

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-100
January 2017

**FLAGLER COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Jacob Oliva served as Superintendent of the Flagler County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Andy Dance	1
Janet O. McDonald	2
Colleen Conklin, Chair	3
Trevor Tucker, Vice Chair	4
Sue Dickinson	5

The audit was supervised by Keith A. Wolfe, CPA.

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

This report and other reports prepared by the Auditor General are available at:

www.myflorida.com/audgen

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

FLAGLER COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Flagler County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-158. Our operational audit disclosed the following:

Finding 1: The District needs to establish a mechanism for noninstructional employees to report time worked and ensure documented supervisory review and approval of such time. A similar finding was noted in our report No. 2016-158.

Finding 2: The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship Program awards on reliable and authentic records of college entrance exam scores. For example, in some cases, the District based teacher eligibility on temporary exam or unofficial score reports without taking additional efforts to confirm the accuracy of the scores.

Finding 3: District records did not always evidence that workforce education program funds were used only for authorized purposes.

Finding 4: District policies and procedures could be enhanced for documenting compliance with sole source purchase requirements.

Finding 5: The District paid \$5,275 for accounting services received by its direct-support organization without specific legal authority.

Finding 6: Some unnecessary or inappropriate information technology access privileges continue to exist.

BACKGROUND

The Flagler 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 Flagler County. The governing body of the District is the Flagler County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 10 elementary, middle, high, and specialized schools; sponsored 2 charter schools; and reported 12,820 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2016-158. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Payroll Processing – Time Records

Effective internal controls require supervisory review of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional employees (e.g., administrative and professional employees)¹ on a payroll-by-exception basis whereby the employees are paid on a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2015-16 fiscal year, the District reported salary costs of approximately \$6.7 million for 110 noninstructional employees. In response to our inquiry, District personnel indicated that noninstructional employees typically work more than the standard work week due to the nature of their positions and are not required to record their daily work hours. In addition, District personnel indicated that, as part of their review of the District's compliance with the Fair Labor Standards Act overtime exemptions rule, the District will further review their policies and procedures related to documenting noninstructional employees' work hours. Notwithstanding this response, without evidence of time worked and documented supervisory review and approval of noninstructional employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without accurate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute. A similar finding was noted in our report No. 2016-158.

Recommendation: We recommend that the District require noninstructional employees to report time worked and ensure that supervisory review and approval of such time is documented.

Finding 2: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)² to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act³ proviso language, to be eligible for a scholarship, a teacher must have scored at or above the 80th 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,⁴ 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 80th 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,

¹ Administrative personnel include, for example, principals, assistant principals, executive directors, and directors, and professional employees include, for example, coordinators, managers, specialists, and supervisors.

² Section 1012.731, Florida Statutes (2016).

³ Chapter 2015-232 Specific Appropriation 99A, Laws of Florida.

⁴ Section 1012.34, Florida Statutes.

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 80th percentile based upon the percentile ranks in effect when the teacher took the assessment. Additionally, District procedures require teachers to complete and submit scholarship applications. On the applications, teachers must certify that they are submitting official documentation of college entrance exam scores at or above the 80th percentile. Pursuant to State law,⁵ 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 as highly effective.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible teachers to the Florida Department of Education (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 \$247,688 to 30 teachers. Our examination of District records supporting scholarship awards totaling \$148,613 to 18 selected teachers disclosed that, for 1 teacher who received an award of \$8,256, the District based the teacher's eligibility on the teacher's evaluation rating of highly effective and unofficial college entrance exam scores dated January 1995 from an intercollegiate athletic association student-athlete eligibility record. In addition, the District based the eligibility of 2 other teachers who received awards totaling \$16,512 on the teachers' evaluation ratings of highly effective and 1 of the teacher's temporary exam report of a college entrance exam scores dated December 2002 and the other teacher's college entrance exam unofficial score report for scores dated September 2015. Subsequent to our inquiry in November 2016, the District obtained and provided to us confirmation of the first teacher's December 2002 test score from the exam provider and a copy of the second teacher's official September 2015 test scores from the exam provider.

In response to our inquiry, District personnel indicated that the initial records used to support the scholarship awards were based on FDOE guidance, which indicated that school districts had the authority to determine what was considered an official record. Notwithstanding this response, District personnel did not independently corroborate the unofficial and temporary score reports with the scores on other records, such as college transcripts or final exam reports, during the teacher eligibility determination and prior to making the scholarship awards. 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.

⁵ Section 1012.731(3)(b), Florida Statutes (2016).

Finding 3: Workforce Education Programs

Pursuant to State law,⁶ the District receives funding for a workforce education program. General Appropriations Act⁷ proviso language provides that workforce education program funds shall not be used to support K-12 programs or District K-12 administrative indirect costs. The District uses workforce education program funds and adult education tuition and fees to provide adult education programs at Flagler Technical Institute and various adult general education locations. During the 2015-16 fiscal year, the District's workforce education program revenues and expenditures each totaled \$1.7 million.

To determine the propriety of workforce education program expenditures for the 2015-16 fiscal year, we initially examined District records supporting 28 selected expenditures (22 salary expenditures and 6 other expenditures) totaling \$21,615. However, although we requested, District personnel were not able to provide records, such as personnel activity reports or other records, to support 2 salary expenditures totaling \$2,299 (one expenditure each for a Districtwide custodian and a fleet mechanic). We expanded our procedures and requested for examination District records to support 9 additional salary expenditures totaling \$4,964; however, District personnel were not able to provide records to support a \$1,029 salary expenditure for another Districtwide custodian. According to District records for the 2015-16 fiscal year, workforce education program salary expenditures totaled \$107,088 for the two custodians and the fleet mechanic.

We interviewed the two custodians and determined that, for the 2015-16 fiscal year, one custodian spent no time performing services for a workforce education program and the other custodian spent approximately 50 percent of his time performing services for a workforce education program. District personnel also indicated that, due to the number of custodians, it was not practical to split-fund each custodian's pay across all the areas they worked. However, District personnel provided documentation for other custodians (not funded by the program) that confirmed that the workforce education program cost of the custodians' services exceeded the amount overcharged to the program for the two custodians in our test. As a result, the workforce education program was ultimately not overcharged for the custodians' services.

District personnel knowledgeable of the fleet mechanic's services indicated that the mechanic was specifically designated for the program but, when not working on program vehicles, the mechanic could work on other District vehicles. Subsequent to our inquiry, District personnel decided to restore the fleet mechanic's full salary expenditures totaling \$45,953 to the workforce education program instead of calculating the relevant costs associated with the mechanic's services to the program.

While, subsequent to our inquiries, District personnel were able to justify the workforce education program expenditures or restored questioned amounts to the program, such actions do not substitute for the District's responsibility to establish adequate internal controls over program services and allowable costs. Absent effective procedures for timely documenting and monitoring program services, there is an increased risk that salary expenditures may be inappropriately charged to the workforce education program.

⁶ Section 1011.80, Florida Statutes.

⁷ Chapter 2015-232, Laws of Florida, Specific Appropriations 10, 116, and 118.

Recommendation: The District should enhance procedures to ensure and document that workforce education program funds are used only for authorized purposes.

Follow-Up to Management’s Response

Management indicated in the written response that “one custodian can work in numerous locations throughout the District, and can change locations during the year. Based on this, it is not practical to split-fund numerous employees, and continually change their coding throughout the year.” Notwithstanding this response, if management believes that, due to the practice of relocating custodians throughout the District, the maintenance of accurate records for relevant workforce education program expenditures would create an undue recordkeeping burden, then management should discontinue use of program resources to fund these positions. However, if management continues use of program resources to fund such positions, the District should maintain personnel activity reports or other records to support the time worked by employees in positions paid from the program and to demonstrate that program funds are used only for authorized purposes.

Finding 4: Contractual Services

The District is required, pursuant to State Board of Education (SBE) rules,⁸ to request bids or proposals from three or more sources for any authorized purchase or contract for services exceeding \$50,000. SBE rules⁹ for sole source purchases exempt contracts for services from the competitive solicitation process and require the District to publicly post, for a period of at least 7 business days, a description of the purchase sought and document that the purchase was available only from a single source. For purchases of goods and services equal to or exceeding \$25,000, the Board-adopted purchasing policy¹⁰ requires the use of a competitive procurement process; however, the policy does not address requirements for sole source purchases.

As part of our procedures to determine the propriety of District payments for contractual services, we examined District records supporting 30 selected payments totaling \$378,064. Our examination disclosed a \$14,764 payment related to a September 2015 purchase order for repairs of leased computer devices used by students. The purchase order amount was initially \$10,000, but the amount was subsequently increased 19 times to support District payments totaling \$216,392 as of July 2016, and there was no evidence of a competitive procurement process. In response to our inquiries, District personnel indicated the purchase was treated as a sole source pursuant to a District information technology initiative, which began during the 2013-14 fiscal year, and that the equipment manufacturer communicated to the District that the vendor was a sole source provider for the specific type of services needed. However, although we requested, District records were not provided to evidence that the vendor was a sole source provider for the repair of computer devices or that the District publicly posted a description of the services for a period of at least 7 business days. Without established policies and procedures that effectively ensure documented compliance sole source purchase requirements, there is

⁸ SBE Rule 6A-1.012, Florida Administrative Code (FAC).

⁹ SBE Rule 6A-1.012(12)(d), FAC.

¹⁰ Policy 721, *Purchasing Policies and Bidding*.

an increased risk that services will not be acquired at the lowest and best price consistent with desired quality.

Recommendation: The District should enhance policies and procedures to ensure documented compliance with sole source purchase requirements.

Finding 5: Direct Support Organization

State law¹¹ provides that a district school board direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, school districts. Pursuant to State law,¹² the Board may permit a DSO to use District property, facilities, and personal services; however, the law does not specifically authorize District payments to, or on behalf of, a DSO. The Board approved the Flagler Auditorium Governing Board, Inc. and the Flagler County Education Direct-Support Organization, Inc. (Education DSO), as DSOs and the DSOs routinely received and used performance revenues and charitable contributions, respectively, for the benefit of the District.

Our examination of District records identified seven District payments totaling \$11,475 that appeared to be made to, or on behalf of, District DSOs during the 2015-16 fiscal year. To determine the propriety of the payments, we examined District records supporting the payments and identified six payments totaling \$5,275 for Education DSO accounting services. In response to our inquiry, District personnel indicated that, without contracting for the services, District personnel would have likely had to work overtime to provide the services and they were unaware that such payments were not authorized by State law. Notwithstanding the District's response, we are unaware of any specific statutory authority permitting the District to make payments for services on behalf of the Education DSO.

Recommendation: In the absence of specific statutory authority, the District should discontinue the practice of making payments on behalf of the Education DSO and should seek to recover from the DSO the \$5,275 paid for accounting services.

Finding 6: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide 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 inconsistent with their assigned responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible duties.

Our examination of District records supporting the privileges of the two District employees with access to the District business application, including the finance and human resources (HR) applications, disclosed that the two employees had access privileges that permitted them to perform unnecessary or

¹¹ Section 1001.453, Florida Statutes.

¹² Section 1001.453(2), Florida Statutes.

incompatible functions. Specifically, we found that the District’s Management Information Systems Director and Assistant Director had access privileges that allowed update access privileges to all functions within the finance and HR applications, including transactions origination, correction, and changes to finance and payroll data security tables. In response to our inquiry, District management indicated that the access privileges were necessary to provide security administration functions and to modify and prepare data for State reporting. Notwithstanding this response, complete update access privileges to the applications were not necessary for these employees’ responsibilities related to technical support of the application and were contrary to an appropriate separation of IT and end-use functions.

District records indicated that the Assistant Director, Director of Finance, and HR Position Control Specialist periodically reviewed access assigned to the application security groups for unauthorized activities and the District had implemented certain other controls (e.g., supervisory monitoring of finance and HR transactions, timely independent bank reconciliations, and restricted access to unused checks) that somewhat mitigated the access deficiencies and our review did not disclose any misuse as a result of the unnecessary or inappropriate access privileges. However, the existence of these inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resource. Similar findings were noted in our report Nos. 2015-174 and 2016-158.

Recommendation: The District should ensure that assigned access privileges enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1 and 6 and shown in Table 1, the District had taken corrective actions for applicable findings included in our report Nos. 2015-174 and 2016-158.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year Report No. 2016-158, Finding	2013-14 Fiscal Year Report No. 2015-174, Finding
1	1	Not Applicable
6	6	14

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from June 2016 to November 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. 2016-158.
- 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 administrator account access privileges granted to the two employees for the audit period and procedures for oversight of administrator accounts to the District business application, including finance and human resources (HR) applications, to determine whether these privileges had been appropriately assigned and managed based on employees' job duties and whether the access granted prevented the performance of incompatible duties.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2016, to determine whether the balances were 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 \$8.7 million total expenditures and \$9 million total transfers made during the 2015-16 fiscal year from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting 30 selected expenditures and 17 transfers totaling \$112,899 and \$9 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation for 37 selected expenditures totaling \$26,579 from the population of \$1.7 million total workforce education program expenditures for the audit period and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- For the three industry certifications eligible for performance funding that were attained by students during the audit period, examined the certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 260 adult general education instructional students reported for 36,026 contact hours during the Fall semester of the audit period, examined District records supporting 1,040 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Examined the District Web site to determine whether the 2015-16 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined financial reports and analyses presented to the Board during the audit period to determine whether the Board monitored financial results and related budget estimates.
- Examined supporting documentation to determine whether required internal funds audits for the 2015-16 and 2 preceding fiscal years were timely performed pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.
- From the seven payments totaling \$11,475 made during the audit period from the District to, and on behalf of, its direct-support organization, examined District records supporting the transactions to determine the legal authority of such transactions.
- From the population of 2,000 employees compensated a total of \$67 million during the audit period, examined District records supporting compensation payments totaling \$41,435 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked and leave used.
- Examined District records to determine whether the Board adopted a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school

demographics, critical shortage areas, and level of job performance difficulties in compliance with Section 1012.22(1)(c)4.b., Florida Statutes.

- From the population of 1,159 instructional personnel and 38 school administrators compensated a total of \$44.6 million during the audit period, examined supporting documentation for 30 selected employees who were paid a total of \$1.6 million 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 determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- From the population of 30 District teachers who received Florida Best and Brightest Teacher Scholarship Program awards totaling \$247,688 during the audit period, examined District records supporting eligibility of 18 teachers who received scholarships totaling \$148,613.
- Examined District records for 30 employees selected from the population of 1,585 employees for the audit period to assess whether personnel who had direct contact with students were subjected to the required background screenings.
- 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.
- Determined whether expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected and carried adequate insurance. From the population of expenditures totaling \$160 million for the audit period, we examined documentation related to:
 - Thirty payments for general expenditures totaling \$40,018.
 - Thirty payments for purchased services totaling \$378,064.
- From the population of purchasing card (P-card) transactions totaling \$1.4 million during the audit period, examined documentation supporting 30 selected transactions totaling \$5,991 to determine whether P-cards were administered in accordance with District policies and procedures. We also determined that the District timely canceled the P-cards for four former employees who had been assigned P-cards and separated from District employment during the audit period.
- Examined the contract documents for the FDOE-approved VIP provider to determine whether the contract documents contained required statutory provisions. Also, we:
 - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
 - Evaluated the contract documents and other related records to determine whether the District documented the reasonableness of student-teacher ratios established in the contract.
- 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

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



flaglerschools
Striving to be the Nation's Premier Learning Organization

P. O. Box 755 ■ 1769 E. Moody Blvd. ■ Bldg. 2 ■ Bunnell, FL 32110
Phone (386) 437-7526 ■ Fax (386) 437-7577
www.flaglerschools.com

BOARD OF EDUCATION

Trevor Tucker
Chairman
District 4

Janet McDonald
Vice Chairman
District 2

Maria P. Barbosa
Board Member
District 5

Colleen Conklin
Board Member
District 3

Andy Dance
Board Member
District 1

Student School Board Member
Brittany Franklin
Flagler Palm Coast H.S.

Student School Board Member
Kobi Kane
Matanzas H.S.

Teacher of the Year
Kimberly Weeks
Old Kings Elementary School

Employee of the Year
Deandre Harris
Indian Trails Middle School

Jacob Oliva
Superintendent

January 13, 2017

Sherrill F. Norman, CPA
Auditor General
Claude Pepper Building
111 West Madison Street, Suite G74
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Please find attached our response to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2016. Our responses follow the order of the findings cited. Should additional information be required, please contact Mr. Tom Tant, Chief Financial Officer.

Sincerely,

Jacob Oliva
Superintendent

Attachment

cc: Board Members

Additional Matters

Finding No. 1: The District needs to establish a mechanism for noninstructional employees to report time worked and ensure documented supervisory review and approval of such time.

Response: Effective procedures are in place for noninstructional hourly employees. For professional exempt employees that are paid on a payroll-by-exemption basis, the District's practice is to monitor days worked by a time off request basis. Although we disagree with the audit finding, we accept the recommendation of the auditor, and will review our processes and take corrective action as we deem necessary.

Finding No. 2: The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship Program awards on reliable and authentic records of college entrance exam scores.

Response: The District followed FDOE guidance which indicated each school district had the authority to determine what it considered to be an official record. Based on this, our District made its own determination on what qualified to be an official record, documentation received from ACT and SAT, and consistently applied it.

Had we been provided with additional information on specific documents that were deemed to be unacceptable records for audit purposes, we would have made every effort to ensure such records were not accepted. In the future, the District will require the official scores from SAT and ACT.

Finding No. 3: District records did not always evidence that workforce education program funds were used only for authorized purposes.

Response: The District has previously analyzed the number of hours of custodial services spent on areas directly related to workforce education program. As a result, it was determined that charging two full-time custodians to this program was conservative. One custodian can work in numerous locations throughout the District, and can change locations during the year. Based on this, it is not practical to split-fund numerous employees, and continually change their coding throughout the year.

Proper documentation of time records was provided to the auditors. As the employees in question are paid with state dollars, they are not subject to the same reporting requirements as those working under Federal grants; therefore, we believe adequate records are maintained for workforce education program funds, which is further supported by the conclusion of no questioned costs. Although we disagree with the audit finding, we accept the recommendation of the auditor, and will review our processes and take corrective action as we deem necessary.

Finding No. 4: District policies and procedures could be enhanced for documenting compliance with sole source purchase requirements.

Response: Based on the summary statement for Finding No. 4, “District policies and procedures could be enhanced for documenting compliance with sole source purchase requirements”. The District appreciates your consideration, as our goal is to minimize risk and fraud. We will review our practices and determine if any necessary procedures need to be changed for future compliance.

Finding No. 5: The District paid \$5,275 for accounting services received by its direct-support organization without specific legal authority.

Response: In prior years, the District has always paid one of its own employees overtime hours to provide the same accounting services that are now contracted out. In the future, the direct-support organization will pay for these services.

Finding No. 6: Some unnecessary or inappropriate information technology access privileges continue to exist.

Response: The software capabilities of our state data reporting system continues to be limited in its ability to implement what the Auditor General’s Office is seeking. For the past several years, we have had various controls in place to mitigate deficiencies and prevent against any misuse. Although we disagree with the audit finding, we accept the recommendation of the auditor, and will review our processes and take corrective action as we deem necessary.