

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-205
April 2018

**DESOTO COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Adrian H. Cline served as Superintendent of the DeSoto County Schools from 11-22-16, Dr. Karyn E. Gary ^a served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Daniel B. Via, Vice Chair to 11-21-16, Chair from 11-22-16	1
Karen K. Chancey	2
Deborah D. Snyder, Vice Chair from 11-22-16	3
Judy M. Kirkpatrick	4
Ronny R. Allen, Chair to 11-21-16	5

^a Dr. Karyn E. Gary also served as Superintendent during the period May 2015 through December 2015.

The team leader was Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, CPA.

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

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

DESOTO COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the DeSoto County School District (District) focused on selected District processes and administrative activities and included a follow-up on the applicable finding noted in our report No. 2016-136. Our operational audit disclosed the following:

Finding 1: The Superintendent appointed two individuals to Assistant Director of Information Technology positions and, although the Board had not established compensation amounts on the salary schedule for these positions, the District compensated the two employees in these positions \$4,786.30 and \$4,632.46, respectively, during the period July 27, 2015, through August 25, 2015. On August 25, 2015, the Superintendent recommended that the Board approve the two appointments; however, the Board rejected the appointments.

Finding 2: The District needs to improve controls over payments for contracted services.

BACKGROUND

The DeSoto 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 DeSoto County. The governing body of the District is the DeSoto County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2016-17 fiscal year, the District operated 7 elementary, middle, high, and specialized schools, and reported 4,933 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on the applicable finding noted in our report No. 2016-136. 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

Finding 1: Personnel Appointments

State law¹ requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees. The Board must act upon written recommendations submitted by the Superintendent for a position to be filled, the minimum qualifications for personnel for the various positions, and for the persons nominated to fill such positions. State Board of Education (SBE) rules² require the Board to annually adopt and spread on its minutes a salary schedule or schedules for employees, which shall be the sole

¹ Section 1012.22(1), Florida Statutes.

² SBE Rule 6A-1.052, Florida Administrative Code.

instrument used in determining compensation for the employees of the Board. Board policies³ require all personnel to be paid in accordance with Board-adopted salary schedules.

Our discussions with District personnel and examination of District records disclosed the following sequence of events relating to certain personnel appointments:

- The Board established the Director of Information Technology (IT) position and approved a Superintendent recommendation to appoint an individual to fill the position.
- In May 2015, the Board accepted the resignation of the Director of IT effective July 31, 2015. Instead of filling the Director of IT position vacancy, the Superintendent appointed two District employees, who were IT System Support Specialists, to Assistant Director of IT positions effective July 27, 2015.
- During the period July 27, 2015, through August 25, 2015 (compensation period), the two employees served in the Assistant Director of IT positions and were compensated \$4,786.30 and \$4,632.46, respectively. The compensation amounts for these positions were based on the IT Systems Analyst Assistant Director position amounts listed on the Board-approved salary schedule as compensation amounts were not established for the Assistant Director of IT positions.
- On August 25, 2015, the Superintendent recommended that the Board approve the two appointments; however, the Board rejected these appointments.
- On November 4, 2015, the Human Resources Department notified the two employees that they were compensated \$485.56 and \$475.26 more than the Board-approved salary schedule amounts for the IT System Support Specialist positions. In December 2015, the District withheld these respective amounts from the employees' compensation.

Notwithstanding District action, since the Assistant Director of IT positions were rejected by the Board and District records did not evidence that the two employees provided IT System Support Specialist services for the compensation period, District records did not demonstrate the authority for the remaining compensation amounts paid to these employees totaling \$4,300.74 and \$4,157.20.

Absent adherence to the statutorily required process for obtaining Board approval of persons nominated to fill District positions, there is an increased risk that services will not be performed by persons in accordance with Board expectations. In addition, compensation payments for positions not listed on the Board-approved salary schedules do not comply with State law, SBE rules, and Board policies and could result in overpayments.

Recommendation: The District should ensure that, before personnel appointments are made, the Board approves the persons nominated to fill District positions. In addition, the District should ensure that compensation payments are for positions listed on the Board-approved salary schedules. We also recommend that the Board clarify whether the Board approved the compensation amounts, totaling \$8,457.94, paid to the two employees.

Finding 2: Contracted Services

Effective contract management requires that contracts establish the basis for payment and that satisfactory receipt of contracted services be documented prior to payment for services. The Board

³ Board Policy 1410, *Compensation*.

routinely enters into contracts for services and internal controls have been designed and implemented to generally ensure payments are consistent with contract terms and conditions.

During the 2016-17 fiscal year, the District paid a total of \$1.6 million for contracted services relating to 48 contracts and, to determine the propriety of the associated payments, we examined 8 contracts and other District records supporting 20 selected payments totaling \$218,388. While our procedures disclosed that District records generally supported the propriety of the payments, we found that District records supporting 2 payments totaling \$20,679 relating to 2 of the contracts could be improved. We expanded our procedures to examine all payments for the 2016-17 fiscal year supporting the 2 contracts and found that:

- 1 contract was for school resource officer (SRO) services and contract payments totaled \$8,468. Pursuant to State law,⁴ the Board contracted with the DeSoto County Sheriff's Office (DCSO) for services at the middle school and the high school for two SROs. However, we noted that District personnel with direct knowledge of the DCSO services did not maintain records to evidence satisfactory receipt of the SRO services, such as SRO sign-in, sign-out sheets. Instead, the District relied on the DCSO to ensure that the SROs worked the contracted hours.
- Another contract was with the Florida Department of Corrections (FDOC) for correctional officers to supervise a work squad of inmates who performed services on District property and contract payments totaled \$13,969. However, like the SRO services, District personnel with direct knowledge of the DOC services did not maintain records to evidence satisfactory receipt of the services. Instead, the District relied on the DOC to ensure that the correctional officers worked the contracted hours and the inmate services received were satisfactory.

Absent evidence of satisfactory receipt of services before payments are made, there is an increased risk that the District may not obtain services at the lowest cost consistent with acceptable quality, the District may overpay for such services, or the services obtained may not be consistent with the Board's intent.

Recommendation: The District should enhance procedures to document the satisfactory receipt of contracted services before payments are made.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the applicable finding included in our report No. 2016-136.

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 November 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

⁴ Section 1006.12, Florida Statutes.

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for the applicable finding included in our report No. 2016-136.
- 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. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed District's 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 also examined:
 - Selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties.
 - Administrator account access privileges granted for the network and applications to determine whether these accounts had been appropriately assigned and managed.
 - Update access privileges to selected critical ERP systems for finance and HR application functions resulting in the review of appropriateness of access privileges granted for 15 user accounts.
- Reviewed District procedures to prohibit former employees' access to electronic data files. We also reviewed selected user access privileges for 15 of the 109 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.
- Determined whether a comprehensive, written IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated Board policies and District procedures in place to provide appropriate security relating to physical and IT access to student social security numbers.
- 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 \$3.4 million and transfers totaling \$1.7 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 totaling \$2.5 million and all transfers to determine compliance with the restrictions imposed on the use of these resources.

- Selected three expenditures totaling \$98,006 from the population of \$654,823 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).
- Examined the 13 certifications eligible for performance funding that were attained by students during the 2015-16 and 2016-17 fiscal years to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 65,169 contact hours reported for 301 adult general education instructional students during the audit period, examined District records supporting 4,883 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Evaluated District controls based on review of selected records to determine whether the District provided individuals with a written statement as to the purpose of collecting their social security numbers (SSNs). Also, for SSNs collected, we reviewed user access for the 30 employees who had access to system applications containing student SSNs to determine whether District controls appropriately secured and protected the confidentiality of the SSNs and that access to SSNs was only granted to District personnel as necessary for assigned job responsibilities.
- 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.
- From the population of \$35.9 million compensated to 887 employees during the audit period, examined District records supporting compensation totaling \$1.6 million to 35 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined selected District records for the 2015-16 fiscal year and inquired of District personnel to determine whether personnel appointments complied with Section 1012.22(1), Florida Statutes; State Board of Education Rule 6A-1.052, Florida Administrative Code; and Board Policy 1410, *Compensation*.
- Examined District records for selected administrative personnel placed on suspensions during the 2014-15 fiscal year to determine whether the District complied with Sections 1012.27 and 1001.42, Florida Statutes.
- Examined District records for the 2014-15 and 2015-16 fiscal years to determine whether the legal services received during those years served a valid public purpose.
- Examined District records for the 2015-16 fiscal year for selected administrative personnel contracts to determine Board approval of the contract and salary amounts.
- Examined District records to determine whether the Board adopted a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties in compliance with Section 1012.22(1)(c)4.b., Florida Statutes.
- From the population of 380 instructional personnel and 33 school administrators compensated a total of \$17.1 million during the audit period, examined supporting documentation for 10 selected employees who were paid a total of \$814,808 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 19 employees and 11 contractors selected from the population of 887 employees and 143 contractors to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screenings.
- Examined Board policies, District 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 the eight District recipients of Florida Best and Brightest Teacher Scholarship Program awards totaling \$54,535 during the audit period.
- Examined District documentation for the audit period to determine whether Board member salaries complied with Section 1001.395, Florida Statutes.
- From the population of 92 payments totaling \$22,636 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 24 selected payments totaling \$5,414 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- From the population of purchasing card (P-card) transactions totaling \$448,838 during the audit period, examined documentation supporting 22 selected transactions totaling \$29,017 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for the 4 cardholders who separated from District employment during the audit period.
- Determined whether expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected. From the population of expenditures totaling \$12.9 million for the audit period, we examined documentation relating to:
 - 30 payments for general expenditures totaling \$274,707.
 - 9 travel expenditures totaling \$7,508.
- From the population of 48 contracted services contracts totaling \$1.6 million during the audit period, examined supporting documentation, including the contract documents, for 20 selected payments totaling \$218,388 related to 8 contracts to determine whether:
 - The District complied with competitive selection requirements for applicable vendors.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, we reviewed the District records to determine whether the District appropriately reported to the FDOE, pursuant to the 2016 General Appropriations Act (Chapter 2016-066, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- 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**.

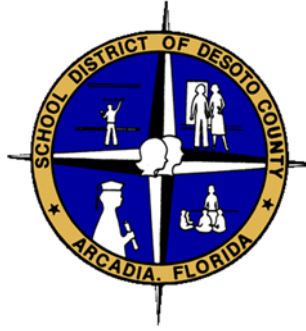
AUTHORITY

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



Adrian H. Cline
Superintendent

April 11, 2018

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

Dear Mrs. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the district is required to submit a written statement of explanation concerning all findings. Below is our response to the Preliminary and Tentative audit findings and recommendations as prepared by your office for the DeSoto County District School Board for the fiscal year ended June 30, 2017.

OPERATIONAL FINDINGS

Finding 1: Personnel Appointments

Recommendation: The District should ensure that, before personnel appointments are made, the Board approves the persons nominated to fill District positions. In addition, the District should ensure that compensation payments are for positions listed on the Board-approved salary schedules. We also recommend that the Board clarify whether the Board approved the compensation amounts, totaling \$8,457.94, paid to the two employees.

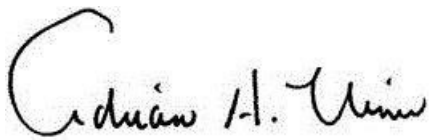
Response: The District agrees with Finding #1. For clarification, the Board did not approve the superintendent recommendation and compensation for the two employees was corrected.

Finding 2: Contracted Services

Recommendation: The District should enhance procedures to document the satisfactory receipt of contracted services before payments are made.

Response: The District has enhanced procedures documenting contracted services prior to payments being made.

Sincerely,

A handwritten signature in black ink that reads "Adrian H. Cline". The signature is written in a cursive style with a large initial 'C'.

Adrian H. Cline
Superintendent

AHC:am