

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2017-145  
March 2017

**DUVAL COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2015-16 fiscal year, Dr. Nikolai P. Vitti served as Superintendent of the Duval County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Cheryl Grymes, Chair to 11-17-15	1
Scott Shine	2
Ashley Smith Juarez, Chair from 11-18-15, Vice Chair to 11-17-15	3
Paula D. Wright, Vice Chair from 11-18-15	4
Dr. Constance S. Hall	5
Becki A. Couch	6
Jason Fischer <sup>a</sup>	7

<sup>a</sup> Board member resigned effective June 19, 2016, and position remained vacant through June 30, 2016.

The team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA. For the information technology portion of this audit, the team leader was Sudeshna Aich, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# DUVAL COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Duval County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2014-076. Our operational audit disclosed the following:

**Finding 1:** The District did not always timely complete bank account reconciliations. In addition, the June 2016 payroll bank account reconciliation, in progress and not completed as of December 2016, contained an unidentified difference of \$21,181 between the adjusted bank balance of \$713,528 and the general ledger balance of \$692,347.

**Finding 2:** Required background screenings were not always performed for applicable instructional and noninstructional employees, contractor workers, or charter school board members.

**Finding 3:** District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs of approximately \$3.3 million.

**Finding 4:** The District's annual relocatable building inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory. A similar finding was noted in our report No. 2014-076.

**Finding 5:** District controls over the use of purchasing cards continue to need improvement.

**Finding 6:** The District could enhance controls for monitoring contractual service agreements and related payments. A similar finding was noted in our report No. 2014-076.

**Finding 7:** District records for the 2015-16 fiscal year did not always evidence that the District provided the required additional hour of reading instruction each day pursuant to State law for the 40 District schools included in the State's 300 lowest-performing elementary schools.

**Finding 8:** The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship awards on reliable and authentic records of college entrance exam scores. For example, in some cases, the District based teacher eligibility on temporary exam reports or an unofficial Web site score report without taking additional efforts to confirm the accuracy of the scores.

**Finding 9:** Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. In addition, the District did not have procedures for the review of network accounts granted administrator access privileges to timely detect inappropriate or unnecessary access privileges.

**Finding 10:** District security controls related to user authentication and monitoring of application activity need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources. Similar findings were noted in our report No. 2014-076.

## **BACKGROUND**

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The Duval County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Duval County. The governing body of the District is the Duval County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 163 elementary, middle, high, and specialized schools; sponsored 36 charter schools; and reported 129,025 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on our report No. 2014-076. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, were presented in our report No. 2017-119.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: Bank Account Reconciliations**

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis and be reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

At June 30, 2016, the District reported unrestricted cash and cash equivalent balances totaling \$36 million for nine bank accounts. Business Services Department personnel are responsible for preparing monthly bank account reconciliations for these bank accounts, which supervisory personnel are to review and approve.

While District records indicated that bank account reconciliations were generally timely completed and reviewed for the 2015-16 fiscal year, the June 2016 payroll bank account reconciliation, in progress and not completed as of December 2016, contained an unidentified difference of \$21,181 between the adjusted bank balance of \$713,528 and the general ledger balance of \$692,347. In addition, District personnel indicated that the July through October 2016 investment bank account<sup>1</sup> reconciliations were not completed and reviewed until December 2016. District personnel also indicated that the bank account reconciliations for the July through October 2016 payroll, accounts payable, cash receipts, and community education bank accounts<sup>2</sup> had not been completed and reviewed as of December 14, 2016.

In response to our inquiries, District personnel indicated that the reconciliation delays occurred primarily because of delays in filling vacant Business Services Department positions. Untimely bank account

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<sup>1</sup> For perspective, the June 2016 investment account deposits and withdrawals totaled \$65.5 million and \$37.8 million, respectively.

<sup>2</sup> For perspective, the June 2016 deposits equaled withdrawals and totaled \$250.6 million, \$94.6 million, \$13.3 million, and \$0.8 million for the payroll, accounts payable, cash receipts, and community education bank accounts, respectively.

reconciliations increase the risk that cash transaction errors or misappropriations may occur and not be timely detected.

**Recommendation: District management should ensure that reconciliations of the bank account balances to the general ledger balances are timely completed, reviewed, and approved for all District bank accounts.**

## **Finding 2: Background Screenings**

State law<sup>3</sup> requires each person hired or contracted to serve in an instructional or noninstructional capacity who are permitted access on school grounds when students are present or who have direct contact with students to undergo a level 2 background screening<sup>4</sup> at least once every 5 years. State law<sup>5</sup> also provides that noninstructional contractors may be exempt from the background screening requirements if the contractors are under the direct supervision of a school district employee or contractor who has had a criminal history check and meets the State law screening requirements. Additionally, for noninstructional contractors, State law<sup>6</sup> requires the District to verify the results of the contractor's background screening using the shared system implemented by the Florida Department of Law Enforcement (FDLE). State law<sup>7</sup> further requires personnel who are hired or contracted to fill positions in any charter school and members of the governing board of any charter school (i.e., board members) to undergo a background screening by filing a complete set of fingerprints with the district school board for the school district in which the charter school is located.

To promote compliance with the statutory background screening requirements, District procedures require employees and contractor workers who have access to school grounds, as well as charter school employees and board members, to undergo required background screenings. However, according to District personnel, they did not maintain the records necessary to monitor when these individuals were due for the 5-year background rescreening.

For the 2015-16 fiscal year, we evaluated District records and background screening procedures for District instructional and noninstructional employees, contractor workers, and charter school employees and board members, and determined that:

- The District employed 9,679 instructional and 5,201 noninstructional personnel. To determine whether the required background screenings were performed, we requested for examination District records, as of June 20, 2016, for 70 selected employees and found that, for 30 employees, the required background screening had not been performed at least once in the past 5 years. Subsequent to our inquiry, the District obtained level 2 background screenings in June 2016 for the 30 employees and noted no inappropriate backgrounds. However, the dates of the background screenings ranged from 47 to 85 days after the applicable 5-year period had elapsed.

In response to our audit results, District personnel reviewed District records and identified another 1,494 employees who had not obtained the required 5-year background rescreening. According

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<sup>3</sup> Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

<sup>4</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the Federal Bureau of Investigation.

<sup>5</sup> Section 1012.468, Florida Statutes.

<sup>6</sup> Section 1012.467(2)(f) and (7)(a), Florida Statutes.

<sup>7</sup> Section 1012.32(1)(b), Florida Statutes.

to District personnel, the background rescreenings were not timely performed because District procedures did not always identify when existing employees were due for the 5-year background rescreening. In June 2016, the District obtained the background rescreenings for these 1,494 employees and noted no inappropriate backgrounds.

- The Board routinely contracts for noninstructional food, custodial, and transportation services. A total of 3,050 contractor workers provided these services and were permitted access on school grounds when students were present or had direct contact with students. To determine whether the required background screenings were performed, we requested for examination District records, as of June 30, 2016, for 60 selected contractor workers. We found that, for 23 contractor workers,<sup>8</sup> who were not exempt from the background screening requirements, the required background screening had not been performed at least once in the past 5 years. For 11 workers, District records did not document any background screening and, although background screenings had been performed for the other 12 workers, the dates of the screenings were 41 to 889 days after the applicable 5-year period had elapsed.
- The District sponsored 36 charter schools with approximately 1,500 charter school employees and board members. To determine whether the required background screenings were performed, we requested for examination District records, as of September 26, 2016, for the 7 board members at 1 charter school. We found that, for 3 board members, the 5-year background rescreening had not been timely performed as the dates of the background screenings were 88 to 95 days after the applicable 5-year period had elapsed.

In September 2016, District personnel indicated that internal procedures were being developed for monitoring the status of background screenings for employees, contractor workers, and charter school employees and board members. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

**Recommendation: The District should take immediate action to identify employees, contractor workers, and charter school employees and board members who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. To help monitor and ensure that required background screenings are performed at least once every 5 years, we recommend that the District maintain up-to-date records of individuals subject to the screenings.**

### **Finding 3: Ad Valorem Taxation**

State law<sup>9</sup> allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and certain enterprise resource software used to support Districtwide administration or State-mandated reporting requirements. In addition, State law<sup>10</sup> requires the District to advertise, in advance of adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the

<sup>8</sup> The 23 contractor workers included 15 food, 6 custodial, and 2 transportation service contractor workers.

<sup>9</sup> Section 1011.71, Florida Statutes.

<sup>10</sup> Section 200.065(10), Florida Statutes.

required notice of tax levy the projects to be funded by the assessment of such taxes. State law also establishes requirements for amending a list of capital outlay projects previously advertised and adopted.

The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund. For the 2015-16 fiscal year, the District had LCI Fund transfers to the other funds totaling \$54,410,085 and expenditures totaling \$49,099,342, which included administrative overhead expenditure reclassifications totaling \$1,418,764 from several General Fund cost centers. To determine the propriety of District uses of ad valorem tax levy proceeds for the 2015-16 fiscal year, we examined District records supporting selected LCI Fund transfers totaling \$52,635,957 and expenditures totaling \$3,978,721.

While our tests disclosed that ad valorem tax levy proceeds for the 2015-16 fiscal year were generally used as required, we found that the District did not comply with the State law advertising requirements for a land purchase of \$111,731, nor did the District document that the administrative overhead expenditures totaling \$1,418,764 were allowable uses of ad valorem tax levy proceeds. We extended our examination to the 2014-15 fiscal year LCI Fund expenditures and noted a land purchase of \$19,252 that had not been advertised, and administrative overhead expenditures totaling \$1,740,776 that were not supported by documentation to demonstrate the allowability of the tax levy uses. Consequently, these tax levy expenditures totaling \$3,290,523 represent questioned costs.

In response to our inquiries, District personnel indicated that, because of employee turnover and oversights, the notice of tax levy advertisements inadvertently omitted the land purchases. In addition, District personnel indicated that an analysis was performed more than 10 years ago to calculate the percentages used to allocate tax levy administrative overhead expenditures for each of the District cost centers. Examples of the tax levy allocation percentages included 70 percent of the Facilities Maintenance Services and Design and Construction Services cost center expenditures, 40 percent of the Budget Services cost center expenditures, and 10 percent of the Information Technology Operations and Business Services cost center expenditures. However, although we requested, District personnel were unable to provide documentation, such as personnel activity reports or other records, to demonstrate that the percentages used were based on services provided by these costs centers for allowable tax levy uses.

Without adequate controls to ensure, and records to demonstrate, that ad valorem tax levy proceeds are expended for authorized purposes, the risk is increased that the District will violate the expenditure restrictions governing the use of these proceeds. Subsequent to our inquiries in October 2016, District personnel indicated that they would conduct surveys to verify whether employee services at the respective cost centers supported the ad valorem tax levy administrative overhead percentages and related charges.

**Recommendation:** The District should enhance procedures to ensure that ad valorem tax levy proceeds are used only for authorized purposes. Such procedures should require advertising proposed uses of ad valorem tax levy proceeds in accordance with State law and the preparation of personnel activity reports or other records to demonstrate that administrative overhead expenditures are based on allowable tax levy services provided by costs centers. In addition, the District should provide documentation to the Florida Department of Education (FDOE) supporting the allowability of the costs totaling \$3,290,523 or restore this amount to the LCI Fund.

#### Finding 4: Relocatable Building Inspections

State law<sup>11</sup> requires that an educational facilities plan be prepared annually that includes information about the relocatable facilities used for conducting District instructional programs. Additionally, according to the FDOE Office of Educational Facilities' (OEF) publications,<sup>12</sup> all school district relocatable buildings must be inspected for compliance with the standards for satisfactory buildings. The FDOE-OEF created and supports the Florida Inventory of School Houses (FISH), which is an electronic database to provide record keeping capabilities for all school district facilities, including relocatable facilities, and is used to allocate maintenance funds to school districts. Annual inspection reports for relocatable buildings designed as classrooms or spaces intended for student occupancy must be filed with the Board and correction plans must be adopted by the Board. State law<sup>13</sup> also provides that relocatable facilities that fail to meet the standards must not be reported as satisfactory in FISH.

Effective for the 2016-17 fiscal year, State law<sup>14</sup> allows the Board to adopt a resolution to exempt relocatable classrooms from having covered walkways. However, before adopting the resolution, the District must conduct a cost-benefit analysis prepared according to a professionally accepted methodology that describes how the exemption achieves cost savings; improves the efficient use of school district resources; impacts the life-cycle costs and life span for each educational facility to be constructed, as applicable; and demonstrates that implementation of the exception will not compromise student safety or the quality of student instruction. The Board must conduct at least one public workshop to discuss and receive public comment on the proposed resolution and cost-benefit analysis.

According to District personnel, the District Code Enforcement Department is responsible for performing required relocatable building inspections, preparing inspection reports, and providing the reports to the Facilities Planning Department for review and follow-up. District records indicated that the Board approved the 2013-14, 2014-15, and 2015-16 fiscal year annual inspection reports and corrective action plans. However, as shown in Table 1, the inspection reports for those fiscal years for relocatable buildings designed as classrooms or spaces intended for student occupancy indicated that a substantial percentage of the relocatable buildings did not meet the standards to be rated satisfactory.

**Table 1**  
**Relocatable Building<sup>15</sup> Inspection Reports**

Fiscal Year	Number of Relocatable Buildings	Unsatisfactory Relocatable Buildings	Percent Unsatisfactory
2013-14	531	445	84%
2014-15	509	399	78%
2015-16	502	391	78%

<sup>11</sup> Section 1013.35(2), Florida Statutes.

<sup>12</sup> Section 5.0(14) of the FDOE publication, *State Requirements for Educational Facilities (2014)*.

<sup>13</sup> Section 1013.20(1), Florida Statutes.

<sup>14</sup> Section 1013.385(2)(c), Florida Statutes (2016).

<sup>15</sup> Relocatable buildings may be those designed as classrooms or spaces intended for student occupancy.

Our examination of the District inspection reports, FISH, and the District educational facilities plan disclosed that:

- For the 2014-15 fiscal year, all of the unsatisfactory relocatable buildings were so rated due to the lack of covered walkways and, for the 2015-16 fiscal year, 390 of the 391 unsatisfactory relocatable buildings continued to lack covered walkways.
- The 2015-16 fiscal year inspection reports projected costs of \$13,650,000 to correct the noted deficiencies. Additionally, the 2016-17 fiscal year educational facilities plan only provided projected funding of \$1.6 million, including \$400,000 for the 2016-17 fiscal year and \$300,000 for each of the next 4 fiscal years (2017-18 through 2020-21 fiscal years) to address these deficiencies. Further, District records did not document a reasonable plan for funding District efforts to remedy the unsatisfactory relocatable buildings that lacked covered walkways.
- The District reported all relocatable buildings designed for classrooms or spaces intended for student occupancy, including those listed as unsatisfactory, as satisfactory student stations in FISH. District personnel indicated that it would be cost prohibitive, logistically improbable, and an inefficient use of resources to remove over 350,000 square feet of relocatable building space from use, and believed that lack of a covered walkway should not preclude a relocatable building from being rated satisfactory. Notwithstanding this response, District records did not evidence that the response comports to FDOE requirements for reporting satisfactory student stations in FISH.

District personnel also indicated that the number of relocatable buildings designed as classrooms or spaces intended for student occupancy will continue to be reduced and covered walkways will be installed as funding permits. While the Board has not, as of November 2016, discussed or decided whether it should exempt relocatable buildings from having covered walkways as allowed by State law, District personnel indicated that they are evaluating whether exercising this exemption would be worthwhile. When relocatable buildings do not meet the standards to be classified as satisfactory, there could be increased safety risks associated with those relocatable buildings. Similar findings were noted in our report Nos. 2011-042 and 2014-076.

**Recommendation:** The District should ensure relocatable buildings designed as classrooms or spaces intended for student occupancy comply with State standards and ensure that only those relocatable buildings that meet FDOE-OEF standards are reported as satisfactory in FISH. The Board should also develop a reasonable plan for funding District efforts to remedy the unsatisfactory relocatable buildings that lack covered walkways or, alternatively, document whether following the process outlined in State law for exempting relocatable buildings from having covered walkways is a viable option.

#### **Finding 5: Purchasing Card Program**

The District established a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. P-cards are designed to provide a cost effective, convenient, and decentralized method for individuals to make certain purchases on behalf of the District. During the 2014-15 and 2015-16 fiscal years, District P-card expenditures totaled \$6.1 million and \$5.4 million, respectively, and, as of June 30, 2016, 469 P-cards were assigned to employees.

The District appointed a P-card administrator with the authority to revise a cardholder's purchasing limit and developed a P-card manual that addressed management controls over P-cards. The agreement with the financial institution processing P-card transactions provides for the vendor to receive payment

within 3 days of the charge and limits the District's time for disputing charges to 60 days after the statement date in which the transaction occurred. To ensure that P-card purchases were necessary and served a valid public purpose, the Business Services Department provides monthly card statements to cardholders each month, and the P-card manual requires cardholders to review their monthly card statements for accuracy within 7 days of receipt. Additionally, the P-card manual requires cardholders to sign the monthly card statement, ensure vendor documentation is complete and available for every transaction, prepare monthly reconciliations of card statements to supporting invoices and other correspondence, and forward the statement, reconciliation, and other correspondence to the applicable approving administrator for review and approval. The P-card manual also requires the approving administrator to sign and forward the monthly statement and related support to the Business Services Department. If the monthly reconciliation is not submitted, the cardholder is to receive a written warning upon the first offense and may be required to receive additional training. Chronic abuse may result in card cancellation.

The Business Services Department maintains monthly schedules of the card statements provided to cardholders and the submission dates the monthly reconciliations and related support (e.g., card statements, vendor invoices, and other correspondence) were submitted to the Department. To determine whether monthly reconciliations and related support were timely submitted, we compared the dates that the monthly reconciliations were reported as received from cardholders and the approving administrators on each of the 24 monthly schedules to the statement month-end date for the population of monthly reconciliations required to be submitted for the 2014-15 and 2015-16 fiscal years. The number of required monthly reconciliations totaled 4,755 for the 2014-15 fiscal year and 3,935 for the 2015-16 fiscal year. Our review disclosed that:

- There was no documented support for certain purchases. As of August 29, 2016, 108 monthly reconciliations and related support for P-card charges totaling \$132,348 for the 2015-16 fiscal year had not been submitted to the Business Services Department. Similarly, as of September 7, 2016, 160 monthly reconciliations and related support for P-card charges totaling \$165,519 for the 2014-15 fiscal year had not been submitted to the Business Services Department.
- Certain monthly reconciliations were untimely. As of August 29, 2016, 96 monthly reconciliations supporting P-card charges totaling \$103,685 for the 2015-16 fiscal year had been submitted to the Business Services Department 61 to 278 days after the end of the month in which the charges were made. Similarly, as of September 7, 2016, 214 monthly reconciliations supporting P-card charges totaling \$263,219 for the 2014-15 fiscal year had been submitted to the Business Services Department 61 to 676 days after the end of the month in which the charges were made.
- Certain cardholders violated the P-card manual requirements without receiving any disciplinary action. Of the 268 monthly reconciliations not submitted, 10 cardholders had not submitted 3 to 7 monthly reconciliations with P-card charges totaling \$77,809 for the 2015-16 fiscal year and 22 cardholders had not submitted 3 to 8 monthly reconciliations with P-card charges totaling \$91,604 for the 2014-15 fiscal year. Additionally, for the 2014-15 and 2015-16 fiscal years, one cardholder had not submitted reconciliations for 9 months with P-card charges totaling \$48,277 and another cardholder had not submitted reconciliations for 15 months with P-card charges totaling \$15,891.

In response to our inquiries, Business Services Department personnel indicated that the P-card administrator was not always notified of violations of P-card procedures because the monitoring of monthly reconciliations was a manual process and all the required steps were not always

followed. Additionally, the P-card administrator indicated that, for the one P-card violation reported by the Business Services Department, the cardholder's P-card was suspended, and the cardholder's P-card privileges were reinstated about 3 weeks later when the P-card administrator was notified that the cardholder had submitted the required monthly reconciliations and was in compliance. However, although we requested, District personnel could not provide documentation to evidence any written warnings or other disciplinary action taken for the other P-card manual violations that we noted.

Without timely submission of monthly reconciliations and related support, District records did not evidence supervisory review and approval of charges by approving administrators within the 60-day limit to dispute the charges, or the necessity and public purpose of the purchases. Additionally, when consequences for untimely submission of monthly reconciliations are not consistently enforced, there is an increased risk that cardholders will continue to violate the P-card requirements. Similar findings were noted in our report Nos. 2011-042 and 2014-076.

**Recommendation: The District should enhance procedures to ensure compliance with the P-card manual requirements. Such procedures should include timely submission of monthly reconciliations and related support for P-card purchases to the Business Services Department and documented, appropriate, and consistently enforced consequences for untimely submission of monthly reconciliations.**

## **Finding 6: Contractual Services**

Effective contract management ensures contract provisions establish required services and related service times and satisfactory receipt of contracted services prior to payment. The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure that, when applicable, competitive procurement procedures are followed and payments are generally consistent with contract terms and conditions.

For the 2015-16 fiscal year, the District paid a total of \$304 million for contractual services and, to determine the propriety of the associated payments, we examined 20 contracts and other District records supporting 30 payments totaling \$35 million. Our examination disclosed that:

- The District issued a request for proposals (RFP) for roofing repair projects that provided estimated quantities for 38 roofing service categories and the Board selected the vendor that submitted the proposal with the lowest total cost of the 38 categories. However, on June 5, 2015, the District issued a purchase order and subsequently paid the vendor \$530,939 for roofing repairs on four buildings with a roof type that was not the same roof type listed in the RFP. Additionally, included on the purchase order were materials and miscellaneous costs totaling \$250,268 in an "unidentified task" category and these costs were not listed in the "unidentified task" category on the RFP.

In response to our inquiry, District personnel indicated that, because the roof type used on these buildings was not a specified category in the RFP, the vendor included most of the estimated labor, materials, and miscellaneous costs in the "unidentified task" category. Notwithstanding this response, the costs of the roof repair services and materials were not based on the specifications listed in the RFP and, therefore, the District cannot demonstrate that the purchase was made following required competitive procurement procedures.

- The Board approved an agreement with a nonprofit organization to deploy up to 100 of the organization's members to ten District schools during the 2015-16 academic year at a rate of \$10,000 per member, not to exceed \$1,000,000. The agreement required members to provide

services designed to ensure students stay in school and on track to graduate with services provided throughout the school day, Monday through Thursday, and the District made payments to the nonprofit organization in 10 equal monthly installments of \$100,000. The agreement also required the organization to provide an acceptable invoice, including a monthly report summarizing the services provided, in the format specified by the District.

The invoices and monthly reports submitted for payment included the names of student participants served and the number of minutes student participants were served during the month; however, the monthly reports did not document the dates and hours of service provided by members, and District personnel with direct knowledge of the services did not document receipt of the services through time records, such as sign-in, sign-out sheets. In response to our inquiries, District personnel indicated that a monitoring procedure was being implemented for the 2016-17 fiscal year to require sign-in documentation for each member and that such documentation be approved by a principal's designee on a monthly basis.

- Based on a bid award, on July 31, 2015, the District issued a \$56,108 purchase order for termite treatment services to be provided during the 2015-16 fiscal year. The bid award provided a cost per linear foot for annual termite treatment services, including bi-annual inspections of 167 cost centers, and required the vendor to use a barcode scan system for strategically placed barcodes to record service times, types, and treatment methodologies. The vendor was required to provide barcode scan reports along with inspection reports signed by an authorized District employee for each location inspected to evidence receipt of services.

Our test of one invoice from the vendor disclosed that the District paid \$6,745 for termite inspection services at 44 cost centers without the required District employee-signed inspection reports for 4 of the cost centers or barcode scan reports for 28 of the cost centers. In response to our inquiry, in October 2016, District personnel indicated that the lack of the District employee-signed inspection reports was an oversight and that procedures are being revised to require the barcode scan reports to document the vendor arrival and departure times.

- In our report No. 2014-076, we reported that District personnel identified overpayments totaling \$29,761 to a vendor providing temporary nursing services for the 2012-13 fiscal year, and District personnel indicated that the overpayments would be recovered through credits to future invoices. Our examination of District records for the 2014-15 and 2015-16 fiscal years disclosed that the District continued to use the vendor and reported expenditures of \$212,285 and \$76,406, respectively. We further noted that District personnel extended their review through January 10, 2014, and identified additional overpayments to the vendor totaling \$46,692. However, as of September 21, 2016, the District had not recovered any of the \$76,453 overpaid.

In response to our inquiry in September 2016, District personnel indicated that the overpayments were not recovered because it was not clear which District department was responsible for pursuing the recovery, and the District is currently in the process of contacting the vendor to resolve the overpayments.

Without effective procedures for ensuring services and materials are purchased in accordance with the specifications in a bid request or RFP, documenting satisfactory receipt of goods and services prior to payment, and prompt recovery of vendor overpayments, there is an increased risk that the services may not be received consistent with the Board's expectations and any overpayments that occur may not be timely detected or recovered.

**Recommendation: The District should ensure that contracts awarded using a competitive procurement process are based on the applicable specifications in the bid request or RFP, satisfactory receipt of goods and services is documented prior to payment, and any vendor overpayments are promptly recovered. In addition, the District should continue efforts to resolve any overpayments made to the temporary nursing services vendor.**

## Finding 7: Intensive Reading Instruction

State law<sup>16</sup> requires each school district that has one or more of the 300 lowest-performing elementary schools based on the State reading assessment to provide an additional hour of instruction beyond the normal school day for each day of the entire school year for intensive reading instruction for the students in each of these schools. This additional hour of instruction must be provided by teachers or reading specialists who are effective in teaching reading or by a K-5 mentoring reading program that is supervised by a teacher who is effective at teaching reading. General Appropriations Act<sup>17</sup> proviso language also provides that, pursuant to State law,<sup>18</sup> the State Board of Education (SBE) shall withhold funds from a school district that fails to comply with this requirement.

SBE rules<sup>19</sup> require all elementary schools to teach reading in a dedicated, uninterrupted block of time of at least 90 minutes duration daily to all students. Accordingly, schools in the 300 lowest-performing elementary schools were required to provide a minimum of 150 minutes reading instruction each school day. FDOE guidance<sup>20</sup> recommends that the extra hour of reading be documented using the grade level English Language Arts (ELA) course codes.

For the 2015-16 school year, the District had 40 schools included in the 300 lowest-performing elementary schools. However, our examination of the master class schedules for 3 of the 40 schools disclosed that District records did not always demonstrate that the 150 minutes of reading instruction was provided each day during the second half of the school year (January 4, 2016, through June 10, 2016). Specifically:

- At one school, the 5th grade class schedules for three ELA classes documented 90 to 105 minutes of reading instruction each day, or 45 to 60 minutes per day less than required.
- At another school, the 5th grade class schedules for three ELA classes documented 100 minutes of reading instruction each day, or 50 minutes per day less than required.
- At the third school, the 4th grade class schedule for one ELA class documented 125 minutes of reading instruction each day, or 25 minutes per day less than required.

In response to our inquiries, District management indicated that, although the District's master scheduling guidelines provided for the required 150 minutes of reading instruction, there was confusion in implementing the scheduling guidelines at individual schools. For clarity, the 2016-17 master scheduling guidelines were amended to identify ELA instruction and ensure that the District is providing applicable students with the required 150 minutes of reading instruction each day.

When required reading instruction time is not provided and adequately documented, District records do not evidence compliance with statutory reading requirements, students may not achieve learning gains, and the SBE may withhold funds from the District for lack of compliance.

**Recommendation: The District should ensure that the daily required reading instruction time is provided at applicable District elementary schools and documented to evidence compliance with**

<sup>16</sup> Section 1011.62(1)(f)2., Florida Statutes.

<sup>17</sup> Chapter 2015-232, Laws of Florida, Specific Appropriation 90.

<sup>18</sup> Section 1008.32, Florida Statutes.

<sup>19</sup> SBE Rule 6A-6.053(9)(a), Florida Administrative Code.

<sup>20</sup> FDOE's *Frequently Asked Questions Extended Day Requirements for 300 Lowest-Performing Elementary Schools*.

**the minimum reading instruction time. In addition, the District should document to the FDOE that the District complied with the required reading instruction time or obtain clarification from the FDOE whether any funding should be withheld for failing to comply with the requirements.**

### **Finding 8: Florida Best and Brightest Teacher Scholarship Program**

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)<sup>21</sup> to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act<sup>22</sup> proviso language, to be eligible for a scholarship, a teacher must have scored at or above the 80<sup>th</sup> percentile on a college entrance exam based on the percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law,<sup>23</sup> or if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80<sup>th</sup> percentile on a college entrance exam based on the percentile ranks in effect when the teacher took the assessment. To demonstrate eligibility for a scholarship award, an eligible teacher must submit to the District an official record of his or her college entrance exam score demonstrating that the teacher scored at or above the 80<sup>th</sup> percentile based on the percentile ranks in effect when the teacher took the assessment. Additionally, District procedures required teachers to submit official documentation of college entrance exam scores at or above the 80<sup>th</sup> percentile. Pursuant to State law,<sup>24</sup> once a classroom teacher is deemed eligible by the District, including teachers deemed eligible in the 2015-16 fiscal year, the teacher shall remain eligible as long as he or she remains employed by the District as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible teachers to the FDOE. The FDOE disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in the applicable General Appropriations Act.

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$908,190 to 110 teachers. Our examination of District records supporting scholarship awards totaling \$206,407 to 25 selected teachers disclosed that the District awarded scholarships totaling \$33,025 to 4 teachers based on 3 teachers' evaluations of highly effective and temporary exam reports from the exam provider and, for the other teacher, an evaluation of highly effective and an unofficial score report from the exam provider's Web site.

In response to our inquiry, District personnel indicated that the records used to support the scholarship awards were based on guidance provided by the FDOE, which indicated that school districts had the authority to determine what was considered an official record. Notwithstanding this response, as of October 2016, District personnel had not independently corroborated the temporary exam reports or unofficial score report with the scores on other records, such as college transcripts or final exam reports. We also noted that none of these 4 teachers were rated as highly effective for the 2015-16 fiscal year

<sup>21</sup> Section 1012.731, Florida Statutes (2016).

<sup>22</sup> Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

<sup>23</sup> Section 1012.34, Florida Statutes.

<sup>24</sup> Section 1012.731(3)(b), Florida Statutes (2016).

and, therefore, did not qualify for the 2016-17 fiscal year scholarship award. District confirmation of college entrance exam scores based on reliable and authentic records, such as college transcripts or final exam reports, would provide better assurance that the scores are accurate and teachers are eligible for the scholarships.

**Recommendation: The District should ensure that Program scholarships are awarded to eligible recipients based on college entrance exam scores reported on reliable and authentic records. Such records could include college transcripts or final exam reports.**

## **Finding 9: Information Technology – Access Privileges**

Access controls are intended to protect District data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibilities. Periodically reviewing assigned IT access privileges helps ensure that employees cannot access or modify IT resources inconsistent with their assigned job duties.

Our test of selected access privileges to the District's Enterprise Resource Planning (ERP) system financial and human resources (HR) applications and the network disclosed that some access privileges permitted employees to perform incompatible functions or were unnecessary and that the District did not have procedures in place for the review of network accounts granted administrator access privileges. Specifically:

- Our test of the 4 default network administrator system groups<sup>25</sup> that allow complete access to network resources included our review of the 20 accounts and the 12 user accounts assigned to the 4 default network administrator system groups. Our review disclosed that 15 of the 20 service accounts were no longer necessary for District operations and 1 of the 12 user accounts inappropriately had administrator privileges within the District's network domain and was assigned to a Senior Computer Specialist with reassigned responsibilities. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. In response to our audit inquiry in July 2016, District management indicated that the administrator access privileges had been removed or the accounts were disabled, as appropriate.
- Our test of the 3 roles<sup>26</sup> that allowed update access privileges to functions within the finance application, including purchasing and accounts payable, included the review of 15 accounts. Our review disclosed that 1 Coordinator and 2 Account Clerks in the Accounts Payable Department could update critical finance transactions, contrary to an appropriate separation of duties. For example, these employees could enter invoices, process vendor payments, and cancel, void, or reprint checks. In response to our audit inquiry in July 2016, District management indicated that these employees' access privileges had been removed.
- District management had not performed a review of administrator access privileges assigned to network accounts. In response to our audit inquiry, District management indicated that, although

<sup>25</sup> Default network administrator system groups are provided by the IT environment vendor and provide the ability to perform functions such as systemwide configurations and settings, installation and maintenance of all software, security administration, and the application of operating system service packs and updates to the IT environment depending the functions defined by the vendor for each vendor-delivered system group.

<sup>26</sup> Roles group transaction codes and associated authorization objects which allow users to perform certain functions. Transaction codes are references used to access functions or programs within the ERP system applications.

a periodic review procedure was not in place, a privileged access management (PAM) software solution had been implemented in July 2016 to allow administrator access privileges to be granted as needed and with approval.

Inappropriate or unnecessary IT access privileges and the lack of a review of administrator access privileges assigned to network accounts increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

**Recommendation: District management should ensure that IT access privileges granted enforce an appropriate separation of duties and are necessary and remove any inappropriate or unnecessary access privileges detected. In addition, District management should monitor the ongoing effectiveness of their PAM solution for granting and monitoring privileged network accounts.**

**Finding 10: Information Technology – Security Controls – User Authentication and Monitoring of Application Activity**

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit procedures disclosed that certain District security controls related to user authentication and monitoring of application activity need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication and monitoring of application activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2011-042 and 2014-076.

**Recommendation: District management should improve security controls related to user authentication and monitoring of application activity to ensure continued confidentiality, integrity, and availability of District data and IT resources.**

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

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The District had taken corrective actions for applicable findings included in our report Nos. 2011-042 and 2014-076 except as noted in Findings 4, 5, 6, and 10 and shown in Table 2.

**Table 2**  
**Findings Also Noted in Previous Audit Reports**

<b>Finding</b>	<b>Operational Audit Report No. 2014-076, Finding</b>	<b>Operational Audit Report No. 2011-042, Finding</b>
4	12	10
5	7	7
6	10	Not Applicable
10	16	12

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

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from April 2016 to December 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-076.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and

efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the 2015-16 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed District procedures for maintaining and reviewing access to Information Technology (IT) resources. We tested selected access privileges to the District's enterprise resource planning Enterprise Resource Planning (ERP) system finance and Human Resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically we:
  - Tested the 3 roles that allowed update access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for 15 accounts.
  - Tested the 3 roles that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 11 accounts.
  - Tested the 4 default network administrator system groups that allow complete access to network resources resulting in the review of the appropriateness of administrator access privileges granted to 32 accounts for the network.
  - Tested 4 of the 6 transactions<sup>27</sup> related to granting user access privileges; the 2 transactions related to database table maintenance; and 1 of the 2 roles that allow update access privileges

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<sup>27</sup> Transactions are references used to access functions or programs within the ERP system applications.

to all transactions resulting in the review of the appropriateness of administrator privileges granted to 65 accounts for the ERP system applications.

- Reviewed District procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
- Reviewed District policies and procedures governing the classification, management, and protection of confidential and sensitive information.
- Reviewed the District disaster recovery plan (plan) test procedures and documentation to determine whether the District had tested the plan.
- Reviewed District supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed District documentation to determine whether a comprehensive information security program was implemented and associated security awareness training was conducted.
- Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored charter schools during the audit period.
- Evaluated Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2016, to determine whether the total was less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the ability of the District to make its future debt service payments.
- From the population of \$82,552,858 total expenditures and \$56,538,586 total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$3,978,721 and \$52,635,957, respectively, to determine District compliance with the restrictions imposed on the use of these resources. Also, we analyzed the 2013-14 and 2014-15 fiscal year expenditures totaling \$56,895,756 and \$75,371,759, respectively, and transfers totaling \$53,098,597 and \$53,291,773, respectively, from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds to determine whether the uses appeared consistent with the restrictions imposed on the use of these resources.
- Examined the District Web site to determine whether it included the 2015-16 fiscal year proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Examined documentation for 68 bank account reconciliations from the population of 108 bank account reconciliations for the audit period, including the 9 bank account reconciliations for June 2016, to determine whether District personnel timely performed the reconciliations. Also, through inquiry with District personnel, we assessed the timeliness of the July through October 2016 bank account reconciliations.
- Examined supporting documentation to determine whether required internal funds audits for the audit period were timely performed pursuant to State Board of Education (SBE) Rule 6A-1.087, Florida Administrative Code (FAC), and whether the audit reports were presented to the Board.

- From the population of 582 vehicles (excluding school buses) as of May 2016, examined 30 selected vehicle logs to determine whether the logs contained travel descriptions, starting and ending mileage readings, travel dates, reasons for travel, driver signatures, and evidence of supervisory review and approval.
- Examined records and made inquiries to determine whether the District properly reported the taxable value of employees' personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code for the 2015 calendar year.
- Evaluated severance pay provisions in the Superintendent's contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- Examined a settlement agreement entered into with a former District employee, and the related settlement payment, to determine whether the District complied with the severance pay provisions of Section 215.425(4)(b), Florida Statutes.
- Examined District records to determine whether the Board adopted salary schedules for all employees for the audit period. For 14,880 employees compensated a total of \$560,453,877 during the audit period, examined District records supporting 30 selected payroll transactions totaling \$50,559 to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined District records for the audit period to assess whether class attendance was properly documented for instructional personnel who received English for Speakers of Other Languages teaching certificate endorsements.
- From the population of payments from Florida School Recognition Program funds totaling \$3,903,124 to 3,962 employees during the 2013-14 fiscal year and totaling \$4,002,771 to 4,022 employees during the 2014-15 fiscal year, examined District records supporting selected payments totaling \$16,112 to 17 employees to determine whether the payments were in accordance with Program guidelines.
- Examined District records to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determine whether a portion of instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for 70 employees selected from the population of 14,880 employees as of June 20, 2016; 60 contractor workers from the population of 3,050 noninstructional food, custodial, and transportation contractor workers as of June 30, 2016; and 7 charter school board members from the population of approximately 1,500 charter school employees and board members during the audit period, to assess whether applicable personnel were subjected to the required fingerprinting and background checks.
- Examined District policies, procedures, and related records for school volunteers to determine whether the District for the audit period searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of 25 selected recipients of Florida's Best and Brightest Teacher scholarships from the population of 110 teachers who received scholarships totaling \$907,330 during the audit period.
- Scanned the infrequent payments to employees for other than travel during the audit period to determine whether they were reasonable and were not contrary to Section 112.313, Florida Statutes.

- Reviewed District procedures for acquiring excess health liability insurance to determine compliance with Section 112.08, Florida Statutes. We also evaluated the procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- From the population of non-payroll expenditures totaling \$827,556,072 during the audit period, examined documentation related to 30 selected transactions totaling \$9,654,877 to determine whether the non-payroll expenditures were reasonable, correctly recorded, adequately documented, for valid District purposes, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms, and Board policies.
- Examined supporting documentation, including the 20 contract documents, for 30 selected contractual service payments totaling \$35.1 million, from the population of contractual service contracts totaling \$304 million in progress during the audit period, to determine whether:
  - The District complied with competitive selection requirements.
  - Contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
  - The 30 payments were properly supported and documentation evidenced compliance with contract terms.

Also, we examined documentation related to the contracts to determine whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contract.

- From the population of payments totaling \$7,201,572 and \$7,550,195 during the 2014-15 and 2015-16 fiscal years, respectively, for new software applications, examined documentation supporting selected payments totaling \$7,063,350 for two software applications to determine whether the District evaluated the effectiveness and suitability of the software application prior to purchase, whether the purchases were made through the competitive vendor selection process, and whether deliverables met the contract terms and conditions.
- For the two significant construction projects with expenditures totaling \$59 million and in progress during the audit period, examined documentation for project expenditures of \$17 million to determine compliance with District policies and procedures and provisions of State laws and rules. Also, for the construction management contract with guaranteed maximum price (GMP) of \$15 million, we:
  - Examined records to determine whether the construction manager was properly selected.
  - Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
  - Examined records to determine whether the architects were properly selected and adequately insured.
  - Determined whether the District established written policies and procedures addressing negotiation and monitoring of general conditions costs.
  - Examined records supporting 19 payments totaling \$13 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Scanned listings of maintenance work orders totaling \$17,771,976 during the audit period to determine whether any day labor projects had costs of \$300,000 or more requiring the District to comply with the requirements of Section 1013.45(1)(e), Florida Statutes, and Section 4.2(2) of the FDOE's *State Requirements for Educational Facilities* (SREF).

- Reviewed annual inspection reports for the 2013-14, 2014-15, and 2015-16 fiscal years for relocatable buildings designed as classrooms or spaces intended for student occupancy to determine whether relocatable buildings met the SREF standards to be rated satisfactory.
- Examined District records and evaluated construction planning processes for the audit period to determine whether District processes were comprehensive, including consideration of restricted resources and other alternatives, and sufficient to ensure that the most economical and effective approach was followed and met District short-term and long-term needs.
- From the population of purchasing card (P-card) transactions totaling \$5,416,713 during the audit period, examined documentation supporting 30 selected transactions totaling \$85,350 to determine whether P-cards were administered in accordance with District policies and procedures. We also evaluated whether monthly P-card reconciliations containing receipt documentation for P-card purchases were timely submitted for the 2014-15 and 2015-16 fiscal years, and determined whether District personnel timely canceled the P-cards for the 12 former employees who had been assigned P-cards and separated from District employment during the 2015-16 fiscal year.
- Determined whether rebate revenues for the audit period totaling \$90,259 for the P-card program and \$152,464 for the e-Payable program were allocated to the appropriate District funds.
- Examined District records to determine whether the Board had established an adequate, comprehensive electronic funds transfers (EFT) policy, evaluated the adequacy of EFT controls, and determined whether EFT agreements with financial institutions and authorizations from District vendors relating to EFT transactions complied with the requirements of SBE Rule 6A-1.0012, FAC.
- Reviewed the audit reports from the population of 36 District-sponsored charter schools to determine whether the required audit was performed pursuant to Chapter 10.850, Rules of the Auditor General, and to determine whether charter schools made loans or money transfers to other organizations.
- For the 5 charter schools that were not renewed or were terminated in the 2015-16 or 2 preceding fiscal years, evaluated District procedures for determining whether applicable funds and property reverted to the District and whether the District did not assume debts of the school, except as previously agreed upon by the District.
- Evaluated the sufficiency of District procedures for the 2013-14 through 2015-16 fiscal years to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the four charter schools subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
- Examined District expenditure records to determine whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, pursuant to the 2015 General Appropriations Act, we examined District revenue, expenditure, and student performance records to determine whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school to the FDOE.
- Evaluated the adequacy of the District Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to

participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.

- Examined District accounting records for the audit period to ensure that the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Evaluated District records for the audit period to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study as required by Section 1002.45.3(a) and (b), Florida Statutes.
- Examined student records and District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials, and for those eligible students who did not already have such resources in their home, computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- From the population of 163 students enrolled in the District VIP during the audit period, examined District records for 26 selected students to determine whether students met statutory eligibility requirements prescribed by Section 1002.45(5), Florida Statutes, and statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# **MANAGEMENT'S RESPONSE**

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## **Response to Preliminary and Tentative Audit Findings Duval County Public Schools For the Year Ended June 30, 2016**

### **OPERATIONAL FINDINGS**

#### **Finding 1: Bank Account Reconciliations**

##### **Finding:**

The District did not always timely complete bank account reconciliations. In addition, the June 2016 payroll bank account reconciliation, in progress and not completed as of December 2016, contained an unidentified difference of \$21,181 between the adjusted bank balance of \$713,528 and the general ledger balance of \$692,347.

##### **Planned Corrective Action:**

The District agrees with the recommendation that the bank account reconciliations be timely completed, reviewed, and approved.

The June 2016 payroll bank account reconciliation has been completed and the unreconciled difference has been identified. The July through October cash receipts, accounts payable and community education bank accounts have been completed. The July through October payroll bank account reconciliations were completed mid-January.

The District has hired and assigned staff that will work solely on bank account reconciliations until all reconciliations are current, have been reviewed and approved. All bank account reconciliations were completed mid-January. Moving forward, Business Services will add the specific bank account general ledger account reconciliations to the month end task list and automatic emails will be generated notifying the Accountant and Treasury Coordinator responsible to ensure timely completion and review. Staff will be assigned to monitor and review all monthly reconciliations to ensure timely completion of account reconciliations.

##### **Anticipated Completion Date:**

January 2017 and ongoing

##### **Responsible Contact Person:**

LaTrell Edwards, Chief Financial Officer

#### **Finding 2: Background Screenings**

##### **Finding:**

Required background screenings were not always performed for applicable instructional and noninstructional employees, contractor workers, or charter school Board members.

##### **Planned Corrective Action:**

All overdue prints have been resubmitted and the District has received and reviewed the results. As a result of this finding, each contract director was tasked to check the status of all

contractors to ensure 100% compliance with the five year security renewal requirement, and all of our vendors are now up to date on background screenings and rescreenings.

As a part of the renewal packet or at the onset of five years, whichever comes first, background screening refresh for charter governing Board members will become a deliverable for all charter schools. This requirement will be added to the deliverable checklist that must be signed by the governing Board chair when a contract is renewed or at the beginning of the fifth year for organizations that have an extended contract of more than five years.

Resubmissions for employees due for their second resubmits during the period of March through June 2016 (approximately 1,400 employees) were submitted late. Although a system was in place to run a monthly report to identify employees in need of resubmissions, there was an error in the parameters used to generate the report for those due for their second submission of screenings. Once the error was realized, the report was rerun, the employee prints were resubmitted and the District has received and reviewed all outstanding results. Additionally, Human Resource Services is working with the Information Technology Department to develop a field in the district's computer system to automate the process of identification and increase accuracy.

Internal control procedures are being developed and contract management training will be required for all employees responsible for oversight of vendor contracts. Specific training, to include monitoring and compliance regarding vendor background screening requirements and systemic monitoring protocols shall be required for all contract administrators.

**Anticipated Completion Date:**

October 2016 and ongoing

**Responsible Contact Person:**

Sonita Young, Assistant Superintendent of Human Resources

**Finding 3: Ad Valorem Taxation**

**Finding:**

District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs of approximately \$3.3 million.

**Planned Corrective Action for Land Acquisitions:**

The purchase of these land parcels were added to the annual advertisements for the 2015-16 and 2016-17 fiscal year revised capital outlay advertisements approved by the Board on December 6, 2016. All future annual capital outlay advertisements will have land acquisitions as a standard wording in the approved advertisement for compliance in the event any small parcels of land need to be purchased during the year. These types of purchases have been added to the district Monthly Purchase Report to the board and added to the board meeting agenda to increase transparency.

**Planned Corrective Action Overhead Expenditures:**

The Capital Overhead Allocation is based on a survey of the actual work performed by various departments in their execution of capital projects during their normal activities. The survey is used to determine a percentage of time employees expend to deploy and execute various types of capital projects. To ensure the survey is current, the District will conduct a survey every two years consisting of 8-12 questions in order to obtain current information and to have supporting documentation to support the overhead percentage allocation by fund center. A new survey was conducted in November 2016 and based on the responses received, the estimated percentages and total reclassifications support the overhead allocation for the last two fiscal years. The District may elect not to complete the allocation transfers for the 2016-17 fiscal year depending on year-end results and the initiative to reduce capital transfers to general fund. However, the survey will be completed every two years.

**Anticipated Completion Date:**

December 2016 and ongoing

**Responsible Contact Person:**

LaTrell Edwards, Chief Financial Officer

**Finding 4: Relocatable Inspections****Finding:**

The District's annual relocatable building inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory. A similar finding was noted in our report No. 2014-076.

**Planned Corrective Action:**

The District has allocated funding for these projects, demolished old portables, and is contemplating waivers for some of the portables under recently passed legislation. The District has continued efforts to bring relocatables into compliance with State standards and ensure that only relocatables are reported as satisfactory in FISH. The percent of "unsatisfactory" portables classrooms has decreased, but more noticeably the number of "unsatisfactory" portables due to lack of covered walkways has decreased by 99 since 2010 (489 to 390). This is due to the District constructing covered walkways along with demolishing older portables no longer required. The District has created a plan to remove and dispose of unneeded relocatables in an effort to decrease covered walkway requirements. Additional funding will be budgeted each year to construct covered walkways for the remainder of the relocatables, until all are completed.

**Anticipated Completion Date:**

Ongoing to January 2022

**Responsible Contact Person:**

Don Nelson, Assistant Superintendent of Operations

## **Finding #5: Purchasing Card Program**

### **Finding:**

District controls over the use of purchasing cards continue to need improvement.

### **Planned Corrective Action:**

Communication between Accounts Payable and Purchasing has been improved, all audit findings have been cleared, and new procedures have been implemented that result in more timely intervention for undocumented or unallowable purchases. In addition, the number of district employee purchasing card holders has been reduced from 735 in 2012-2013 to 469 in 2015-2016, which is a 36% reduction in cards.

Based on Auditors feedback, the District has strengthened its processes for the timely submission and tracking of purchasing card usage. Based on the sample that was reviewed, all employees have been notified of discrepancies within their account that need to be corrected and the required documentation has been submitted and cleared. Accounts Payable is currently providing the Chief Financial Officer (CFO) with a monthly report identifying employees who have failed to comply with the procedures according to the deadlines established by Accounts Payable. The Accounts Payable supervisor is responsible for the submission of a monthly P-card report to the CFO. The CFO shall notify Cabinet members of the status of employees that are past due in submitting the correct documentation to Accounts Payable. Cabinet members shall be responsible for ensuring all the employees submit the appropriate documents to Accounts Payable. Failure to submit the required documents will result in an employee's P-card being temporarily suspended until all errors are corrected.

The District has identified a more efficient solution to enhance the P-Card validation, approval and reconciliation process. This solution will allow for receipts to be attached, validated and approved through a workflow process in the District's computer system. Once validation and approval are complete, the workflow would move to the Accounts Payable Department for reconciliation. Once the new solution is implemented, this will allow for a more efficient process and timelier intervention to suspend P-Cards for non-compliance.

### **Anticipated Completion Date:**

December 2016 and ongoing

### **Responsible Contact Person:**

LaTrell Edwards, Chief Financial Officer

## **Finding 6: Contract Monitoring**

### **Finding:**

The District could enhance controls for monitoring contractual service agreements and related payments. A similar finding was noted in our report No. 2014-076.

## **Specific Contracts Cited:**

### **Roofing Repair Projects**

A roofing services contractor was awarded the roofing contract after a competitive bid process. Currently, there are specific line items to identify each category within a construction job. Any item that does not fit within one of the categories has been placed in an item labeled “unidentified tasks.” To ensure adequate documentation is available for future construction jobs, all “unidentified tasks” will be included in a proposal/bid and any “unidentified task” that is performed after the proposal is submitted shall include detailed documentation to identify specifically what was purchased within the “unidentified task” category. Providing detailed records of all “unidentified tasks” for all construction jobs will ensure safeguards are in place to ensure funding is appropriately expended.

### **Nonprofit Agreement**

The District will document the dates and hours of service provided by the organization beginning in the 2016-17 school year to require sign-in sheets, approved by the principals on a monthly basis.

### **Contract for Termite Treatment**

The following adjustment has been made in the Termite Control Service Plan. Two barcodes shall be placed in the main office to record the service time, types, and treatment methodologies. The technician is to scan one barcode upon arrival and the second at departure. The technician will also provide a detailed report of the service to include but not limited to the locations and types of treatments, methodologies and current findings. The site map will be maintained with the current location of treatments. The barcode scanning along with the detailed report will provide adequate documentation that termite service was provided.

### **Temporary Nursing Services Overpayment**

The process of providing oversight for Temporary Nursing Services has been improved since the last audit. The District is currently working with the vendor to reconcile the overpayment.

### **Planned Corrective Action:**

The District agrees that procedures should be enhanced to monitor the provisions of vendor contracts. In addition to enhancing and monitoring current contract procedures, Purchasing Services has developed an Administrative Contracting Officer Training Program, to provide guidance as well as resources to include a manual, checklists, and contract-related documents for District employees engaged in the administration of contracts.

### **Anticipated Completion Date:**

June 2017

### **Responsible Contact Person:**

Don Nelson, Assistant Superintendent for Operations

### **Finding 7: Intensive Reading Instruction**

#### **Finding:**

District records for the 2015-16 fiscal year did not always evidence that the District provided the required additional hour of reading instruction each day pursuant to State law for the 40 District schools included in the State's 300 lowest-performing elementary schools.

#### **Planned Corrective Action:**

The District's plan of implementing the additional hour of reading was in compliance with all Florida Statutes and State Board Rules. The inconsistency occurred at the individual school level, rather than at the district level.

Inconsistency amongst schools with implementation of the District's plan will be monitored through the following means to ensure school level compliance:

1. Review master scheduling monthly to ensure schedule changes are reflected accurately and consistent with Master Scheduling Guidelines.
2. School site visit monitoring documents will include a section specifically for monitoring the additional hour of reading instruction.

#### **Anticipated Completion Date:**

December 2016 and ongoing

#### **Responsible Contact Person:**

Mason Davis, Chief Academic Officer

### **Finding 8: Florida Best and Brightest Teacher Scholarship Program**

#### **Finding:**

The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship awards on reliable and authentic records of college entrance exam scores. For example, in some cases, the District based teacher eligibility on temporary exam reports or an unofficial Web site score report without taking additional efforts to confirm the accuracy of the scores.

#### **Planned Corrective Action:**

We are still seeking guidance from the Florida Department of Education regarding what is acceptable documentation of proof, including high school and college transcripts, which the District was advised would be considered acceptable when we initially contacted the FLDOE.

As a result of communications received from the FLDOE during the 2015-16 school year, which indicated school Districts had the latitude to determine eligibility. Specifically, when the District sought clarification from the FLDOE regarding what constituted an "official record," we were advised that this was a District determination. Based on current auditor feedback, the District has only accepted official score reports for the 2016-17 year to determine Best and Brightest eligibility.

#### **Anticipated Completion Date:**

December 2016

**Responsible Contact Person:**

Sonita Young, Assistant Superintendent of Human Resource Services

**Finding 9: IT Administrative Access**

**Finding:**

Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. In addition, the District did not have procedures for the review of network accounts granted administrator access privileges to timely detect inappropriate or unnecessary access privileges.

**Planned Corrective Action:**

The identified administrative accounts identified by the auditor have been removed.

**Anticipated Completion Date:**

Implemented October, 2016

**Responsible Contact Person:**

James Culbert, Executive Director of Technology

**Finding 10: IT User Authentication (Confidential Finding)**

**Finding:**

District security controls related to user authentication and monitoring of application activity need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources. Similar findings were noted in our report No. 2014-076.

**Planned Corrective Action:**

The District has addressed the security controls related to user authentication and monitoring of application activity and will continue to update its security model to reflect the current attack vectors including moving to Active Directory 2016.

**Anticipated Completion Date:**

October, 2016

**Responsible Contact Person:**

James Culbert, Executive Director of Technology