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June 2019

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

**PALM BEACH COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Dr. Donald E. Fennoy II served as Superintendent of the Palm Beach County Schools from April 4, 2018, Dr. Robert M. Avossa served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Barbara McQuinn	1
Chuck E. Shaw, Chairman	2
Karen M. Brill	3
Erica Whitfield	4
Frank A. Barbieri, Jr., Esq.	5
Marcia Andrews	6
Dr. Debra L. Robinson, Vice Chairwoman	7

The team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA.

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

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PALM BEACH COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Palm Beach County School District (District) focused on selected processes and administrative activities and included a follow-up on findings noted in our report Nos. 2017-149 and 2017-042. Our operational audit disclosed the following:

Finding 1: The District continued to lack appropriate timelines for administering the school bus driver disciplinary process.

Finding 2: The Transportation Department did not always document the timely follow-up and resolution of transportation-related complaints or concerns expressed to the Transportation Department Call Center. A similar finding was noted in our report No. 2017-042.

Finding 3: Absent specific authority, the District made payments totaling \$200,000 and provided office space and utilities to a former direct support organization of the District.

Finding 4: District procedures for monitoring charter school closures continue to need improvement to ensure that audit reports are timely completed and that other statutory requirements related to charter schools are met.

Finding 5: The District did not always ensure that corrective action plans for charter schools subject to the statutory expedited review procedures were timely prepared.

Finding 6: The District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. A similar finding was noted in our report No. 2017-149.

Finding 7: District security controls related to user authentication continue to need improvement to ensure the continued confidentiality, integrity, and availability of District data and information technology resources.

BACKGROUND

The Palm Beach County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Palm Beach County. The governing body of the District is the Palm Beach County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 179 elementary, middle, high, and specialized schools; sponsored 47 charter schools; and reported 189,899 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: School Bus Driver Disciplinary Process

The District Safe Driver Plan provides, among other things, a point system for driving infractions and preventable accidents that requires, based on the points accumulated, administrative actions against school bus drivers ranging from verbal warnings to employment termination. The District established a Vehicle Accident Review Committee (VARC) that meets monthly to review accident reports and other records to determine whether an accident was preventable or non-preventable and to assist in determining the point assessment and disciplinary action required related to the accident. The Service Employees International Union/Florida Public Services Union Agreement and Board policies¹ guide applicable departments and the VARC in administering employee disciplinary processes.

VARC procedures require the manager/supervisor, who is responsible for monitoring school bus drivers, and the bus driver to meet to review the VARC recommendation within 10 working days of the VARC meeting. District records did not identify any other timelines for conducting the school bus driver disciplinary process. However, timelines would promote a timely and consistent approach to the accident review and school bus driver disciplinary process. Such timelines could specify a reasonable number of workdays from the accident to the VARC review, from the VARC review to the point assessment, from the VARC review to the disciplinary action, and from the accident to the disciplinary action.

From the population of 51 bus accidents determined preventable and reported during the 2017-18 fiscal year, we examined District records for 19 selected accidents involving 19 different drivers. The 19 accidents had claim values ranging from \$1,500 to \$60,000 and resulted in the assessment of 3 to 18 driver safety points. Table 1 shows that, for the 19 selected accidents, the number of workdays from the accident to the disciplinary actions ranged from 95 to 158 and averaged 115 workdays.

Table 1
Range of Workdays for Review of Preventable Accidents
2017-18 Fiscal Year

Workdays From	Low	High	Average
Accident to VARC Review	33	76	47
VARC Review to Point Assessment	48	70	57
VARC Review to Disciplinary Action	52	114	68
Accident to Disciplinary Action	95	158	115

Source: District records.

In response to our inquiry, District personnel indicated that delays in the accident review process are caused by various circumstances, such as accident investigations and employee appeals, which must occur prior to administering discipline. While, due to extenuating circumstances associated with preventable accidents, certain incidents could take longer to evaluate than others, establishing reasonable timelines to complete the accident review and school bus driver disciplinary process may

¹ Board Policy 3.02 Code of Ethics.

expedite the process and reduce the risk of recurring incidents that jeopardize the safety of students, employees, and others. Similar findings were noted in our report Nos. 2017-042 and 2015-090.

Recommendation: The District should establish and implement appropriate timelines for administering the accident review and school bus driver disciplinary process to reduce the risk of recurring incidents that jeopardize the safety of students, employees, and others.

Finding 2: Transportation Call Center

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) best practices for Florida school district transportation² provide that district staff should respond promptly to complaints or suggestions received from school site staff, parents, or the general public about a driver's performance on an official assignment. Additionally, records should show what action was taken in response to each complaint or suggestion. Effective controls require management review and approval of the follow-up and resolution procedures for transportation-related complaints and concerns received.

The Transportation Department (Department) Transportation Call Center (TCC) maintains a *Support Operations Call Center Handbook and Resource Manual* that addresses the Call Center's protocol for receiving, logging, and monitoring the resolution of telephone calls reporting such matters as crowded buses, bus driver reckless driving, bus accidents, buses arriving late to schools, and other transportation concerns. The information logged includes the type of concern, description of the matter (e.g., bus number, speed, and location of incident), bus route, and date and time of the telephone call. According to Department personnel, for calls concerning buses exceeding the speed limit, the TCC representative reviews the global positioning system for the location and speed of the bus to verify the validity of the concern. The TCC call log separately tracks reckless driving concerns by service facility.³ Department personnel also indicated that the Department Central Office either follows up and resolves the transportation-related concern or refers the concern to the applicable service facility location for follow-up and resolution. However, as of September 2018, the Department had not established procedures for service facility management to review and approve the follow-up and resolution of concerns referred to service facility locations.

During the period July 3, 2017, through May 11, 2018, the TCC recorded 1,137 reckless driving concerns. According to Department records, 372 concerns were resolved by the Department Central Office and 765 concerns were referred to a service facility location for follow-up and resolution. As part of our procedures, we examined District records supporting 30 selected concerns referred to a service facility location to evaluate Department personnel efforts to appropriately and promptly follow up with drivers and to determine whether disciplinary actions, if necessary, were taken. We noted that, for 16 of the 30 concerns, Department personnel did not document the completion of their follow-up or indicate how the concern was resolved. For most concerns, there were notations of the intent to meet and discuss the concerns with the driver, but records did not evidence that the meeting and discussions took place or document how the concern was resolved. For one concern, the TCC did not receive enough information, such as bus number or route, for proper follow-up with the responsible driver. District records evidenced

² OPPAGA, *The Best Financial Management Practices, Transportation*.

³ The Department maintains six service facility locations (North, Central, South, Royal Palm, East, and West), each having a maintenance and fueling facility.

the resolution of another concern; however, the date the concern was resolved was not specified. Although we requested, no documentation was provided to evidence the reasons for these unresolved complaints or to evidence any follow-up by management to ensure the concerns were resolved.

Absent effective procedures to document appropriate and timely follow-up of transportation-related concerns expressed to the TCC, including procedures for management to review and approve the follow-up and resolution of concerns referred to service facility locations, there is an increased risk that bus drivers with unsafe or faulty driving habits will not be timely met with and questioned, delaying disciplinary action and increasing the bus-related safety risks of students, employees, and others. A similar finding was noted in our report No. 2017-042.

Recommendation: Department management should:

- **Establish a timeline for the prompt follow-up and resolution of transportation-related concerns expressed to the TCC. The timeline should specify when communication with bus drivers and others involved should occur.**
- **Require records documenting the details of how transportation-related concerns were timely resolved.**
- **Require that Department management document review and approval of the follow-up and timely resolution of transportation-related concerns referred to service locations.**

Finding 3: Nonprofit Public Education Foundation

State law⁴ provides that a direct-support organization (DSO) is approved by the district school board and organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, or for the benefit of, education programs. Additionally, State law authorizes the Board to permit the use of District property, facilities, and personal services by a DSO and to prescribe by rule any conditions with which a DSO must comply for such use.

The Board approved the Education Foundation of Palm Beach County (Foundation) as a DSO in February 1999. However, the Board took action to remove the Foundation's DSO status and, effective beginning the 2015-16 fiscal year, the Foundation began operation as a privately owned nonprofit public education foundation. According to the Foundation's 2017-18 fiscal year audit report, the Foundation contributed \$1.1 million to the District. During the 2017-18 fiscal year, the District provided the Foundation:

- 700 square feet of office space and utilities, which were valued at \$12,000 according to the Foundation 2016-17 fiscal year audited financial statements.
- Four quarterly compensation payments, totaling \$200,000, to the Foundation pursuant to the District memorandum of understanding with the Foundation. The compensation payments were provided with the understanding that the Foundation would aspire to become financially independent. In response to our inquiry, District personnel indicated that the payments were in lieu of providing staff to the Foundation, which the District provided when the Foundation was a DSO, and the dollar amount was based on salaries previously funded by the District, excluding benefits.

⁴ Section 1001.453, Florida Statutes.

In response to our inquiries, District personnel indicated that the relationship with the Foundation is a joint funding relationship subject to Board policies⁵ and that State law⁶ authorizes the District to contract for materials, supplies, and services. Notwithstanding, the referenced Board policies and State law do not appear relevant as the policies address organizations that donate gifts or services to the District on a joint funding (i.e., matching) basis and the State law does not authorize donations to non-DSOs. As such, we are unaware of any specific authority permitting the District to provide office space, utilities, or compensation payments to a non-DSO.

Recommendation: As the Foundation is no longer a District DSO, the District should discontinue providing utilities, office space, and compensation payments to the Foundation and seek recovery of the \$200,000 payment.

Finding 4: Charter School Closures

State law⁷ provides that, upon initial notification of nonrenewal, closure, or termination of its charter, all district school board property and improvements, furnishings, and equipment purchased with public funds shall automatically revert to full ownership by the district school board. State law⁸ also provides that an independent audit is to be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.

According to District personnel, the District included applicable provisions in charter school charter contracts to help charter schools understand their responsibilities to comply with State law requirements. To further communicate the statutory requirements to the applicable charter schools, District personnel included the requirements in the nonrenewal, closure, or termination letter sent to the schools and the District prepared a closing checklist to document discussions with charter school staff, which was to be signed by District personnel and the charter school principal or governing board chair.

Our examination of District records, including the District contracts with the four charter schools that voluntarily closed⁹ during the 2015-16, 2016-17, and 2017-18 school years, revealed that the contracts did not require audits to be completed within 30 days after notice of nonrenewal, closure, or termination. We also noted that:

- The District did not receive audit reports for three of the four charter schools that closed. The unaudited financial statements for the three charter schools did not report any unencumbered public funds and reported \$57,336 for tangible personal property (TPP), net of accumulated depreciation. In response to our inquiry, District personnel indicated that they relied on the unaudited financial statements without documenting whether it would be beneficial for the District to pay for an audit. Consequently, District records did not evidence whether it would be in the District's best interest to pay for an audit to use in determining whether the charter school properly reverted applicable public funds and assets to the District.

⁵ Board Policy 2.162, Joint Funding, General.

⁶ Section 1001.42(12)(i), Florida Statutes.

⁷ Section 1002.33(8)(e), Florida Statutes.

⁸ Section 1002.33(9)(o)2., Florida Statutes.

⁹ Two schools closed on June 30, 2017; one school closed on July 10, 2017; and one school closed on August 10, 2017. Two schools closed due to lack of academic progress and two closed because they could not secure a leased location.

- Contrary to the statutory 30-day audit requirement, an independent audit for one charter school was completed 115 days after the school’s closure, 85 days late. The audited financial statements did not report any unencumbered public funds and reported \$60,031 for TPP, net of accumulated depreciation, for the charter school. The District received evidence that the school had engaged an audit firm 10 days after the school closed; however, although we requested, District records evidencing documented communications to ensure the audit completion within 30 days was not provided.

According to District personnel, although the District notifies charter schools of their responsibilities for complying with statutory requirements, the District has no leverage to make them comply with the requirements and, when charter schools close, the school staff are usually non-responsive. Notwithstanding, contract provisions that require audit completion within 30 days of closure and effective monitoring of charter school closures are essential to provide assurances that public funds and assets will appropriately revert to the District and any charter school transaction errors or misappropriations that may occur will be timely detected. Similar findings were noted in our report No. 2017-149.

Recommendation: The District should include in all charter school contracts a provision that audits be completed within 30 days after notice of nonrenewal, closure, or termination. In addition, the District should ensure that charter school closures are appropriately monitored and that District monitoring efforts are documented. Among other things, District monitoring records should demonstrate:

- Communications with the charter school and the charter school auditor to ensure timely completion of the required audit.
- For charter schools that lack the funds to pay for audits, a cost-benefit analysis assessing whether it would be in the District’s best interests to pay for an audit for use in determining whether the charter school properly reverted applicable public funds and assets to the District.

Finding 5: Charter School Expedited Reviews

State law¹⁰ subjects a charter school to an expedited review by its sponsor if any one of four specified conditions, including a deteriorating financial condition, exists. A “deteriorating financial condition” is defined as a circumstance that significantly impairs the ability of a charter school to generate enough revenues to meet its expenditures without causing the occurrence of certain conditions as described in State law.¹¹ The expedited review procedures require the sponsor:

- Pursuant to State law,¹² to notify the charter school governing board and the Commissioner of Education (COE) within 7 business days after the condition occurs.
- Pursuant to State law,¹³ along with the charter school governing board, to develop a corrective action plan and file the plan with the COE within 30 business days after the condition notification. If the governing board and the sponsor are unable to agree on a corrective action plan (CAP), the COE must determine the components of the plan.

¹⁰ Section 1002.345(1)(a)3., Florida Statutes.

¹¹ Section 218.503(1), Florida Statutes.

¹² Section 1002.345(1)(b), Florida Statutes.

¹³ Section 1002.345(1)(c), Florida Statutes.

Our examination of District records and discussions with District personnel disclosed that, during the 2017-18 fiscal year, the District identified four charter schools that met the conditions for an expedited review and notified the respective charter school governing boards and the COE within 7 business days after the conditions occurred. However, the CAPs for these schools were not submitted to the COE within 30 business days from the date the condition notifications were sent.

For three of the four schools, the CAPs were submitted to the COE 36 to 140 business days after the notification was sent (i.e., 6 to 110 days late). According to District personnel, District and charter school governing board negotiations regarding what to include in the CAPs caused two CAPs to be delayed and one CAP was incorporated into the renewal process, which caused that CAP to be late. While the District and the remaining charter school were unable to agree on a CAP, contrary to State law, the COE was not contacted to determine the components of the CAP and the charter school terminated in August 2018.

Failure to promptly comply with required expedited review procedures increases the risk that charter schools may not take the necessary actions to continue operations.

Recommendation: The District should enhance policies and procedures to ensure compliance with the required expedited review procedures. Such policies and procedures should address prompt:

- **Development of CAPs with the charter school governing board and timely submittal of the CAPs to the COE.**
- **Notification to the COE when the District and charter school governing board are unable to agree on a CAP so the COE can determine the components of the plan.**

Finding 6: Adult General Education

State law¹⁴ 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 the General Appropriations Act¹⁵ proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.¹⁶ State Board of Education (SBE) rules¹⁷ require the District to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. A minimum enrollment threshold of 12 hours of attendance for each program must be met before a student can be counted for funding purposes. Instructional contact hours are reported up to and including the last date of attendance but should not include any instructional contact hours reported for any period beyond the last date of actual attendance.

The District reported 894,782 instructional contact hours for 799 adult general education classes provided to 8,091 students for the Fall 2017 Semester. The District process for reporting instructional hours involves manually entering beginning and ending dates of attendance from class rosters into an

¹⁴ Section 1004.02(3), Florida Statutes.

¹⁵ Chapter 2017-70, Laws of Florida, Specific Appropriation 122.

¹⁶ FDOE-issued Technical Assistance Paper, August 2017, *Adult General Education Instructional Hours Reporting Procedures*.

¹⁷ SBE Rule 6A-10.0381(5), Florida Administrative Code.

enterprise resource planning (ERP) system that uses the information to determine the instructional contact hours. Teachers are required to take attendance daily and manually enter this information into the ERP system as well. As part of our audit, we requested for examination District records supporting 5,330 contact hours reported for 60 students enrolled in 57 adult general education classes. We found that due to discrepancies between reported hours and attendance records, the instructional contact hours were over reported a net total 551 hours, including 650 over-reported hours (ranging from 2.5 to 115.5 hours) for 18 students and 99 under-reported hours (ranging from 7.5 to 62 hours) for 3 students.

In response to our inquiry in May 2018, District personnel indicated that the data we reviewed was preliminary, the period to make final corrections had not expired, and our inquiry prompted the District to correct the misreported hours. In addition, District personnel indicated that the District implemented a new Student Information System, effective with the Spring 2018 Semester.

Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2017-149 and 2015-090.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine the extent of the adult general education hours misreported for the 2017-18 fiscal year and contact the FDOE for proper resolution.

Finding 7: Information Technology – Security Controls – User Authentication

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

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in our report No. 2017-149.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2017-042 and 2017-149 except as noted in Findings 1, 2, 4, 6, and 7 and shown in Table 2.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	2015-16 Fiscal Year	2015-16 Fiscal Year	2013-14 Fiscal Year
	Operational Audit Report No. 2017-149, Finding	Transportation Operational Audit Report No. 2017-042, Finding	Operational Audit Report No. 2015-090, Finding
1	Not Applicable	5	2
2	Not Applicable	6	Not Applicable
4	4	Not Applicable	Not Applicable
6	3	Not Applicable	8
7	5	Not Applicable	Not Applicable

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from February 2018 to August 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 Nos. 2017-149 and 2017-042.
- 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 2017-18 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed District 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 data and resources. We examined access privileges to the District enterprise resource planning (ERP) system finance and human resources applications to determine the appropriateness and necessity of the access based on selected employee 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 the reasonableness of access roles assigned to 30 selected employees related to 30 user accounts that allowed update access privileges to selected critical ERP system finance application functions.
- Evaluated District procedures to prohibit former employee access to electronic data files. Specifically, we examined user access privileges for 20 of the 1,824 employees who separated from District employment during the period July 2017 through February 2018 to determine whether the access privileges had been timely deactivated.
- Evaluated Board security policies and District 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.
- 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.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.
- Determined whether the Board approved the strategic technology plan in place.
- Examined Board, committee, and advisory board meeting minutes and other records to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the Board had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2018, 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 evaluate the District's ability to make future debt service payments.
- From the population of expenditures totaling \$50.6 million for the period July 2017 through February 2018 and transfers totaling \$107 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 \$9.1 million and \$4.5 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- From the population of \$17.7 million total workforce education program expenditures for the 2016-17 fiscal year, performed analytical procedures to determine whether the funds were expended for authorized purposes and that funds remaining at the fiscal year end were not excessive.
- From the population of 894,782 contact hours for 8,091 adult general education instructional students during the audit period, examined District records supporting 5,330 reported contact hours for 60 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A-10.0381, Florida Administrative Code.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, from the population of 1,332 individuals who had access to sensitive personal student information, we examined the access privileges of 60 selected employees to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Examined the District Web site to determine whether the 2017-18 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2015-16 and 2016-17 fiscal years.

- Examined District records to determine whether required internal funds audits for the 2015-16 and 2016-17 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 organizational charts, audit plans, and audit agendas for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(I), Florida Statutes. We also determined whether the internal auditor developed audit work plans based on annual risk assessments considering input from other finance and administrative management.
- From the population of quarterly payments totaling \$200,000 made during the audit period by the District to its former direct-support organization, examined District records supporting these payments to evaluate the legal authority for these transactions.
- Examined documentation supporting the District’s annual tangible personal property physical inventory process to determine whether the inventory results were reconciled to the property records, appropriate follow-up was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen.
- Evaluated Board policies and District procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine compliance with State law and Board policies. From the population of 1,630 former employees paid \$11.2 million for terminal leave, we examined District records for 17 selected former employees paid terminal leave pay totaling \$1.3 million to determine whether the terminal leave pay was calculated in compliance with Sections 1012.61 and 1012.65, Florida Statutes, and Board policies.
- Evaluated severance pay provisions in all three employee contracts to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes, although no employees received severance payments during the audit period.
- From the compensation payments totaling \$750.6 million to 24,210 employees from July 1, 2017, through April 6, 2018, examined District records supporting compensation payments totaling \$197,417 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved reports of time worked.
- From the population of overtime payments totaling \$6.4 million to 4,240 employees during the period July 2017 through February 2018, examined District records supporting overtime payments totaling \$514,264 to 30 selected employees to determine whether Board policies and District procedures were adequate and the supporting documentation evidenced the approval of, and necessity for, the overtime payments.
- Determined whether the appointed Superintendent’s compensation for the audit period was in accordance with State law, rules, and Board policies.
- 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.
- Examined Board policies and District procedures 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 30 employees selected from the population of 12,628 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for volunteers for the audit period 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:
 - 30 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 10,872 District teachers who received scholarship awards totaling \$14.7 million during the audit period.
 - 1 selected charter school recipient of an award from the population of 20 charter school teachers who received scholarship awards totaling \$53,135 during the audit period.
- Evaluated District procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District submitted to the Florida Department of Education (FDOE) accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to 20 selected recipients of the 46 eligible District principals who were awarded scholarships totaling \$79,889 and one charter school principal who was awarded a scholarship of \$3,716.
- Evaluated Board policies and District 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 Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of 11,250 payments totaling \$3 million paid to employees for other than travel and payroll payments from July 2017 through February 2018, examined documentation for 30 selected payments totaling \$17,464 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance to evaluate compliance with Section 112.08, Florida Statutes. We also reviewed 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.
- From the population of payments totaling \$2.9 million during the period July 2017 through March 2018, for new software applications, examined documentation supporting three selected payments totaling \$2.3 million to determine whether the District evaluated the effectiveness and suitability of the software applications prior to purchase, the purchases were made through a competitive vendor selection process, and deliverables met the contract terms and conditions.
- For the three significant construction projects with expenditures totaling \$971,194 and in progress during the audit period, examined documentation for the project expenditures to determine compliance with Board policies and District procedures and provisions of State laws and rules. Also, for the construction management contract with guaranteed maximum price of \$600,578, we:
 - Examined District records to determine whether the construction manager was properly selected.

- Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District ensured subcontractors were properly selected and licensed.
- Examined District records to determine whether architects were properly selected and adequately insured.
- Examined District records supporting 8 selected payments totaling \$971,194 to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Reviewed the District's 5-year facilities work plan for the audit period and determined whether the District maintained records that supported the information reported in the plan.
- From the 210 most recent annual fire safety, casualty safety, and sanitation inspection reports, selected 9 reports with 17 noted deficiencies and examined applicable supporting documentation to determine whether timely action was taken to correct the deficiencies.
- From the population of purchasing card (P-card) transactions totaling \$11.4 million during the period July 1, 2017, through February 23, 2018, examined documentation supporting 30 selected transactions totaling \$270,768 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 30 cardholders who separated from District employment during the audit period.
- Determined whether rebate revenues for the 2017 calendar year totaling \$302,823 for the P-card program and \$132,434 for the e-Payable program were allocated to the appropriate District funds.
- For the four charter schools that were not renewed or were terminated in the 2017-18 or 2 preceding fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school, except as previously agreed upon by the District.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools to ensure that audit reports are timely completed.
- Evaluated the sufficiency of District procedures to determine whether District charter schools and charter technical career centers were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the six schools and charter technical career centers 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, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
- Evaluated District records and determined whether the District properly monitored the new charter school during the audit period to evaluate whether charter school employees received the appropriate training, pursuant to Section 1002.33(6)(f), Florida Statutes.
- Determined whether the District for the audit period verified that the charter schools or charter technical career centers subjected employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. Specifically, we examined District records to determine whether the District identified eligible schools, including charter schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged students, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulations.

- Examined District records and evaluated District procedures to determine whether the District distributed the correct amount of local capital improvement funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- From the population of 10,721 contractual services transactions totaling \$143.8 million from July 1, 2017, through March 7, 2018, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$5.1 million related to 30 contracts to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, we reviewed District records to determine whether the District appropriately reported to the FDOE, pursuant to the 2017 General Appropriations Act (Chapter 2017-234, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- Evaluated the financial records of the District self-insured health insurance program for the audit period to determine whether the program was fiscally sound.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



**THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FL**

**DONALD E. FENNOY II, Ed.D.
SUPERINTENDENT**

**FRANK A. BARBIERI, JR., ESQ.
BOARD CHAIR**

OFFICE OF THE SUPERINTENDENT
3300 FOREST HILL BOULEVARD, C-316
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**CHUCK SHAW
BOARD VICE CHAIR**

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MARCIA ANDREWS
KAREN M. BRILL
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DEBRA L. ROBINSON, M.D.
ERICA WHITFIELD

June 17, 2019

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

Dear Ms. Norman:

Enclosed is our response to the preliminary and tentative audit findings and recommendations on your operational audit of the School District of Palm Beach County for the fiscal year ended June 30, 2018. Pursuant to Section 11.45(4)(d), Florida Statute, the District is required to respond within 30 days of receipt. As required, our written statement of explanation is submitted electronically in source format with my digitized signature.

Sincerely,

Donald E. Fennoy II, Ed.D.
Superintendent

RMA/MJB/NS

Enclosure

cc: Keith Oswald, Deputy Superintendent / Chief of Schools
Michael J. Burke, Chief Financial Officer
Wanda Paul, Chief Operating Officer
Heather Knust, C.P.A., Director of Budget
Nancy Samuels, C.P.A., Director of Accounting

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

Finding No. 1: The District continued to lack appropriate timelines for administering the school bus driver disciplinary process.

Management Response:

The Transportation department is currently developing written policies and procedures for administering the accident review and school bus driver disciplinary process. The process will include timelines and internal compliance monitoring.

Finding No. 2: The Transportation Department did not always document the timely follow-up and resolution of transportation-related complaints or concerns expressed to the Department Transportation Call Center. A similar finding was noted in our report No. 2017-042.

Management Response:

The Transportation department is currently updating the Transportation Call Center Handbook and Resource Manual to include timelines for follow-up and resolution, supporting documentation required to be retained, management review, and internal compliance monitoring.

Finding No. 3: Absent specific authority, the District made payments totaling \$200,000 and provided office space and utilities to a former direct support organization of the District.

Management Response:

The District entered into a contractual agreement with The Education Foundation of Palm Beach County on March 17, 2016. The intent of the Memorandum of Understanding (MOU) approved by the School Board was to formalize the expectations of goods and services to be received and terms of the relationship with The Education Foundation. Based on the June 30, 2018 Annual Audit, The Education Foundation of Palm Beach County distributed \$1.1 million to Palm Beach County Schools and programs exceeding the value of utilities and office space, and compensation payments. Based on the proposed finding of your report, the District intends to revise the current MOU to refine the deliverables, including a minimum value of materials, goods and services, to be provided to Palm Beach County Schools as well as add language for non-performance.

Finding No. 4: District procedures for monitoring charter school closures continue to need improvement to ensure that audit reports are timely completed and that other statutory requirements related to charter schools are met.

Management Response:

District procedures for charter school closure have been in place for more than five years. Every charter school that proceeds through termination and the closure receives notification from the Department of Charter Schools referencing the requirements in Florida Statute 1002.33(8) and (9). The primary reason audits are not performed upon closure is not due to lack of funds it is instead lack of cooperation from the charter school operator. The District is limited in that Florida Statute provides the District no recourse and there is no consequence to a charter school operator for the failure to perform or comply with requirements in Statute. The District will continue to monitor charter schools and document efforts to comply with Florida Statute related to charter school closures.

Finding No. 5: The District did not always ensure that corrective action plans for charter schools subject to the statutory expedited review procedures were timely prepared.

Management Response:

District procedures for charter school expedited reviews have been in place for more than four years. Every charter school that meets the criteria established in 1002.345, F.S., and 6A-1.0081(2)(a), F.A.C., receive notification from the Department of Budget referencing the requirements in Florida Statute 1002.345(1)(b) and (c). The District will enhance procedures to include requesting assistance from the Commission of Education through the Florida Department of Education Department of Charter Schools to determine the components of Corrective Action Plans not finalized by the 30 business day.

Finding No. 6: The District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. A similar finding was noted in our report No. 2017-149.

Management Response:

The Department of Adult and Community Education (DACE) will continue to implement procedures to ensure the accuracy of instructional hours reported. DACE has contacted FDOE and it was determined that there was no need to submit a supplemental file with corrections to the 2017-18 data. None of the corrections resulted in a negative financial impact to the District.

Finding No. 7: District security controls related to user authentication continue to need improvement to ensure the continued confidentiality, integrity, and availability of District data and information technology resources.

Management Response:

The District implemented the recommended changes in January 2019.