

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-145
March 2021

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Tim Forson served as Superintendent of the St. Johns County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Beverly Slough, Chair	1
Tommy Allen	2
Bill Mignon	3
Kelly Barrera	4
Patrick Canan, Vice Chair	5

The team leader was Sue Granger, and the audit was supervised by Randy R. Arend, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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

ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

SUMMARY

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. 2018-188. Our operational audit disclosed the following:

Finding 1: As similarly noted in our report No. 2018-188, controls over school resource officer services and related payments could be enhanced.

Finding 2: The District did not timely comply with State law requiring, effective July 1, 2019, the District to post on its Web site graphical representations of summary financial efficiency data and fiscal trend information.

Finding 3: District capital planning and budgeting procedures need improvement.

Finding 4: District personnel did not compare construction management entity (CME) pay requests for the Mill Creek Academy Remodel and Dining Expansion Project (Mill Creek Academy Project) to the subcontractor bid awards and contracts. A similar finding was noted in our report No. 2018-188.

Finding 5: As also noted in our report No. 2018-188, District records did not always demonstrate verification that the Mill Creek Academy CME competitively selected subcontractors.

Finding 6: The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs. A similar finding was noted in our report No. 2018-188.

BACKGROUND

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 2019-20 fiscal year, the District operated 44 schools, including 41 elementary, K-8, middle, high, virtual, and alternative schools; 1 technical college; 2 juvenile justice programs; sponsored 3 charter schools; and reported 43,037 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: School Resource Officer Services

State law¹ requires the Board and Superintendent to partner with local law enforcement agencies to establish or assign one or more safe-school officers, such as school resource officers (SROs), at each

¹ Section 1006.12, Florida Statutes.

school facility including charter schools. Pursuant to State law,² SROs must be certified law enforcement officers and are required to complete mental health crisis intervention training using a curriculum developed by a national organization with expertise in mental health crisis intervention. Effective management for SRO services on school premises ensures that the services provided conform to contract terms and reconcile to related invoices before payment.

For security services at 13 District schools and 3 charter schools for the 2019-20 fiscal year, the Board contracted with armed security guards and off-duty law enforcement officers and the District maintained time sheets to document verifications that the services were performed as expected. The Board also approved contracts totaling \$2.2 million with the St. Johns County Sheriff's Office (SJCSO) and the St. Augustine Police Department (SAPD) for SRO services at 27 other District schools.³ The District paid \$2.1 million to the SJCSO after SRO services were required during the 2019-20 fiscal year; however, based on SAPD invoices, the District paid the SAPD \$51,184 in October 2019 and the same amount in January 2020 before SRO services were received.

The contracts with the SJCSO and SAPD stipulated that each SRO⁴ would be assigned 8 hours a day to a designated school when school was in session⁵ to provide school-based security, coordination of emergency services, and classroom presentations on law enforcement subjects. However, District procedures had not been established to require and ensure that school personnel with direct knowledge of the SRO services confirmed that the services conformed to the contract terms and reconciled to related invoices. We also noted that, although the District uses an electronic visitor management system to record information about school visitors, including the visitor's arrival and departure times, District procedures did not require SROs to document arrival and departure times, either through the visitor management system or otherwise, to facilitate the monitoring of SRO services and related payments. In response to our inquiry, District personnel indicated that they relied on SJCSO and SAPD attendance procedures to monitor SRO services. Notwithstanding, such reliance provides limited assurance that the SRO services were received as expected.

The contracts also required the SJCSO and SAPD to provide 31 SROs and 2 SROs, respectively, who were State certified law enforcement officers. However, the contracts did not require the law enforcement agencies to provide the District with evidence, and the District did not always obtain evidence, that the SROs met all statutory requirements before being assigned to a District or charter school. For example, while the District obtained correspondence from the SJCSO that demonstrated 17 of the SJCSO SROs completed the required mental health crisis intervention training, although we requested, records were not provided to demonstrate that the other 14 SJCSO SROs and the 2 SAPD SROs completed the training.

Prepayment for SRO services and the absence of established procedures for verifying SRO services increase the risk that services will not be received as expected and that overpayments may occur and not be timely detected and recovered. In addition, without documenting verification of SRO mental health

² Section 1006.12(1)(c), Florida Statutes.

³ The District virtual school, 2 juvenile justice programs, and 1 alternative school did not use District facilities.

⁴ The District contracts with the SJCSO and SAPD refer to SROs as Youth Resource Deputies and Youth Resource Officers, respectively.

⁵ During the COVID-19 pandemic-related shutdown, SROs continued to monitor schools and provided security at food and meal distribution sites and conducted wellness checks and threat assessments.

crisis intervention training, the District lacks assurance that SROs received the required training to avert, or intervene during, a mental health crisis. According to District personnel, procedures were established for the 2020-21 fiscal year whereby an SJCSO or SAPD supervisor or school employee will notify District-level personnel whether SRO services were provided and a daily log is maintained of the daily notifications. A similar finding was noted in our report No. 2018-188.

Recommendation: The District should continue efforts to properly obtain and monitor SRO services. Such efforts should require and ensure that:

- **Contracts for SRO services exclude prepayment provisions and require law enforcement agencies to provide the District with evidence, before assigning an SRO, that the SRO meets all statutory requirements.**
- **District personnel verify, and maintain documentation evidencing, that each SRO was appropriately trained and qualified before providing services to the District and charter schools.**
- **School personnel verify and document that SRO services conform to contract terms and reconcile to related invoices before payments are made.**

Finding 2: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,⁶ the District must post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.

In addition, effective July 1, 2019, the information posted on the District Web site must include graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years. Specifically, the District Web site must show the:

- Ratio of full-time equivalent (FTE) students to FTE instructional personnel.
- Ratio of FTE students to FTE administrative personnel.
- Total operating expenditures per FTE student.
- Total instructional expenditures per FTE student.
- General administrative expenditures as a percentage of total budget.
- Rate of change in the General Fund's ending fund balance not classified as restricted.

The District Web site must also include a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE) pursuant to State law⁷ to enable taxpayers to evaluate the financial efficiency of the school district and compare the financial efficiency of the school district with other similarly situated school districts. This information must be prominently posted on the District's Web site in a manner that is readily accessible.

⁶ Section 1011.035(2), Florida Statutes.

⁷ Section 1010.20, Florida Statutes.

At the time of our review in June 2020, the District had posted the proposed, tentative, and official budgets for the 2019-20 fiscal year on its Web site; however, the Web site lacked the graphical representations and a link to the Web-based fiscal transparency tool developed by the FDOE. In response to our inquiry, District personnel indicated that they had other priorities and did not have an opportunity to post the required summary financial efficiency data and fiscal trend information to the District Web site.

Providing the required transparency information on the District Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate fiscal outcomes.

Recommendation: The District should comply with statutory transparency requirements by timely posting all required information on the District Web site.

Finding 3: Facilities Work Program

State law⁸ requires that the Board adopt a capital outlay budget for the fiscal year that communicates the capital outlay needs of the Board to the public. The capital outlay budget must designate the proposed capital outlay expenditures by project for the fiscal year from all fund sources. In addition, State law⁹ requires the Board to annually prepare a district educational facilities plan that addresses long-range facilities planning and State law¹⁰ specifies that the first year of the plan will constitute the capital outlay budget required by State law. The plan is to include, among other things, a 5-year facilities work program. The District must submit the work program¹¹ to the FDOE to help the FDOE communicate District facility needs to the Legislature. The District may amend the plan to revise the priority of projects, to add or delete projects, or to reflect the approval of new revenue sources which may become available.¹²

Our comparison of the total project costs included in the District 2019-20 fiscal year capital outlay budget and 5-year facilities work program disclosed that the capital outlay budget costs exceeded the work program costs by approximately \$125 million. Noted differences related to specific projects to be funded by capital outlay budget carryforward funds that were not identified in the 5-year facilities work program and project costs in the capital outlay budget that were inconsistent with the costs for the same projects in the work program. For example, the District capital outlay budget included \$83 million for “District-Wide” projects although no such project was included in the 5-year facilities work program. In addition, the capital outlay budget included \$39 million and \$1.2 million for the New K-8 “MM” and Liberty Pines Classroom Expansion projects, respectively, or \$10 million and \$7.8 million less than the amounts reported for those projects on the 5-year facilities work program.

In response to our inquiries, District personnel indicated that the 5-year facilities work program was difficult to prepare considering the projected available funding sources, planned capital expenditures, and beginning and ending fund balances. District personnel also indicated they were not aware that the 5-year facilities work program could be amended during the fiscal year, and that the Liberty Pines Classroom Expansion project was actually started in the 2018-19 fiscal year but was included in the 2019-20 fiscal year work program because the 2018-19 work program had not been amended to include

⁸ Section 1013.61, Florida Statutes.

⁹ Section 1013.35(2), Florida Statutes.

¹⁰ Section 1013.35(5), Florida Statutes.

¹¹ Section 3.1 of the *State Requirements for Educational Facilities (2014)*.

¹² Section 1013.35(4), Florida Statutes.

the project. Notwithstanding, when the District capital outlay budget is not consistent with the 5-year facilities work program, District capital outlay needs may be miscommunicated to and misunderstood by the Legislature, Board, and the public, and financing may not be appropriately planned or provided for future capital outlay projects.

Recommendation: The District should ensure that a District employee properly prepares the 5-year facilities work program based on supporting documents, such as the Board-adopted capital outlay budget. In addition, the District should designate to someone the responsibility for timely review of the work program and related support to verify that information is accurately presented before the work program is submitted to the FDOE. The District should also develop procedures to amend the work program for changes in planned projects in the Board-adopted capital outlay budget.

Follow-Up to Management’s Response

The District indicates in the written response that “there is a disconnect in the structure and purpose of the Five-Year Facilities Work Program and that the rules that govern it should be addressed.” The response also states that the first year of the work program cannot be consistent with the District capital outlay budget because the projects under contract would need to be “included in a negative fund balance and thus cannot be shown as being spent under the project itself.” However, while the FDOE provides for projects under contract to be shown as a reduction to fund balance carried forward, the District’s 5-year facilities work program and capital outlay budget were different because the District reported all remaining available capital outlay funding as a reduction to fund balance carried forward. Consequently, we continue to recommend that the 5-year facilities work program be based on supporting documents, such as the Board-adopted capital outlay budget.

In addition, the District indicates in the written response that, according to the FDOE, “any changes to the work plan may only occur between the due date of October 1 through the end of February each year.” However, State law provides for the educational facilities plan to be amended by the Board upon giving proper notice to the public and local governments, and does not limit the time frame for making such amendments.

Lastly, District management’s response indicates that, “in an effort to better understand the auditor’s perspective” management asked to further discuss the finding but “no one in the Auditor General’s Office was willing to have a dialogue regarding this issue.” Notwithstanding, we discussed the matter with District personnel on several occasions before and after the preliminary and tentative findings were delivered and provided statutory references and documentation to explain our perspective and support the finding. Should additional clarification be needed, District personnel should contact the FDOE regarding steps for preparing, supporting, and reporting the facilities work program.

Finding 4: 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

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.

In March 2019, the Board approved a GMP contract with a CME for the Mill Creek Academy Remodel and Dining Expansion (Mill Creek Academy) Project¹³ pursuant to a continuing contract for construction management services¹⁴ dated March 2017. In May 2019, the Board accepted the Mill Creek Academy Project final GMP contract for \$1.97 million, which included service costs totaling \$1.54 million with 24 subcontractors.

In response to our inquiries, District personnel indicated that they compared CME pay requests with the GMP amount and corresponding cost lines on the subcontractor invoices prior to payment. However, District personnel also indicated that the CME pay requests were not compared to the subcontractor bid awards and contracts because the CME was responsible for maintaining those documents.

Subsequent to our inquiries, the District obtained the subcontractor bids and contracts from the CME. We selected CME pay requests containing subcontractor service costs totaling \$1.3 million for 14 subcontractors and found that those payments were consistent with the applicable subcontractor bid awards and contracts. Notwithstanding, our procedures cannot substitute for the District's responsibility to properly monitor CME pay requests for subcontractor services.

Absent verification that a documented comparison of CME pay requests to the subcontractor bid awards and contracts, there is an increased risk that the District may overpay for services and not realize maximum cost savings under GMP contracts. A similar finding was noted in our report No. 2018-188.

Recommendation: The District should enhance procedures for monitoring CME pay requests. Such procedures should include, before CME payments are made, a documented comparison of the cost items in the CME pay requests to supporting documentation, such as the subcontractor bid awards and contracts.

Finding 5: Subcontractor Selection

The continuing CME construction contract for the Mill Creek Academy Project required the CME to solicit proposals or bids and award subcontracts for procurements exceeding \$5,000 but not exceeding \$25,000, to advertise bid solicitations and award subcontracts for procurements exceeding \$25,000, and to award subcontracts to the firm that submits the lowest responsive proposal or bid. 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 so that maximum cost savings under the GMP contract are realized.

¹³ During the period March 2019 through May 2020, the District had four continuing contract CME projects in progress that totaled \$4.5 million, each with GMP contract costs over \$500,000 but below \$2 million. From those projects, we selected the Mill Creek Academy Project to evaluate District controls over CME projects, including monitoring CME pay requests, the subcontractor selection process, and general conditions costs.

¹⁴ Pursuant to Section 255.103(4), Florida Statutes, the District may enter into a continuing contract with a CME for a defined period using the process provided in Section 287.055, Florida Statutes, for construction projects for which the estimated construction cost of each individual project under contract does not exceed \$2 million.

Although the CME was required to competitively select subcontractors, District personnel indicated that procedures had not been established to document efforts to ensure that subcontractors were selected in accordance with the terms of the contract. According to District personnel, while they were responsible for attending subcontractor bid openings, they did not recall whether they attended any bid openings and documentation was not maintained to demonstrate their attendance. In addition, the District did not have procedures to compare subcontract bid awards noted on the bid tabulation sheets with CME-awarded subcontracts as District personnel relied on the CME to properly perform the subcontractor selection process.

As part of our audit, we requested for examination the subcontractor bid tabulation sheets, proposal and bid correspondence, and other documentation supporting services with costs totaling \$1.54 million provided by the 24 subcontractors and included in the Mill Creek Academy Project GMP contract. However, bid tabulation sheets and proposal or bid correspondence were not provided for 3 subcontracts for \$73,750 for general labor and general cleanup labor services, \$21,954 for painting, and \$20,175 for purchase and installation of movable wall partitions. We also noted that the subcontract awarded for general labor and general cleanup labor services was based on a proposal without evidence that a bid solicitation was advertised as required by the CME contract.

In response to our inquiry, District personnel indicated that they were unaware that the 3 subcontracts were not supported by bid tabulation sheets and related proposal and bid correspondence, and that the general labor and general cleanup labor services lacked an advertised bid solicitation because District personnel did not obtain copies of the advertisement. Without District procedures requiring verification that CMEs use a competitive process for selecting subcontractors, and documented comparisons of bid awards and subcontractor contracts, there is an increased risk 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. A similar finding was noted in our report No. 2018-188.

Recommendation: To ensure that the District realizes maximum cost savings under a GMP contract, the District should establish procedures requiring District personnel to verify and document the CME competitive selection of subcontractors. Required documentation should include evidence of bid solicitation advertisements, as applicable; records of District personnel attendance at subcontractor bid openings; bid tabulation sheets and proposal or bid correspondence; and documented comparisons of subcontractor bid awards and subcontractor contracts.

Finding 6: 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 District's CME GMP contract for the Mill Creek Academy Project included general conditions costs, referred to as general requirements and existing conditions in the GMP contract, totaling \$278,356 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, or documenting the reasonableness of general conditions costs.

In response to our inquiry, District personnel indicated that they utilize the expertise, experience, and knowledge of their staff, along with review and recommendations for reasonableness from their contracted design and engineering professionals, to evaluate general conditions costs. In addition, the District considered other factors when negotiating the general conditions costs, such as the complexity of the scope of work, schedule requirements, location, required staffing, time of year, and existing site conditions. However, documentation demonstrating the reasonableness of the recommendations, factors considered, or negotiations was not provided.

To determine the reasonableness and propriety of the Mill Creek Academy Project general conditions costs, we reviewed the CME's six pay requests totaling \$1.6 million during the period July 2019 through February 2020, and examined District records supporting the pay requests' schedules of values. We found that:

- Although the CME provided invoices for salaries charges totaling \$99,705 for the CME project manager and project superintendent, time sheets were not provided to support the hours for the salaries charges on any of the CME pay requests' schedules of values. Subsequent to our inquiries, District personnel requested payroll records from the CME to support the hours billed. We reviewed the payroll records and verified that the hours charged agreed with the amounts on the schedules of values. However, our audit procedures are not a substitute for proper internal controls to ensure adequate support is obtained and reviewed for salaries charges prior to payment.
- As discussed in Finding 5, the CME engaged a subcontractor for general labor and general cleanup services without using the subcontractor bid process. This subcontractor's related service costs of \$73,750 (\$43,350 for general labor and \$30,400 for general cleanup) were included in the project general conditions costs. The subcontractor invoiced the CME monthly in various lump sum amounts, which should typically be based upon and supported by subcontractor payroll records or time sheets. However, neither the CME nor the District required the subcontractor to provide detailed documentation to support the amounts invoiced.

In addition, the subcontract indicated that, for general labor, two laborers would be provided onsite for 16 weeks each (approximately 4 months) and the subcontractor invoiced the CME \$42,642 of the \$43,350 subcontract amount for these services. The CME paid the remaining \$708 to a personnel services firm that provided 32 hours of general labor at a cost of \$14.67 per hour and 8 hours of skilled labor at a cost of \$29.78 per hour. Had the District required the CME to use the personnel services firm for all general labor services at a cost of \$14.67 per hour, the total cost for general labor would have been approximately \$24,400,¹⁵ significantly less than the \$43,350 scheduled value amount. As subcontracts for these services were not awarded pursuant to bids or quotes, and detailed documentation was not provided to support amounts invoiced, District and CME records did not evidence that these services were competitively procured or that the costs were reasonable and necessary.

Without documentation of the evaluation and negotiation of the general conditions costs included in the GMP, District records do not evidence the District's determination that the general conditions costs were reasonable and proper. In addition, absent monitoring of documentation supporting general conditions

¹⁵ The general labor estimate was calculated using \$14.67 per hour, multiplied by two laborers for 48 hours per week (based on reported hours worked for the CME project manager and project superintendent), for 16 weeks, and includes overtime pay.

costs, the District may be limited in its ability to determine the reasonableness and propriety of such costs or to recover any associated cost savings. A similar finding was noted in our report No. 2018-188.

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 receipt and review of sufficiently detailed documentation supporting the general conditions costs included in the CME pay requests.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report No. 2018-188 except as noted in Findings 1, 4, 5, and 6 and shown in Table 1.

**Table 1
Findings Also Noted in Previous Audit Reports**

Finding	2016-17 Fiscal Year Operational Audit Report No. 2018-188, Finding	2013-14 Fiscal Year Operational Audit Report No. 2015-175, Finding
1	6	5
4	1	Not Applicable
5	2	Not Applicable
6	4	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 March 2020 to November 2020 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.

This operational audit focused on information technology resources and related controls; school safety; compensation, construction, and other expenses; and other processes and administrative activities. For those areas, our audit objectives 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. 2018-188.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)¹⁶ and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management’s process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that all components of internal control and underlying principles were significant to our audit objectives.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management’s internal controls significant to our audit objectives; 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

¹⁶ The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

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; identifying and evaluating internal controls significant to our audit objectives; 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 2019-20 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 applicable laws, rules, Board policies and District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed Board information technology (IT) policies and District procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, application access, authentication, and monitoring; system backups; and disaster recovery.
- Examined selected application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to District enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account 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 31 users who had access to the finance module and the 29 users who had access to the HR module.
- The 4 users who had security access to the District's application systems, datasets, and programs for the finance and HR modules.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 60 individuals who had electronic access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the individual's assigned job responsibilities.
- Evaluated District procedures to prohibit former employee access to electronic data files. We also reviewed selected user access privileges for 18 of the 51 administrative employees who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2020, to determine whether the total was less than 3 percent of the fund's 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 \$187.7 million and transfers totaling \$74.1 million for the 2019-20 and 2 preceding fiscal years 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 \$18.6 million and \$17.3 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources, including compliance with Section 1011.71(2)(e), Florida Statutes.
- From the population of \$6.1 million total workforce education program funds expenditures for the audit period, selected 26 expenditures totaling \$790,023 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 216 industry certifications eligible for the 2019-20 fiscal year performance funding, examined 27 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 20,847 contact hours reported for 184 adult general education instructional students during the Fall 2019 Semester, examined District records supporting 3,368 contact hours reported for 29 selected students to determine whether the District reported the hours in accordance with State Board of Education (SBE) Rule 6A-10.0381, Florida Administrative Code.
- Examined the District Web site to determine whether the 2019-20 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the Web site contained the required graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).
- From the population of compensation payments totaling \$316.7 million to 5,953 employees during the audit period, examined District records supporting compensation payments totaling \$72,470 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 2,783 instructional personnel and 103 school administrators compensated a total of \$195.6 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. and 5., Florida Statutes.
- Examined District records for the audit period for 8 District employees, 3 charter school employees, 4 charter school governing board members, and 17 contractor workers (6 District contractor workers, 2 virtual school teachers, 5 dual enrollment teachers, and 4 charter school contractor workers), selected from the population of 5,270 District employees, 5,798 contractor workers, and 58 charter school employees and board members as of June 2020 to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Evaluated the effectiveness of Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities related to employee misconduct which affects the health, safety, or welfare of a student, to determine the sufficiency of those policies and procedures to ensure compliance with Section 1001.42(6), Florida Statutes.
- Evaluated District procedures for acquiring health insurance for officers and employees and examined related records to determine whether the District complied 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.
- For the six land acquisitions totaling \$32.8 million during the audit period, reviewed the property appraisals and environmental studies obtained by the District pursuant to the requirements of Sections 1013.14 and 1013.365, Florida Statutes, to determine whether the properties were appropriately valued for financial reporting purposes and whether any conditions were identified which might result in environmental liabilities to the District.
- Reviewed the District's 5-year facilities work program for the audit period to determine whether the District maintained records that supported the information reported in the program and whether the first year of the capital outlay plan, which included the program, was consistent with the District capital outlay budget as required by Sections 1013.35 and 1013.61, Florida Statutes.
- From the population of four significant construction management projects in progress during the audit period with guaranteed maximum price contracts exceeding \$500,000 and expenditures totaling \$4.5 million, selected the Mill Creek Academy Remodel and Dining Expansion (Mill Creek Academy Project) and examined documentation for project expenditures totaling \$1.6 million during the period July 2019 through February 2020 to determine compliance with Board policies, District procedures, and applicable provisions of State laws and rules. Also, for the Mill Creek Academy Project with a guaranteed maximum price of \$1.97 million, we examined District records:
 - To determine whether District procedures for monitoring subcontractor selection and licensure ensured that the 24 subcontractors with project costs totaling \$1.54 million were properly selected and licensed.
 - To evaluate the effectiveness of Board-established policies and District procedures for ensuring the proper negotiation and monitoring of project general conditions costs totaling \$278,356.

- Supporting one selected payment totaling \$421,780 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 2019 cost of construction report of District student station costs. For the one construction project completed during the 2019 calendar year, we examined District records to determine whether student station costs were accurately reported and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- From the 45 most recent annual fire safety, casualty safety, and sanitation inspection reports, selected 20 reports with 130 noted deficiencies, and examined documentation to determine whether timely action was taken to correct previously cited deficiencies.
- Examined District records to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07, 1006.12, 1006.13, 1011.62(15) and (16), and 1012.584, Florida Statutes.
- Determined whether the District complied with SBE Rule 6A-1.094121, Florida Administrative Code, for student mental health education.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the one charter school 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 procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We also 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 to determine whether District procedures were effective for distributing the correct amount of local capital improvement funds to eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- From the population of non-compensation expenditures that individually exceeded \$1,000 and totaled \$143 million for the audit period, examined documentation supporting 30 selected payments for expenditures totaling \$178,858 to determine whether the 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 for 372 contracted services totaling \$6.2 million during the period July 2019 through February 2020, examined supporting documentation, including the contract documents, for 15 selected payments totaling \$324,216 related to 15 contracts to determine whether:
 - The District complied with applicable competitive selection requirements (e.g., SBE Rule 6A-1.012, Florida Administrative Code).
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.

- District records evidenced that services were satisfactorily received and conformed to contract terms before payment.
- The payments complied with contract provisions.
- 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

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each school district on a periodic basis. 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Tim Forson
Superintendent of Schools

40 Orange Street
St. Augustine, Florida 32084
(904) 547-7500
www.stjohns.k12.fl.us

SCHOOL BOARD

Beverly Slough
District 1

Anthony E. Coleman Sr.
District 2

Bill Mignon
District 3

Kelly Barrera
District 4

Patrick Canan
District 5

February 22, 2021

Ms. Sherrill F. Norman, CPA

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

Re: St. Johns County School District's written response to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2020.

Dear Ms. Norman:

Thank you for your letter dated January 25, 2021, communicating a list of preliminary and tentative audit findings and recommendations arising from the operational audit of St. Johns County District School Board (the District) for the fiscal year ended June 30, 2020. The responses are as follows:

Finding No. 1 – School Resource Officer Services

District Response: Payments to St. Johns Sheriff's Office (SJSO) and St. Augustine Police Department (SAPD) are detailed in the cooperative agreements to be made twice per year. Both agencies send the office of school services invoices twice per year for 50% of the payment each time. The SJSO and SAPD officers are state certified law enforcement officers. The hiring process for these individuals is managed by their agencies. Following the completion of the hiring process, district and law enforcement communication occurs regarding available assignments within the cooperative agreement. Additional training requirements related to school resource officers (SROs) is facilitated by their agencies within their available training schedules.

Over the past two years the District has added approximately 26 SROs. All are state certified law enforcement officers. Additional training requirements related to SROs is facilitated by their agencies within their available training schedules. The finding within this report references required mental health crisis intervention training SROs. This requirement will be filled for remaining SROs prior to the start of the 2021-2022 school year. Documentation will be provided to the District safety specialist from SJSO.

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.

As required in statute, all schools are required to have a safe-schools officer. St. Johns County utilizes Guardian trained security officers, SAPD, and SJSO law enforcement officers. SJSO and SAPD SROs are present in assigned sites for the required number of hours and follow the attendance requirements as designated by their agencies. Both cooperative agreements ensure school coverage and do have plans for backfill coverage in the case of a vacancy. At no point are we in a position where a school does not have an officer present. Leadership from all the above agencies communicate with the District safety specialist to confirm school coverage daily which is now noted.

Finding No. 2 – Fiscal Transparency

District Response: After reaching out to the Florida Department of Education (FDOE) regarding the fiscal transparency charts and graph information we were directed to their contractor for assistance. We are working with all departments to add this information to our website. Additionally, the link to the FDOE fiscal transparency tool was added last year. We will continue our efforts to post financial information on our website.

Finding No. 3 – Facilities Work Program

District Response: We respectfully disagree with this audit recommendation. The audit has delineated that the goal of the Five-Year Facilities Work Program is to help FDOE communicate district needs and plans to the legislature and that the first year of the work program must match the capital outlay budget. We would submit that these two items cannot occur simultaneously for a fast-growing district with projects to expand student capacity that span multiple years. The very structure of the work program makes it difficult for a district to show the full picture of a multi-year construction project. Requiring that the “Total Fund Balance Carried Forward” be entered as a positive number, but requiring the other three fund balances be negative (“General Capital Outlay Obligated Fund Balance Carried Forward From Total Fund Balance Carried Forward”; “One Cent – ½ Cent Sales Surtax Debt Service From Total Fund Balance Carried Forward”; “Capital Outlay Projects Funds Balance Carried Forward from Total Fund Balance Carried Forward”) limits our ability to show the true project cost for a multi-year project. Since these projects are under contract, they would have to be included in a negative fund balance and thus cannot be shown as being spent under the project itself in the project schedules section. This makes it appear that new schools are being constructed at \$0 cost. To reconcile the need to reflect appropriate project information to the legislature, the District has modified the fund balance to allow the project cost to be reflected in the project schedules section and reduced the amount showing of capital fund balance under contract.

The audit recommendation also indicated that the District should be amending the Five-Year Facilities Work Program to reflect changes to the capital outlay budget, however, according to FDOE there is a limited window in which changes are allowed. Any changes to the work plan may only occur between the due date of October 1 through the end of February each year.

In addition, we respectfully submit that there is a disconnect in the structure and purpose of the Five-Year Facilities Work Program and that the rules that govern it should be addressed.

Finally, in closing, we truly believe this issue does not and should not rise to the level of an audit finding. In an effort to better understand the auditors’ perspective, we asked to discuss this item with someone outside of the Jacksonville office; and we were told “no”. With all due respect, we find this not only a

disappointing answer but also an unacceptable one as no one in the Auditor General's office was willing to have a dialogue regarding this issue.

Finding No. 4 - Monitoring Construction Pay Requests

District Response: Facilities and construction department staff review each construction management entity (CME) pay request and all required backup documentation, to include subcontractor pay requests to the CME which clearly denote subcontractor contract amounts. The initial CME pay request schedule of values (SOV) is also compared to the guaranteed maximum price (GMP) breakdown, and the SOV for all subsequent CME pay requests are compared to the previous. Additionally, a pay application review checklist has been developed and is being implemented for pay applications received by the facilities and construction department.

Finding No. 5 - Subcontractor Selection

District Response: Although there are no Florida statutes or state requirements for educational facilities (SREF) requirements for attending bid openings conducted by the construction manager, nor does our contract with the construction manager require it, the facilities and construction department staff have made a concerted effort to attend these bid openings as well as requesting copies of bid solicitation advertisements and bid tabulation sheets for recent CME projects. Additionally, a checklist laying out the key milestones in the subcontractor selection process will be developed to guide District personnel in the process and documentation of subcontractor selection on CME projects

Finding No. 6 - General Conditions Costs

District Response: This recommendation is currently being evaluated to further enhance the District's best practices. Our director for facilities & construction has reached out to other districts in the state to review their policies, procedures, and best practices for determining general conditions costs. The facilities and construction department will work to incorporate changes regarding general conditions for future GMP negotiations and CME pay request documentation.

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