

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-149
March 2017

**PALM BEACH COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Dr. Robert Avossa served as Superintendent of Palm Beach County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Mike Murgio to 4-22-16 ^a	1
Chuck E. Shaw, Chairman	2
Karen M. Brill	3
Erica Whitfield	4
Frank A. Barbieri, Jr., Esq., Vice Chairman	5
Marcia Andrews	6
Dr. Debra L. Robinson	7

^a Board member resigned effective 4-22-16, and position remained vacant through 6-30-16.

The team leader was Stefanie Johnson, CPA, and the audit was supervised by Diana G. Garza, CPA. For the information technology portion of this audit, the team leader was Stephanie J. Hogg, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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

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PALM BEACH COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Palm Beach County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-090 and management letter comments in the 2014-15 fiscal year financial audit report. Our audit disclosed the following:

Finding 1: Required background screenings were not always performed for applicable instructional and noninstructional employees.

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

Finding 3: As similarly noted in our report No. 2015-090, the District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 4: The District did not always document appropriate monitoring of charter school closures. Such monitoring is important to ensure that audit reports are timely completed and that other statutory requirements related to charter school closures are met.

Finding 5: District security controls related to user authentication and monitoring of system activity need improvement to ensure the continued confidentiality, integrity, and availability of District data and Information Technology resources.

BACKGROUND

The Palm Beach 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 Palm Beach County. The governing body of the District is the Palm Beach County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 184 elementary, middle, high, and specialized schools; sponsored 50 charter schools; and reported 186,291 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. 2015-090 and management letter comments in the 2014-15 fiscal year financial audit report. 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: Background Screenings

State law¹ 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 screening² at least once every 5 years. To promote compliance with the statutory background screening requirements, District procedures require the School Police Department to ensure employees who have access to school grounds undergo required background screenings utilizing the Florida Department of Law Enforcement (FDLE) Florida Integrated Criminal History System. The FDLE System retains employee fingerprints and dates of background screenings until the School Police Department requests the FDLE to delete screenings of employees who discontinue District employment.

During the 2015-16 fiscal year, the District employed 21,354 instructional and 8,654 noninstructional personnel. To determine whether required background screenings had been timely performed for employees, we requested for examination District records, as of June 2016, for 60 selected employees³ and found that, for 13 employees (12 instructional and 1 noninstructional), the required background screenings had not been performed at least once in the past 5 years. Subsequent to our inquiry, District personnel obtained background screenings in June 2016 for the 11 employees still employed by the District and noted no inappropriate backgrounds. However, the dates of the background screenings were 6 years and 10 months to 7 years and 10 months after the employees' last background screenings.

In response to our inquiries, District personnel indicated that, because of the significant number of outdated records in the FDLE System, the employees last screened during the period August 9, 2008, through August 8, 2009, were not identified for rescreening. Additionally, although we requested, District records were not readily available to identify the total number of these employees not subject to background screenings since that period. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that employees 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 evaluations of the screenings. We also recommend that, in the future, the District ensure that required background screenings are timely performed for applicable employees at least once every 5 years.

¹ Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

² 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.

³ The 60 selected employees included 47 instructional employees and 13 noninstructional employees.

Finding 2: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁴ to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act proviso language,⁵ 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,⁶ or if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance exam based on the percentile ranks in effect when the teacher took the assessment. To demonstrate eligibility for a scholarship award, 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 assessment. Additionally, District procedures require teachers to complete and submit scholarship applications. On the applications, teachers must certify that they are submitting official documentation of college entrance exam scores at or above the 80th percentile. Pursuant to State law,⁷ 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.

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$2,138,374 to 259 teachers. Our examination of District records supporting scholarship awards totaling \$247,688 to 30 selected teachers disclosed that the District awarded scholarships totaling \$33,025 to 4 teachers based on the teacher's evaluation of highly effective and temporary exam reports from the exam provider for 2 teachers and unofficial score reports from the exam provider's Web site for 2 other teachers. In response to our inquiry, District personnel indicated that the records used to support the scholarship awards were based on guidance provided by the exam provider in Fall 2015 and that the temporary exam reports and the unofficial score reports should be considered official. However, District personnel could not provide any evidence of that guidance or other records to indicate that the temporary exam reports and unofficial score reports represented the most reliable records to support the 4 teachers' exam scores.

Subsequent to our inquiry in December 2016, the District obtained written confirmation from the exam provider that attested to the accuracy of the exam scores. Notwithstanding, District personnel did not independently corroborate the reports for the 4 teachers with the scores on other records, such as college transcripts or final exam reports, before determining the eligibility of the scholarship recipients. District

⁴ Section 1012.731, Florida Statutes (2016).

⁵ Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

⁶ Section 1012.34, Florida Statutes.

⁷ Section 1012.731(3)(b), Florida Statutes (2016).

confirmation of college entrance exam scores based on reliable and authentic records would provide better assurance that the scores are accurate and teachers are eligible for the scholarships.

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

Finding 3: Adult General Education

State law⁸ 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 Act⁹ proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.¹⁰

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 provide 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 2,603,570 instructional contact hours for 2,517 adult general education classes provided to 17,221 students. As part of our audit, we reviewed District records for 4,773 hours reported for 60 students enrolled in 55 adult general education classes. We found that instructional contact hours were over reported a total of 852 net hours, including 866 hours (ranging from 4 to 125 hours) over-reported for 22 students and 14 hours (ranging from 1 to 10 hours) under-reported for 3 students. In response to our inquiry, District personnel indicated that the errors occurred mainly because a Districtwide uniform process had not been established to appropriately document student attendance, students were not always withdrawn after six consecutive absences, and the hours reported did not always agree with attendance records. District personnel also indicated that the full extent of class hours misreported was not readily available.

Since future funding is based, in part, on enrollment data submitted to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2014-163 and 2015-090.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported and contact the FDOE for proper resolution.

⁸ Section 1004.02(3), Florida Statutes.

⁹ Chapter 2015-232, Laws of Florida, Specific Appropriation 118.

¹⁰ FDOE-issued Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

Finding 4: Charter School Termination

State law¹¹ provides that when a charter school terminates operations, property purchased with public funds must revert to the District. State law¹² also provides that:

- Upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than \$10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract, is for reasonable attorney fees and costs during the pendency of any appeal, or is for reasonable fees and costs to conduct an independent audit.
- An independent audit is to be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.
- A charter school may not enter into a contract with an employee that exceeds the term of the school's charter with its sponsor.

Upon notification of nonrenewal or termination of a charter agreement, District personnel are to send the charter school a termination letter with the State law requirements and arrange a closure meeting with the charter school. The processes, procedures, and timelines for closure are outlined at the meeting and a closure checklist form is to be prepared. The checklist is to identify the date District personnel will collect the property, textbooks, and other materials from the charter school location; the District personnel who will collect the items; and the items that will be collected. District personnel responsible for collecting the items are to sign the checklist form to establish responsibility for the items that will be collected.

We reviewed District records and noted that five charter schools closed during the 2014-15 and 2015-16 fiscal years. Our review and discussions with District personnel disclosed that:

- District records did not evidence any efforts to monitor the five charter schools to ensure that prior District approval was obtained for expenditures over \$10,000 that were not already budgeted or that the charter school had not contracted with employees for terms that exceeded the charter school's contract with the District. District personnel indicated that the charter school employment contracts are on an annual basis and are reviewed during the annual school review; however, although we requested, documentation was not provided to support this review process.
- As of December 2016, District records did not evidence that the required audits for the five closed schools had been performed.
- District personnel did not complete a charter school closure checklist form for one of the five charter schools that closed.

In response to our inquiry, District personnel indicated that each charter school maintains bank accounts and financial records so the District does not have the ability to restrict the charter school's expenditures. Additionally, District personnel indicated that the District does not have the power to require the charter school to obtain the required independent audit. Notwithstanding these responses, absent effective monitoring of charter school closures, there is an increased risk that the District may not reclaim assets that should rightfully be returned to the District and any charter school transaction errors or misappropriations that may occur will not be timely detected.

¹¹ Section 1002.33(8)(e), Florida Statutes.

¹² Section 1002.33(9)(o), Florida Statutes.

Recommendation: The District should ensure that charter school closures are appropriately monitored, and that District monitoring efforts are documented. At a minimum, District monitoring records should evidence whether:

- All charter school expenditures over \$10,000 were subject to prior District approval. Specifically, District records should document, upon initial notification of a charter school closure, District review of all charter school requested purchases of goods and services and preapproval of those over \$10,000.
- An independent audit was completed within 30 days after the notice of a charter school closure. For example, the District should document:
 - The annual review and approval of charter school audit contracts to confirm that the required 30-day audit provision is in the contract and, should the charter school close, appropriate action to ensure timely completion of the audit.
 - For charter schools that lack the funds to pay for audits, a cost-benefit analysis assessing whether it would be in the District’s best interest to pay for the audit and attain an independent assessment of the charter school’s public funds and assets. District personnel could use the assessment to further determine whether the charter school properly reverted applicable public funds and assets to the District.
- Charter school employee contract time frames did not exceed the term of the District charter school contract.
- Charter school closure checklists were completed and identified the date District personnel collected the property, textbooks, and other materials from the charter school location; the District personnel who collected the items; and the items collected.

Finding 5: Information Technology – Security Controls – User Authentication and Monitoring of System Activity

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

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

Recommendation: We recommend that District management improve security controls related to user authentication and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except that Finding 3 was also noted in our report No. 2015-090 as finding No. 8, and in our report No. 2014-163 as finding No. 2.

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. 2015-090 and management letter comments in the 2014-15 fiscal year financial audit report.
- 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 the District's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We tested selected access privileges to the District's Enterprise Resource Planning (ERP) system applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating systems, databases, portal, and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
 - Tested 9 selected critical ERP system finance application functions and reviewed the appropriateness of access privileges granted for 48 accounts.
 - Tested 8 selected critical ERP system Human Resources (HR) application functions and reviewed the appropriateness of access privileges granted for 46 accounts.
 - Tested the 4 default network administrator system groups that allow complete access to network resources and reviewed the appropriateness of administrator access privileges granted to 40 accounts for the network.
 - Reviewed the 46 accounts for the operating system that supports the ERP system application server and tested the appropriateness of administrative access privileges granted to 8 active accounts.
 - Reviewed the 46 accounts for the operating system that supports the ERP system portal server and tested the appropriateness of administrative access privileges granted to 8 active accounts.
 - Reviewed the 48 accounts for the operating system that supports the ERP system HR database server and tested the appropriateness of administrative access privileges granted to 39 active accounts.
 - Tested all accounts granted database administrator authority for the ERP system finance application database and reviewed the appropriateness of 10 database administrator accounts.
 - Tested all accounts granted database administrator authority for the ERP system HR application database and reviewed the appropriateness of 12 database administrator accounts.

- Tested the 2 ERP system security administrator functions related to granting user access privileges and reviewed the appropriateness of security administrator access privileges granted to 34 accounts for the ERP system applications.
- Tested the administrator role for the finance and HR portals and reviewed the appropriateness of security administrator access privileges granted to 13 accounts for the ERP system portals.
- Reviewed District documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- 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.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District's data center.
- 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 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 \$29.3 million total expenditures and \$75.2 million total transfers made during the period July 1, 2015, through May 31, 2016, from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$3.7 million and \$4 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation for eight selected non-payroll expenditures totaling \$299,432 from the population of \$16.4 million total workforce development funds expenditures for the months of July 2015 through May 2016 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). We also reviewed payroll expenditures totaling \$12.6 million that were charged to the Adult Education Program funds for the salaries of employees who worked at the Adult Education Center or in a position related to the Adult Education Program for the months of July 2015 through May 2016.
- From the population of 7,962 adult general education instructional students reported for 900,274 contact hours during Fall 2015 term and 7,689 adult general education instructional

students reported for 858,904 contact hours during Spring 2016 term, examined District records supporting 4,773 reported contact hours for 60 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 budgets and amendments to budgets for the audit period to determine whether they were prepared and adopted in accordance with State law and State Board of Education (SBE) rules.
- 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 District documentation to determine whether required internal funds audits for the 2015-16 and 2 preceding fiscal years were timely performed pursuant to SBE Rule 6A-1.087, Florida Administrative Code, and whether the related audit reports were presented to the Board.
- Evaluated severance pay provisions in one employee contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the population of 29,944 employees compensated a total of \$1 billion during the audit period, examined District records supporting compensation payments totaling \$141,123 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.
- Examined District records supporting the eligibility of 30 selected recipients of Florida Best and Brightest Teacher Scholarship Program awards totaling \$247,688, from the population of 259 teachers who received scholarship awards totaling \$2.1 million during the audit period.
- Examined District policies and procedures and related records to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes.
- Examined District records for 60 employees selected from the population of 30,008 employees as of June 2016 to assess whether applicable personnel were subjected to the required background screenings. Through examination of District records and inquiry with District personnel, we determined whether required background screenings were obtained for 15 contracted personnel. Additionally, we examined District policies, procedures, and related records for school volunteers to determine whether 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 365 payments totaling \$162,005 to employees for other than travel and payroll payments during the period July 2015 to April 15, 2016, examined documentation for 10 selected payments totaling \$112,019 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance to evaluate compliance with Section 112.08, Florida Statutes, the reasonableness of procedures for acquiring other types of commercial insurance, and whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- 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 non-payroll expenditures totaling \$382.9 million for the audit period, we examined documentation relating to:

- Thirty payments for general expenditures totaling \$20.7 million.
- Thirty contractual service agreement payments totaling \$4.5 million.
- The competitive selection of ten vendors with payments totaling \$654,506.
- From the population of 71 payments totaling \$510,026 during the audit period for new software applications, examined documentation supporting two selected payments totaling \$300,000 to determine whether the District evaluated the effectiveness and suitability of the software applications prior to purchase, utilized a competitive vendor selection process, and verified that deliverables met the contract terms and conditions.
- From the population of three major construction contracts totaling \$43.5 million during the audit period, selected three significant construction management guaranteed maximum price contracts totaling \$39.5 million. Specifically, for these three projects, we:
 - Examined District records to determine whether the construction manager was properly selected.
 - Reviewed District procedures for monitoring subcontractor selection and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined District records to determine whether the architects were properly selected and adequately insured.
 - Determined whether the District established written policies and procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records supporting eight payments totaling \$1.3 million to determine whether District procedures for monitoring payments to the construction manager and architect were adequate and payments were sufficiently supported.
 - Examined District records supporting four selected payments totaling \$1.2 million to determine whether the District made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
 - Examined District records to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether contractors performed as expected.
- Compared the most recent annual fire safety, casualty safety, and sanitation inspection reports with the previous year reports and reviewed the number of repeat violations to determine whether deficiencies were timely corrected.
- From the population of purchasing card (P-card) transactions totaling \$17.2 million during the audit period, examined documentation supporting 30 selected transactions totaling \$115,914 to determine whether P-cards were administered in accordance with District policies and procedures. We also determined whether the District timely canceled the P-card privileges for the 34 employees who had been assigned P-cards and separated from District employment during the audit period.
- Determined whether rebate revenues for the audit period totaling \$255,532 for the P-card program and \$258,483 for the e-Payable program were allocated to the appropriate District funds.
- Evaluated District policies and procedures for identifying potential conflicts of interest.
- Examined District records to determine whether the Board had established an adequate, comprehensive electronic funds transfer policy.

- For the five charter schools that terminated operations during the 2013-14, 2014-15, and 2015-16 fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the schools, except as previously agreed upon by the District.
- 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 eight charter schools and centers subjected to an expedited review during the 2013-14, 2014-15, and 2015-16 fiscal years, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
- Examined District records related to charter schools to determine whether District charter schools loaned or transferred moneys to other organizations during the 2014-15 and 2015-16 fiscal years. We also evaluated District monitoring procedures designed to determine whether any loans or transfers served a valid public purpose.
- From the population of 13,717 consultant contracts and other purchased services totaling \$164.6 million during the period July 1, 2015, to April 30, 2016, examined supporting documentation, including the contract documents, for 30 selected consultant contract payments and other purchased services totaling \$4.5 million to determine whether:
 - The District complied with competitive selection requirements.
 - Contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - 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.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - Payments complied with contract provisions.
 - The District complied with Section 1012.465 and 1012.32(2), Florida Statutes, and obtained background screenings for the contractors who were permitted access on school grounds or had direct contact with students.
- 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, we determined whether, pursuant to the 2015 General Appropriations Act, the District appropriately reported to the FDOE the funding sources, expenditures, and student outcomes for each participating school.
- Determined whether the District had established adequate Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined 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 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 reasonableness of fees 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



THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FL

ROBERT M. AVOSSA, Ed.D.
SUPERINTENDENT

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CHAIRMAN

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March 6, 2017

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

Dear Ms. Norman:

Enclosed is our response to the preliminary and tentative audit findings and recommendations on your operational audit of the School District of Palm Beach County for the fiscal year ended June 30, 2016. Pursuant to Section 11.45(4)(d), Florida Statute, the District is required to respond within 30 days of receipt. As required, our written statement of explanation is submitted electronically in source format with my digitized signature.

Sincerely,

Robert M. Avossa, Ed.D.
Superintendent

RMA/MJB/NS:ns/du
Enclosure

cc: David W. Christiansen, Ed.D., Deputy Superintendent/Chief of Schools
Michael J. Burke, Chief Financial Officer
Donald E. Fennoy, II, Ed.D., Chief Operating Officer
Keith Oswald, Chief Academic Officer
Nancy Samuels, C.P.A., Director of Accounting

The School District of Palm Beach County
A Top-Rated District by the Florida Department of Education Since 2005
An Equal Education Opportunity Provider and Employer

Finding No. 1: Required background screenings were not always performed for applicable instructional and non-instructional employees.

Management Response: *Management Agrees. The District has taken immediate action to bring background screenings up-to-date. The current review process is cumbersome and is being evaluated for opportunities to improve and streamline in order to ensure background screenings are performed timely. Human Resources evaluates and makes decisions based on screening results.*

Finding No. 2: The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship awards on reliable and authentic records of college entrance exam scores. For example, in some cases, the District-based teacher eligibility on temporary exam reports or Website unofficial score reports without taking additional actions to confirm the accuracy of the scores.

Management Response: *Management agrees. The District will ensure that future program scholarships are awarded to eligible recipients based on college entrance exam scores reported on reliable and authentic records.*

Finding No. 3: As similarly noted in our report No. 2015-090, the District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE).

Management Response: *Management agrees. The Department of Adult & Community Education continues to implement processes to ensure attendance data is captured accurately at our adult education centers. In addition to creating resources, a strong emphasis is being placed on ensuring school sites have local controls in place to verify accuracy of master schedules and student attendance data in our MIS system (TERMS). Each school site will utilize software to track daily attendance, run reports to withdraw students after six consecutive absences, verify start date, and enter last physical date of attendance into TERMS. The Department of Adult & Community Education offers ongoing professional development, on demand video tutorials, and job aids to educate staff on proper procedures. A uniform procedure manual is kept on a SharePoint site that is accessible by all school sites. Internal Data checks will be performed by staff in The Department of Adult & Community Education and results will be shared with District management.*

The Department of Adult & Community Education has contacted FDOE and it was determined that there was no need to submit a supplemental file with corrections to the 2015-16 data. None of the corrections resulted in a negative financial impact to the District. We will work with FDOE to ensure better accuracy.

Finding No. 4: The District did not always document appropriate monitoring of charter school closures. Such monitoring is important to ensure that audit reports are completed timely and that other statutory requirements related to charter school closures are met.

Management Response: *Management agrees. The District has developed charter school closure procedures that have been in place for more than three years. The District has been successful in closing charter schools with as little interruption to student education and with success in recovering unencumbered assets and funds. Every charter school that proceeds through termination and the closure procedure receives notification from the Department of Charter Schools referencing the requirements in Florida Statute 1002.33(8) and (9). The District is limited in that Florida Statute provides the District no recourse and there is no consequence to a charter school operator for the failure to perform or comply with requirements in Statute. The District will continue to monitor charter schools and document efforts to comply with Florida Statute related to charter school closures.*

Finding No. 5: District security controls related to user authentication and monitoring of system activity need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Management Response: *Management agrees. Security controls related to user authentication Active Directory password change interval setting corrective actions are scheduled. Operating systems user authentication corrective actions were completed on November 1, 2016. Security controls related to logging and monitoring of system activity corrective actions were completed by January 31, 2017. On July 27, 2016, the School Board adopted Data Loss Prevention Policy 2.504.*
