

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-067
December 2017

**LEON COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Rocky Hanna served as Superintendent of the Leon County Schools from 11-22-2016, Jackie Pons served as Superintendent before that date, and the following individuals served as School Board Members.

	<u>District No.</u>
Alva Striplin, Vice Chair from 11-22-16	1
Rosanne Wood from 11-22-16	2
Dee Crumpler through 11-21-16	2
Maggie B. Lewis-Butler	3
Dee Dee Rasmussen, Chair through 11-21-16	4
Georgia "Joy" Bowen, Chair from 11-22-16, Vice Chair through 11-21-16	5

The team leader was Shirley Dong, CPA, and the audit was supervised by Edward A. Waller, CPA.

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

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LEON COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Leon County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2017-017 and management letter comments in the 2015-16 financial audit report. Our operational audit disclosed the following:

Finding 1: The District disbursed Florida Best and Brightest Teacher Scholarship Program (Program) awards totaling \$184,057 to 27 employees who did not meet the State law requirements for the awards. Additionally, the District disbursed Program awards totaling \$20,451 to 3 charter school scholarship recipients without records to demonstrate the eligibility of the recipients.

Finding 2: The District needs to establish a Districtwide mechanism for noninstructional employees to report time worked and procedures to document supervisory review and approval of such time.

Finding 3: District controls over contractual service agreements and related payments continue to need improvement.

Finding 4: The District did not comply with State law by using a competitive process to select health, life, and other insurance providers.

Finding 5: District tangible personal property controls continue to need improvement.

Finding 6: The District Department of Internal Auditing did not always function pursuant to established Board policies and procedures. A similar finding was noted in the management letter in the 2015-16 financial audit report.

Finding 7: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers (SSNs) may occur. In addition, the District did not document that periodic reviews of the access privileges to student SSNs were conducted to determine whether such privileges were necessary or that any inappropriate or unnecessary access privileges detected were timely removed.

BACKGROUND

The Leon County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Leon County. The governing body of the District is the Leon 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 2016-17 fiscal year, the District operated 45 elementary, middle, high, and specialized schools; sponsored 5 charter schools; and reported 33,891 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 previous audit reports including our report No. 2017-017. The

results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2017, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program) to reward classroom teachers who achieved high academic standards during their own education. Pursuant to State law,¹ 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 national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law² in the school year immediately preceding the year in which the scholarship will be awarded, 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 national percentile ranks in effect when the teacher took the assessment.

To demonstrate eligibility for a scholarship award, an eligible classroom 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.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible classroom teachers to the FDOE. The FDOE disburses scholarship funds to the District for each eligible teacher to receive a scholarship as provided in the applicable General Appropriations Act. However, the District had not established procedures to require the documented independent review and approval of scholarship recipient eligibility determinations.

During the 2016-17 fiscal year, the District was awarded Program scholarships totaling \$1.4 million for 200 recipients including 193 recipients employed by the District and 7 recipients employed by charter schools. To determine whether the recipients met the eligibility requirements for the scholarships, we initially requested for examination District records supporting 27 scholarships (24 to recipients employed by the District and 3 recipients employed by charter schools) totaling \$184,057. However, because the scholarships awarded to 5 District and 3 charter school recipients were not properly supported, we expanded our audit procedures and found additional unsupported scholarship awards. Specifically, our audit tests disclosed that:

- 4 District scholarship recipients who received a total of \$27,268 were not evaluated as highly effective for the 2015-16 fiscal year, which was the recipient's most recent evaluation period. In response to our inquiries, District personnel indicated that, because of misunderstandings about the eligibility requirements, the recipients' 2014-15 fiscal year evaluation results were used as the

¹ Section 1012.731, Florida Statutes.

² Section 1012.34, Florida Statutes.

basis for eligibility determinations. As a result, we expanded our audit procedures and identified 17 other recipients who were awarded scholarships totaling \$115,887 but were not evaluated as highly effective for the 2015-16 fiscal year and, therefore, not eligible for these scholarships.

- 1 District scholarship recipient who received \$6,817 was employed as a guidance counselor³ and, therefore, did not meet the State law definition of a classroom teacher. State law⁴ defines classroom teachers as staff members assigned the professional activity of instructing students in courses in classroom situations. In response to our inquiries, District personnel indicated that the guidance counselor taught a homeroom session and, according to Board-approved procedures, a classroom teacher is defined as a member of the instructional unit who instructs students in classroom situations. Notwithstanding the Board-approved procedures, State law specifies that classroom teachers instruct students in courses in classroom situations.

We expanded our audit procedures and identified 5 other scholarship recipients awarded a total of \$34,085 who did not meet the definition of classroom teacher in State law, including 4 recipients who were employed as guidance counselors and 1 recipient who was employed as a media specialist.⁵

- 3 charter school scholarship recipients received a total of \$20,451. According to District personnel, charter schools are required to submit to the District a list of teachers determined to be eligible along with supporting documentation that includes the teachers' official college entrance exam scores. While District records demonstrated that District personnel verified that the 3 charter school teachers scored at or above the 80th percentile on college entrance exams, the District had not established procedures to verify that scholarships are only awarded to eligible charter school classroom teachers who were evaluated as highly effective. We expanded our audit procedures and determined that the 3 charter school classroom teachers were evaluated as highly effective for the 2015-16 fiscal year; however, our procedures do not substitute for the District's responsibility to establish adequate monitoring controls over scholarship recipient eligibility.

Absent effective procedures to limit Program scholarships to District and charter school classroom teachers, as defined in State law, with qualifying college entrance exam scores and evaluated as highly effective in the preceding school year, there is an increased risk that scholarships will be awarded to ineligible recipients.

Recommendation: The District should enhance procedures to ensure that Program scholarships are only awarded to District and charter school teachers who are classified as classroom teachers, as defined in State law, and evaluated as highly effective in the preceding school year. Such procedures should include documented, independent review and approval of scholarship recipient eligibility determinations. In addition, the District should document the eligibility of the 27 District employees who received Program scholarships totaling \$184,057 or refund the FDOE for the awards and take appropriate actions to recover from those recipients the improper payments.

³ Section 1012.01(2)(b), Florida Statutes, defines certified school counselors (e.g., guidance counselors) as staff members responsible for advising students with regard to their abilities and aptitudes, educational and occupational opportunities, and personal and social adjustments, providing placement services, performing education evaluation, and similar functions.

⁴ Section 1012.01(2)(a), Florida Statutes.

⁵ Section 1012.01(2)(c), Florida Statutes, 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.

Finding 2: Payroll Processing – Time Records

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

According to District procedures,⁶ for noninstructional non-exempt employees, time recorded on time sheets must correspond to the hourly parameters reflected on the employees' time cards and non-exempt employee time records must be verified by a supervisor who has personal knowledge of the hours worked by the employee. It is the department manager's responsibility to review records for accuracy, approve information entered by the employee, and submit the time and leave records by the published payroll deadlines.

Board policies⁷ provide that employees serving in executive, administrative, and professional classifications, are exempt and not entitled to overtime or compensatory time and the Superintendent must identify and make known these exempt employee classifications. Employees not entitled to overtime under the Fair Labor Standards Act (FLSA) and employed with the exempt classification identified by the Superintendent are not required to sign in or sign out at their assigned work site.

During the 2016-17 fiscal year, the District compensated noninstructional personnel a total of \$79 million, including \$55 and \$24 million for the noninstructional non-exempt and noninstructional exempt employees, respectively. To determine whether the District had established adequate controls over these payments, we examined District records supporting 30 selected payments totaling \$112,963 and found that:

- 15 payments totaling \$49,415 were for noninstructional non-exempt employees based on time sheets prepared and maintained at each employee's work site. However, neither the time sheets nor other District records evidenced supervisory review and approval of time worked to support these payments.

In response to our inquiries, District personnel indicated that the District has many decentralized schools, departments, and sites and did not have a standard timekeeping system. As such, site administrators have the flexibility to choose a suitable timekeeping system to maintain at each individual site and the Payroll Office relies on each site to update leave time for payroll processing.

- 5 payments totaling \$25,766 were for noninstructional exempt employees and there were no records to support the employees' time worked. According to District personnel, employees who are identified as exempt from the FLSA and District administrators are in exempt status and are not required to prepare and maintain time sheets or other records of time worked.

Although our salary tests did not disclose any instances of incorrect salary payments, our procedures cannot substitute for management's responsibility to implement adequate controls to support payments

⁶ Board Administrative Procedures 6510a and 6700.

⁷ Board Policy 6700 – Overtime and Compensatory Time Pursuant to Fair Labor Act.

of noninstructional personnel for time worked. Without documented supervisory review and approval of noninstructional non-exempt employee time worked, and documented time worked by noninstructional exempt employees with documented supervisory review and approval of such time, there is limited assurance that employee services were provided consistent with Board expectations. For noninstructional exempt employees, such records could account for total hours worked each day without requiring the employee to sign in and sign out at his or her assigned work site. In addition, without accurate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute.

Recommendation: We recommend that a Districtwide mechanism be established for noninstructional employees to report time worked and ensure documented supervisory review and approval of such time.

Finding 3: Contracted Services Payments

Effective contract management requires that contracts establish the basis for payment and that satisfactory receipt of contracted services be documented prior to payment for services. The Board routinely enters into contracts for services and internal controls have been designed and implemented to generally ensure payments are consistent with contract terms and conditions.

During the 2016-17 fiscal year, the District paid a total of \$9.8 million for contracted services and, to determine the propriety of the associated payments, we examined 30 contracts and other District records supporting 30 selected payments totaling \$571,109. Our examination disclosed that:

- 1 of the 30 contracts was for school resource officer (SRO) services and District payments related to the contract totaled \$1.4 million. Pursuant to State law,⁸ the Board contracted with the Leon County Sheriff's Office (LCSO) for 22 SROs at various District schools and for two sergeants and one lieutenant to oversee the SROs. The SRO services contract was a fixed-price contract that required the SROs to be on duty and on site each day school was in session from 30 minutes before the students' school day started until 30 minutes after the school day ended. The contract also provided for SRO overtime pay for additional work as needed.
- 1 contract was for insurance consulting services and District payments related to the contract totaled \$22,000. The contract provided for monthly payments of \$2,000, not to exceed \$24,000, to assist the District in obtaining property and casualty insurance broker services and evaluating all products brought to the District by the brokers.
- 1 contract was for legal consulting services and District payments related to the contract totaled \$9,464. According to the contract, the legal consulting services were to advise the District on personnel consultation and labor law matters (e.g., union negotiations), and payments would not exceed \$25,000 annually based on staff hourly rates.

Our audit procedures, including examination of District records supporting payments totaling \$118,575 for 1 month of SRO services; payments for 11 months of insurance consulting services; and the payments for legal consulting services, disclosed that the District had not established procedures to ensure that District personnel with direct knowledge of the SRO services, insurance consulting services, and legal consulting services documented satisfactory receipt of the services before payments were made. As a

⁸ Section 1006.12, Florida Statutes.

result, although we requested, District records were not provided to demonstrate District personnel with such knowledge confirmed satisfactory receipt of these services. Additionally, while the legal consulting services contract established a total maximum payment amount and staff hourly rates, neither the contract nor other District records established the basis for the payments totaling \$9,464 related to the contract.

In response to our inquiries regarding the SRO services, District personnel indicated that they relied on the LCSO to maintain time records to demonstrate the provision of the SRO services and, therefore, maintained no SRO time records. Our discussions with District personnel regarding the insurance consulting services disclosed that the employee who approved these services was no longer employed with the District. Risk Management Department personnel indicated that they were unaware that the consulting services were provided. Additionally, although we requested, District records were not provided to evidence the specific dates and hours that the legal consulting services were performed nor the hourly rates charged for these services.

Absent documentation to establish the basis for contracted services payments and evidence satisfactory receipt of services before payments are made, there is an increased risk that the District may not obtain services at the lowest cost consistent with acceptable quality, the District may overpay for such services, or the services obtained may not be consistent with the Board's intent or be beneficial to the District. A similar finding was noted in our report No. 2017-017.

Recommendation: The District should enhance procedures to ensure that District records always establish the basis for contracted services payments and evidence satisfactory receipt of contracted services before payments are made.

Finding 4: Insurance Bids

Pursuant to State law,⁹ before entering into any contract for life, health, accident, or hospitalization insurance, or all or any kinds of such insurance, for District officers and employees, the District must advertise for competitive bids and the contract must be let upon the basis of such bids. The District is authorized to undertake simultaneous negotiations with qualified bidders during the selection process. During the 2016-17 fiscal year, the District's premiums for health and life insurance totaled \$29.9 million and \$372,685, respectively. For that same period, employee-paid premiums through payroll deductions for other group health insurance plans, such as accident, critical illness and cancer, dental, and vision plans, totaled \$3.2 million.

District personnel indicated that, as of October 2017, the District had, since the 2007-08 fiscal year, used the services of the same insurance agent of record for the competitive selection of health, life, and other insurance providers and negotiated insurance renewal rates with existing providers for all insurance plans related to employee benefits. According to the 2016-17 fiscal year District contract with the insurance agent, the agent was required to comply with State law on behalf of, and in coordination with, the District and to advertise for competitive bids for insurance purchases. Specifically, the contract provided that the agent would develop appropriate request for proposal specifications, review the proposals received, and prepare quantitative and qualitative analyses of the companies that submitted proposals. However, the

⁹ Section 112.08(2)(a), Florida Statutes.

District had not established procedures to monitor whether the agent competitively selected insurance providers pursuant to the contract requirements. Additionally, although we requested, District records were not provided to evidence that the District or the agent had ever competitively selected the District health, life, and other insurance providers pursuant to State law.

In response to our inquiries, District personnel indicated that it was unnecessary to competitively select the health, life, and other insurance providers considering that the current providers dominate the market of the geographic area and the use of an agent of record to negotiate insurance renewal rates with existing providers yielded the best value to the District and its employees. Notwithstanding this response, by periodically seeking competitive bids for insurance services and negotiating with qualified bidders, the District could demonstrate compliance with State law and provide additional assurance that insurance coverage is obtained at the lowest cost consistent with acceptable quality.

Recommendation: The District should use competitive bidding procedures for health, life, and other insurance as required by State law. Such use may be accomplished by establishing effective procedures to monitor the insurance agent contract and documenting adherence to the required competitive bidding procedures.

Finding 5: Tangible Personal Property

State law¹⁰ and Florida Department of Financial Services (FDfs) rules¹¹ require the District to maintain adequate records of tangible personal property (TPP) (i.e., furniture, fixtures, and equipment, and motor vehicles) in its custody and that a complete physical inventory be taken annually. Board policies¹² require that a complete physical inventory of all District-owned TPP be conducted annually and compared to the property records. The District's annual inventory certification form includes instructions requiring annual physical inventories to be completed and certified by the cost center site administrator and all discrepancies (e.g., missing items) to be reported to the Property Management Department by July 31st.

The District reported acquisition costs totaling \$83.7 million for TPP at June 30, 2016. As of December 2016, District personnel had performed the 2015-16 fiscal year annual physical inventories at 103 of the District's 109 cost centers within the past 12 months. However, annual physical inventories had not been completed at the other 6 cost centers, which included one school and five administrative sites. The acquisition costs for the TPP assigned to these 6 cost centers totaled \$30.1 million. Subsequent to our inquiry, annual physical inventories were completed by August 2017 for the 6 cost centers.

In response to our inquiries, District personnel indicated that a timely and complete physical inventory was not performed because of personnel changes. Given the District's significant investment in TPP, it is important that the TPP be effectively safeguarded and managed. Absent the conduct of appropriate annual physical inventory procedures, the District cannot demonstrate compliance with State law and FDfs rules and there is an increased risk that any loss or theft of District property will not be timely detected, reported to the appropriate parties, and reflected in District accounting records. A similar finding was noted in our report No. 2017-017.

¹⁰ Chapter 274, Florida Statutes.

¹¹ FDfs Rule 69I-73, Florida Administrative Code.

¹² Board Policy 7450 – Property Inventory.

Recommendation: The District should continue efforts to ensure that an annual physical inventory of TPP is timely performed.

Finding 6: Internal Audit Function

An internal audit function can provide assurance that management and internal controls are adequately designed and functioning effectively and can ensure compliance State and Federal laws, regulations, and guidelines and Board-approved policies and procedures. The objective of the District Department of Internal Auditing (Department) is to maintain a Districtwide compliance and audit function. Board policies¹³ establish the Department's purpose, authority, and responsibility and require that an annual report on the results of audit activities and explanations for the variances between the results and the approved audit plan be presented to the Superintendent, Audit Committee, and the Board. The annual report is also to address the progress made in executing the audit plan and any major findings and recommendations necessary to be implemented.

The policies also provide that the Department be adequately staffed and that the staff possess adequate technical proficiency and educational background and skills. Board-approved job descriptions for Department positions require staff to possess a college degree and relevant experience. Additionally, Board policies require the Department to comply with generally accepted auditing standards.

Our examination of District records disclosed that the Audit Committee approved the Department work plan for the 2016-17 fiscal year that identified, for example, audit activities associated with the Extended Day Enrichment Program (Program) and capital asset records and related procedures, and monitoring activities associated with District charter schools, summer camps, and purchasing card (P-card) transactions. According to District personnel, the Department did no audit work during the 2016-17 fiscal year related to the Program and capital asset records, nor did the Department perform monitoring activities associated with District charter schools, summer camps, and P-card transactions. Also, while the Department issued internal audit reports to certain schools during the 2016-17 fiscal year and, in November 2017, presented a written annual report to the Audit Committee, the Department did not document any communications with the Superintendent or the Board regarding the progress or the results of Department audit activities. In addition, the audit work plan did not establish a time frame for completing these activities.

In response to our inquiries, District personnel indicated that personnel vacancies and turnover impacted the Department's ability to successfully complete the Department work plan for the 2016-17 fiscal year. Without documentation to evidence required communications with the Superintendent and the Board, the Department cannot demonstrate compliance with Board policies or that the Department operated as intended by the Board. A similar finding was noted in the management letter in the previous financial audit report.

Recommendation: The Department should strive to timely perform audit activities included in the approved work plan and document compliance with Board policy, including the documented presentation of the annual report to the Superintendent and Board regarding the progress or the results of Department audit activities. To help promote the timely completion of the Department's audit activities, and prompt corrective actions for any noted deficiencies, the Audit Committee

¹³ Board Policy 6835 – Internal Audit Office.

should consider establishing time frames for these activities. Alternatively, if the Board intends for the Department to operate differently than the manner prescribed by established policy, Board action should be taken to clearly set forth how the Department should operate and report.

Finding 7: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁴ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of information technology (IT) user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,¹⁵ the District identified each student using a Florida education identification number obtained from the FDOE. However, student SSNs were maintained within the District management information system (MIS) to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure. Student SSNs were also maintained to provide student transcripts to colleges, universities, and potential employers based on student authorized requests. Board policies¹⁶ identify student SSNs as confidential data, District procedures¹⁷ provide that access to confidential data shall be limited to authorized District officials or agents with a legitimate academic or business interest, and District personnel are required to certify that they will comply with these requirements. District personnel performed annual reviews of IT user access privileges to monitor certain access privileges; however, these reviews did not extend to access privileges to student SSNs.

As of June 2017, the MIS maintained the SSNs of 259,700 former and 25,400 current District students. Our examination of District records disclosed that a total of 846 District employees, such as school administrators, teachers, paraprofessionals, and bus drivers, had access to student SSNs. In addition, 107 other individuals, including personnel employed with District charter schools, health department employees, and other contracted service providers, had access privileges to student SSNs. However, although we requested, District records were not readily available to identify the individuals who needed continuous access to current or former student SSNs.

In response to our inquiries of why the 953 individuals required access to student SSNs, District personnel indicated that the MIS did not have a mechanism to mask SSNs or differentiate access privileges to certain data fields, such as student SSNs, to only those authorized personnel with a demonstrated need for such access privileges. District personnel further indicated that anyone who required access to current or former student demographic, family contact, home address, immunization record, attendance, or discipline data, had access to all MIS data fields including the student SSNs. Notwithstanding the limitations of the District MIS, the existence of unnecessary access privileges increases the risk of

¹⁴ Section 119.071(5)(a), Florida Statutes.

¹⁵ Section 1008.386, Florida Statutes.

¹⁶ Board Policy 8350 – Confidentiality.

¹⁷ Board Administrative Procedure 8305 – Classification and Security of Data.

unauthorized disclosure of student SSNs and the possibility the sensitive personal information may be used to commit a fraud against District students.

Recommendation: The District should ensure that only those individuals who have a demonstrated need to access student SSNs have such access. Such efforts should include:

- Documented periodic reviews of access privileges to student SSNs to determine whether such privileges are necessary and the timely removal of any inappropriate or unnecessary access privileges detected.
- District action to incorporate a mechanism in the MIS to mask SSNs or otherwise limit access to certain data fields, such as student SSNs, to only those authorized with a demonstrated need for such information.
- Identification of the individuals who need continuous access privileges to current or former student SSNs and authorization documenting the purpose for such access privileges. If an individual only requires occasional access, access privileges should be granted only for the time needed.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the findings included in our report No. 2017-017 and the management letter comments in the 2015-16 financial audit report except, as noted in Findings 3, 5, and 6 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2015-16 Fiscal Year Operational Audit Report No. 2017-017, Finding	2015-16 Fiscal Year CPA Firm Financial Audit Report, Finding	2014-15 Fiscal Year CPA Firm Financial Audit Report, Finding	2013-14 Fiscal Year Operational Audit Report No. 2015-088, Finding
3	6	Not Applicable	Not Applicable	18
5	8	Not Applicable	Not Applicable	21
6	Not Applicable	2016-004	2015-005	Not Applicable

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 February 2017 to August 2017 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. 2017-017 and in the management letter comments in the 2015-16 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 2016-17 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.

- Evaluated District procedures for maintaining and reviewing employee access to IT resources. We examined selected user access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account user access privileges granted and procedures for oversight of administrative accounts for the network to determine whether these accounts had been appropriately managed and reviewed. Specifically, we:
 - Tested the 9 roles that allowed update user access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of user access privileges granted for 17 accounts.
 - Tested the 8 roles that allowed update user access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of user access privileges granted for 27 accounts.
- Evaluated District procedures to prohibit former employees' access to electronic data files.
- 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 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.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2017, 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 future debt service payments.
- From the population of expenditures totaling \$27.3 million and transfers totaling \$25.4 million 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 \$653,601 and \$10 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Analyzed workforce education program funds expenditures totaling \$7.7 million for the audit period and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 120 industry certifications eligible for performance funding that were attained by students during the 2015-16 and 2016-17 fiscal years, examined 26 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 93,515 contact hours reported for 1,002 adult general education instructional students for the 2016 Fall semester, examined District records supporting

1,871 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.

- Evaluated District controls based on review of selected records to determine whether District controls appropriately secured and protected the confidentiality of social security numbers.
- Examined the District Web site to determine whether the 2016-17 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2014-15 and 2015-16 fiscal years.
- Examined supporting documentation to determine whether required internal funds audit for the 2015-16 fiscal year was timely performed pursuant to SBE Rule 6A-1.087, Florida Administrative Code, and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book), and whether the audit reports were presented to the Board.
- Reviewed the organizational chart and internal audit plan for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(I), Florida Statutes, and whether the internal auditor developed the annual audit plan based on risk assessments that used input from other finance and administrative management. We also determined whether the Department of Internal Auditing performed its internal audit and monitoring function in compliance with Board policies.
- Reviewed District records supporting the \$1,512 payment made by the District to its direct-support organization (DSO) during the audit period to determine the legal authority of the transaction and whether the DSO personnel service costs incurred by the District exceeded the benefits received from the DSO.
- From the population of tangible personal property (TPP) acquisition costs totaling \$83.7 million at June 30, 2016, examined documentation supporting the District's annual TPP physical inventory process to determine timeliness of annual physical inventories and whether the inventory results were reconciled to the property records, appropriate follow-up was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen.
- From the population of 216 Board-owned vehicles (excluding school buses) as of March 2017, examined 30 selected vehicle logs to determine whether the logs contained travel descriptions, starting and ending mileage readings, travel dates, reasons for travel, driver signatures, and evidence of supervisory review and approval.
- Examined District records to determine whether for the 2016 calendar year the District properly reported the taxable value of employees' personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.
- From the population of 5,882 employees compensated a total of \$220 million during the audit period, examined District records supporting compensation payments totaling \$96,243 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. Also, we examined District records to determine whether controls were effective to monitor leave used and time worked for noninstructional administrative and technical employees.
- From the population of 2,536 instructional personnel and 116 school administrators compensated a total of \$101.8 million during the audit period, examined supporting documentation to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria

in accordance with Section 1012.34(3), Florida Statutes, and also determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.

- Examined District records for the audit period for 20 District employees, 5 charter school employees, and 5 contracted workers selected from the population of 5,882 District employees, 196 charter school employees, and 290 contracted workers to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screenings.
- Examined District policies, procedures, and related records for the audit period 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.
- Examined District records supporting the eligibility of:
 - 24 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 193 District teachers who were awarded scholarships totaling \$1.3 million during the audit period.
 - 3 selected charter school recipients of the awards from the population of 7 charter school teachers who received scholarships totaling \$47,718 during the audit period.
- From the population of payments made to 2,001 employees totaling \$601,522 for other than travel and payroll payments during the period July 2016 to December 2016, examined documentation for 30 selected payments totaling \$14,978 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, life, and other insurance to determine compliance with Section 112.08, Florida Statutes. We also evaluated the reasonableness of District procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- From the 21 construction projects with contracts totaling \$37 million in progress during the period July 2016 to February 2017, examined documentation for 4 significant construction management contracts with guaranteed maximum price totaling \$6.9 million to determine compliance with District policies and procedures and provisions of State laws and rules. Also, for these projects, we:
 - Examined District records to determine whether the construction manager was properly selected.
 - Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined 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 4 payments totaling \$410,273 from the population of 18 payments totaling \$2.7 million during the period from July 2016 to February 2017, to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported and whether the District made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.

- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained reports of District student station costs reported to the FDOE. We examined District records for the project completed during the period January 1, 2016, through December 31, 2016, to determine whether the report accurately reported student station costs and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports to determine whether any significant deficiencies were timely corrected.
- From the population of purchasing card (P-card) transactions totaling \$5.1 million during the period July 2016 to December 2016, examined documentation supporting 30 selected transactions totaling \$35,552 to determine whether P-cards were administered in accordance with District policies and procedures. We also determined whether the District timely canceled the P-cards for 15 former employees who had been assigned P-cards and separated from District employment during the audit period.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For 7 total District employees required to file statements of financial interests, we reviewed records of statements of financial interests and District records to identify any potential relationships with District vendors that represent a conflict of interest.
- For the three charter school charters that were not renewed or were terminated in the 2016-17 or the 2 preceding 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 school or center, 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.
- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- 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. From the population of expenditures totaling \$175.8 million for the audit period, we examined documentation relating to 30 payments for general expenditures totaling \$10,861.
- From the population of 569 consultant contracts totaling \$9.8 million during the audit period, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$571,109 related to 30 contracts to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- 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 reviewed the District records to

determine whether the District appropriately reported to the FDOE, pursuant to the 2016 General Appropriations Act (Chapter 2016-066, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.

- Determined whether the District evaluated its personnel succession planning for anticipated changes in key District positions to ensure that all job duties and responsibilities were adequately transferred, that all new personnel had the required level of education and experience, and that sufficient time was available for proper training.
- Evaluated District procedures to ensure compliance with the matching requirements of the Qualified Zone Academy Bonds funding.
- 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

BOARD CHAIR
Alva Swafford Striplin

BOARD VICE CHAIR
Maggie Lewis-Butler



BOARD MEMBERS
Georgia "Joy" Bowen
DeeDee Rasmussen
Rosanne Wood

SUPERINTENDENT
Rocky Hanna

December 15, 2017

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

Dear Ms. Norman:

Attached is the official written response to the preliminary and tentative audit findings resulting from the Florida Auditor General's Operational Audit of the Leon County School District. We have thoroughly reviewed the findings and recommendation. The attached response outlines the corrective actions that will be implemented to address the issues outlined in the report.

Thank you for the valuable information provided to the Leon County School District. We fully embrace any information that will help us better serve the students of Leon County Schools. We view your findings and recommendations as an opportunity to implement process improvements and strengthen our documentation. If additional information is required, please feel free to contact me. Again, thank you.

Sincerely,

A handwritten signature in blue ink that reads "Rocky Hanna". The signature is written in a cursive, flowing style.

Rocky Hanna

Attachment

cc: Alva Striplin, Board Chair
Livetra Paul, Director of Internal Auditing

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"The Leon County School District does not discriminate against any person on the basis of race, color, national origin, sex (including transgender, gender nonconforming status, sexual orientation and diverse gender identities) marital status, age, ethnicity, religion, military status, pregnancy, disability or genetic information."

Building the Future Together

**Leon County School District
Response To The
Florida Auditor General's Operational Audit
For The Fiscal Year Ending
6/30/2017**

Finding 1: Best & Brightest Teacher Scholarship Program

The Leon County School District has implemented a comprehensive review process to ensure that teachers identified to receive the Best & Brightest Teacher Scholarship meet all eligibility requirements. This comprehensive review process will be led by the Director of Human Resources and will include the following:

- A more efficient filing system that will serve as the repository for all necessary supporting documentation.
- An application form entitled Qualifications for Best & Brightest was created to capture pertinent qualifications (ACT/SAT Scores, Teacher Evaluations, etc.) for each applicant and include a section to allow for input from multiple reviewers.
- A form entitled "Confirmation of Classroom Teaching Responsibilities" was created as a mechanism for the teacher and principal to verify classroom teaching responsibilities. The corresponding class rosters or schedules must accompany this form.

District staff will work diligently to stay abreast of any changes in the rules or guidance governing this program and make necessary changes or adjustments as appropriate.

With respect to the fiscal year under audit, immediately upon becoming aware that the District had inadvertently awarded scholarships to applicants deemed to be ineligible based on preliminary audit findings of the Florida Auditor General's office, District staff conducted a comprehensive review of the qualifications for each scholarship recipient for the 2016-2017 fiscal year. Upon identifying a population of ineligible recipients, District staff contacted or will soon contact each impacted employee. The eligibility requirements were (will be) reviewed with each employee and the specific criteria that lead to their ineligibility was (will be) discussed. Each employee was (will be) allowed to select one of three repayment options. Several employees have fully repaid the District and others are participating in a payment plan suitable to their specific circumstances. District staff will continue to monitor the status of all existing payment plans until all funds have been repaid.

Finding 2: Payroll Processing – Time Records

For non-exempt non-instructional employees, the District is in the process of implementing a District wide Human Resource and Payroll timekeeping and leave accounting system. The system will be automated and integrated with the District's Skyward Accounting Software. The

system will require supervisory review for time worked and leave taken and include controls to help ensure adherence to timekeeping rules.

For exempt non-instructional employees, the current timekeeping and leave accounting process will be updated with information documenting that the employee either worked or claimed appropriate leave to account for the required numbers of hours to be worked each month. The current process requires supervisory review and approval for leave time taken. The supervisory review and approval process will be expanded to include supervisory review and approval to support that the employee either worked or took leave for the total number of hours required to be worked each month.

Finding 3: Contracted Service Payments

The District is amending Procedure 6320.01 to include the following language:

Invoices for contracted services must be descriptive to (1) provide hourly detail of services provided where the services are based on hourly rates or (2) provide detail of services performed for the period of billed payment where the services are based on a flat fee amount.

Language to this effect will be included in all Professional Technical Service Agreements (PTSA's). District staff will communicate this change to District administrators via email and administrator meetings.

Finding 4: Insurance Bids

The District will incorporate a procedure supporting Board Policy 1420, Benefits, requiring the employee managing employee benefits monitor health insurance broker contracts to ensure the requirements for competitive bidding of health, life and other insurance required to be competitively bid by State law, is competitively bid every third year. The year of the insurance bid determines the insurance carrier for the next fiscal year. Therefore, insurance will be bid in year 0 and in place for year 1, year 2, and year 3. A new bid will occur in year 3. The agreed upon vendor from bids for year 3 will begin in year 4, which becomes year 1 for purposes of beginning the new cycle for monitoring and facilitating the next insurance bid.

Finding 5: Tangible Personal Property

The Leon County School District has implemented changes and adjusted staff duties and procedures to enhance the ability to safeguard and account for the District's property assets by assigning a new Director for Property Management in July of 2017, and creating a new Project Manager position in October of 2017. The Project Manager's duties include oversight of data entry into the District capital asset software (Skyward) system and reconciling data entry. The Property Manager also is responsible for; (1) managing and ensuring tagging of all tangible

personal property purchased by the District; (2) supervising the process for picking up and delivering all surplus property to the warehouse; (3) managing the process of accounting for the proper receipt of property in the warehouse; (4) organizing surplus property for public sale and (4) executing all public sales of surplus property.

The District also added an additional clerical position in November 2017 to augment the data entry and tracking process. The District has reassigned duties of two employees to Fixed Assets and Surplus to facilitate timelier asset tagging, conduct spot auditing of cost center fixed asset inventories, collect and deliver property in the District to the warehouse, and dispose property when necessary.

The District has also created and implemented a procedural manual, provided mandatory training for staff on the Skyward fixed asset system, implemented internal controls for data input, provided training for school personnel for Inventory Control Designees, website training for cost center personnel, and implemented confidentiality and security rules. Further, the District plans to provide two additional staff for auditing, tagging, tracking and disposing fixed asset and surplus property in July of 2018. This will increase the fixed asset team personnel to six employees and enhance facilitating and safeguarding the District assets.

Finding 6: Internal Audit Department

During the 2016-2017 fiscal year, the Office of Internal Auditing issued audit reports for internal accounts audits for 35 schools; conducted investigations regarding safeguarding of District assets; provided consulting services for District management and staff, school principals, bookkeepers, Parent Teacher Organizations and booster groups; coordinated external audit activities; participated in and provided training to District staff; supported audit committee functions; attended District administrative and school board meeting and performed numerous other daily functions as necessary. For some time periods during the 2016-2017 fiscal year, the office functioned with only one full-time employee due to staff turnover.

Throughout the 2016-2017 fiscal year, Office of Internal Auditing staff provided periodic and annual updates regarding the activities of the Office of Internal Auditing to the Audit Committee, Superintendent and School Board during audit committee meetings or face-to-face meetings with the aforementioned individuals. In the future, a more formalized report will be provided and additional supporting documentation will be maintained.

The Leon County School Board updated Policy 6840, Audit Committee, to increase the number of required meeting of the Audit Committee from two meetings to four meetings per year. The Audit Committee has established a quarterly meeting schedule and are providing quarterly updates to the Board during the "Reports To Be Heard" section of the School Board meeting.

The Audit Committee has worked with Office of Internal Auditing staff to restructure the Annual Work Plan to include more realistic work expectations given the current level of staffing.

The updated work plan was approved by the School Board in November 2017. The Audit Committee will quarterly monitor progress and make suggestions for modifications to the Annual Work Plan as deemed appropriate.

Finding No. 7: Information Technology User Access Privileges

The Leon County School District recently awarded a contract to FOCUS School Software for a new Student Information System (SIS) that will replace our current system, Genesis, beginning with the 2018-2019 school year. The FOCUS system will allow the District to limit access privileges to those who require the information. FOCUS has a "classified tab" where the social security number resides. Access to the classified tab will be restricted those employees who require the information in the performance of their jobs.

The structure of our current system, Genesis, does not allow the District to limit access to social security number information based on need. As a means to control and limit access to social security numbers and other sensitive information, District staff annually reviews access for all users of Genesis.