

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2017-139  
March 2017

**BREVARD COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2015-16 fiscal year, Dr. Desmond Blackburn served as Superintendent of the Brevard County Schools and the following individuals served as School Board Members.

	<u>District No.</u>
Misty Belford, Vice Chair from 11-17-15	1
John Craig	2
Amy Kneessy, Chair to 11-16-15	3
Karen Henderson, Vice Chair to 11-16-15	4
Andy Ziegler, Chair from 11-17-15	5

The team leader was Bevohn Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the team leader was Joseph Garcia, 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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# BREVARD COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Brevard County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2014-089 and applicable findings in our report No. 2013-094. Our operational audit disclosed the following:

**Finding 1:** For the 2013-14, 2014-15, and 2015-16 fiscal years, the District paid a total of \$150,000 to its direct-support organization without specific legal authority.

**Finding 2:** The District did not always timely perform required background screenings for applicable instructional and non-instructional employees.

**Finding 3:** The District needs to ensure that school principals' time worked is subject to supervisory review and approval and that documentation of the review and approval is monitored by the Accounting and Payroll Department. A similar finding was noted in our report No. 2014-089.

**Finding 4:** District procedures provide that one employee determine teacher eligibility for the Florida Best and Brightest Teacher Scholarship Program awards and there is no review and approval of the determinations. For the 2015-16 fiscal year, the District awarded 8 scholarships to ineligible recipients.

**Finding 5:** The District needs to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

**Finding 6:** As a result of the felony fraud charges made against three Transportation Department employees, the District reviewed Department inventory procedures, identified certain control deficiencies, and took action to enhance controls. However, we noted that the Department did not always document the purpose for inventory purchases. Additionally, the Department did not appropriately restrict physical access to the inventory, limiting the District's ability to effectively fix responsibility should a theft of inventory occur.

**Finding 7:** As similarly noted in our report No. 2013-094, the District did not offer the required number of virtual instruction program (VIP) options.

**Finding 8:** District security controls related to user authentication and data loss prevention need improvement to ensure the continued confidentiality, integrity, and availability of District data and information technology resources. A similar finding was noted in our report No. 2014-089.

## ***BACKGROUND***

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The Brevard 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 Brevard County. The governing body of the District is the Brevard 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 99 elementary, middle, high, and specialized schools; sponsored 11 charter schools; and reported 71,634 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. 2014-089 and applicable findings in our report No. 2013-094. 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***

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### **Finding 1: Direct Support Organization**

State law<sup>1</sup> 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. State law<sup>2</sup> authorizes the Board to permit a DSO to use District property, facilities, and personal services. The Board approved The Brevard Schools Foundation, Inc. (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the District.

District records indicated that, during 2015-16 fiscal year, the District made 14 payments totaling \$121,664 to, or on behalf of, the Foundation. We examined District records supporting these payments and noted that, as fiscal agent of the Science Research Program and for other legitimate District educational purposes, the District made payments totaling \$71,664 to the Foundation. However, we also noted a \$50,000 payment that was described in District records as Foundation "administrative expenses." We extended our procedures and examined District records for the 2013-14 and 2014-15 fiscal years and noted two additional payments totaling \$100,000 for Foundation administrative expenses.

In response to our inquiry, District personnel indicated that Board-adopted budgets planned for the payments to the Foundation for administrative expenses based on an agreement with the Foundation to, for example, serve as a philanthropic partner to develop, cultivate, and steward donors; solicit donors for funds; and provide tax receipts to donors. Notwithstanding this response, we are unaware of any specific statutory authority permitting the District to make payments to the Foundation for administrative expenses.

**Recommendation:** In the absence of specific statutory authority, the District should discontinue the practice of making payments to the Foundation for administrative expenses and the District should seek to recover from the DSO the \$150,000 paid for these expenses.

### ***Follow-Up to Management's Response***

*Management indicated in the written response that "in previous years, the District has supported the Foundation by making payments to help defray some of the administrative and other educational support costs. In the absence of statutory language prohibiting such payments, the District does not intend to seek recovery of funds previously paid or discontinue providing support to the Foundation." However,*

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<sup>1</sup> Section 1001.453(1)(a)3., Florida Statutes.

<sup>2</sup> Section 1001.453(2), Florida Statutes.

*without express statutory authority, the transfer of District funds to the Foundation does not appear justified.*

*State law<sup>3</sup> authorized the creation of DSOs by school boards as “a proven method for encouraging, developing, and distributing funds from the private sector into the public sector.” However, the transfer of funds from the public sector (District) into the private sector (DSO) is not expressly authorized in State law. Additionally, although we requested, District records were not provided to identify the Foundation’s specific “administrative expenses” incurred and how the expenses accomplished a District purpose. Consequently, we continue to recommend that the District discontinue the practice of making payments to the Foundation for administrative expenses and seek to recover from the DSO the \$150,000 paid for these expenses.*

## **Finding 2: Background Checks and Fingerprinting**

State law<sup>4</sup> requires each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students to undergo a level 2 background screening<sup>5</sup> at least once every 5 years. To promote compliance with the statutory background screening requirements, District procedures require the Human Resources Department to effectively communicate with the Office of District and School Security to ensure employees who have access to school grounds undergo required background screenings.

During the 2015-16 fiscal year, the District employed 5,474 instructional personnel and 3,350 noninstructional personnel. To determine whether required background screenings had been performed for these employees, we examined District records supporting 30 selected employees<sup>6</sup> and found that an instructional employee (community coach) had not undergone a background screening at least once in the past 5 years. We expanded our procedures to include all 290 community coaches and found that 26 community coaches had not obtained the required background screenings at least once in the past 5 years.

In response to our inquiries, District personnel indicated that background screenings were not performed for the coaches because of miscommunication between the Human Resources Department and the Office of District and School Security. Subsequent to our inquiry in September 2016, District personnel obtained background screenings for the 12 community coaches still employed by the District and noted no inappropriate backgrounds. However, the dates of these coaches’ recent background screenings ranged from 6 to 10 years after the dates of the previous background screenings. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that individuals with unsuitable backgrounds may have direct contact with students.

**Recommendation: The District should take immediate action to identify employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on the evaluations of the screenings.**

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<sup>3</sup> Chapter 1984-172, Laws of Florida.

<sup>4</sup> Sections 1012.32, 1012.56(10), and 1012.465, Florida Statutes.

<sup>5</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>6</sup> The 30 selected individuals included 18 instructional personnel and 12 noninstructional personnel.

**We also recommend that, in the future, the District ensure that all required background screenings are timely performed for District employees at least once every 5 years.**

### **Finding 3: Payroll Processing – Time Records**

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional administrative employees<sup>7</sup> on a payroll-by-exception basis whereby the employees are paid 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.

According to District personnel, to document time worked and leave used for employees, District payroll procedures require that all noninstructional employees complete time sheets and leave requests and submit those records to the employee's immediate supervisor for approval and retention. District personnel further indicated that timekeeping is a manual process and is managed at each worksite (school or department) and all employee time records are maintained at the worksite. However, the Accounting and Payroll Department staff, who are responsible for processing employee payroll payments, do not monitor the worksites for compliance with District payroll procedures.

During the 2015-16 fiscal year, the District had 324 noninstructional administrative employees who were compensated a total of \$22.2 million, including 104 school principals who were compensated a total of \$9 million. Our examination of District records and discussions with District personnel disclosed that noninstructional administrative employees typically maintained time sheets that were reviewed and approved. However, our discussions with two of the three area superintendents responsible for supervising 57 school principals disclosed that one superintendent did not approve the time sheets of the 28 school principals under her supervision and the other superintendent indicated that the 29 principals under his supervision did not prepare time sheets. In response to our inquiry, District personnel indicated that, since time sheets were not required to be submitted to the Accounting and Payroll Department, the Department was unaware that the time sheets were not always completed for the school principals.

Without evidence of time worked and leave taken, there is a limited assurance that the school principal services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that school principals may be incorrectly compensated and their leave balances may not be accurate. Similar findings were noted in our report Nos. 2013-135 and 2014-089.

**Recommendation: The District should enhance procedures to ensure that school principals report time worked on time sheets and that documentation of supervisory review and approval is maintained. Such procedures should require the Accounting and Payroll Department to periodically verify that the time sheets were properly prepared, reviewed, and approved and support the school principals' compensation payments and leave balances.**

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<sup>7</sup> Administrative personnel include, for example, principals, assistant principals, executive directors, and directors, and professional employees include, for example, coordinators, managers, specialists, and supervisors.

#### **Finding 4: Florida Best and Brightest Teacher Scholarship Program**

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)<sup>8</sup> to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act<sup>9</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>10</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>11</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 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. According to District personnel, one employee was responsible for determining teacher eligibility and there was no review and approval of the determinations to verify that the scholarships were awarded only to eligible recipients.

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$1.6 million to 193 teachers. Our examination of District records supporting scholarship awards totaling \$247,688 to 30 selected teachers disclosed that the District incorrectly awarded a scholarship totaling \$8,256 to a teacher who had scored 2 points below the required college entrance exam score. In response to our inquiry in September 2016, District personnel reviewed District records and identified an additional 7 teachers who had been incorrectly awarded scholarships totaling \$57,794 as the teachers' college entrance exam scores were 1 to 5 points below the required score.

District personnel indicated that, effective for the 2016-17 Program scholarships, scholarship applicants are required to certify their eligibility on the application and several staff members are to review each application to verify the applicant's eligibility. In addition, District personnel indicated that the 8 ineligible scholarship recipients for the 2015-16 fiscal year were excluded from eligibility for the 2016-17 scholarships, but a decision whether to seek recovery of the 2015-16 fiscal year scholarships

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<sup>8</sup> Section 1012.731, Florida Statutes (2016).

<sup>9</sup> Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

<sup>10</sup> Section 1012.34, Florida Statutes.

<sup>11</sup> Section 1012.731(3)(b), Florida Statutes (2016).

had not been made. Absent effective Program scholarship eligibility determinations based on appropriate consideration of college entrance exam scores and independent review and approval of the determinations, there is an increased risk that scholarships may be awarded to ineligible recipients.

**Recommendation:** To ensure that Program scholarships are awarded only to eligible recipients, the District should continue efforts to ensure that Program scholarship eligibility determinations include appropriate consideration of college entrance exam scores and that the determinations are independently reviewed and approved. In addition, the District should refund the FDOE for the awards totaling \$66,050 paid to the 8 ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper scholarship awards.

#### **Finding 5: Adult General Education Classes**

State law<sup>12</sup> defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act<sup>13</sup> proviso language requires each school district to report enrollment for adult general education programs in accordance with the FDOE instructional hours reporting procedures.<sup>14</sup>

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provided that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2015-16 fiscal year, the District reported 601,618 instructional contact hours for 24 adult general education classes provided to 2,858 students. As part of our audit, we examined District records for 5,117 hours reported for 30 selected students enrolled in 14 adult general education classes. We found that instructional contact hours were over reported a total of 531 hours (ranging from 3 to 225 hours) for 8 students. In response to our inquiry in November 2016, District personnel indicated that the over-reported hours occurred primarily because of programming errors associated with Spring 2016 student withdrawal dates transferred to new student information software.

District personnel also indicated that, as of January 2017, the District had resolved the programming errors and planned to file an amended Spring 2016 report with the FDOE. Notwithstanding this corrective action, the full extent of the class hours that may have been over reported in the 2015-16 fiscal year for the 2,858 students was not readily available. Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data.

**Recommendation:** The District should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The

<sup>12</sup> Section 1004.02(3), Florida Statutes.

<sup>13</sup> Chapter 2015-232, Laws of Florida, Specific Appropriation 118.

<sup>14</sup> FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

**District should also determine to what extent the adult general education hours were misreported for the 2015-16 fiscal year and contact the FDOE for proper resolution.**

### **Finding 6: Transportation Department Inventory**

During the 2015-16 fiscal year, the District's Transportation Department (Department) purchased parts and supplies with costs totaling approximately \$900,000 to maintain and repair vehicles and, at June 30, 2016, the costs of the related inventory totaled approximately \$300,000. To appropriately account for and safeguard the items purchased by the Department, appropriate internal controls, including controls to adequately separate the incompatible duties of purchasing, receiving and issuing parts, and maintaining the related inventory records and controls to restrict access to the inventory, are necessary.

In January 2016, as the result of a Brevard County Sheriff's Office investigation, three former Department employees<sup>15</sup> were charged with a scheme to defraud the District of transportation parts. Because of the theft, in February 2016 District personnel reviewed Department inventory procedures and identified certain control deficiencies. For example, an inappropriate separation of duties was identified as both the Parts Manager and Transportation Specialist were responsible for purchasing, receiving, and issuing parts; had the ability to adjust Department inventory records; and also approved payments for Department purchases. Based on the review and deficiencies identified, the District enhanced procedures by transferring from the Department to the Purchasing Department both the physical control of the parts room and certain purchasing duties, such as accounting for transportation inventory for purchasing, receiving, and issuing parts.

Our examination of Department records and discussions with Department personnel disclosed additional Department control deficiencies as the Department did not appropriately restrict physical access to Department inventory. For example, mechanics had unrestricted access to the inventory when the Parts Manager was not on duty, limiting the District's ability to effectively fix responsibility should a theft of inventory occur. In response to our inquiries, District personnel indicated that physical access to Department inventory had not been restricted because the District lacked funding for an additional Parts Manager and the bus and vehicle operating hours exceeded the Parts Manager's work hours.

We performed analytical procedures and judgmentally examined Department records supporting 30 selected parts and supply purchases totaling \$17,080. Our examination disclosed that 6 parts and supply purchases totaling \$1,830 were for items such as a part for a Harley-Davidson motorcycle, custom brake lines, high-end synthetic lubricants, and other items that did not appear to relate to District-owned vehicles. According to District personnel, each of these items were among those related to the charges filed against the three former employees and documentation was not available to demonstrate the District purpose for the purchases.

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<sup>15</sup> As of September 2016, one former Department employee was awaiting trial and two former Department employees had been adjudicated guilty of felony fraud with restitution to the District totaling \$14,112.

Without appropriate restricted access to inventory, there is an increased risk of theft or inappropriate use of inventories without timely detection. In addition, documentation supporting the District purpose for parts and supplies purchases provides assurance regarding the use of District resources.

**Recommendation:** The District should enhance procedures to ensure that parts and supplies purchases serve an authorized District purpose and to restrict access to Department inventory. Such procedures should include documentation supporting the District purpose for purchases and supervisory review and approval of inventory transactions and, if it is not practical for the District to restrict inventory access with existing staff, compensating controls, such as frequent reviews of inventory purchases and issues (performed by personnel independent of the inventory function) are necessary.

### **Finding 7: Virtual Instruction Options**

State law<sup>16</sup> requires school districts, under certain conditions, to provide students the option of participating, either full-time or part-time, in virtual instruction programs (VIP). Under such option, for example, school districts may offer students the choice of VIP services provided by the school district, Florida Virtual School, another approved provider, another school district, or a virtual charter school.<sup>17</sup> As the District is not in a sparsely populated county, pursuant to State law,<sup>18</sup> the District must offer three options for part-time and full-time virtual instruction for all grade levels.

During the 2015-16 fiscal year, the District enrolled 182 full-time students and 5,910 part-time VIP students. District records evidenced that the District provided at least three full-time options for all grade levels. However, the District did not offer students in kindergarten through grade 5 the opportunity to participate in part-time virtual instruction. In response to our inquiries, District personnel indicated that the required virtual instruction options were not offered because they mistakenly thought the Brevard Virtual School program provided a part-time kindergarten through grade 5 option. Without providing students in all grade levels with a part-time option, the District limited student access to virtual instruction and cannot demonstrate compliance with State law. We noted a similar finding in our report No. 2013-094.

**Recommendation:** The District should ensure that all students are offered three part-time and full-time VIP options as required by law.

### **Finding 8: Information Technology – Security Controls – User Authentication and Data Loss Prevention**

Security controls are intended to protect the confidentiality, integrity, and availability of District data and information technology (IT) resources. Our audit procedures disclosed that certain District security controls related to user authentication and data loss prevention needed 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.

<sup>16</sup> Section 1002.45(1)(b), Florida Statutes.

<sup>17</sup> Section 1002.45(1)(c), Florida Statutes.

<sup>18</sup> Section 1002.45(1)(b), Florida Statutes.

Without adequate security controls related to user authentication and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to District management in connection with our report No. 2014-089.

**Recommendation:** District management should improve security controls related to user authentication and data loss prevention to ensure the 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. 2014-089, 2013-135, and 2013-094, except as noted in Findings 3, 7, and 8 and shown in the Table 1.

**Table 1**  
**Findings Also Noted in Previous Audit Reports**

<b>Finding</b>	<b>2012-13 Fiscal year Operational Audit Report No. 2014-089, Finding No.</b>	<b>2011-12 Fiscal Year Operational Audit Report No. 2013-135, Finding No.</b>	<b>2011-12 Fiscal Year Statewide Operational Report No. 2013-094, Finding No.</b>
3	2	6	Not Applicable
7	Not Applicable	Not Applicable	5
8	10	Not Applicable	Not Applicable

## ***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. 2014-089 and applicable findings in our report No. 2013-094.
- 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 the selection, as well as events and conditions, occurring during the 2015-16 fiscal year, 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 Information Technology (IT) policies and procedures to determine whether certain important IT control functions were appropriately considered.
- Reviewed District supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We tested selected access privileges to the District's finance and human resources (HR) applications to determine the appropriateness and necessity of access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the access privileges granted and procedures for oversight of network administrator accounts and operating system accounts to determine whether these accounts had been appropriately assigned and managed. Specifically, we reviewed the appropriateness of:

- Access privileges granted for employees to selected critical finance application functions (4 accounts).
- Access privileges granted for employees to selected critical HR application functions (29 accounts).
- Network administrator access privileges (25 accounts).
- Operating system special authority access privileges (78 accounts).
- Evaluated 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.
- Determined whether District policies and procedures governing the classification, management, and protection of confidential and sensitive information were in effect.
- Evaluated District policies and procedures for responding to and reporting security incidents.
- Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored charter schools during the 2015-16 fiscal year.
- Examined Board, committee, and advisory board meeting 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 \$35.1 million total expenditures and \$41 million total transfers made during the audit period from voted sales surtax proceeds, nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting 29 selected expenditures and 6 transfers totaling \$2 million and \$40.9 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation for 30 selected expenditures totaling \$239,370 from the population of \$3.5 million total workforce development funds expenditures for the audit period to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 2,858 adult general education instructional students reported for 601,618 contact hours during the audit period, examined District records supporting 5,117 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 District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2013-14 and 2014-15 fiscal years.
- 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 (SBE) Rule 6A-1.087, Florida Administrative Code (FAC), and whether the audit reports were presented to the Board.
- Examined District records supporting the population of 14 payments totaling \$121,664 made during the audit period from the District to its direct-support organization to determine the legal authority of such transactions. We also extended our examination to evaluate District records supporting 2 payments totaling \$100,000 made to the Foundation during the 2013-14 and 2014-15 fiscal years for administrative expenses.
- Reviewed District policies and procedures and evaluated controls over the Transportation Department inventories for the audit period to determine the adequacy of District controls for safeguarding inventory items.
- From a population of inventory parts and supplies purchases totaling approximately \$900,000, selected 30 expenditures totaling \$17,080 to determine if the costs were appropriate, approved, and supported by District records.
- Examined seven employee contracts to determine whether severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the population of 9,173 employees compensated a total of \$255 million during the audit period, examined District records supporting 30 selected compensation payments totaling \$53,832 to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked and leave taken.
- Examined District records supporting the eligibility of 30 selected teachers from the population of 193 teachers who received Florida Best and Brightest Teacher Scholarship Program awards totaling \$1.6 million during the audit period.
- 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.
- Examined District policies and procedures 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 5,474 instructional personnel and 3,350 noninstructional personnel, examined records related to 320 selected employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background checks.
- Examined District policies, procedures, and related records for school volunteers to determine whether for the audit period the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.

- From the population of contractual service payments totaling \$35.8 million during the audit period, examined supporting documentation, including contract documents, for 18 selected contractual services payments totaling \$1.7 million related to 18 contracts to determine whether:
  - The District complied with competitive selection requirements.
  - Contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
  - Records documented satisfactory receipt of deliverables for payments were made.
  - Payments complied with contract provisions.

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

- From the population of expenditures totaling \$82.5 million for the audit period, examined documentation relating to 30 selected payments totaling \$114,368 to determine 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.
- Determined whether rebate revenues for the audit period totaling \$421,458 for the P-card program and \$137,459 for the e-Payable program were allocated to the appropriate District funds.
- Evaluated District procedures for acquiring types of commercial insurance other than health insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- Determined whether the District evaluated the one charter school application received during the audit period for the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school before the charter was granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786, FAC.
- Reviewed the audit reports for all 11 District-sponsored charter schools and the District's direct-support organization to determine whether the required audits were performed for the audit period. We also determined whether the 2015-16 fiscal year audits were performed, as applicable, pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
- Evaluated District records to determine whether the District properly monitored charter schools during the audit period to evaluate whether charter school employees received the appropriate training pursuant to Section 1002.33(6)(f), Florida Statutes.
- Determined 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,<sup>19</sup> we determined whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school to the FDOE.
- Evaluated the adequacy of 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.

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<sup>19</sup> Chapter 2015-232, Laws of Florida.

- 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**

### **School Board of Brevard County**

2700 Judge Fran Jamieson Way • Viera, FL 32940-6601

Desmond K. Blackburn, Ph.D., Superintendent



February 28, 2017

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

Dear Ms. Norman:

Listed below are responses to preliminary and tentative audit findings and recommendations for the operational audit dated February 1, 2017. These audit findings and responses are provided for the fiscal year ending June 30, 2016.

#### **Finding No. 1: Direct Support Organization:**

**For the 2013-14, 2014-15, and 2015-16 fiscal years, the District paid a total of \$150,000 to its direct-support organization without specific legal authority.**

In previous years, the District has supported the Foundation by making payments to help defray some of the administrative and other educational support costs. In the absence of specific statutory language prohibiting such payments, the District does not intend to seek recovery of funds previously paid or discontinue providing support to the Foundation.

#### **Finding No. 2: Background Checks and Fingerprinting:**

**The District did not always timely perform required background screenings for applicable instructional and non-instructional employees.**

As a matter of policy, the District adheres to all Florida Statute background requirements to include new hire fingerprint parameters, fingerprint retention, and fingerprint resubmission. At no time should any individual be placed in a school or site without a fingerprint clearance for that position. All personnel are required to fingerprint prior to new hire appointments. BEFORE annual re-appointment, proper security clearance (including community coaches) is expected prior to allowing a start date.

Fingerprint clearances are entered into the Human Resources system and made available for Human Resources staff to view. All employee fingerprints are retained by the Florida Department of Law Enforcement (FDLE). Any change in criminal history status is automatically sent to the attention of District Security and appropriate notifications and action are coordinated with Human Resources to ensure we remain compliant with statutorily mandated employment eligibility.

Human Resources personnel have been reminded of district policies and procedures regarding security clearance and they should be verifying fingerprint clearances prior to all appointments, new or transfer. The expectation is that there will be no discrepancies, going forward.

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**Finding No. 3: Payroll Processing – Time Records:**

**The District needs to ensure that school principals’ time worked is subject to supervisory review and approval and that documentation of the review and approval is monitored by the Accounting and Payroll Department. A similar finding was noted in our report No. 2014-089.**

Human Resources and Accounting Services will collaborate to provide enhanced training to all sites. Administrators will be trained on the importance of maintaining appropriate records of time worked and leave taken for all non-instructional employees, including Administrators. Supervisory review and approval of time and leave is a management responsibility and will be required for all non-instructional positions.

**Finding No. 4: Florida Best and Brightest Teacher Scholarship Program:**

**District procedures provide that one employee determine teacher eligibility for the Florida Best and Brightest Teacher Scholarship Program awards and there is no review and approval of the determinations. For the 2015-16 fiscal year, the District awarded 8 scholarships to ineligible recipients.**

Beginning in FY 2016-17, the Best and Brightest Teacher Scholarship Program was administered by staff consisting of members from Human Resources, Finance, and Leading & Learning. Florida Statute was reviewed to determine steps to determining eligibility. A website and mailbox was developed to help inform interested participants of the process. This included links to all State information, the Statute, and all District forms/requirements, as well as FAQs.

The committee met on a weekly basis to review any applications that had been received since the week prior. This allowed the team to notify a teacher of any discrepancies to their application prior to the deadline.

With regards to the eight teachers who were erroneously identified as qualified in FY 2015-16, they were not deemed eligible in FY2016-17. The District has contacted the Florida Department of Education regarding return of the scholarship funding for those eight teachers.

**Finding No. 5: Adult General Education Classes:**

**The District needs to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.**

The hours in question were over-reported due to a programming error during a system conversion. To ensure the error does not occur again, we will be sending programming staff for additional training on the reporting software. The Florida DOE is also hosting a statewide adult education data reporting training on May 11, 2017 and each Adult Education administrator will be in attendance. An extra layer of verification will also be added to ensure data accuracy with the site-based administrator at each of our four campuses.

**Finding No. 6: Transportation Department Inventory:**

**As a result of the felony fraud charges made against three Transportation Department employees, the District reviewed Department inventory procedures, identified certain control deficiencies, and took action to enhance controls. However, we noted that the Department did not always document the purpose for inventory purchases. Additionally, the District did not appropriately restrict physical access to the inventory, limiting the District’s ability to effectively fix responsibility should a theft of inventory occur.**

At the conclusion of the criminal investigation in late January 2016, management immediately arranged to surrender operational control of the Transportation central parts room to Warehouse Services. The building has been re-keyed and is only accessible to Transportation staff when Warehouse personnel are on duty. Technicians are not permitted to enter the parts room storage areas without being accompanied by Warehouse personnel.

Under the previous organizational structure, it was possible for a single individual to order, receive and approve for payment goods, material or parts. Transportation Services' current operating practice now requires two different employees to order and receive goods, materials or parts. On each purchase invoice, receipt, packing slip or bill of lading the purpose or intent of the purchase is included.

**Finding No. 7: Virtual Instruction Options:**

**As similarly noted in our report No. 2013-094, the District did not offer the required number of virtual instruction program (VIP) options.**

Brevard Public School has offered students in grades K-5 the opportunity to enroll part-time in accelerated courses since 2011. Upon review of the auditor's findings, we are agreed that the current part-time offerings do not meet the full intent of the statute. As a result, we will explore part-time opportunities during this school year to launch in the FY2017-18 school year, thus ensuring full compliance with the statute.

**Finding No. 8: Information Technology – Security Controls – User Authentication and Data Loss Prevention:**

**District security controls related to user authentication and data loss prevention need improvement to ensure the continued confidentiality, integrity, and availability of District data and information technology resources. A similar finding was noted in our report No. 2014-089.**

District staff believes that there are mitigating controls in place to compensate for the issues noted. These include increased password authentication standards for network access and the impending implementation of data encryption measures to prevent data loss. Brevard's Educational Technology staff will continue to explore and respond accordingly, based on the recommendations provided, and will research additional viable options related to these recommendations.

Sincerely,



Desmond K. Blackburn, Ph.D.  
Superintendent

- C: Board Members
- Audit Committee
- Pennie Zuercher
- Jo Ann Clark