

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-147
March 2017

**GADSDEN COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Reginald C. James served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Audrey D. Lewis to 4-30-16, ^a Chair to 11-16-15	1
Steve Scott	2
Isaac Simmons, Jr., Vice Chair	3
Charlie D. Frost	4
Roger P. Milton, Chair from 11-17-15	5

^a Board member resigned and position remained vacant through 6-30-16.

The team leader was Nicole W. Ostrowski, CPA, and the audit was supervised by Shelly G. Curti, 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.

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GADSDEN COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Gadsden County School District (District) focused on selected District processes and administrative activities and included a follow-up on the operational audit findings noted in our report No. 2016-156. Our audit disclosed the following:

Finding 1: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs of \$272,466.

Finding 2: The Board did not adopt salary schedules that provided annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Finding 3: Required background screenings were not always performed for applicable contractor workers and District instructional and noninstructional employees.

Finding 4: The District did not always comply with State law by limiting the Florida Best and Brightest Scholarship Program awards to classroom teachers based on Program-required college entrance exam scores and timely, highly effective teacher evaluations.

Finding 5: The virtual instruction program (VIP) provider contracts did not always include statutorily required or necessary provisions.

Finding 6: District records did not always evidence that VIP provider employees and contracted personnel were subject to required background screenings.

Finding 7: Certain information technology (IT) security controls related to user authentication need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

BACKGROUND

The Gadsden 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 Gadsden County. The governing body of the District is the Gadsden County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 14 elementary, middle, high, and specialized schools; sponsored 2 charter schools; and reported 5,449 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on the operational audit findings noted in our report No. 2016-156. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, are presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Ad Valorem Taxation

State law¹ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Among the specific conditions imposed by State law² are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes.

Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; payments under lease-purchase agreements; payments of certain loans; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2015-16 fiscal year, the District's LCI Fund expenditures totaled \$876,447 and transfers to other funds totaled \$1.9 million. We examined District records supporting selected LCI Fund expenditures and transfers totaling \$460,104 and \$1.5 million, respectively, to determine their propriety. We found that, based on the records examined, the selected LCI Fund expenditures complied with State law; however, we noted that the District transferred LCI Fund proceeds:

- Totaling \$201,366 to the Debt Service Fund to provide resources for a District sales tax revenue bond payment; however, State law does not authorize use of these proceeds for such payments. In response to our inquiries, District personnel provided the published advertisement that identified the sales tax debt service payment as a purpose for using the proceeds and, as such, believed the transfer was authorized. Notwithstanding this response, neither State law nor other legal authority allows use of ad valorem tax levy proceeds to pay for sales tax revenue bonds.
- Totaling \$400,099 to the General Fund to provide resources for certain insurance premiums, such as property and casualty insurance to insure educational and ancillary plants; however, \$71,100 of that amount was for general liability insurance premiums, which is not an allowable use of ad valorem tax levy proceeds.

In response to our inquiry, District personnel provided us with the insurance agreement supporting the \$400,099 premium payment and indicated that the general liability insurance coverage included property damage. Notwithstanding this response, the District's insurance consultant indicated that the general liability insurance is for property damage caused by the District to someone else's property, not to District-owned property. Consequently, the \$71,100 transfer represents questioned costs of ad valorem tax levy proceeds.

Accordingly, transferred amounts totaling \$272,466 represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized purposes, the risk is increased that the District will violate the expenditure restrictions governing the use of the proceeds.

¹ Section 1011.71(2), Florida Statutes.

² Section 200.065(10)(a), Florida Statutes.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are used only for authorized purposes. In addition, the District should provide documentation to the Florida Department of Education supporting the allowability of the costs totaling \$272,466 or restore this amount to the LCI Fund.

Finding 2: Performance Salary Schedule

State law³ requires the Board to adopt salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on performance. If budget constraints in any given year limit the Board's ability to fully fund all adopted salary schedules, the performance salary schedules are not to be reduced on the basis of total cost or the value of individual awards in a manner that is proportionally greater than reductions to any other salary schedules adopted by the District. State law⁴ also provides that a performance evaluation must be conducted for each employee at least once a year, and specifies certain evaluation criteria and percentage weightings, including basing at least one-third of the evaluation on student performance.

Our review of the performance evaluations and Board-adopted salary schedules for the 2015-16 fiscal year disclosed that, although the performance evaluations included the required evaluation criteria and percentage weightings, the Board's salary schedules for instructional personnel and school administrators were not based on employee or student performance. Instead, consistent with the 2014-15 salary schedules and pay rates, on June 23, 2015, the Board approved a salary schedule for use regardless of the employees' hire date and without consideration of employee or student performance.

In response to our inquiries, District management indicated that the Board did not adopt a performance salary schedule for the 2015-16 fiscal year due to budget constraints. Notwithstanding this response, we are unaware of any exemption from the statutory requirement to adopt salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Recommendation: The Board should adopt performance salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance in accordance with State law.

Finding 3: Background Screenings

State law⁵ requires that each person hired or contracted to serve in an instructional or noninstructional capacity who are permitted access on school grounds when students are present or who have direct contact with students must undergo a level 2 background screening⁶ at least once every 5 years. State law⁷ also provides that noninstructional contractors may be exempt from the background screening

³ Section 1012.22(1), Florida Statutes.

⁴ Section 1012.34, Florida Statutes.

⁵ Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

⁶ 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.

⁷ Section 1012.468, Florida Statutes.

requirements if the contractors are under the direct supervision of a school district employee or contractor who has had a criminal history check and meets the State law screening requirements. Additionally, for noninstructional contractors, State law⁸ requires that the District verify the results of the contractor's background screening using the shared system implemented by the Florida Department of Law Enforcement (FDLE).

To promote compliance with the statutory background screening requirements, District procedures require the Human Resources Department to ensure contractor workers and employees who have access to school grounds undergo required background screenings every 5 years. The District issues badges for contractor workers and employees to wear and the contractor workers' badges identify the workers' screening dates. To help monitor and ensure that required background screenings are performed at least once every 5 years for previously screened contractor workers, the District relies on notifications received from the FDLE database system when the screenings near expiration. For new contractor workers, District personnel indicated that they rely on the District departments that will receive the contractor services to send the workers to the Human Resources (HR) Department for background screenings before the services are performed. Additionally, to ensure employees are timely rescreened, the District monitors background screening information stored on the FDLE database on a quarterly basis.

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

- The District had 97 contractor workers who were permitted access on school grounds when students were present or had direct contact with students. We examined District records for 55 selected contractor workers to determine whether the required background screenings were performed and found that background screenings had not been performed for 29 workers who were not exempt from the background screening requirements. The 29 workers included 19 employed by a security services contractor; 9 who provided student services for various programs, such as the 21st Century Community Learning Centers, Special Education, and Head Start Programs; and a school crossing guard.

In response to our inquiries, District personnel indicated that they relied on the security services contractor to ensure that the required background screenings were performed for the 19 security workers as specified in the contract, and that the required background screenings were not performed for the other 10 contractor workers because the District departments that received the services overlooked sending the workers to the HR Department to be screened. Subsequent to our inquiries, the District obtained the background screenings during the months of August through December 2016 for the 19 contractor workers still employed by the District and noted no inappropriate backgrounds.

- The District employed 479 instructional and 475 noninstructional personnel. To determine whether required background screenings had been performed for these employees, we requested for examination District records, as of August 2016, for 62 selected employees and found that, for 2 instructional employees and 2 noninstructional employees, the required level 2 background screening had not been performed at least once in the past 5 years.

In response to our inquiries, District personnel indicated that background screenings were not performed for these 4 employees due to oversights. Subsequent to our inquiry, District personnel indicated that the background screenings for the instructional employee and noninstructional

⁸ Sections 1012.467(2)(f) and 1012.467(7)(a), Florida Statutes.

employee still employed by the District were obtained in August 2016 and no inappropriate backgrounds were noted. However, the screenings were approximately 10 and 6 years, respectively, since the employees' last background screenings.

Absent effective controls to ensure that required background screenings are timely performed, as similarly noted in Finding 6, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should take immediate action to identify contractor workers and employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make personnel decisions, as necessary, based on evaluations of the screenings. We also recommend that, in the future, the District ensure that required background screenings are performed for applicable contractor workers and employees at least once every 5 years.

Finding 4: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁹ to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act¹⁰ 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,¹¹ 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. The Florida Department of Education (FDOE) provided guidance¹² specifying that teacher eligibility must be based on the most recent evaluation available on October 1, 2015, which would include a teacher's 2014-15 evaluation, or if not available, the teacher's most recent evaluation may be used. In addition, subsequent legislation¹³ clarified that the term "teacher" as used in the proviso language was limited to the State law¹⁴ definition of "classroom teacher."

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 80th percentile based on the percentile ranks in effect when the teacher took the exam. 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,¹⁵ once a classroom teacher is deemed eligible by the District, including teachers deemed eligible in the 2015-16 fiscal year, the teacher

⁹ Section 1012.731, Florida Statutes (2016).

¹⁰ Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

¹¹ Section 1012.34, Florida Statutes.

¹² FDOE-issued Memorandum, dated July 27, 2015, *Guidance on Best and Brightest Teacher Scholarship*.

¹³ Chapter 2016-62, Laws of Florida.

¹⁴ Section 1012.01(2)(a), Florida Statutes (2016).

¹⁵ Section 1012.731(3)(b), Florida Statutes (2016).

shall remain eligible as long as he or she remains employed by the District as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

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

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$66,050 to 8 instructional personnel. We examined District records to determine whether the recipients met the eligibility requirements for the scholarships and noted that:

- State law¹⁶ defines classroom teachers as staff members assigned the professional activity of instructing students in courses in classroom situations. Additionally, State law¹⁷ defines media specialists as staff members responsible for providing school library media services and other services, such as working with teachers to make resources available in the instructional programs, assisting teachers and students in media productions, and instructing students in the location and use of information resources. However, one recipient awarded an \$8,256 Program scholarship was employed as a media specialist and, therefore, did not meet the State law definition of a classroom teacher.

In response to our inquiries, District personnel indicated that because the employee assisted in classrooms with reading groups and provided small group remediation, they believed the individual met the definition of a classroom teacher. However, although we requested, District personnel did not provide records to demonstrate that the media specialist was assigned the professional activity of instructing students in courses in classroom situations.

- Another recipient awarded an \$8,256 Program scholarship scored one point below the Program-required college entrance exam score in effect when the recipient took the exam. As such, the recipient was not eligible for the scholarship. In response to our inquiry in December 2016, District personnel indicated that the error was an oversight and they would inform the recipient, who continued employment as a District teacher, of the recipient's ineligibility for the scholarship.
- A third recipient awarded an \$8,256 Program scholarship met the college entrance exam score requirements established by the Program; however, the recipient was not evaluated as highly effective for the 2014-15 fiscal year, which was the recipient's most recent evaluation as of October 1, 2015. As such, the recipient was not eligible for the scholarship.

In response to our inquiry in December 2016, District personnel indicated that, because of misunderstandings about the eligibility requirements, the teacher's 2014-15 fiscal year evaluation was not considered in the eligibility determination. In addition, the District no longer employs the recipient.

District personnel indicated they would consult with the Board Attorney regarding possible actions to recover the improper scholarship award payments. Absent effective procedures to limit Program scholarships to classroom teachers based on Program-required college entrance exam scores and timely highly effective teacher evaluations, there is an increased risk that scholarship recipients may be ineligible for the awards.

¹⁶ Section 1012.01(2)(a), Florida Statutes.

¹⁷ Section 1012.01(2)(c), Florida Statutes.

Recommendation: The District should ensure that Program scholarships are only awarded to employees classified as classroom teachers based on Program-required college entrance exam scores and highly effective teacher evaluations. In addition, the District should refund the FDOE for the awards totaling \$24,769 paid to the three ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Finding 5: Virtual Instruction Provider Contracts

State law¹⁸ requires that each Florida Department of Education (FDOE) approved VIP provider publish student-teacher ratios for the general public in all contracts. Additionally, to ensure appropriate controls over data quality and provider contract compliance, VIP provider contracts need to contain other necessary provisions to establish the District's expectations for these providers.

During the 2015-16 fiscal year, the District contracted with two FDOE-approved VIP providers and enrolled 6 full-time and 37 part-time VIP students. Our examination of District contracts with the two VIP providers, along with other related records, disclosed that:

- One FDOE-approved VIP provider contract did not conform to State law by including student-teacher ratios. Subsequent to our inquiries, the District obtained the student-teacher ratios from the FDOE-approved provider that had a full load student-teacher ratio that averaged 29:1 for all core and elective courses at the middle and high school levels. Without established student-teacher ratios in FDOE-approved provider contracts, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
- The other FDOE-approved VIP provider contract did not include data quality requirements. The provider is to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.¹⁹ Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- Neither FDOE-approved VIP provider contract provided for District monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

In response to our inquiry, District personnel indicated that the September 2016 Board-adopted VIP policies and procedures require the inclusion of these provisions in future VIP provider contracts. Similar findings were noted in our report Nos. 2015-164 and 2016-156.

Recommendation: The District should implement the Board-adopted VIP policies and procedures to ensure that FDOE-approved VIP provider contracts establish student-teacher ratios and include provisions for promoting education data quality and monitoring provider compliance.

¹⁸ Section 1002.45(2)(a)8., Florida Statutes.

¹⁹ Section 1008.31, Florida Statutes.

Finding 6: Virtual Instruction – Provider Background Screenings

State law²⁰ requires VIP providers to conduct background screenings for all employees and contracted personnel as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees and contracted personnel have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees and contracted personnel are to be provided to each applicable school district.

In response to our inquiries, District personnel indicated that only one of the two FDOE-approved providers that contracted with the District provided the District a list of the providers' employees that had obtained the required background screenings and confirmed that the provider had no contracted personnel. However, District personnel did not request or obtain confirmation that the other FDOE-approved provider's employees and contracted personnel had obtained the required background screenings. Subsequent to our inquiry in August 2016, the District requested and obtained from the provider documentation of the required background screenings for the 5 VIP provider employees and confirmation that the provider had no contracted personnel.

As similarly noted in Finding 3, absent effective controls to ensure that background screenings of FDOE-approved VIP provider employees and contracted personnel are performed, there is an increased risk that individuals with unsuitable backgrounds may be interacting with students. In addition, individuals with unsuitable backgrounds may be granted access to confidential or sensitive District data and information technology resources. Similar findings were noted in our report Nos. 2015-164 and 2016-156.

Recommendation: The District should ensure that the required background screenings are performed for all VIP provider employees and contracted personnel.

Finding 7: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication 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.

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

Recommendation: The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

²⁰ Section 1002.45(2)(a)3., Florida Statutes.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable prior audit findings, except that Finding 5 was also noted in our report No. 2015-154 as finding No. 8, and Finding 6 was also noted in our report No. 2016-156 as Finding 7.

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 April 2016 through 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. 2016-156.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in

considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

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

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

In conducting our audit we:

- Reviewed District procedures for maintaining and reviewing employee access to information technology (IT) resources. We tested selected access privileges to the District's Enterprise Resource Planning system to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network, operating systems, database, and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we tested selected access privileges for:
 - The 42 users who had access to the finance and human resource applications.
 - The 18 users who had security access to the District's application systems, datasets, and programs for the human resource application.
- Reviewed District procedures to prohibit former employees' access to electronic data files. We also reviewed selected access privileges for all 34 former employees who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of District 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.

- 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.
- 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.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the one school subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the Florida Department of Education (FDOE) pursuant to Section 1002.345(1)(c), Florida Statutes.
- From the population of \$876,447 total expenditures and \$1.9 million total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$460,104 and \$1.5 million, respectively, to evaluate District compliance with the restrictions imposed on the use of these resources.
- Determined whether the District had established adequate written procedures addressing the negotiation and monitoring of general conditions costs for construction management contracts.
- For the District's two adult education cost centers, evaluated salary expenditures totaling \$615,616, which exceeded the District's workforce development funds allocation of \$451,279 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).
- Examined District records supporting the one industry certification reported for performance funding that was attained by a student during the 2014-15 fiscal year to determine whether the District maintained documentation for student attainment of the industry certification.
- From the population of 35 adult general education instructional students reported for 4,752 contact hours during the 2015 Fall term, examined District records supporting 956 reported contact hours for 20 selected students to determine whether the District reported the instructional contact hours in accordance with FDOE requirements.
- From the population of 1,239 employees compensated a total of \$20.8 million during the period July 1, 2015, through March 31, 2016, examined District records supporting compensation payments totaling \$55,409 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.
- From the population of 476 noninstructional and administrative employees compensated a total of \$7.7 million during the period of July 1, 2015, through March 31, 2016, examined District records supporting compensation payments totaling \$647,886 to 30 selected employees to determine whether supervisory personnel reviewed and approved employee reports of time worked and leave taken and whether leave records had been properly updated, if applicable.
- From the population of 350 instructional personnel and 27 school administrators evaluated during the audit period, examined supporting documentation for 30 selected employees 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.
- Reviewed the Board-approved salary schedule for the audit period and determined whether it provided annual salary adjustments for instructional personnel and school administrators based upon performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.

- Evaluated District records supporting the eligibility of the eight employees who received Florida Best and Brightest Teacher Scholarship awards totaling \$66,050 during the audit period.
- Examined District records for contracted workers and employees to assess whether individuals 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 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.
- From the population of expenditures totaling \$19.5 million for the audit period, examined documentation relating to 30 payments for general expenditures totaling \$106,503. Specifically, we 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 \$1.8 million related to the 150 vendor and consultant contracts in effect during the audit period, examined District records supporting 45 selected expenditures totaling \$600,871 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 before payments were made.
 - Payments complied with contract provisions.
 - Any of the vendors or consultants were also District employees to evaluate whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contract.
- 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, we determined whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school to the FDOE.
- Determined whether the District had established adequate Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District records to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined student records and District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials necessary for program participation as required by Section 1002.45(3)(c), Florida Statutes.
- For the two FDOE-approved VIP providers that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Examined District records for all six students enrolled in the District VIP during the audit period to determine whether the students met statutory participation requirements, including compulsory attendance requirements as required by Section 1002.45(6)(a), Florida Statutes.

- Examined the contract documents for the two FDOE-approved VIP providers to determine whether the contracts 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 document and other related records to determine whether the District documented the reasonableness of student-teacher ratios established in the contract.
 - Examined contract fee provisions and inquired as to how fees were determined for services rendered.
- 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

Finding 1: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in questioned costs of \$272,466.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are used only for authorized purposes. In addition, the District should provide documentation to the Florida Department of Education supporting the allowability of the costs totaling \$272,466 or restore this amount to the LCI Fund.

District Response:

We concur with the audit finding. We appreciate the audit analysis discovering our process error in the allocation of tax revenues received. In our discussions with Finance Department staff, we discovered the need for the correction as an unintentional oversight. All staff now understand the exclusion of this loan going forward, and will also not be including the section for general liability from insurance. We will provide the Florida Department of Education all the documentation that we have, and restore any outstanding amounts to the LCI fund if necessary.

Finding 2: The Board did not adopt salary schedules that provided annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Recommendation: The Board should adopt performance salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance in accordance with State law.

District Response:

We concur with the audit finding. The District will work with the bargaining units in the upcoming sessions to make sure that performance salary schedules are adopted to conform to state legislation.

Finding 3: Required background screenings were not always performed for applicable contractor workers and District instructional and noninstructional employees.

Recommendation: The District should take immediate action to identify contractor workers and employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make personnel decisions, as necessary, based on evaluations of the screenings. We also recommend that, in the future, the District ensure that required background screenings are performed for applicable contractor workers and employees at least once every 5 years.

District Response:

We concur with the audit finding. All departments will double check that all current contractors have undergone background checks and make any corrections necessary if they have not, as well as ensuring they have done background checks prior to awarding any purchase orders. This will be part of a reminder memorandum issued by the Finance Department in the near future.

Finding 4: The District did not always comply with State law by limiting the Florida Best and Brightest Scholarship Program awards to classroom teachers based on Program-required college entrance exam scores and timely, highly effective teacher evaluations.

Recommendation: The District should ensure that Program scholarships are only awarded to employees classified as classroom teachers based on Program-required college entrance exam scores and highly

effective teacher evaluations. In addition, the District should refund the FDOE for the awards totaling \$24,769 paid to the three ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

District Response:

We concur with the finding. The District has instituted a second level of review to ensure that similar findings such as this will not happen again in the future. We will make sure that all teachers meet the college entrance exam score requirements and that they all received a highly effective evaluation if they are not a new teacher.

Finding 5: The virtual instruction program (VIP) provider contracts did not always include statutorily required or necessary provisions.

Recommendation: The District should implement the Board-adopted VIP policies and procedures to ensure that FDOE-approved VIP provider contracts establish student-teacher ratios and include provisions for promoting education data quality and monitoring provider compliance.

District Response:

We concur with the audit finding. The District has implemented a Board Approved document entitled “Gadsden Public Schools Virtual Instruction Program: Guidelines and Procedures.” The document includes procedures that provider contracts establish student-teacher ratios and include provisions for promoting education data quality and the monitoring of provider compliance.

Finding 6: District records did not always evidence that VIP provider employees and contracted personnel were subject to required background screenings.

Recommendation: The District should ensure that the required background screenings are performed for all VIP provider employees and contracted personnel.

District Response:

We concur with the audit finding. Contracted VIP providers are required to screen and background check teachers that will provide instruction to District students. Other contracted providers are required to be screened and background checked and such provisions are included in their contracts. The District will secure and keep on file, copies of the results of all background checks of all teachers providing instruction to District students through a VIP provider. Additionally, the District will ensure that all contractors in any capacity working with students are appropriately screened and background checked as required.

Finding 7: Certain information technology (IT) security controls related to user authentication need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Recommendation: The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

District Response:

We concur with the audit finding. The District uses processes and procedures regarding security controls that ensure confidentiality, integrity, and availability of district data and resources. However, those processes and procedures have not been formalized in writing. Within the next year, the District will revisit the finding and develop written Board approved processes and procedures that address these issues.