

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2018-188  
March 2018

**ST. JOHNS COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2016-17 fiscal year, Tim Forson served as Superintendent of the St. Johns County Schools from 1-1-17, Dr. Joseph G. Joyner served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Beverly Slough	1
Tommy Allen, Chair from 11-22-16, Vice Chair through 11-21-16	2
Bill Mignon, Vice Chair from 11-22-16	3
Kelly Barrera	4
Patrick Canan, Chair through 11-21-16	5

The team leader was Karen L. Revell, CPA, and the audit was supervised by Randy R. Arend, CPA.  
Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the St. Johns County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-175. Our operational audit disclosed the following:

**Finding 1:** District personnel did not compare construction management entity (CME) pay requests for the Nease High School Expansion, Renovations, and Site Improvements (Nease High School) Project with the CME guaranteed maximum price contract totaling \$16.7 million or the subcontractor bids, contracts, and invoices.

**Finding 2:** District construction administration monitoring procedures for the Nease High School Project did not require District personnel to attend, and District personnel did not attend, the subcontractor bid openings or obtain copies of the subcontractor bids or contracts to verify that the subcontractors were competitively selected.

**Finding 3:** District personnel did not verify that subcontractors were appropriately licensed before they commenced work on the Nease High School Project.

**Finding 4:** The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

**Finding 5:** Contrary to State law, the District expended ad valorem tax levy proceeds for various groundskeeping items and services that did not appear to be allowable uses for the proceeds, resulting in questioned costs totaling \$70,777.

**Finding 6:** The District needs to improve controls over payments for youth resource deputy and legal contractual services. A similar finding was noted in our report No. 2015-175.

**Finding 7:** Required background screenings were not always performed for applicable dual enrollment instructional personnel and charter school employees and board members.

**Finding 8:** The District awarded a \$6,817 Florida Best and Brightest Teacher Scholarship Award to an ineligible recipient.

**Finding 9:** Although required by State law, the Board did not always document use of the required competitive selection process for procurement of insurance services. In addition, the Board directly negotiated and contracted for other insurance services without always documenting that the contracts were in the District's best interest.

**Finding 10:** District controls need strengthening to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

**Finding 11:** District records did not always evidence that virtual instruction program provider employees were subject to required background screenings.

**Finding 12:** Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

**Finding 13:** The District did not timely remove the IT access privileges of some former employees. A similar finding was noted in our report No. 2015-175.

**Finding 14:** District security controls related to logging and monitoring of system activity continue to need improvement.

## ***BACKGROUND***

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The St. Johns 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 St. Johns County. The governing body of the District is the St. Johns County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2016-17 fiscal year, the District operated 40 elementary, middle, high, and specialized schools, including a virtual school; sponsored 3 charter schools; and reported 38,034 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2015-175. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2017, were presented in a separate report.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Monitoring Construction Pay Requests**

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to successful completion of GMP contracts, it is important that District personnel verify that CME pay requests agree with supporting documentation such as subcontractor bids, contracts, and invoices.

The District administered one major construction contract with a CME during the 2016-17 fiscal year, a contract for the Nease High School Expansion, Renovations, and Site Improvements (Nease High School) Project. The Board approved the construction contract and District personnel subsequently approved six GMP authorizations (one for each project phase) for an authorized total GMP of \$16.7 million as shown Table 1.

**Table 1**  
**Nease High School Expansion, Renovations, and Site Improvements Project**

Phase	Description of Work	GMP Authorization Date	GMP Authorization Amount	Amounts Through July 2017		
				Total Payments to CME (A)	Total Direct Materials Purchases (B)	Total Construction Expenditures (A) + (B)
	Pre-construction	2/9/2016	\$ 120,000			
1	Cafeteria/ Kitchen Expansion and Renovation	5/17/2016	1,921,478			
2	Classroom Addition Sitework	6/23/2016	1,394,821			
3	Classroom Building Addition	10/14/2016	8,673,012			
4	Parent Drop-Off Loop and Classroom Building Addition - Remaining Scope	5/8/2017	4,247,664			
5	POD G Renovation	6/20/2017	132,482			
6	Student Parking Lot Pass-Through	6/30/2017	255,645			
1 - 6	CME and Direct Materials Costs <sup>a</sup>			\$9,793,178	\$2,105,995	\$11,899,173
<b>Totals</b>			<b>\$16,745,102</b>	<b>\$9,793,178</b>	<b>\$2,105,995</b>	<b>\$11,899,173</b>

<sup>a</sup> Expenditures to the CME and for direct materials are only available in total and are not available by GMP.

The CME contract required that, after bids and awards to subcontractors, the net savings be added to the construction contingency and made immediately available to the District. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to the successful completion of each GMP authorization within the total CME contract, it is important that the District verify that CME pay requests agree with supporting documentation such as subcontractor invoices, bids, and contracts.

According to District personnel, the District had procedures for comparing the CME pay requests with corresponding cost lines on the CME's schedule of values and subcontractor invoices prior to payment; however, District records were not provided to evidence these comparisons. To evaluate District procedures for monitoring CME pay requests, from the population of 13 CME pay requests totaling \$9.8 million during the 2016-17 fiscal year, we selected for examination District records supporting 22 selected subcontractor cost lines totaling \$1.9 million listed on the pay requests' schedules of values for August 2016 and June 2017. Based on our examination, 3 subcontractor cost lines totaling \$94,053 on 1 pay request were not supported by subcontractor invoices. Subsequent to our inquiry, the District contacted the CME and obtained the subcontractor invoices supporting the 3 subcontractor cost lines.

According to District personnel, the District did not require the CME to submit pay requests by individual GMP authorization and did not compare CME pay requests with subcontractor bids and contracts because the CME was responsible for maintaining the documents. Subsequent to our request, the District obtained the subcontractor bids and contracts from the CME. As shown in Table 2, our comparison of the June 2017 schedule of values for 9 cost lines totaling \$8,220,721 disclosed that contract amounts per the schedule of values differed from the contract amounts per the subcontractor contracts for all 9 subcontractor cost lines.

**Table 2  
Nease High School Project  
Selected Subcontractor Cost lines**

Cost Line	June 2017 Pay Request <sup>a</sup> for Subcontractor Services	CME Schedule of Values Amount	Subcontractor Contract Amount	Difference
1	Concrete	\$1,620,145	\$1,206,935	\$413,210
2	Millwork & Cabinetry	162,379	151,722	10,657
3	Roofing	349,433	403,780	(54,347)
4	Glass & Glazing	409,166	439,395	(30,229)
5	Painting	152,549	135,048	17,501
6	Plumbing	261,807	224,223	37,584
7	HVAC	1,150,008	816,895	333,113
8	Electrical Systems	1,683,041	1,498,987	184,054
9	Site Excavation	2,432,193	2,496,458	(64,265)
<b>Totals</b>		<b>\$8,220,721</b>	<b>\$7,373,443</b>	<b>\$847,278</b>

<sup>a</sup> The June 2017 pay request included subcontractor services associated primarily with the Classroom Addition Sitework (Phase 2), Classroom Building Addition (Phase 3), and Parent Drop-Off Loop and Classroom Building Addition - Remaining Scope (Phase 4).

In response to our inquiry, District personnel indicated that contract amounts per the CME schedule of values were based on the CME's original GMP estimates, the subcontractor contract amounts were based on the actual subcontractor bids, and the savings would be returned to the District at the end of the project. However, retaining savings in the cost lines is contrary to the CME contract, which required that the cost lines be adjusted after the subcontractor bids were awarded, and any differences adjusted to the contingency cost line and made immediately available to the District.

Without procedures to ensure that the schedule of values is promptly adjusted for subcontractor bid awards, reconciliations to the original subcontractor bids and contracts for each line in the schedule of values for each payment request, and monitoring of invoiced costs for each specific GMP authorization, there is an increased risk that the District may overpay for subcontractor services, either in total or for an individual GMP authorization, and may not realize, or timely realize, cost savings.

**Recommendation: The District should enhance procedures for monitoring CME pay requests. Such procedures should include ensuring that the CME schedule of values is promptly adjusted to agree with subcontractor bid awards and a documented comparison of cost items in CME pay requests to relevant GMP authorizations and to supporting documentation, including, as applicable, subcontractor invoices, bids, and contracts, before payment is made to the CME.**

## **Finding 2: Subcontractor Selections**

The CME construction contract for the Nease High School Project required the CME to solicit bids and award subcontracts, as necessary. Good business practice dictates that District personnel monitor the subcontractor selection process to ensure that subcontractor services are obtained at the lowest cost consistent with acceptable quality and to realize maximum cost savings under the GMP contract.

Although the CME was required to solicit bids for subcontractor services, District personnel indicated that procedures had not been established to ensure that subcontractors were competitively selected in accordance with the terms of the contract. For example, the District did not have procedures for District personnel to attend subcontractor bid openings or to compare subcontractor bid awards per bid tabulation sheets with CME subcontractor contracts. According to District personnel, they relied on the CME for the subcontractor selection process.

From the population of 40 subcontracted services with scheduled values totaling \$13,745,285 for the Nease High School Project through June 2017, we requested, and District personnel obtained from the CME, subcontractor bid tabulation sheets and supporting subcontractor bid and contract information for 12 selected subcontracted services, such as electrical systems and roofing services, totaling \$8,070,757. We compared the bid award amounts listed on the bid tabulation sheets to the CME subcontractor contracts to determine whether the subcontractor bid awards listed on the tabulation sheets agreed with the subcontractor contracts. Although the documentation we examined evidenced that the subcontractors were competitively selected and that the bid award and contract amounts generally agreed, we also noted that:

- For the subcontract for millwork and cabinetry work awarded in Phase 4 totaling \$162,379, the subcontractor selected by the CME was not the lowest bidder listed on the bid tabulation sheet and District records did not evidence the CME's basis for selecting other than the lowest bidder. In response to our inquiry, District personnel obtained an explanation from the CME that the lowest bidder for millwork and cabinetry work, whose bid proposal was \$121,000, was disqualified after the bid solicitation and before the contract award for unsatisfactory performance on another project.
- For one subcontract for drywall work awarded in Phase 1 and one subcontract for glass and glazing work awarded in Phase 3, the subcontractors selected by the CME were the lowest bidder on the bid tabulation sheet. However, the two subcontracts executed between the CME and the subcontractors were \$23,710 and \$15,942 higher, respectively, than the subcontractor's bid per the bid tabulation sheet. In response to our inquiry, District personnel obtained an explanation from the CME that the contracts included additional negotiated work that was not included in the original bid.

Without District procedures requiring verification that CMEs used a competitive process for selecting subcontractors, and documented comparisons of bid awards and subcontractor contracts, the risk increases that that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and the District may not realize maximum cost savings under a GMP contract.

**Recommendation: The District should establish procedures providing for a documented comparison of subcontractor bid awards and subcontractor contracts to verify that the CME used a competitive selection process. The District should also compare the bid awards to the contract amounts and obtain and document CME explanations when the amounts do not agree.**

### **Finding 3: Subcontractor Licenses**

State law<sup>1</sup> provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law<sup>2</sup> also establishes certain

<sup>1</sup> Section 1013.45(1)(c), Florida Statutes.

<sup>2</sup> Chapter 489, Florida Statutes.

certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

For the Nease High School Project, District personnel indicated that they relied on the CME to verify that subcontractors were licensed; however, the District did not have procedures to monitor the CME's verification of subcontractor licenses to ensure that the subcontractors were licensed before commencing work on District facilities. From the population of 40 subcontracts, we requested documentation evidencing that 4 selected subcontractors were properly licensed. In response to our request, District personnel obtained copies of the licenses from the CME; however, the subcontractors commenced work on the project before the copies were obtained.

Timely documented verification that subcontractors are appropriately licensed provides the District assurance that the subcontractors who will be working on District facilities meet the qualifications to perform the work for which they are engaged.

**Recommendation: The District should enhance procedures to require and document the verification of subcontractor licenses before they commence work on District facilities.**

#### **Finding 4: General Conditions Costs**

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts.

The CME GMP contract and subsequent GMP authorizations for the Nease High School Project included provisions for general conditions costs totaling \$1.7 million and CME pay requests referenced these costs as they were incurred. However, District personnel indicated that the District had not established policies or procedures for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs. In response to our inquiry, District personnel indicated that general conditions costs were negotiated with the CME as a percentage of the project's GMP and were evaluated based on comparisons to industry averages for general conditions costs percentages and to the general conditions costs of other school districts. In addition, the District considered other factors when negotiating the general conditions costs percentage, such as the complexity and phasing of the project; however, documentation demonstrating the comparisons, factors considered, or negotiations was not provided.

To determine the reasonableness and propriety of general conditions costs, we selected 2 CME pay requests from the population of 13 payments for CME pay requests totaling \$9.8 million during the period August 2016 through August 2017 (for work completed through June 2017), and examined District records supporting 12 selected general conditions cost lines totaling \$453,682 on the pay requests' schedules of values. We found that, for the 2 selected CME pay requests related to salaries totaling \$119,508 for project managers, superintendents, and other project personnel, project staffing invoices were provided to support the salary amounts requested. However, our comparison of the hourly

personnel pay rates on the project staffing invoices to the hourly pay rates established in the CME contract indicated that the rates differed significantly for the four individuals shown on both the project staffing invoices and in the CME contract. Table 3 shows the differences in the rates noted for the four individuals.

**Table 3  
Pay Rate Differences**

	Hourly Personnel Pay Rates per Project Staffing Invoice	CME Contract Established Hourly Pay Rates	Difference
1	\$ 69	\$ 56	\$ 13
2	70	72	(2)
3	32	45	(13)
4	53	72	(19)

In addition, we noted that the CME requested payment for a mechanical, electrical, and plumbing superintendent at a \$75 per hour billing rate; however, the CME contract did not include or establish a pay rate for this position. Further, the CME requested payment totaling \$301,207 for insurance and bonding costs on the 2 selected pay requests and the costs agreed to the amounts established in the GMP authorizations. However, although we requested, District records were not provided to support the amounts invoiced by the CME for insurance and bonding costs.

In response to our inquiries, District personnel indicated that, as of October 2017, inconsistencies between the pay rates invoiced by the CME and the pay rates specified in the CME contract were being reviewed by District personnel and discussed with the CME. In addition, to verify the accuracy and propriety of the amounts invoiced and paid, an audit of the CME records and related pay requests for the project was being considered. Notwithstanding this response, absent appropriate policies and procedures, the District may be limited in its ability to monitor the reasonableness of general conditions costs and to determine the propriety of pay requests for general conditions costs and, as a result, the cost savings associated with general conditions costs in GMP contracts may not be realized.

**Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs, and the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in CME pay requests.**

**Finding 5: Ad Valorem Taxation**

State law<sup>3</sup> allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. In addition, State law<sup>4</sup> requires the District to advertise, in advance of adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for

<sup>3</sup> Section 1011.71, Florida Statutes.

<sup>4</sup> Section 200.065(10)(a), Florida Statutes.

which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and purchases of new and replacement equipment.<sup>5</sup> State law<sup>6</sup> provides a definition of maintenance and repair that specifically excludes custodial and groundskeeping functions.

The District accounts for ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement Fund (LCI Fund). For the 2016-17 fiscal year, the District had LCI Fund expenditures totaling \$15.3 million and transfers totaling \$19.7 million. To determine the propriety of District uses of ad valorem tax levy proceeds, we examined District records supporting selected LCI Fund expenditures totaling \$211,810 and transfers totaling \$5.7 million. We found expenditures totaling \$70,777 for various groundskeeping items and services (e.g., mulch, tree trimming, and turf maintenance) that did not appear consistent with allowable uses of ad valorem tax levy proceeds.

In response to our inquiry, District personnel indicated that the District follows the Florida Department of Education (FDOE) Red Book<sup>7</sup> definition for improvements other than buildings, which includes fill dirt, sod, and shrubs as examples. District personnel also indicated that the District’s notice of tax levy advertisement specifically identified landscaping, sitework, drainage, and irrigation systems, and that the use of ad valorem tax levy proceeds for these types of purchases has been a practice followed by the District for many years. Notwithstanding this response, the questioned costs totaling \$70,777 were not capitalized to the improvements other than buildings account and appeared to be more groundskeeping in nature.

**Recommendation: The District should ensure that ad valorem tax levy proceeds are used only for authorized purposes. In addition, the District should provide documentation to the FDOE supporting the allowability of the costs totaling \$70,777 or restore this amount to the LCI Fund.**

**Follow-Up to Management’s Response**

*Management stated in the written response that the District takes exception to the statement that the \$70,777 of Local Capital Improvement Fund expenditures were not capitalized to the improvements other than buildings account and “appeared to be more groundskeeping in nature.” Notwithstanding this response, as these expenditures were for services that must be repeated at frequent intervals similar to other groundskeeping functions, we remain of the opinion that these expenditures represent questioned costs of ad valorem tax levy proceeds. In addition, we discussed the nature of these expenditures with FDOE personnel who concurred with our opinion. As such, we continue to recommend that the District provide documentation to the FDOE supporting the allowability of the costs totaling \$70,777 or restore this amount to the LCI Fund.*

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<sup>5</sup> Section 1011.71(2), Florida Statutes.

<sup>6</sup> Section 1013.01(12), Florida Statutes.

<sup>7</sup> *Financial and Program Cost Accounting and Reporting for Florida Schools*, Red Book 2017.

## Finding 6: Contractual Services

The Board routinely enters into contracts for goods and services, and internal controls have been designed and implemented that generally ensure payments are consistent with contract terms and conditions. Board policies<sup>8</sup> provide for Board approval of any purchase or contract of \$50,000 or more, and authorize the Superintendent to purchase contractual services without competitive solicitation when the total amount of the purchase is less than \$50,000 and does not exceed the applicable District budget appropriation.

For the 2016-17 fiscal year, payments for contractual services totaled \$8.4 million and, to determine the propriety of payments for goods and services, we examined District records supporting 30 selected payments totaling \$728,943. Our procedures disclosed that controls over payments totaling \$276,973 for youth resource deputy (YRD) services and \$18,054 for legal services could be improved. We expanded our procedures to review District records supporting all payments to the providers of these services and found that:

- Pursuant to State law<sup>9</sup> and a Board-approved contract dated June 2016, the St. Johns County Sheriff's Office was responsible for providing 12 YRDs who were assigned to specified schools during the 2016-17 school year and the District made two semi-annual payments of \$258,306 totaling \$516,612. The contract provided that each YRD would be assigned 8 hours a day to a designated school when school was in session to provide school-based security, coordination of emergency services, and classroom presentations on law enforcement subjects. The contract also provided for each YRD to maintain records and reports regarding his or her activities. However, although we requested, District records were not provided to evidence that personnel with direct knowledge of the YRD services at the schools documented receipt of the services through time records such as YRD sign-in and sign-out sheets or rosters. In response to our inquiries, District personnel indicated that, although time records were not maintained, the Sheriff's Office was required to notify the applicable school principal and assign another YRD when a YRD was absent for a full day and quarterly reports summarizing services provided by the YRD at each school were required to be submitted to the Board.
- The District paid \$57,500 to the St. Johns County Sheriff's Office for YRD support services provided at middle schools not specified in a Board-approved contract. Although we requested, neither purchase orders or other records evidencing preauthorization of the services nor detailed invoices to substantiate the dates, times, and locations of these services were provided.
- In January 2015, the District entered into a contract with a law firm to provide legal representation and counsel to the Board for matters approved by the Board Attorney, and the District paid the firm a total of \$325,595 during the period January 2015 through June 2017. According to the contract, the agreement was to remain in force until terminated by either party; statements for services and costs were to be reviewed and approved for payment by the Board Attorney; and total billings, including reimbursable expenses, were not to exceed \$25,000 without further Board approval.

Although the Board approved purchasing activity reports in June 2016 and June 2017 indicating that for the 2015-16 and 2016-17 fiscal years, respectively, services with costs exceeding \$50,000 had been received from the law firm, District payments exceeded the \$25,000 amount specified in the contract by \$300,595 and were made before Board approval was obtained. In response to our inquiry, District personnel indicated that the firm provided legal services only when directed

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<sup>8</sup> Board Policy 7.14, *Purchasing and Procurement Policies*.

<sup>9</sup> Section 1006.12, Florida Statutes.

and authorized by District management and that Board approval was obtained in June 2016 and June 2017 when the Board was notified that annual spending exceeded \$50,000. Notwithstanding this response, District records did not evidence appropriate contract monitoring to anticipate when total billings would exceed the \$25,000 contract threshold to prompt the required Board approval.

Without an established contract or contractual provisions that specify required services and related service times, there is an increased risk that services may not be received consistent with the Board's intent. In addition, without effective procedures to ensure that, prior to payment, the required approvals were obtained and services were received in compliance with provisions of the contract, there is an increased risk that errors or fraud could occur without timely detection. A similar finding was noted in our report No. 2015-175.

**Recommendation: The District should enhance procedures to ensure that contracts clearly describe the nature of deliverables, contractual services are authorized and the receipt of such services is documented prior to payment, and payments for services are made in accordance with the provisions of a governing contract.**

### **Finding 7: Background Screenings**

State law<sup>10</sup> requires each person hired or contracted to serve in an instructional or noninstructional capacity who are permitted access on school grounds when students are present or who have direct contact with students to undergo a level 2 background screening<sup>11</sup> at least once every 5 years. State law<sup>12</sup> further requires personnel who are hired or contracted to fill positions in any charter school and members of the governing board of any charter school to undergo a background screening by filing a complete set of fingerprints with the district school board for the school district in which the charter school is located. To promote compliance with the statutory background screening requirements, District procedures require employees and contractor workers who have access to school grounds, as well as charter school employees and board members, to undergo required background screenings.

For the 2016-17 fiscal year, the District employed 2,595 instructional and 3,185 noninstructional personnel, and had 5,312 contractor workers and 23 dual enrollment program instructors who were permitted access on school grounds when students were present or had direct contact with students. In addition, the District sponsored three charter schools with 56 charter school board members and employees. We evaluated District records and background screening procedures for 10 selected District instructional and noninstructional employees, 8 selected contractor workers, 3 selected dual enrollment program instructors, and 4 selected charter school board members and 8 selected charter school employees and found that District procedures for employees and contractor workers who have access to school grounds provide for background screening results to be reviewed and verified to determine the individuals' suitability for employment or work on school grounds. However, we also noted that District procedures had not been established to obtain or confirm the background screenings of dual enrollment program instructors or charter school board members and employees. Specifically, we found that:

<sup>10</sup> Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

<sup>11</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the Federal Bureau of Investigation.

<sup>12</sup> Section 1012.32(2)(b), Florida Statutes.

- District records did not evidence that required background screenings were performed for the 3 selected dual enrollment program instructors. In response to our inquiry, District personnel indicated that the District relied on the instructors' employer, St. Johns River State College (College), to conduct the required background screenings for the District's 23 dual enrollment instructors; however, the District did not obtain documentation or confirm that the required background screenings were performed. We extended our procedures and determined that background screenings were performed for the 23 dual enrollment instructors employed by the College as of February 2018. However, our procedures cannot substitute for management's responsibility to ensure, and document, that background screenings are performed for all dual enrollment instructors.
- Although we requested, as of October 2017, documentation was not provided to evidence the required background screenings had been performed for 1 board member and 3 employees at one charter school and 2 employees at another charter school. Subsequent to our inquiries in February 2018, District personnel indicated that background screenings were performed for 2 of the charter school employees (1 from each charter school) in January 2018.

Similar incidents of noncompliance with required background screenings for virtual instruction program provider employees are noted in Finding 11. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

**Recommendation: The District should take immediate action to identify dual enrollment instructors and charter school board members and employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. To help monitor and ensure that required background screenings of these individuals are conducted at least once every 5 years, the District should maintain lists of the individuals subject to the screenings.**

### **Finding 8: Florida Best and Brightest Teacher Scholarship Program**

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)<sup>13</sup> to reward teachers who achieved high academic standards during their own education. Pursuant to State law, to be eligible for a scholarship, a teacher must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law,<sup>14</sup> or if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance examination based on the percentile ranks in effect when the teacher took the assessment.

To demonstrate eligibility for a scholarship award, an eligible teacher must submit to the District an official record of his or her college entrance examination score demonstrating that the teacher scored at or above the 80th percentile based on the national percentile ranks in effect when the teacher took the assessment. Additionally, District procedures require teachers to complete and submit scholarship qualification forms. On the forms, teachers must certify that they are submitting official documentation of college entrance examination scores at or above the 80th percentile. Pursuant to State law,<sup>15</sup> once a classroom teacher

<sup>13</sup> Section 1012.731, Florida Statutes.

<sup>14</sup> Section 1012.34, Florida Statutes.

<sup>15</sup> Section 1012.731(3)(b), Florida Statutes.

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

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

During the 2016-17 fiscal year, the District awarded Program scholarships totaling \$1.3 million to 187 District teachers and, according to District personnel, no scholarships were awarded to charter school teachers. We examined District records supporting scholarship awards totaling \$177,240 to 26 selected District teachers and found that 1 teacher received a scholarship award of \$6,817 although the teacher, whose most recent evaluation was from another school district, was not evaluated as highly effective. In response to our inquiry, District personnel indicated that the teacher's eligibility was incorrectly based on the highly effective student achievement data component of the teacher's most recent evaluation instead of the overall evaluation. We extended our audit procedures to include District records for 2 additional scholarship recipients whose most recent evaluation was from another school district and found that both recipients met the scholarship requirements.

Absent effective procedures to appropriately limit scholarships to those classroom teachers with qualifying college entrance examination scores and overall annual performance evaluations of highly effective, scholarships may be awarded to ineligible recipients.

**Recommendation: The District should ensure that Program scholarships are awarded only to eligible recipients. In addition, the District should refund the FDOE for the award totaling \$6,817 paid to the ineligible scholarship recipient and take appropriate action to recover from the recipient the improper payment.**

#### **Finding 9: Third-Party Administrator and Other Health Insurance Services**

The Legislature has recognized in State law that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Pursuant to State law,<sup>16</sup> 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.

State Board of Education (SBE) rules<sup>17</sup> provide that, except as otherwise required by statute, the Board, when purchasing insurance or contracting with third-party administrators (TPAs), may make any such acquisitions through the competitive solicitation process or by direct negotiations and contract. Good business practices dictate that, when acquisitions are not through the competitive solicitation process, the selection and purchase of services should include documented considerations of how direct

<sup>16</sup> Section 112.08(2)(a), Florida Statutes.

<sup>17</sup> SBE Rule 6A-1.012(15), Florida Administrative Code.

negotiations and contracts best meet the user's needs. Effective procurement procedures serve to increase public confidence in the procurement process.

The District contracted with an insurance benefits coordinator to bid, quote, and negotiate employee benefit insurance products for the District, and act as the District insurance broker for certain insurance products and services. During the 2016-17 fiscal year, the District reported expenditures totaling \$2,152,566 for administrative fees paid to TPAs for the health, dental, and vision plans and \$1,725,844 for premiums for commercial life, disability, and stop-loss reinsurance. Specifically, for the 2016-17 fiscal year, the District paid:

- A TPA for District medical claims processing services. The District entered into an agreement with the TPA and participated in the TPA's network of negotiated rate programs with health care providers. The agreement's initial term was June 1, 2005, through May 31, 2006, and the agreement was subsequently renewed and renegotiated for various renewal terms through December 31, 2017. During the 2016-17 fiscal year, the District paid a fee of \$43.25 per employee per month, or a total of \$1,859,040, for the TPA services.

According to District personnel, the District's insurance committee requested that the benefits coordinator discuss the future fees charged by the TPA and advised the benefits coordinator to continue to work with the TPA if the fee was lowered. The TPA subsequently lowered its fee by \$1, to \$42.25 per employee per month for the 2018 calendar year. On January 9, 2018, the Board approved extending the TPA agreement through the 2020 calendar year with fee increases to \$43.98 and \$44.88 per employee per month in the 2019 and 2020 calendar years, respectively.

Although the agreement had been renewed several times, most recently for the 2018 through 2020 calendar years, the District had not, of record, used a competitive selection process for the TPA services and District records did not document that direct negotiation and contract with the TPA would best meet the District's needs. Such documentation could include consideration of TPA services and related costs for other similarly sized school districts or other analysis to consider the reasonableness of these services and costs. In response to our inquiry, District personnel indicated that seeking outside TPA candidates would have potentially caused disruption to the network provider listing for plan members, and that the District had worked diligently with the TPA over the past 2 years to set up an automated system for providing enrollment information.

- A commercial life insurance provider for District life and accidental death and dismemberment insurance services. The District competitively selected the provider for these services for an initial term of July 1, 2013, through June 30, 2016. For the 2016-17 fiscal year, the District received payroll deductions from employees and payments from retirees and the District paid \$941,964 for these services. Although the original agreement did not contain a provision for renewals or extensions, the agreement was subsequently renewed for a 2-year term through June 30, 2018, with renegotiated rates. Absent renewal or extension provisions, District records did not demonstrate the authority to contract for these services without the use of a competitive selection process.
- An insurance provider stop-loss reinsurance for the District's health self-insurance program. The District competitively selected the provider for these services for an initial term of July 2015 through June 2016. Although the original agreement did not contain a provision for renewals or extensions, the Board subsequently renewed the agreement for 2 additional 1-year terms through June 30, 2018, with renegotiated coverage and rates. Absent renewal or extension provisions, District records did not demonstrate the authority to contract for these services without the use of a competitive selection process.

In response to our inquiries, District personnel indicated that it was unnecessary to competitively select self-insured plan TPAs or certain commercial insurance providers because the District directly negotiated the applicable agreements pursuant to SBE rules. District personnel also indicated that continuing with the same providers allowed access to the same networks and was in the best interests of District employees. Notwithstanding these responses, although we requested, District records were not provided to evidence that the Board waived the use of a competitive procurement process and determined of record that it would be in the District's best interests to directly negotiate for these services. Without periodic use of a competitive selection process for insurance products and services, or documentation to evidence that direct negotiations and contracting best meets the District's needs based on the reasonableness of the costs associated with these services, there is an increased risk that insurance products and services will not be obtained at the best value consistent with acceptable quality.

**Recommendation: The Board should use the required competitive selection process for procurement of life and accidental death and dismemberment insurance services and stop-loss reinsurance for the District's health self-insurance program. If the Board determines that it would be in the District's best interests to directly negotiate and contract for these services, the District should document, of record, the Board's authorization to waive the use of a competitive selection process and the reasons for the determination.**

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

*Management states in the written response that the District respectfully disagrees with this finding and cites SBE Rule 6A-1.012(15), Florida Administrative Code, which provides that, except as otherwise required by statute, a district school board, when purchasing insurance, entering risk management programs, or contracting with third party administrators, **may** [emphasis added] make any such acquisitions through the competitive solicitation process as described herein or by direct negotiations and contract. Notwithstanding this response, as Section 112.08, Florida Statutes, sets forth bidding requirements when contracting for health insurance services, the exception provided by the rule does not apply. As such, we continue to recommend that the District use competitive bidding procedures when entering into contracts for health insurance or document, of record, the Board's authorization to waive the use of a competitive selection process and the reasons for the determination.*

**Finding 10: Adult General Education Classes**

State law<sup>18</sup> defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act<sup>19</sup> proviso language required each district to report enrollment for adult general education programs in accordance with the FDOE instructional hours reporting procedures.<sup>20</sup> In addition, State law<sup>21</sup> prohibits the District from reporting adult general education instructional contact hours for students whose direct instructional costs were fully funded by an external agency (e.g., by a Federal grant).

<sup>18</sup> Section 1004.02(3), Florida Statutes.

<sup>19</sup> Chapter 2016-66, Laws of Florida, Specific Appropriation 122.

<sup>20</sup> FDOE-issued Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

<sup>21</sup> Section 1011.80(5)(d), Florida Statutes.

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2016-17 fiscal year, the District reported 89,001 instructional contact hours for adult general education classes provided to 649 students enrolled in 40 classes. As a part of our audit, we examined District records for 3,131 instructional contact hours reported for 29 students enrolled in 11 adult general education classes. We found that the District over reported 774 instructional contact hours for 12 students and, contrary to State law, over reported 276 instructional contact hours for 4 students whose direct instructional costs were fully funded by a Federal grant.

In response to our inquiries, District personnel indicated that the errors occurred because of employee oversights in documenting student enrollment and withdrawal dates, and because staff did not properly identify and report instructional contact hours for students attending classes fully funded by an external agency. We extended our testing to include all students enrolled in adult general education classes funded by the external agency and found that the District over reported an additional 5,965 instructional contact hours for 60 students enrolled in 4 classes. Since future funding is based, in part, on enrollment data submitted to the FDOE, it is important for the District to report accurate data.

**Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent adult general education hours were misreported for the 2016-17 fiscal year and contact the FDOE for proper resolution.**

### **Finding 11: Virtual Instruction Program – Background Screenings**

State law<sup>22</sup> requires virtual instruction program (VIP) providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and to provide lists of the background-screened employees to each applicable school district.

During the 2016-17 fiscal year, the District contracted with an FDOE-approved VIP provider. To determine whether required background screenings had been timely performed for the 12 VIP provider employees, we requested for examination District records, as of August 22, 2017, supporting the background screenings of 4 selected VIP provider employees. However, District records were not provided to evidence that the 4 employees had received screenings. According to District personnel, although the District required the VIP provider to provide documentation that VIP provider employees had background screenings, the District did not have procedures for ensuring that background screening documentation was provided for all VIP employees. Subsequent to our inquiry, the District contacted the VIP provider and obtained background screening documentation for the 4 employees and noted no unsuitable backgrounds.

<sup>22</sup> Section 1002.45(2)(a)3., Florida Statutes.

Absent effective controls to ensure that VIP provider employees obtain background screenings, there is an increased risk that individuals with unsuitable backgrounds may interact with students or have access to confidential or sensitive District data.

**Recommendation: The District should verify that VIP provider employees obtain the required background screenings prior to the delivery of services.**

### **Finding 12: Information Technology – Access Privileges**

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibilities. Periodically reviewing assigned IT access privileges helps ensure that employees and contractors cannot access or modify IT resources inconsistent with their assigned job duties.

District personnel indicated that, although quarterly reviews of certain IT access privileges were performed, the detailed access reports for the finance and human resource (HR) modules within the District business application were not reviewed to identify the propriety of access privileges for each employee.

From the population of 26 employees and 2 contractors with access privileges to District finance and HR modules, our examination of selected access privileges disclosed some access privileges that were unnecessary or permitted employees or contractors to perform incompatible functions. Specifically, we found that:

- 2 database administrators, 2 systems analysts, and 2 programmer analysts had unrestricted access to the District business application, including access to update all data in the finance and HR module. In addition, the 2 database administrators also had administrative privileges within the District's network. The combination of these access privileges was unnecessary for IT technical support personnel to perform their responsibilities.
- 2 HR Department employees with risk management responsibilities had the ability to add an employee within the HR module and update privileges to one or more other critical functions within the HR module, including the ability to adjust salary records. In addition, 3 HR Department employees with responsibilities for personnel benefits had the ability to adjust salary records, and 2 contractors had the ability to update employee benefits and salary records. The ability to add an employee and update employee benefits is appropriate only for HR Department personnel and the other job duties are appropriate only for Payroll Department employees.
- 5 employees (4 Accounts Payable Department employees and 1 Accounting Department employee) had update privileges to critical functions within the finance module, including the ability to add or update vendor records and addresses, add and change purchase orders, and process payments. The ability to add or update vendor records and addresses and change purchase orders is appropriate only for purchasing personnel.

In response to our inquiry, District personnel indicated that a review of IT access privileges to the District finance and HR modules will be performed on a quarterly basis and any unnecessary or inappropriate access privileges will be removed. In addition, District personnel indicated that, as of November 2017, the District removed the unnecessary access privileges that we identified, except for the 2 database administrators who retained the ability to update all data in the finance and HR module to allow the

administrators to occasionally provide these services, for example, during employee absences or vacancies.

Although the District had certain controls (e.g., supervisory monitoring of budgets and expenditures, restricted budgetary authority by department for approving purchase orders, monthly reports of employees who add a vendor and approve a purchase order to that vendor, and separation of duties for initiating and approving purchases, adding and updating vendors, printing checks and initiating and authorizing electronic payments, and payroll updating and processing) that somewhat mitigated inappropriate access, the existence of unnecessary and inappropriate access privileges and the absence of a periodic review of IT access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources may occur and not be timely detected.

**Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, periodic review of access privileges assigned to all user groups, and timely removal or adjustment of any unnecessary or inappropriate access detected. In addition, the District should remove the continuous access privileges of the database administrators with update access to data in the finance and HR module. In the infrequent situations in which the administrators are needed to serve as back-ups, the additional required access privileges should be temporarily granted and closely monitored of record.**

### **Finding 13: Information Technology – Timely Deactivation of Access Privileges**

Effective management of IT access privileges includes the timely deactivation of employee IT access privileges when an employee is reassigned or separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

District procedures provide that, to ensure that access privileges are timely deactivated, HR Department personnel are responsible for entering a user account end date in the District management information system (MIS) for employees who separate from District employment. Our examination of District records supporting 13 of the 711 employees who separated from District employment during the 2016-17 fiscal year and had access to the network and either the finance or HR modules within the District business application disclosed that:

- The application access privileges for 1 former employee remained active for 23 days after the employment separation date. According to District personnel, the former employee did not have access to change or modify records in finance or HR modules; however, the former employee had access to school resources, such as student and teacher computers on the network, school files maintained on shared drives, and school printers.
- Although the network access privileges were removed for 4 former employees, the date of deactivation was not documented because the user account end date was not entered in the District's MIS by HR Department personnel.

In response to our inquiries, District personnel indicated that the untimely deactivation resulted because the user account end date was entered after the employee had already separated from District employment, and the undocumented deactivation dates resulted because a termination code, instead of the user account end date, was entered in the District MIS. Although our procedures did not identify any misuse of District resources as a result of the untimely deactivation, without timely removal of access

privileges, the risk is increased that access privileges may be misused by former employees or others. Also, without a documented deactivation date, the District cannot demonstrate, and lacks assurance, that access privileges were timely deactivated upon a user’s separation from employment. A similar finding was noted in our report No. 2015-175.

**Recommendation:** The District should enhance procedures to ensure that access privileges are promptly deactivated upon a user’s separation from employment and that the date of deactivation is documented.

**Finding 14: Information Technology – Security Controls – Logging and Monitoring of System Activity**

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

Without adequate security controls related to logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to management in connection with our report No. 2015-175.

**Recommendation:** The District should improve security controls related to logging and monitoring of network activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

**PRIOR AUDIT FOLLOW-UP**

Except as noted in Findings 6, 13, and 14 and shown in Table 4, the District had taken corrective actions for applicable findings included in our report No. 2015-175.

**Table 4  
Findings Also Noted in Previous Audit Reports**

Finding	2013-14 Fiscal Year
	Operational Audit Report No. 2015-175, Finding
6	5
13	10
14	11

**OBJECTIVES, SCOPE, AND METHODOLOGY**

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from April 2017 to February 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2015-175.
- 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 access privileges to the District's enterprise resource planning system finance and human resources (HR) modules to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we tested selected user access privileges for:
  - The 28 users who had access to the finance module and the 35 users who had access to the HR module.
  - The 3 users who had security access to the District's application systems, datasets, and programs for the finance and HR modules.
- Reviewed selected user access privileges for 13 of the 711 employees who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Evaluated District security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- 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 District policies and procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- For student social security numbers (SSNs) collected, evaluated whether District controls appropriately secured and protected the confidentiality of the SSNs.
- Evaluated District procedures to limit inappropriate Internet access for take-home computers issued to students.
- Determined whether a fire suppression system had been installed in the District data center.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- 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 \$88.4 million and transfers totaling \$23.7 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 \$1.6 million and \$9.7 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Selected 26 expenditures totaling \$1.5 million from the population of \$6.1 million total workforce education program funds expenditures 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 129 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 89,001 contact hours for 649 adult general education instructional students reported for 89,001 contact hours during the audit period, examined District records supporting 9,096 reported contact hours for 89 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Examined the District Web site to determine whether the 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 2016-17, 2015-16, and 2014-15 fiscal years were 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.
- Evaluated severance pay provisions in the two employee contracts containing such provisions during the audit period to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the population of compensation payments totaling \$262.8 million to 5,780 employees during the audit period, examined District records supporting compensation payments totaling \$56,121 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 2,372 instructional personnel and 97 school administrators compensated a total of \$162 million during the audit period, examined documentation for 30 selected employees who were paid a total of \$2 million to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for the audit period for 10 employees selected from the population of 5,780 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screenings.
- Examined District records for 8 selected contractor workers and 3 dual enrollment program instructors from the population of 5,312 contractor workers and 23 dual enrollment program

instructors to assess whether individuals 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 28 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 187 District teachers who received scholarship awards totaling \$1.3 million during the audit period.
- Examined Department of Highway Safety and Motor Vehicles and District records to assess whether District procedures were adequate to ensure that 75 selected bus drivers from the population of 248 District bus drivers were properly licensed and monitored during the audit period.
- Evaluated District procedures for informing the District's health insurance program third-party administrator (TPA) of the eligibility of employee and dependent participants. To determine the propriety of District claims expense, we examined District records supporting 10 selected claims totaling \$90,542 from the claims population totaling \$20.3 million that were processed by the TPA during the audit period and compared the claims tested to the health insurance program requirements.
- Evaluated District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on the District's policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Reviewed District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed procedures for the reasonableness of 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 practices.
- For the four significant construction projects with expenditures totaling \$48.9 million and in progress during the audit period, examined documentation for project expenditures of \$11.7 million for the Nease High School Expansion, Renovations, and Site Improvements (Nease High School) Project to determine compliance with District policies and procedures and provisions of State laws and rules. Also, for the Nease High School Project with a guaranteed maximum price contract of \$16.7 million, we:
  - Examined District records to determine whether the construction manager was properly selected.
  - Evaluated 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 two payments totaling \$2.6 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.

- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the 2016 report of District student station costs. For the Crookshank Elementary School Classroom Addition construction project completed during the period January 1, 2016, through December 31, 2016, we examined District records to determine whether the 2016 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 for 18 of the 42 school and ancillary facilities noting 99 deficiencies to determine whether the deficiencies were timely corrected.
- For the two charter schools and the charter technical career center with charters that were not renewed or were terminated in the 2016-17, 2015-16, and 2014-15 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 and the charter technical career center were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the center subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes.
- Evaluated District records and determined whether the District verified, for the audit period, that the three charter schools subjected employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., 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. We also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements, evaluated District efforts to timely resolve any deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
- Evaluated District procedures for determining Maintenance Department staffing needs. We also determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.
- Determined whether non-payroll 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 non-payroll expenditures totaling \$148.9 million for the audit period, we examined documentation relating to 35 selected transactions totaling \$342,552.
- From the population of payments totaling \$8.4 million associated with 710 consultant contracts for the audit period, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$728,943 to determine whether:
  - The District complied with competitive selection requirements for applicable vendors that received payment(s).
  - 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 one applicable school, 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 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 the participating school.
- Examined financial records of the District's self-insured health insurance program during the audit period to determine whether the program was fiscally sound.
- Determined whether the District had adequate Virtual Instruction Program (VIP) policies and procedures.
- For the FDOE-approved VIP provider that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined the contract documents for the FDOE-approved VIP provider to determine whether the contract contained required statutory provisions. Also, we:
  - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
  - Examined the contract and other related records to determine whether the District documented the reasonableness of the student-teacher ratios established in the contract.
- 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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**Tim Forson**  
Superintendent of Schools

40 Orange Street  
St. Augustine, Florida 32084  
(904) 547-7500  
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SCHOOL BOARD

Beverly Slough  
District 1

Tommy Allen  
District 2

Bill Mignon  
District 3

Kelly Barrera  
District 4

Patrick Canan  
District 5

March 28, 2018

Ms. Sherrill F. Norman, CPA  
Auditor General  
111 West Madison Street  
Tallahassee, FL 32399-1450

**Re: St. Johns County School District's Written Responses to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2017**

Dear Ms. Norman:

The purpose of this letter is to submit the District's responses to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2017. Those responses are as follows:

**Finding No. 1 – Monitoring Construction Pay Requests**

***District Response:*** The Facilities and Operations Department will take into consideration this recommendation to help enhance our procedures for pay application review and approval.

**Finding No. 2 – Subcontractor Selections**

***District Response:*** Although there are no Florida Statutes or SREF requirements for attending bid openings conducted by the construction manager at-risk, the Facilities and Operations Department will consider incorporating this process into our CM project process.

*The St. Johns County School District will inspire good character and a passion for lifelong learning in all students, creating educated and caring contributors to the world.*

Ms. Sherrill F. Norman, CPA  
March 28, 2018

**Finding No. 3 – Subcontractor Licenses**

**District Response:** All construction projects awarded by the District are required to submit a building permit request to the District Building Code Administrator before construction can commence. The permit requires that all licensed sub-contractors company names are listed, along with their state license numbers. Our Building Official then verifies the licenses are valid and up to date before approving the permit.

**Finding No. 4 – General Conditions Costs**

**District Response:** This recommendation will be studied and evaluated to further enhance the District’s CM contract language and incorporated into our CM negotiation and review process.

**Finding No. 5 – Ad Valorem Taxation**

**District Response:** With all due respect to the auditor, the District takes exception to the statement that the \$70,777 of Local Capital Improvement Fund expenditures were not capitalized to the improvements other than buildings account and “appeared to be more groundskeeping in nature.” The Florida Department of Education Red Book defines improvement other than building, which includes fill dirt, sod, and shrubs as examples under the umbrella object code 670, which is not specific to the capitalized object code of 671 or noncapitalized object code of 672. Furthermore, the District has defined capital assets for improvements other than buildings as those costing more than \$250,000, as stated in the notes to the financial statements. The \$70,777 of expenditures were indeed spent in accordance with the District’s notice of tax levy (landscaping), the FDOE Red Book and were clearly within the requirements of Section 1011.71(2), Florida Statutes.

**Finding No. 6 – Contractual Services**

**District Response:** We agree with the observations that there is no YRD requirement for sign-in, sign-out or rosters to document the 8 hours a day at a designated school. This requirement is also not stipulated within the contract. The 2016-2017 funding model only provided the District with the fiscal ability to secure 12 YRDs. These YRDs, through their training, all have the ability to deal effectively with students of all ages. They are called upon to conduct criminal investigations and provide for emergency response during as well as after school hours for 38 school sites. Their service to the District goes well beyond the 8 hour per day requirement.

With respect to the other areas noted by the auditor, the District will work toward enhancing procedures as necessary.

Ms. Sherrill F. Norman, CPA  
March 28, 2018

**Finding No. 7 – Background Screenings**

**District Response:** The District will work towards identifying dual enrollment instructors, charter school board members and employees who have not obtained the required background screenings and ensure the screenings are promptly evaluated, and make decisions based on these evaluations. The District will endeavor to conduct this at least once every five years and maintain lists of the individuals subject to screenings as recommended.

**Finding No. 8 – Florida Best and Brightest Teacher Scholarship Program**

**District Response:** The District did inadvertently award the scholarship to an applicant that was not eligible. The applicant had an evaluation from another school district that was not familiar to St. Johns County. District staff has made changes to their processes to include review by more than one employee when reviewing evaluations from other districts across the state to ensure meeting statutory requirements for the scholarship.

However, in the final analysis of this finding, the District respectfully disagrees since the one award that was inadvertently paid to an ineligible applicant is one of human error and certainly does not necessarily indicate a gap in the District’s internal control procedures.

**Finding No. 9 – Third-Party Administrator and Other Health Insurance Services**

**District Response:** The District respectfully disagrees with this finding. Per State Board of Education Rule 6A-1.012(15):

*“Except as otherwise required by statute, a district school board, when purchasing insurance, entering risk management programs, or contracting with third party administrators, **may** make any such acquisitions through the competitive solicitation process as described herein or by direct negotiations and contract.” (emphasis added).*

Per the St. Johns County School District contract with the Benefits Coordinator,

*“At the request of the School Board, the Coordinator will be responsible for issuing competitive solicitations within thirty (30) days after the request. Results and supporting documentation from all bidding/quoting/negotiating health plan reinsurance, dental plan insurance, vision plan insurance, life insurance, disability insurance, prescription plan and other plans as directed by the Insurance Committee shall be presented to the Insurance Committee no more than sixty (60) days after the initial request”*

Ms. Sherrill F. Norman, CPA  
March 28, 2018

The District respectfully disagrees with the auditor's determination of a finding based on "good business practices". This is completely subjective and has no supporting experience or study to uphold the statement.

**TPA services:** The School Board did approve the renewal of TPA services on January 9, 2018 which included the contract and administrative fees provided by Florida Blue.

The contract allowed the District to lock in to contracted fees for three years which is a favorable opportunity for an ever growing school district and an insurance plan that is now beginning to turn around to a positive cash flow. Good business practices include not only financial solvency, but also ensuring that the members covered on the plan are receiving services that are accessible and in network. The following is a history of the fees paid for services to Florida Blue.

- \$49.76 June 1, 2005 – May 31, 2006
- \$46.21 July 1, 2009 – June 30, 2012
- \$43.25 July 1, 2012 – June 30, 2016
- \$43.25 January 1, 2016 – December 31, 2017 (\$100,000 in wellness dollars)
- \$42.25 per contract January 1, 2018 – December 31, 2019 (\$300,000 in wellness dollars)
- \$43.98 January 1, 2019 – December 31, 2020
- \$44.88 January 1, 2020 – December 31, 2021

The insurance plan is paying less per member today in administrative fees for its medical claims administrative services than it was over 10 years ago. The membership continues to grow and we are still able to directly negotiate a lower rate, allowing us to prevent disruption in the medical care of our plan members and to continue with the direct customer service relationships we have developed with staff at Florida Blue. The EDI file we have created between our system and the Florida Blue system allows for immediate enrollment and termination of benefits eliminating both premium and claims errors for both parties.

**Commercial Life Insurance:** The Insurance Committee acts as an extension of the school board in reviewing, monitoring and making recommendations for changes to each benefit plan. Again, the District respectfully disagrees with this finding in that we do not believe that we must use a competitive selection process for services. Renewal of the contract maintained premiums at the same rate as the past three years while allowing employees the opportunity to increase their coverage with a guaranteed issue. Further, the services provided by Mutual of Omaha are exemplary due to a staff that has minimal turnover. On average, we find that they pay their claims sooner than 30

Ms. Sherrill F. Norman, CPA  
March 28, 2018

days of receiving all necessary documentation, which the District finds to be a **value added benefit** to our employees.

**Stop Loss Reinsurance:** The District provided to the auditor the support of past RFPs for these services in which many companies do not respond. The makeup of the medical plan includes high cost claimants that prevent our contract from being appealing to many businesses. The District has a longstanding relationship with Florida Blue. The services they provide allow for a longer run out period for claims along with reimbursement of the reinsurance directly through the monthly Florida Blue claims billing for the medical plan.

**Conclusion:** In conclusion, the District respectfully disagrees with the auditor's statement "*Without periodic use of a competitive selection process for insurance products and services, or documentation to evidence that direct negotiations and contracting best meets the District's needs based on the reasonableness of the costs associated with these services, there is an increased risk that insurance products and services will not be obtained at the best value consistent with acceptable quality.*" The District, the Benefits Coordinator, and the Insurance Committee monitor the costs associated with its current vendors and would certainly take exception should fees increase materially during a renewal. Quality comes through a developed relationship between the vendor, the District, and our plan members. To make changes solely to reduce costs and an assumption that customer service will be to our standards is not what this District would define as "best practices". To renew a contract with a vendor that includes minimal to no increases in fees and has an established record of trust and service with the District and our members is a business model that has proven very successful with our benefits plan.

Overall, these best practices have allowed the District to take the necessary actions to improve the financial condition of the Plan from a deficit net position of \$9.9 million as of June 30, 2012 to a positive net position of \$19 million as of June 30, 2017.

**Finding No. 10 – Adult General Education Classes**

**District Response:** The District will endeavor to strengthen controls to ensure instructional contact hours are accurately reported to FDOE.

**Finding No. 11 – Virtual Instruction Program – Background Screenings**

**District Response:** The District will endeavor to verify that VIP provider employees obtain the required background screenings prior to the delivery of services.

Ms. Sherrill F. Norman, CPA  
March 28, 2018

**Finding No. 12 –Information Technology – Access Privileges**

**District Response:** The District will endeavor to take steps to improve access privileges.

**Finding No. 13 –Information Technology – Timely Deactivation of Access Privileges**

**District Response:** The District will work towards improving system access controls.

**Finding No. 14 –Information Technology – Security Controls – Logging and Monitoring of System Activity**

**District Response:** The District will endeavor to improve logging and monitoring where noted.

Please feel free to contact my office if you have any questions concerning these matters.

Sincerely,



Tim Forson  
Superintendent of Schools  
St. Johns County School District

cc: School Board Members  
Cabinet Members