

**From:** [DOUG CONNER](#)  
**To:** [tm@flfamily.net](mailto:tm@flfamily.net)  
**Subject:** FW: School District Audits  
**Date:** Wednesday, May 27, 2015 8:54:07 AM

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Ms. McCormick,

Pursuant to Section 11.45, Florida Statutes, we periodically perform operational audits of school districts to evaluate school district performance in establishing and maintaining internal controls and administering assigned responsibilities in accordance with applicable laws and other guidelines. As such, we consider risks of noncompliance with laws, such as noncompliance with Section 1001.452, Florida Statutes, during our risk assessment process and have included this topic in the scope of our operational audits in the past. For example, we cited deficiencies relating to this topic in [Lee DSB Operational Audit Report No. 2009-048, Finding No. 3](#), and in [Duval Operational Audit Report No. 2014-076, Finding No. 3](#), and included it in the scope of our [Seminole Operational audit \(as noted on page 11 of report No. 2015-064\)](#).

Hope this helps.

Sincerely,

Doug  
**Douglas R. Conner, CPA**  
**Audit Manager**

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**From:** Theresa McCormick [<mailto:tm@flfamily.net>]  
**Sent:** Saturday, May 09, 2015 12:50 PM  
**To:** FLAUDGEN  
**Subject:** School District Audits

Good morning!

I have used the auditor general's audits of school districts over the years...lots of changes! There are so many different types of audits. What I am looking for is the type/name of an audit that looks at district school compliance with ss. 1001.452 requiring School Advisory Councils with details on membership, duties, etc... I have checked over two dozen various district audits (different audit types and different school districts) and none mention School Advisory Councils or SAC.

As a School Advisory Council trainer and state re-known website regarding SAC, I am notified through complaints or documentation that districts throughout Florida are NOT adhering to the law. I found various documentation in audits of 2007 and 2004 where membership, spending on SI funds were out of compliance. Considering I am still getting complaints, the practice is still occurring: Common problems addressed by audits findings through the auditor general reports:

1. School Recognition Funds
  - a. Funds used for expenditures outside statute intent
  - b. School Improvement Funds (AC Funds, \$10 per student) not timely spent
  - c. Mixing the SI funds mixed into school's internal funds
2. SAC membership –
  - a. Common is lack of minority (race, ethnic and economic) composition or balance (ss.1001.452)
  - b. Lack of principal on SAC (ss.1001.452)
  - c. Inclusion of Assistant Principals on SAC (they are not teachers or education support employees but considered 'administrators' under the clarification of ss1012.01.
  - d. One county, Polk, had the principal being the final decisionmaker of who was a SAC member
3. School Improvement Funds
  - a. Funds are not spent in a timely fashion and should be used the year appropriated for those students.

I would appreciate any guidance in the type/name of a school district audit that looks at compliance with School Improvement Funds and School Advisory Council membership.

Thank you!

*Theresa*

Theresa McCormick

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**LEE COUNTY  
DISTRICT SCHOOL BOARD**

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Operational Audit

For the Fiscal Year Ended  
June 30, 2008



LEE COUNTY  
District School Board

SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

**Finding No. 1:** The District’s administration of purchasing card access privileges needed improvement.

**Finding No. 2:** Enhancements could be made to timely terminate the IT access privileges of former employees.

**Finding No. 3:** Several school advisory councils did not timely expend their lottery fund appropriation moneys.

**Finding No. 4:** ~~Procedural enhancements should be made in the District’s monitoring of its charter schools to ensure that the schools provide the insurance coverage required by District policy and charter school contracts.~~

**Finding No. 5:** Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

BACKGROUND

The District is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Lee County. The governing body of the Lee County District School Board is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board.

During the audit period, the District operated 86 elementary, middle, high, and specialized schools; sponsored 14 charter schools; and reported 79,446 unweighted full-time equivalent students.

The results of our audit of the District’s financial statements and Federal awards for the fiscal year ended June 30, 2008, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

**Finding No. 1: Purchasing Cards Administration**

Our review of the District’s purchasing card program indicated that improvements were needed in the monitoring of the program.

The District provides credit cards (purchasing cards) to authorized employees for the purchase of goods and services. Purchasing cards are designed to handle and expedite low dollar purchases of goods and services in a more efficient, effective, and economical manner than may be achieved through the standard purchase order system. The District contracted with a financial institution to provide the purchasing cards and to process purchases. The District has a formal, written procedures manual that addresses various aspects related to purchasing cards such as the responsibilities of the cardholder, bookkeeper/reviewer, and the department head/principal approver; purchasing card limits; prohibited uses; the approval and payment of purchases; and procedures for lost or stolen cards.

Additionally, purchases made with purchasing cards are subject to the same rules and regulations that apply to other District purchases.

Our review of ten purchasing card transactions indicated that the purchases were within card limits, properly approved, and timely paid. Additionally, we noted that 11 personnel with purchase card privileges terminated employment with the District during the 2007-08 fiscal year. However, our tests of the purchase card privileges for the 11 personnel disclosed four whose privileges were cancelled from 41 to 136 days after the employee's termination date. Further, our review disclosed that the District's procedures manual did not provide for prompt removal of purchasing privileges for employee terminations.

According to District personnel, the purchasing privileges were not timely monitored and were, therefore, not promptly removed for the four former employees. While our tests did not disclose that the purchase cards were used after the employee termination dates, employee purchasing privileges should be stopped immediately upon termination of employment to minimize the risk of unauthorized purchases.

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**Recommendation:**     **The District should enhance controls to ensure the prompt removal of purchasing card privileges for those who terminate employment.**

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**Finding No. 2: Information Technology – User Account Management**

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User IDs and passwords are required to gain access to the District's computer network. School and departments are responsible for initiating action in an automated request system, known as the customer account request system (CARS), to manage user IDs and passwords for network access. The initiator is usually a senior secretary in the school or department, and the approver is usually a principal, assistant principal, or departmental director.

We reviewed District records for network access to e-mail, Internet/intranet, and shared folders for ten individuals who terminated employment with the District during the 2007-08 fiscal. Our tests disclosed that network access was not terminated promptly for any of the ten individuals. For example, six continued to have access privileges from 36 to 218 days after their employment termination dates as of August 5, 2008. Subsequent to our inquiry, network access was removed for these ten individuals.

District personnel indicated that the untimely removal of access privileges may have been due to unclear guidance to, or improper training of, school personnel; the lack of monitoring controls by the information technology support department; or other factors. Proper controls to restrict access to application software processing functions are necessary to protect the confidentiality, integrity and availability of the District information resources. District personnel further indicated that a new system to more timely remove terminated employees access is in the development process.

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**Recommendation:**     **The District should enhance controls over the timely deletion of IT access privileges for terminated employees to minimize the risk of compromising District resources.**

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**Finding No. 3: Lottery Fund Appropriation**

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Section 24.121(5)(c), Florida Statutes, requires the District to allocate a portion of its lottery fund appropriation to each school to be spent only on programs or projects selected by school advisory councils (SACs), provided that these moneys may not be used for capital improvements or for programs or projects that have durations of more than one year.

The District office communicates the lottery fund allocations through correspondence to SACs, and the SACs are responsible for developing spending plans for these moneys. According to District records, the District carried forward into the 2007-08 fiscal year approximately \$564,000 of unexpended lottery funds. These moneys, along with the 2007-08 lottery funds allocation, provided approximately \$1,309,000 for the SACs. However, of this amount, the SACs only expended and committed approximately \$653,000, leaving a remainder of approximately \$656,000, or 50 percent of the total lottery moneys available, to carry forward into the 2008-09 fiscal year.

We also determined that 37 of the 89 SACs which received lottery moneys, accounted for approximately \$470,000 or 72 percent of the above carry-forward amount at June 30, 2008. Of these 37 schools, we noted that four SACs, which held meetings at various times during the 2007-08 fiscal year and were allocated a combined total of approximately \$25,000 in lottery funds, did not spend any of their lottery fund allocation.

According to District personnel, the District carried forward large amounts of lottery fund moneys because, in some instances, the SACs chose to accumulate moneys to purchase high dollar items. Although the SACs are given broad discretion on how to use the lottery revenues allocated to their schools, carrying forward significant amounts is not consistent with the legislative intent that these revenues be spent in the fiscal year appropriated. A similar finding was noted in our report No. 2006-197.

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**Recommendation:**     **The District should encourage all the school advisory councils to expend the lottery proceeds for school improvement in a more timely manner.**

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#### **Finding No. 4: Monitoring of Charter Schools**

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During the 2007-08 fiscal year, the District sponsored 14 charter schools. The District's contracts with the charter schools and District Policy 2.28 require the charter schools to provide evidence of minimum amounts and annual aggregate coverage per occurrence for commercial liability, errors and omissions, and workers' compensation/employer's liability insurance, as well as hazard insurance. Our review of District records for seven of the charter schools disclosed that enhancements could be made to ensure the adequacy of insurance coverage for these schools, as follows:

- Six of the charter schools did not have errors and omissions insurance coverage, contrary to District policy and charter school contracts.
- Six of the charter schools did not have fidelity bond insurance, contrary to District policy and charter school contracts.
- Six of the charter schools' insurance policies provided 30 days written notice of cancellation, contrary to the 60-day cancellation notice required by District policy and charter school contracts.
- For four charter schools, the workers' compensation limit was \$500,000 per accident and \$500,000 per employee, contrary to the \$1 million limits per accident and per employee, respectively, required by District policy and charter school contracts.
- Two of the charter schools' insurance policies only listed the Board as a certificate holder and not as additional insured, contrary to District policy and charter school contracts.
- For one charter school, property coverage provided for a \$5,000 deductible, although District policy and charter school contract required a \$1,000 deductible.

Without adequate procedures to monitor the charter schools' insurance coverage, there is an increased risk that such coverage may not be sufficient, subjecting the schools and the District to potential losses. A similar finding was noted in our audit report No. 2006-197.

**DUVAL COUNTY**  
**DISTRICT SCHOOL BOARD**

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**Operational Audit**



**DUVAL COUNTY**  
District School Board

**EXECUTIVE SUMMARY**

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: Employee compensation for certain positions was not always identified on salary schedules, contrary to State Board of Education rules.

Finding No. 2: Improvements were needed in documenting participation in professional development training.

Finding No. 3: Florida School Recognition Program payments were made to certain employees that did not meet applicable eligibility criteria.

Finding No. 4: Leave forms were not always prepared and maintained to document employee absences.

CASH CONTROLS

Finding No. 5: Controls over electronic funds transfers could be enhanced.

RESTRICTED RESOURCES

Finding No. 6: The District did not allocate E-payable and purchasing card program rebates generated by restricted resources to appropriate District funds.

PROCUREMENT

Finding No. 7: Controls over the use of purchasing cards could be strengthened.

CONSTRUCTION ADMINISTRATION

Finding No. 8: Construction administration procedures could be improved.

CONTRACT MONITORING

Finding No. 9: The District needed to enhance its procedures for monitoring payments to the Schultz Center for Teaching and Leadership.

Finding No. 10: Controls over contractual services and related payments could be enhanced.

Finding No. 11: Enhancements were needed in monitoring of insurance for District charter schools.

FACILITY SAFETY

Finding No. 12: The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 13: Controls over facilities construction and maintenance activities could be enhanced.

RESOURCE UTILIZATION

Finding No. 14: Controls over the District's motor vehicle maintenance and fuel usage monitoring could be enhanced.

INFORMATION TECHNOLOGY

Finding No. 15: Some inappropriate or unnecessary information technology (IT) access privileges existed.



**Recommendation:** The District should improve its payroll procedures to ensure that Board-approved salary schedules are the sole instruments used in determining employee compensation.

**Finding No. 2: Out-of-Field Teaching Assignments**

SBE Rule 6A-1.0503, FAC, defines qualified instructional personnel and provides, in part, the parameters governing the assignment of instructional personnel to teach outside their field of certification. The District provided English for speakers of other languages (ESOL) professional development training for teachers required to have such certification in order to not be considered out-of-field, as well as teachers seeking to renew their regular teaching certification. The ESOL training program required ESOL teachers who were not the primary providers of English, language arts, or reading instruction to ESOL students, to complete one course, or 60 inservice points. Each ESOL course instructor was required, upon completion of the course, to submit class rosters certifying that the participants attended or made up work for all scheduled classes and increased their competencies in 80 percent of the course objectives attempted to earn the 60 inservice points.

For the 2012-13 fiscal year, District records indicated 1,551 District employees successfully completed ESOL training courses. Our review disclosed that enhancements in controls over the development training process could be made, as follows:

- Class rosters for one ESOL class indicated that 32 District employees successfully completed ESOL training and were each awarded 60 inservice points. However, the class rosters did not include either the participant's initials or signature acknowledging attendance for the dates listed. Absent documentation that individual participants attended all required training days, such as signing or initialing class rosters, the District has limited assurance that participants successfully completed the training requirements.
- The District received e-mails from two teachers that were listed on the class rosters discussed above as having been present every scheduled day for the course; however, both teachers indicated in the e-mails that they had not attended every day and, as they had not completed the course, requested that the 60 inservice points awarded be removed from their personnel records.

Improperly awarding inservice points and ESOL certifications increases the risk that students may be taught by instructors who are not properly certified (i.e., out-of-field).

**Recommendation:** The District should enhance its procedures to ensure that professional development training attendance is properly documented with the initials or signatures of the participants.

**Finding No. 3: Florida School Recognition Program**

Pursuant to Section 1008.36, Florida Statutes, the District received Florida School Recognition (FSR) program financial awards and reported \$5,269,826 of expenditures of such awards for 85 schools for the 2012-13 fiscal year. As specified in statute, schools must use awards on nonrecurring faculty and staff bonuses; or for nonrecurring expenditures for educational equipment and materials, or temporary personnel, to assist in maintaining or improving student performance.

School staff and school advisory councils of the respective schools jointly approved a plan for each school that prescribed criteria to use in awarding FSR bonuses. We selected ten FSR bonus payments made in the 2012-13 fiscal year from ten different schools and evaluated the nonrecurring faculty and staff bonus payments for compliance with the respective school plan criteria. Our review disclosed three employees were paid bonuses, contrary to the approved plans, as follows:

- For one school, a school administrator received a bonus of \$1,512, although the school's plan only provided bonus funds to certain teachers and support staff. District personnel indicated that the intent was for full-time certificated employees, including school administrators, to receive bonus funds; however, District personnel confirmed that bonuses for schools administrators were not included in the plan.
- For another school, a part-time instructor received a bonus of \$500, although the school's plan only provided bonus funds to certain full-time staff. District personnel confirmed that the part-time instructor did not meet the eligibility criteria.
- At a third school, an instructor received a bonus of \$393 and only worked 56 days, although the school's plan only provided bonus funds to certain certificated personnel who worked a minimum of 135 days. District personnel confirmed that the instructor did not meet the eligibility criteria.

District personnel indicated that checking the eligibility of each employee may not have been adequately performed in their efforts to timely remit bonus payments. Without adequate procedures to review the respective plan criteria and employee eligibility, there is an increased risk that FSR program bonuses may be paid incorrectly or to ineligible employees.

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**Recommendation:** The District should enhance procedures to ensure that FSR program bonus payments are paid only to eligible employees. The District should also determine the extent of incorrect bonus payments and take appropriate action for proper resolution.

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#### **Finding No. 4: Attendance and Leave Records**

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Under the District's System Management for Attendance in Real Time (SMART) procedures, full-time employees are compensated on a payroll by exception basis in which gross salary payments will be the same amount from one payroll cycle to the next, unless specific actions are taken to change the scheduled contract hours or rate of pay. The District had 156 schools and 141 departments that used the SMART procedures for monitoring employee attendance and leave, and payroll technicians periodically performed SMART reviews of payroll records prepared and maintained by timekeepers in all schools and 23 departments during the 2012-13 fiscal year. Our review disclosed:

- The payroll technicians made notations on the review checklists indicating deficiencies identified, such as leave forms not located, not signed by employees, or not filed with the correct payroll; however, District records lacked evidence of the specific exceptions noted by the SMART reviews or extent of those exceptions. District personnel indicated that their review results only included general notes about missing or incomplete information to place less emphasis on the number of errors and more emphasis on the need to have complete and accurate records.
- District records lacked evidence of the basis upon which follow-up reviews were not performed for 7 of the 10 schools that initially had missing or incomplete leave forms and attendance records, although they were recommended for follow-up reviews. District personnel indicated they used alternate procedures to determine that adequate improvements had been made for these 7 schools and that formal follow-up reviews were not needed, although the alternate procedures were not documented. Further, for 2 of the 3 schools that had follow-up reviews, District records evidenced similar exceptions of missing, incomplete, or incorrect forms and entries in the payroll system, without evidence of how the exceptions were resolved.

Without detailed documentation of deficiencies noted, and sufficient documentation of follow-up procedures performed and related corrective actions implemented, there is an increased risk of inaccurate salary payments and leave balances. A similar finding was noted in our report No. 2011-042.

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**Recommendation:** The District should continue its efforts to improve the leave documentation process and emphasize the importance of accurate and timely leave records.

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**SEMINOLE COUNTY  
DISTRICT SCHOOL BOARD**

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**Operational Audit**



**EXHIBIT A (CONTINUED)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
School advisory councils.	Determined District's compliance with the provisions of Section 1001.452, Florida Statutes.
School internal funds audits.	Determined whether the required school internal fund audits were performed and obtained timely by the District.
Auditor selection process.	Determined whether the District followed Section 218.391, Florida Statutes, which requires establishment of an audit committee, and followed prescribed procedures to contract for audit services.
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Budgets.	Determined whether District procedures for preparing their budget were sufficient to ensure that all potential expenditures were budgeted.
Direct-support organization.	Determined whether the District transferred any resources or extended credit to its direct-support organization.
Interim financial reports presented to Board.	Determined whether monthly financial statements were presented to the Board as required by State Board of Education (SBE) Rule 6A-1.008, Florida Administrative Code (FAC), and assessed adequacy of such reports.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Qualified public depositories.	Determined whether deposits of District moneys were secured in a qualified public depository, unless exempted by law, as required by Section 280.03, Florida Statutes.
Inventories.	Reviewed the District's controls over safeguarding transportation parts inventories.
Cash collection procedures at District-operated after school programs.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the District's collection procedures. Determined whether the District performed timely fee audits of its after school programs.
Self-insurance programs.	Determined whether selected workers' compensation, and general casualty, liability claims were valid and adequately supported by detailed claim reports.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**ALACHUA COUNTY**  
**DISTRICT SCHOOL BOARD**  
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

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EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

The Alachua County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

### Summary of Audit Findings

#### **Finding No. 1: Board Meetings and Minutes**

District procedures did not ensure that minutes for informal meetings were recorded and subsequently reviewed and approved by the Board. Additionally, although typed minutes were recorded for 15 workshops and two Superintendent's Wellness Committee meetings, the minutes were not reviewed and approved by the Board.

Sunshine Law



#### Finding No. 2: Personnel Administration

District procedures did not provide for the timely verification of the accuracy of pay-rate calculations and other information that were entered into the personnel system by an employee other than the one who input the information. Absent such a procedure, the District had limited assurance that all personnel data entered was accurate and that all changes were authorized.

#### Finding No. 3: Background Screening

The District did not implement procedures recommended by the Florida Department of Education for timely obtaining fingerprints and performing background screenings required by law for instructional and noninstructional employees who have direct contact with students.

#### Finding No. 4: Employee Exit Interviews

The District did not document that exit interviews were conducted for employees terminating employment. Exit interviews are necessary to help ensure recovery of District property assigned to employees and that access to the District's information technology resources is terminated.

#### Finding No. 5: Day-Labor Project Inspections

The District did not have a formal process to evidence the review of project documents for compliance with the Uniform Building Code and the final inspection of projects upon completion.

#### Finding No. 6: Annual Facility Safety Inspections

District procedures did not ensure that facility deficiencies noted on the annual comprehensive safety inspection reports were timely corrected.

#### Finding No. 7: Maintenance of Tangible Personal Property Records

Some reports produced by the District's tangible personal property system contained errors because software updates were not functioning properly. Additionally, tangible personal property records did not include certain information on the disposal of property items.

#### Finding No. 8: Tangible Personal Property Inventories

The District did not have adequate procedures to ensure inventories of tangible personal property were taken upon change of property custodian, contrary to School Board Rules. In the absence of a complete physical inventory upon change of custodian, the District may be limited in its ability to fix responsibility for the loss of property items.

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**FINDINGS AND RECOMMENDATIONS**

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<b>Additional Matters</b>
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**Finding No. 1: Board Meetings and Minutes**

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District procedures did not ensure that minutes were prepared for all Board meetings and subsequently reviewed and approved by the Board. Section 1001.42(1)(a), Florida Statutes, provides that the minutes of each Board meeting shall be reviewed, corrected if necessary, and approved at the next regular meeting, or at an intervening special meeting if the Board desires. Section 286.011(2), Florida Statutes, requires that all minutes of a Board be promptly recorded and open to public inspection.

The *GOVERNMENT-IN-THE-SUNSHINE MANUAL* prepared by the Office of the Attorney General indicates, in Part I, Section C.1., that the Sunshine Law extends to any gathering, whether formal or casual, of two or more members of the same board or commission to discuss some matter on which foreseeable action may be taken by the public board or commission. In addition, the *GOVERNMENT-IN-THE-SUNSHINE MANUAL*, Section D, indicates that the Sunshine Law specifically applies to informal discussions and workshops and refers to the Florida Supreme Court's statement that "collective inquiry and discussion stages" are embraced within the terms of the Statute.

During the period July 1, 2005, through March 31, 2006, the Board held 45 meetings, including 14 regular meetings, 7 special meetings, 15 workshop meetings, 7 informal meetings, and 2 Superintendent Wellness Committee meetings. Our audit indicated that minutes for regular and special meetings were timely recorded and approved by the Board. Minutes were recorded for the 15 workshops and the 2 Superintendent's Wellness Committee meetings; however, the minutes were not reviewed and approved by the Board. For the seven informal meetings, forms were prepared documenting issues discussed by the Board; however, minutes were not recorded and approved by the Board.

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**Recommendation:** The Board and the Superintendent should take appropriate action to ensure that minutes of all meetings subject to the provisions of the Sunshine Law are prepared, reviewed by the Board, corrected if necessary, and timely approved.

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**Finding No. 2: Personnel Administration**

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Responsibilities of calculating pay rates and inputting this and other information into the District's personnel system for new and existing employees had been assigned to one employee. In March 2006, the District assigned a second employee to help perform these responsibilities. However, the District's procedures did not provide for the timely verification of the accuracy of pay-rate calculations and other information entered into the personnel system by an employee other than the one who input the information. Absent such a procedure, the District cannot be assured that all personnel data entered was accurate and that all changes were authorized. Under these



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**ST. LUCIE COUNTY**  
**DISTRICT SCHOOL BOARD**  
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006



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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

The St. Lucie County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards. Club and class activity funds of the individual schools were not included within the scope of our audit.

**Summary of Report on Internal Control and Compliance**

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

**Summary of Audit Findings****Finding No. 1: Electronic Funds Transfer**

Improvements were needed in controls over electronic transfer of funds to restrict the accounts to which funds may be transferred and to authorize specific individuals to change destination accounts. Additionally, there was not always supervisory review of the electronic funds transfer transactions.

**Finding No. 2: Journal Entry Posting and Approval**

The District did not always post journal entries to its accounting system in a timely manner. Additionally, journal entries did not always evidence supervisory approval.

**Finding No. 3: Tangible Personal Property – Reconciliation with Control Accounts**

The District did not reconcile the subsidiary tangible personal property records to the control accounts. Additionally, property deletions were not accurately presented to the Board for approval resulting in differences between the property records and amounts reported on the financial statements.

**Finding No. 4: Bid Support**

Improvements were needed by the District when using bids from other school districts. We noted two instances in which the original bids of other school districts were on file to verify the discount-off-catalog price; however, the District did not obtain and retain documentation of the vendor's catalog price of items at the time of the original bid. Consequently, District records did not evidence that the correct prices were paid for the purchases tested.

**Finding No. 5: Claims Testing**

Improvements were needed in internal control procedures over the District's self-insured health plan. The District does not perform a periodic review, on at least a sample basis, of the supporting documents for claims payments. Periodic reviews of the underlying support for claims payments by District personnel would help ensure that payments made by the District's third-party administrator are for valid health claims of the District.

**Finding No. 6: Fingerprinting and Background Checks**

Although the District implemented procedures to perform fingerprinting and background screenings of contractors, our testing disclosed that improvements were needed in implementing the law. Our testing of 15 special education contractual personnel who had direct access to students disclosed one individual had not been fingerprinted, nor had a background screening been performed, and two instances where evidence of background screenings had not been retained in the District's files and could not be located for our review.

**Finding No. 7: Performance-Pay Plan**

The District's performance-pay plan contained provisions which appear to limit employee participation, contrary to Florida Statutes.

**Finding No. 8: Annual Facility Safety Inspections**

The District did not, in some instances, correct safety and maintenance deficiencies disclosed by annual facility inspections in a timely manner. Our review of annual facility inspection reports for five facilities found instances in which previously cited maintenance and safety deficiencies remained unresolved for extended time periods.

**Finding No. 9: Preparation of Board Meeting Minutes**

Minutes of the Board's meetings were not timely made available for public inspection. In these circumstances, the public's access to information on Board actions may be limited.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Improving Teacher Quality State Grants, and Disaster Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

**Audit Objectives and Scope**

Our audit objectives were to determine whether the St. Lucie County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage; 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in the audit reports for the 2003-04 and 2004-05 fiscal years prepared by other auditors and in our report No. 2004-162.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

deficiencies had been cited in the annual inspection reports up to 14 previous times (years). A similar finding was noted in our report No. 2004-162.

Section 1013.12, Florida Statutes, requires that each district school board provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of firesafety and sanitation and casualty safety prescribed in the rules of the State Board of Education and standards adopted by the State Fire Marshal. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy and could result in additional costs in the future due to further deterioration.

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**Recommendation:** The District should enhance its maintenance and budgeting procedures to provide for the timely correction of facility deficiencies as noted in the annual inspection reports.

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**Finding No. 9: Preparation of Board Meeting Minutes**

Minutes of the Board's meetings were not timely made available for public inspection, contrary to Sections 286.011(2) and 1001.42, Florida Statutes. Section 1001.42(1), Florida Statutes, provides that the School Board shall require minutes and records to be kept as necessary to set forth clearly all actions and proceedings of the Board and minutes shall be kept as a public record in a permanent location. Section 286.011(2), Florida Statutes, requires that all minutes of a Board meeting be promptly recorded and open to public inspection.

Our audit disclosed that minutes were generally presented to the Board for approval in a timely manner. However, our audit disclosed that, as of May 22, 2006, the minutes from all Board meetings held between July 1, 2005, and April 11, 2006, had not been recorded in the official record book and made available for public inspection. A further review on January 24, 2007, disclosed that the minutes from Board meetings held between July 1, 2005, and June 30, 2006, had been recorded with the exception of the following four Board meetings: October 25, 2005 – Regular Meeting, November 8, 2005 – Regular Meeting, November 22, 2005 – Regular Meeting, and November 22, 2005 – Special Meeting. In these circumstances, the public's access to information on Board actions may be limited. A similar finding was noted in our report No. 2004-162.

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**Recommendation:** The Board should take the necessary action to ensure that its minutes are available for public inspection in a timely manner.

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#### PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in the reports prepared by other auditors for the 2003-04 and 2004-05 fiscal years and in our report No. 2004-162.



# AUDITOR GENERAL

## WILLIAM O. MONROE, CPA



### BROWARD COUNTY DISTRICT SCHOOL BOARD

### OPERATIONAL AUDIT

For the Period July 1, 2002, through June 30, 2003, and Selected Management  
Actions through April 2004

#### SUMMARY

##### Finding No. 1: Internal Audit Function

To enhance independence, Board policies should allow the District's internal auditor to independently report instances of suspected fraud, abuse, and improper acts and expenditures to the appropriate law enforcement agencies.

##### Finding No. 2: Audits of School Internal Accounts

The District should enhance procedures to ensure that the required annual audits of the District's school internal accounts are completed and presented timely to the Board.

##### Finding No. 3: Monitoring of Charter Schools

The District should enhance procedures to provide for timely monitoring and reviewing of the financial and insurance information required to be submitted by its charter schools.

##### Finding No. 4: Agency Fund Transactions

Some Department operating activities were reported as agency funds in the financial statements, although the resources for these activities were not being held under custodial arrangements. Accumulated resources for the accounts reviewed ranged from approximately \$248,000 to \$884,000 at June 30, 2003.

##### Finding No. 5: Annual Facility Inspections

The District had not corrected many deficiencies cited during previous years' annual facility safety inspections. Some deficiencies had been cited up

to 12 previous times (years) and many involved fire violations.

##### Finding No. 6: Capital Outlay – Day-Labor Project Inspections

District procedures for inspections of day-labor projects could be enhanced by documenting those instances in which inspections are determined not to be necessary. Also, the District should consider the benefits of implementing an automated inspection tracking system.

##### Finding No. 7: Site Selection and Acquisition

The District could enhance policies and procedures for site selection and acquisitions of real property.

##### Finding No. 8: Tangible Personal Property

The District should strengthen procedures to provide for complete annual physical inventories, timely and proper marking of property items as property of the District, and updating of property records to reflect an accurate listing of property items for current locations.

##### Finding No. 9: Energy Savings Contracts

The District did not independently verify the energy savings representations made by energy conservation contractors and verified by project managers, whose positions are funded by the contractors. Also, no written guidelines have been developed to establish the time frame for measuring and verifying significant contract items and the documentation necessary to evidence the project managers' review process.

**Finding No. 10: Construction Change Orders – Consultant Errors**

The District records did not evidence whether change orders (\$1.8 million) identified as consultant errors were the result of consultants' negligence which would be subject to reimbursement to the District.

**Finding No. 11: Construction Warranty Process**

An automated warranty administration system was not in place to track and monitor project warranties. Also, the District should develop written guidelines defining the duties of school/facility staff, project managers, Maintenance Department personnel, and contractors during the warranty process.

**Finding No. 12: Monitoring of Construction Managers**

The District should enhance procedures to document the monitoring of the construction managers' subcontractor selection. The procedures should also provide for monitoring the verification of subcontractor licensure by the construction managers.

**Finding No. 13: Strategic Planning**

The District should improve its strategic plan to include projected costs and funding sources for the established goals and objectives and to correlate its budget to strategic plan goals and objectives.

**Finding No. 14: Florida School Recognition Program Expenditures**

The District should enhance its procedures to ensure that Florida School Recognition Program funds are distributed in accordance with program requirements.

**Finding No. 15: Purchasing Practices**

Procedures could be enhanced by rotating assignments for employees with buying responsibilities within the Purchasing Department. Also, District records should document that purchases are made in accordance with applicable bid terms and conditions, at the lowest and best price, and consistent with product quality and performance, including those made from catalog discount bids.

**Finding No. 16: Verification of Work Experience**

The verification of work experience was not documented for five employees in the Facilities

and Construction Management Division. Also, the District verified only 1.4 years of work experience for an employee whose position required five years of work experience. In another instance, the verification of employment was made 15 months after the appointment date.

**Finding No. 17: Salary Overpayments**

The District should strengthen procedures to enhance the efficiency and effectiveness of the payroll processing function and reduce the risk of future salary overpayments.

**Finding No. 18: Overtime Payment Monitoring**

From July 2001 through June 2003, the District's payroll application system was not able to generate reliable reports that would allow overtime payments to be summarized, compared, and analyzed. Although some overtime reports have been generated effective July 2003, additional procedural enhancements should be made to control overtime payments.

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**BACKGROUND**

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The District is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Broward County. The governing body of the Broward County District School Board is composed of nine elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The Board members and the Superintendent who served during the audit period are listed in Exhibit 1.

During the audit period, the District operated 216 elementary, middle, and high schools; adult/vocational schools; and educational centers and reported 262,704 unweighted full-time equivalent students. In addition to its primary responsibility of providing educational services to students in grades kindergarten through 12, the District provided post-secondary vocational training.

The results of our audit of the District's financial statements and Federal awards are presented in audit report No. 2004-173.

*not our intent to suggest that the District should assume the responsibility for pre-qualifying subcontractors, rather, that the District should monitor the general contractor's selection process to ensure that subcontractors that work on District projects are qualified and licensed.*

#### **Finding No. 13: Strategic Planning**

Board Policy 1101 provides for the establishment of a strategic planning process that results in focusing the District's shared vision and values. The process guidelines require the development of goals and operational plans designed to implement the strategies identified to attain the goals.

The District developed a five-year strategic plan in 2000 for the period 2000 through 2005. The plan includes a mission statement, 4 broad goals, and 12 objectives. Our review disclosed that the plan did not include the estimated costs and proposed funding sources for the established goals and objectives. The financial effects of long-term and short-term (annual) goals and priorities, including the projected costs and funding sources for meeting those objectives, are important so that District staff developing the budget can ensure that planned expenditures are for activities that meet the Board's strategic plan objectives.

District personnel indicated that the Budget Office sets the budget allocations based upon the priorities identified in the five-year strategic plan and that, when the budget plan is approved by the Board, the objectives in the five-year strategic plan drive the decisions. However, there was no documentation correlating the District's budget to the strategic plan goals and objectives.

**Recommendation:** We recommend that the District enhance its strategic plan to include financial information to assist with budgeting for the established goals and objectives.

#### **Finding No. 14: Florida School Recognition Program Expenditures**

Pursuant to Section 1008.36, Florida Statutes, during the 2002-03 fiscal year, 104 District schools were awarded a total of approximately \$12.8 million in Florida School Recognition (FSR) Program moneys. As specified in Section 1008.36, Florida Statutes, schools must use their awards on nonrecurring faculty and staff bonuses, nonrecurring expenditures for educational equipment and materials, or temporary personnel to assist in maintaining or improving student performance. In addition, the use of the funds must be determined jointly by the school's staff and school advisory council. If school staff and the school advisory council cannot reach agreement by November 1, the funds must be equally distributed to all classroom teachers currently teaching in the school.

The District generally complied with the requirements governing the use of FSR Program moneys. However, contrary to Statute, at 5 of 20 schools tested, the agreements determining how to use the FSR Program moneys were not reached until after the November 1 deadline and the funds were not equally distributed to all current classroom teachers.

**Recommendation:** We recommend that the District enhance its procedures to ensure that Florida School Recognition Program funds are distributed in accordance with Program requirements.

#### **Finding No. 15: Purchasing Practices**

Competitive bidding assures the public that the Board's purchases will be made without favoritism and as economically as possible, consistent with an adequate standard of quality. State Board of Education Rule 6A-1.012(6), Florida Administrative Code, requires that, except as authorized by law or rule, bids shall be requested from three or more sources for any authorized purchase or contract for services exceeding \$25,000. Board Policy 3320 provides general purchasing guidelines and includes