

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-114
February 2018

**GILCHRIST COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Robert G. Rankin served as Superintendent of the Gilchrist County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Christie McElroy, Vice Chair from 11-22-16	1
Susan Owens from 11-22-16	2
Robert B. Clemons through 11-21-16	2
Michelle Walker-Crawford, Chair	3
Gina Geiger from 11-22-16	4
Julie C. Thomas through 11-21-16	4
D. Deen Lancaster, Vice Chair through 11-21-16	5

The team leader was John Davisson, CPA, and the audit was supervised by Denita K. Tyre, 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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GILCHRIST COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Gilchrist County School District (District) focused on selected District processes and administrative activities and included a follow-up on the applicable finding in our report No. 2016-105. Our operational audit disclosed the following:

Finding 1: District records did not always evidence that ad valorem tax levy proceeds were used in accordance with restrictions imposed by State law.

Finding 2: District controls over the procurement and payment for school resource officer and crossing guard services could be enhanced.

Finding 3: Required background screenings were not always timely performed for applicable District employees.

Finding 4: Some unnecessary information technology (IT) 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 assigned IT user 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 Gilchrist 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 Gilchrist County. The governing body of the District is the Gilchrist 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 two elementary schools and two middle/high schools, and reported 2,635 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on the applicable finding in our report No. 2016-105. 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: Ad Valorem Taxation

State law¹ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include,

¹ Section 1011.71(2), Florida Statutes.

among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and certain enterprise resource software used to support Districtwide administration or State-mandated reporting requirements.

The District accounts for ad valorem tax proceeds in its Capital Projects - Local Capital Improvement Fund (LCI Fund). According to District personnel, the Director of Finance reviews purchase orders, invoices, and relating support before LCI Fund disbursements are made to help ensure compliance with the restrictions imposed by State law. For the 2016-17 fiscal year, the District's LCI Fund transfers to other funds totaled \$584,952 and expenditures totaled \$355,948. As part of our audit, we examined District records supporting selected LCI Fund transfers totaling \$400,000 and selected expenditure transactions totaling \$54,462. We noted that the District expended 2016-17 fiscal year ad valorem tax levy proceeds totaling \$9,000 for lobbying services and neither State law nor other legal authority allow use of these proceeds for lobbying services. In response to our inquiries, District personnel indicated that they were unaware that lobbying services were unallowable uses of tax levy proceeds. Subsequent to our inquiries, in August 2017 the District reimbursed \$9,000 to the 2016-17 fiscal year LCI Fund.

Without a proper understanding of the restrictions governing the use of ad valorem tax levy proceeds, the risk that the District will violate these restrictions is increased.

Recommendation: The District should enhance procedures to ensure that ad valorem tax levy proceeds are used only for authorized purposes. Such enhancements could include appropriate training to ensure that the District employees responsible for use of ad valorem tax levy proceeds understand the restrictions for such use.

Finding 2: Contractual Services

Effective contract management ensures that contract provisions establish required services and related service times and costs and that contractual services are satisfactorily received before payment. Properly written contracts identify the responsibilities of contracting parties, define services to be performed, provide a basis for payment, and protect the interests of the contracting parties.

State law² provides that the Board constitutes the contracting agent for the District and the Board routinely enters into contracts for services. The District designed and implemented internal controls that generally ensure contract payments are consistent with the applicable contract terms and conditions. For the 2016-17 fiscal year, the District incurred contractual service expenditures totaling \$3.1 million and we examined District records supporting selected contractual service expenditures totaling \$777,814. We noted that the District paid \$87,584 in January 2017 to the Gilchrist County Board of County Commissioners (BCC) for school resource officer (SRO) services totaling \$75,000 and school crossing guard services totaling \$12,584 for the period August 2016 through May 2017. However, although we requested, a Board-approved contract for the services was not provided. In addition, District records were not provided to establish the legal authority for prepaying for 4 months of services or to evidence the satisfactory receipt of services before payment was made.

In response to our inquiries, District personnel indicated that they were confident the SRO and crossing guard services were satisfactorily received for the 2016-17 fiscal year, but will work with the BCC to

² Section 1001.41(4), Florida Statutes.

properly negotiate a Board-approved contract and enhance documentation requirements for future SRO and crossing guard services.

Without Board-approved contracts that identify the responsibilities of the contracting parties and establish the required services and related costs and documentation evidencing that services are satisfactorily received before payments are made, District records do not evidence compliance with State law contracting requirements and there is an increased risk of misunderstandings between the parties, that overpayments may occur, and that services received may not be consistent with the Board's expectations.

Recommendation: The District should ensure that, pursuant to State law, contractual services are supported by Board-approved contracts that document essential elements of the arrangements, such as the services to be performed and the cost of the services. In addition, District procedures should require and ensure that, before payments are made, the District has documented satisfactory receipt of the services.

Finding 3: Background Screenings

State law³ requires that individuals 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 undergo a level 2 background screening⁴ at least once every 5 years. To promote compliance with the statutory background screening requirements, Board policies⁵ require employees to undergo required background screenings when hired and at least once every 5 years thereafter.

During the 2016-17 fiscal year, the District employed 376 instructional and 171 noninstructional personnel. According to District personnel, Human Resource (HR) Department personnel typically review a background screening history report on a quarterly basis to help ensure employees undergo the required background screenings. However, as of December 2017, District personnel indicated that the HR Department personnel reviews of the background screening history report and required screenings were not up to date.

To determine whether required background screenings were performed at least once in the past 5 years for applicable District personnel, we requested for examination District records for 30 selected employees (14 instructional and 16 noninstructional employees) listed in the District payroll system in May 2017, and found that a background screening had not been performed for 1 employee since the employee was hired 23 years before our inquiry in June 2017. We expanded our procedures and compared the June 2017 background screening history report to District payroll records and identified 16 employees (7 instructional and 9 noninstructional employees) who, within the last 5 years, received screenings 1 to 7 years late. We also noted 21 employees (13 instructional and 8 noninstructional employees) who were hired 6 months to 33 years before our inquiry in July 2017 and District records did not evidence that they ever received a background screening.

³ Sections 1012.32 and 1012.56(10), Florida Statutes.

⁴ A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

⁵ Board Policy 6.103/D, *Appointment or Employment Requirements*.

Subsequent to our inquiries, during June through August 2017 the District obtained background screenings for 17 of the 22 employees and noted no inappropriate backgrounds. As of December 2017, the District was in the process of obtaining screenings for the other 5 employees. 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 make decisions, as necessary, based on evaluations of the screening results.

Finding 4: Information Technology User Access Privileges

The Legislature has recognized in State law⁶ 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 the confidential status of such information. Effective controls restrict employees 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 personnel from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,⁷ the District identified each student using a Florida education identification number assigned by the Florida Department of Education (FDOE). However, student SSNs are included in the student records maintained within the District management information system (MIS).⁸ Student SSNs are maintained in the District MIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies⁹ allow designated District school personnel access to student records to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with Florida statutes, State Board of Education rules, and Federal laws and District employees are required to certify that they will comply with these requirements.

As of May 2017, the District MIS maintained the SSNs of 12,100 former and 1,900 current District students and 42 District employees, including the Assistant Superintendent, principals, vice principals, data processors, and guidance counselors, had IT user access privileges to student information, including student SSNs. District personnel indicated that biannual reviews of IT user access privileges to student information are performed to help monitor these privileges; however, although we requested, District records were not provided to evidence that these reviews had been performed.

As part of our procedures, we examined District records supporting IT user access privileges and found that the job responsibilities for 29 of the 42 employees did not necessitate access to student SSNs. Based on our discussions with District personnel and observation of District MIS screens, the

⁶ Section 119.071(5)(a), Florida Statutes.

⁷ Section 1008.386, Florida Statutes.

⁸ The North East Florida Educational Consortium (NEFEC) provides student records data processing services for the District and maintains student information, including student SSNs, in the District MIS.

⁹ Board Policy 5.19/D, *Student Records*.

unnecessary access privileges occurred because the District MIS did not preclude District employees who needed access to student information from also gaining unnecessary access to former and current student SSNs. In November 2017, the District removed the 29 employees' unnecessary access privileges.

Additionally, we determined that, although the remaining 13 employees needed access to current student SSNs, 8 of the 13 employees did not require access to former student SSNs to perform their job responsibilities. According to District personnel, the MIS did not have a mechanism to differentiate employee access to current student SSNs from access to former student SSNs.

Subsequent to our inquiries, in July 2017 a District MIS programming change was made to mask SSNs and prevent employees who only need access to student demographic information from viewing student SSNs. The existence of unnecessary access privileges and the lack of documented, periodic reviews of IT user access privileges increase the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against District students or others.

Recommendation: To ensure access to sensitive student information is properly safeguarded, the District should:

- Continue to mask SSNs as appropriate to prevent unnecessary access to student SSNs.
- Establish documented, periodic reviews of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected.
- Consult with NEFEC to upgrade the District MIS to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for Finding 2 included in our report No. 2016-105.

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 May 2017 to December 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 the applicable finding included in our report No. 2016-105.
- 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 District's security settings for the finance and human resources (HR) applications to determine whether authentication controls were configured and enforced in accordance with Information Technology (IT) best practices.

- Evaluated District procedures for maintaining and reviewing employee access to IT resources. We examined selected access privileges to the District's enterprise resource planning system finance and HR applications to evaluate the appropriateness and necessity of the access based on employees' job duties and user account functions and determine whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we tested selected access privileges for the 35 users who had access to the finance application and the 7 users who had access to the HR application.
- Reviewed selected access privileges for 28 former employees who separated from District employment during the period July 1, 2016, through June 1, 2017, to determine whether the access privileges had been timely deactivated.
- Evaluated whether District controls appropriately secured and protected the confidentiality of student social security numbers.
- Evaluated Board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy 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.
- Evaluated District procedures for restricting, limiting, and monitoring student access to inappropriate Web sites using District-issued take-home electronic devices.
- 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.
- From the population of \$709,000 total transfers and \$355,948 total expenditures made during the audit period from nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay funds, examined documentation supporting selected transfers totaling \$400,000 and expenditures totaling \$54,462 to determine compliance with the restrictions imposed on the use of these resources.
- 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 supporting documentation to determine whether required internal funds audits for the 2014-15 and 2015-16 fiscal years were timely performed pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.
- From the compensation payments totaling \$15.6 million to 547 employees during the period July 1, 2016, through May 2, 2017, examined District records supporting compensation payments totaling \$2 million 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 for the audit period to assess whether District employees and contractor workers who were permitted on school property or had direct contact with students were subjected to the required fingerprinting and background screenings.
- Examined District policies and procedures 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 recipients of Florida Best and Brightest Teacher Scholarship Program awards.
- From the population of 334 payments totaling \$279,057 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 30 selected payments totaling \$5,398 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 determine compliance with Section 112.08, Florida Statutes.
- From the population of 243 purchasing card (P-card) transactions totaling \$118,209 during the audit period, examined documentation supporting 38 selected transactions totaling \$32,003 to determine whether P-cards were administered in accordance with District procedures.
- 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 \$9.2 million for the audit period, we examined documentation relating to:
 - 30 payments for general expenditures totaling \$53,524.
 - 9 travel expenditures totaling \$1,256.
- From the population of contractual services payments totaling \$3.1 million during the audit period examined supporting documentation, including the contract documents, for selected contractual services payments totaling \$777,814, 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 receipts of deliverables before payments were made.
 - The payments complied with contract provisions.
- Determined whether the District had adequate Virtual Instruction Program policies and procedures.
- 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



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Superintendent Rob Rankin

GILCHRIST COUNTY SCHOOL DISTRICT

Fulfilling Every Student's Potential

<http://gilchristschools.org>

February 16, 2018

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

Dear Ms. Norman,

On behalf of the Gilchrist County School Board let me thank you for your staffs' work in the preparation of this operational audit. Please accept this response for the findings noted in your report.

Finding No. 1: Ad Valorem Taxation – The District is now aware of authorized and unauthorized uses of ad valorem tax levy proceeds and will make every effort to ensure all expenditures are for proper purposes.

Finding No. 2: Contractual Services – The District is currently working with the Board of County Commissioners to establish a written contract for our School Resource Officers and will document satisfactory receipt of services rendered prior to payment.

Finding No. 3: Background Screenings – The District's Human Resources department has taken the necessary steps to identify each employee who has not obtained the required background screenings by conducting an internal audit of each employee and cross referencing to the fingerprint data system. All employees are currently up to date with background screenings, and measures have been put in place to ensure the screenings are properly obtained through a checklist of required items for each employee.

Finding No. 4: Information Technology User Access Privileges – The District will continue to mask Social Security numbers. We will also do a better job of monitoring user access privileges. In addition, we will pursue programming changes through NEFEC to differentiate user access for current and former students.

Once again, thank you for all you do.

Sincerely,

Rob Rankin
Superintendent of Schools

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