Florida Statutes" (a block tuition of \$45 per half year or \$30 per term). Section 1009.22(3)(d), Florida Statutes, states that each board may adopt tuition and out-of-state fees that may vary no more than 5 percent below and 5 percent above the combined total of the standard tuition and out-of-state fees established in Section 1009.22(c), Florida Statutes. The GAA (Chapter 2017-70, Section 1, Specific Appropriation 10, and Section 2, Specific Appropriation 122, Laws of Florida) requires that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures.

### Suggested Audit Procedures

- Determine whether the school district reported enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures.
- For adult general education programs, determine whether the school district assessed a block tuition as required by the GAA (Chapter 2017-70, Section 2, Specific Appropriation 122, Laws of Florida).
- Evaluate school district compliance with FDOE requirements for reported student instructional and contact hours pursuant to:
  - SBE Rule 6A-10.0381, FAC.
  - FDOE Summary of Rule Language in SBE Rule 6A-10.0381 on Adult General Education Instructional Hours Reporting.
  - FDOE's Technical Assistance Paper: Adult General Education Instructional Hours Reporting Procedures, August 2017.

## **INDUSTRY CERTIFICATION PERFORMANCE FUNDING**

### Compliance Elements

The GAA (Chapter 2017-70, Section 2, Specific Appropriation 125, Laws of Florida), provides performance funding to school district workforce education programs for students who attained industry certifications during the 2017-18 fiscal year in the following occupational areas: public safety, health sciences, automotive service technology, auto collision repair and refinishing, cyber security, cloud virtualization, network support services, computer programming, advanced manufacturing, electrician, welding, Federal Aviation Administration airframe mechanics, power plant mechanics, pharmacy technicians, and heating, ventilation and air conditioning technicians. School districts must maintain documentation for student attainment of industry certifications that are eligible for performance funding. If a school district is unable to comply, the school district must refund the performance funding to the State.

### Suggested Audit Procedures

- Determine whether funding was appropriately supported by student-attained industry certifications that are eligible for performance funding.

## **CONFIDENTIAL RECORDS**

### Compliance Elements

School districts may only collect social security numbers of students, individuals seeking employment with the school district, or other individuals under certain conditions specified in Section 119.071(5)(a)2., 3., and 4., Florida Statutes.

### Suggested Audit Procedures

Determine whether:

- The school district collected social security numbers and notified individuals, in writing, of the purpose for collecting the numbers.
- The school district identified, in writing, the specific Federal or State law governing the collection, use, or release of social security numbers for each purpose for which the school district collects the social security numbers, including authorized exceptions.
- The school district monitored its compliance with the requirements specified in Section 119.071(5)(a)2., 3., and 4., Florida Statutes.
- The school district limited access to confidential or sensitive records to only those employees who required such access to perform their assigned duties.

### **JOHN M. MCKAY SCHOLARSHIPS**

#### Compliance Elements

The John M. McKay Scholarships for Students with Disabilities Program is established to provide the option to attend a public school other than the one to which assigned, or to provide a scholarship to a private school of choice, for students with disabilities for whom an individual education plan written in accordance with rules of the SBE or a 504 accommodation plan issued under Section 504 of the Rehabilitation Act of 1973. Section 1002.39(5)(a)1., Florida Statutes, requires that by April 1 of each year, and within 10 days after an individual education plan meeting or a 504 accommodation plan is issued under Section 504 of the Rehabilitation Act of 1973, a school district shall notify the parent of the student of all options available pursuant to this section, inform the parent of the availability of the FDOE telephone hotline and Internet Web site for additional program information, and offer that student's parent an opportunity to enroll the student in another public school within the school district.

#### Suggested Audit Procedures

- Determine whether the school district maintained documentation evidencing that it has provided the annual notification of the options under the John M. McKay Scholarships for Students with Disabilities Program to parents of students with disabilities for whom an individual education plan has been written or a 504 accommodation plan has been issued under Section 504 of the Rehabilitation Act of 1973.

## **DUAL ENROLLMENT PROGRAMS**

### Compliance Elements

Section 1007.271(21), Florida Statutes, requires that each school district superintendent and Florida College system president develop a comprehensive dual enrollment program, and each university president may designate a university representative to develop the dual enrollment program. Section 1007.271(21)(n), Florida Statutes, also requires each school district to pay the standard tuition rate per credit hour when the course takes place on a college or university campus, and to reimburse the costs associated with the faculty's proportion of salary and benefits when the course is provided on a high school site.

### Suggested Audit Procedures

- Determine whether applicable payments made to the college or university for dual enrolled students were consistent with the dual enrollment program(s) and Section 1007.271(21)(n), Florida Statutes.

## **VIRTUAL INSTRUCTION PROGRAMS**

### Compliance Elements

Section 1002.45, Florida Statutes, requires each school district to provide eligible students within its boundaries the option of participating in a virtual instruction program (VIP). The term VIP is defined in Section 1002.45(1)(a)2., Florida Statutes, as a program of instruction provided in an interactive learning environment created through technology in which students are separated from their teachers by time or space, or both.

Section 1002.45(1)(b), Florida Statutes, requires school districts to provide students the option of participating in VIPs. School districts in sparsely populated counties, eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, shall provide all enrolled public school students within their boundaries the option of participating in part-time and full-time VIPs. School districts ineligible for special funding are required to provide students with at least three options for part-time and full-time VIPs. A school district's VIP shall consist of the following:

- Full-time and part-time virtual instruction for students enrolled in kindergarten through grade 12.
- Full-time or part-time virtual instruction for students enrolled in dropout prevention and academic intervention programs under Section 1003.53, Florida Statutes, Department of Juvenile Justice education programs under Section 1003.52, Florida Statutes, core-curricula courses to meet class size requirements under Section 1003.03, Florida Statutes, or Florida College System institutions under Section 1002.45, Florida Statutes.

Pursuant to Section 1002.45(1)(c), Florida Statutes, to provide students with the option of participating in VIPs, a school district may:

- Contract with the Florida Virtual School (FLVS) or establish a franchise of the FLVS.
- Contract with an FDOE-approved provider qualified under Section 1002.45(2), Florida Statutes.
- Enter into an agreement with other school districts to allow the participation of its students in an approved VIP provided by the other school district.
- Establish school district operated part-time or full-time kindergarten through grade 12 VIPs.
- Enter into an agreement with a virtual charter school authorized by the school district under Section 1002.33, Florida Statutes.

Section 1002.45(4), Florida Statutes, mandates that each contract with an FDOE-approved provider contain certain provisions. Section 1002.45(4)(f), Florida Statutes, requires that an approved provider comply with all requirements of Section 1002.45, Florida Statutes.

Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel.

Section 1002.45(10), Florida Statutes, requires that each school district provide notification to parents and students about a student's right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, provides that all school districts must provide parents with timely written notification of at least one open enrollment period for full-time students of 90 days or more which ends 30 days before the first day of the school year.

Section 1002.45(6)(a), Florida Statutes, requires each student enrolled in a VIP to comply with the compulsory attendance requirements prescribed in Section 1003.21, Florida Statutes, and requires school districts to verify student attendance.

Section 1002.45(3)(c), Florida Statutes, requires each VIP to provide each student enrolled in the VIP with all the necessary instructional materials.

Pursuant to Section 1002.45(3)(d), Florida Statutes, eligible students enrolled in a VIP must be provided with all necessary equipment, such as computers, monitors, printers, and Internet access for online instruction. To qualify for these computing resources, the VIP students must be full-time, eligible for free or reduced-price school lunches, and not have a computer or Internet access in his or her home.

Section 1002.45(1)(e)2., Florida Statutes, requires that each school district expend the difference in funds provided for students participating in the school district VIP

and the price paid for contracted services for the implementation of the school district's digital classroom plan pursuant to Section 1011.62, Florida Statutes.

### Suggested Audit Procedures

- Determine whether the school district's VIP consisted of the number and type of VIP options required by Section 1002.45(1)(b), Florida Statutes.
- If the school district chose to contract with an approved provider in accordance with Section 1002.45(1)(c)2., Florida Statutes, verify that the contract contained the requirements set forth in Section 1002.45(4), Florida Statutes. Also, review contract provisions to assess the sufficiency of other necessary contract provisions, such as provisions for the school district to monitor both the provider's compliance with the contract terms and the provider's quality of virtual instruction, data quality requirements, and the minimum required security controls that the school district expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive educational data.
- Determine whether the school district has procedures in place to ensure that the required background screenings are performed for all VIP provider employees and contracted personnel. [Section 1002.45(2)(a)3., Florida Statutes]
- Determine whether the school district verified that each student enrolled in a VIP option as listed in Section 1002.455(3), Florida Statutes, was an eligible participant (i.e., met one of the criteria listed in Section 1002.455(2), Florida Statutes).
- Determine whether the school district provided timely written notifications to parents about student opportunities to participate in VIPs and the dates of open enrollment periods. [Section 1002.45(10) and 1002.45(1)(b), Florida Statutes]
- Determine whether the school district has established procedures to require and ensure a documented verification that students enrolled in a VIP have complied with compulsory attendance requirements. [Section 1002.45(6)(a), Florida Statutes]
- Determine whether the VIP provided each student enrolled in the program with all necessary instructional materials. [Section 1002.45(3)(c), Florida Statutes]
- Determine whether the school district ensured that the VIP provided each full-time student enrolled in the program who qualified for free or reduced-priced meals, or who is on the direct certification list, and had no computer or Internet access in his or her home with: (a) all equipment necessary for participants in VIP, including, but not limited to, a computer, monitor and, if necessary to participate, a printer or (b) access to or reimbursement for all Internet services necessary for online delivery of instruction. [Section 1002.45(3)(d), Florida Statutes]

- Determine whether the school district expended residual VIP funds on the school district's digital classroom plan. [Section 1002.45(1)(e)2., Florida Statutes]

## **INTENSIVE READING INSTRUCTION**

### Compliance Elements

Pursuant to Section 1011.62(9), Florida Statutes, and Chapter 2017-234, Section 6, Laws of Florida, school districts that have schools among the 300 lowest-performing elementary schools based on the State reading assessment must provide an additional hour of intensive reading instruction beyond the normal school day for each day of the entire school year for the students in each of these schools. The District shall use supplemental academic instruction (SAI) funds, together with the funds provided in the district's research-based reading instruction allocation, and other available funds to provide an additional hour of intensive reading instruction to students every day, school-wide. Also, pursuant to guidance from the FDOE, as required by Chapter 2017-234, Section 6, Laws of Florida, these school districts for the 2017-18 fiscal year must submit an expenditure survey report to the FDOE that identifies the funding sources and expenditures for each of the participating schools. Pursuant to Section 1008.32, Florida Statutes, the SBE must withhold funds from school districts that fail to comply with this requirement.

### Suggested Audit Procedures

- If the school district had any schools among the 300 lowest-performing elementary schools based on the State reading assessment, review school district records to determine whether the school district used SAI, research-based reading instruction allocation dollars, and other available funds to provide an additional hour of intensive reading instruction beyond the normal school day for each day of the entire school year for the students in each of these schools.
- Review the expenditure survey report for the 2017-18 fiscal year, identifying the funding sources and expenditures for each of the participating schools, and determine whether school district records support the reported information and evidence compliance with Section 1011.62(9), Florida Statutes.

## **FLORIDA BEST AND BRIGHTEST TEACHER SCHOLARSHIP AND FLORIDA BEST AND BRIGHTEST PRINCIPAL SCHOLARSHIP PROGRAMS**

### Compliance Elements

Section 1012.731, Florida Statutes, provides that, to be eligible for a scholarship funded by the Florida Best and Brightest Teacher Scholarship Program, a classroom teacher must have met certain achievements and demonstrate eligibility

by submitting the required documentation to the school district no later than November 1. In addition, annually, by December 1, each school district shall submit to the FDOE the number of eligible classroom teachers who qualify for the scholarship, and annually, by April 1, each school district shall award the scholarship to each eligible classroom teacher. Teacher scholarships are awarded in increments of \$6,000, \$1,200, and \$800. (Note: Due to Hurricane Irma, the submittal deadlines for the 2017-18 fiscal year were extended to December 1, 2017, for teachers and January 2, 2018, for school districts.)

Pursuant to Section 1012.732, Florida Statutes, and Chapter 2017-116, Section 47, Laws of Florida, the Florida Best and Brightest Principal Scholarship is to be awarded to a school principal who has served at his or her school for at least 2 consecutive school years including the current school year and his or her school has a ratio of best and brightest teachers to other classroom teachers that is at the 80th percentile or higher for schools within the same group, Statewide. Annually, by February 1, the FDOE shall identify eligible school principals and disburse funds to each school district for each eligible school principal to receive a scholarship and, by April 1, each school district must award a scholarship to each eligible school principal. A scholarship of \$5,000 must be awarded to every eligible school principal assigned to a Title I school and a scholarship of \$4,000 to every eligible school principal who is not assigned to a Title I school.

#### Suggested Audit Procedures

- Evaluate whether District records demonstrate that the Florida Best and Brightest Teacher Scholarship recipients (including scholarship recipients at charter schools) were eligible for the awards. Specifically, determine whether District records document that each recipient met the following criteria:
  - For the \$6,000 scholarship [Section 1012.731(3)(a), Florida Statutes]:
    - Was a classroom teacher as defined in Section 1012.01(2)(a), Florida Statutes.
    - Submitted an official record that demonstrated his or her composite score on either the SAT or the ACT was at or above the 80th percentile based on the national percentile ranks in effect when the assessment was taken, and
    - Was either newly hired by the school district and had not been evaluated pursuant to Section 1012.34, Florida Statutes, or had received an evaluation of highly effective on his or her evaluation for the school year immediately preceding the year in which the scholarship was awarded.
  - For the \$1,200 scholarship, was evaluated as highly effective pursuant to Section 1012.34, Florida Statutes, in the school year immediately preceding the year in which the scholarship will be awarded, including a classroom teacher who received an award pursuant to Section 1012.731(3)(a), Florida Statutes. [Section 1012.731(3)(c)1., Florida Statutes]

- For the \$800 scholarship, was evaluated as effective pursuant to Section 1012.34, Florida Statutes, in the school year immediately preceding the year in which the scholarship will be awarded. Note: If the number of eligible classroom teachers exceeds the total allocation, the department shall prorate the per-teacher scholarship amount. [Section 1012.731(3)(c)2., Florida Statutes]
- Determine whether the school district, by January 2, 2018, submitted to the FDOE: (a) the number of eligible classroom teachers who qualified for the scholarship; (b) the name and master school identification number of each school in the school district, including charter schools, to which an eligible classroom teacher is assigned; and (c) the name of the school principal of each eligible classroom teacher's school if he or she has served as the school's principal for at least 2 consecutive school years including the current school year.
- Evaluate whether District records demonstrate that the Florida Best and Brightest Principal Scholarship recipients (including scholarship recipients at charter schools) served as school principal at his or her school for at least 2 consecutive school years including the current school year and his or her school was determined by the FDOE to have a ratio of best and brightest teachers to other classroom teachers that is at the 80th percentile or higher for schools within the same grade group, Statewide.
- Determine whether the school district awarded by April 1, 2018, the correct scholarship amount to each eligible classroom teacher and eligible principal.

## **EQUITY IN SCHOOL-LEVEL FUNDING ACT**

### Compliance Elements

Pursuant to Section 1011.69(5), Florida Statutes, after providing Title I, Part A, funds to schools with poverty levels at or above the 75 percent threshold required by Federal law, a school district is required to allocate any remaining funds directly to all eligible schools with the exception of funds that the school district may withhold for specified purposes as provided in Section 1011.69(5)(a), Florida Statutes.

### Suggested Audit Procedures

Determine whether a school district:

- Identified eligible schools, including applicable charter schools, in accordance with Section 1011.69(5), Florida Statutes.
- Limited Title I program allocations to eligible schools based on the threshold established by the school district for the 2016-17 school year or the Statewide percentage of economically disadvantaged students.

- After Title I, Part A, funds were allocated to schools with poverty levels at or above the 75 percent threshold required by Federal law, allocated the remaining funds directly to all eligible schools with the exception of funds that the school district may withhold for specified purposes. The specified purposes include:
  - 1 percent for parent involvement, in addition to the 1 percent the school district must reserve under Federal law for allocations to eligible schools for parent involvement.
  - A necessary and reasonable amount for administration, including the school district's indirect cost rate, not to exceed a total of 8 percent.
  - A reasonable and necessary amount to provide for homeless programs, delinquent and neglected programs, prekindergarten programs and activities, private school equitable services, and transportation for foster care children to their school of origin or choice programs.
- Distributed all remaining Title I funds to all eligible schools in accordance with Federal law and regulation.
- Allowed eligible schools to use funds to participate in discretionary educational services provided by the school district.