

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-092
February 2016

**MONROE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Mark T. Porter served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Robin Smith-Martin to 11-17-14, Vice Chair	1
Bobby Highsmith from 11-18-14	1
Andy Griffiths	2
Ed Davidson	3
John R. Dick, Chair from 11-18-14	4
Ronald A. Martin, Chair to 11-17-14, Vice Chair from 11-18-14	5

The team leader was James A. Bell, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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MONROE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Monroe County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-105. Our audit disclosed the following:

Finding 1: District records did not always evidence that the District used sales surtax and ad valorem tax levy proceeds only for authorized purposes, resulting in questioned costs totaling \$336,713 and \$75,449, respectively. A similar finding was noted in our report No. 2015-105.

Finding 2: Payroll processing procedures continue to need enhancement.

Finding 3: Controls over the software vendor selection process and related payments could be enhanced.

Finding 4: After school child care program collection controls at District schools, including the Horace O'Bryant School, could be improved.

Finding 5: Controls over virtual instruction program (VIP) operations and related activities continue to need improvement by developing and maintaining comprehensive, written VIP policies and procedures.

Finding 6: Access to student confidential information was not always properly safeguarded. A similar finding was noted in our report No. 2015-105.

BACKGROUND

The Monroe 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 Monroe County. The governing body of the District is the Monroe 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 2014-15 fiscal year, the District operated 3 elementary schools, 4 K-8 schools, 1 combination middle high school, 2 high schools, and sponsored 6 charter schools; and reported 8,090 unweighted full-time equivalent students.

This operational audit of the District focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-105. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Restricted Capital Outlay Resources

Sales Surtax Proceeds

The District receives discretionary sales surtax proceeds based on the District's sales surtax voter referendum pursuant to State law,¹ and accounts for these proceeds in a subfund of the Capital Projects – Other Fund. According to the voter referendum, proceeds from the discretionary sales surtax may be used for various capital outlay projects, such as upgrading and addressing security needs at school facilities, equipping schools with modern technology, constructing new facilities, renovations and additions to existing school structures, and other permitted capital improvement. State law² provides that neither the proceeds of the surtax nor any interest accrued may be used for operational expenses.

For the 2014-15 fiscal year, District expenditures of sales surtax proceeds totaled \$3.5 million and transfers to other funds totaled \$10.6 million. We examined District records supporting selected sales surtax expenditures totaling \$586,973 and transfers totaling \$9.9 million to determine their propriety. As summarized in Table 1, we found instances in which the District used certain sales surtax proceeds for purposes that appeared to be operational in nature and not associated with the capital outlay projects set forth in the sales surtax voter referendum and, therefore, represent questioned costs.

**Table 1
Sales Surtax Proceeds
Questioned Costs**

Description	Amount
Wide Area Network and Ethernet Dedicated Internet Service	\$181,619
Telephone, Data Storage, Communication Filtering and Encryption, and Other Telephone Software Services	113,790
Portable Classroom Rentals	24,751
Learning Software Service Fees	10,000
School Web Site Hosting Fees	6,553
Total Questioned Costs	<u>\$336,713</u>

In response to our inquiry, District personnel indicated that, without discussions with the Florida Department of Education or interpretations from District legal counsel, they initially believed the expenditures were proper uses of sales surtax proceeds. Subsequent to our inquiry, in August 2015, the District restored these questioned costs totaling \$336,713 to the sales surtax subfund of the Capital Projects – Other Fund.

¹ Section 212.055(6), Florida Statutes.

² Section 212.055(6)(c), Florida Statutes.

Ad Valorem Taxation

State law³ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2014-15 fiscal year, the District's LCI Fund expenditures totaled \$3 million and transfers to other funds totaled \$8 million. We examined District records supporting selected LCI Fund expenditures totaling \$367,879 and transfers totaling \$5.2 million to determine their propriety. We found expenditures totaling \$75,449 for telephone, data storage, and communication filtering and encryption services that did not appear consistent with the allowable uses of ad valorem tax levy proceeds and, as such, represent questioned costs. Subsequent to our procedures, in August 2015, the District restored these questioned costs totaling \$75,449 to the LCI Fund. A similar finding was noted in our report No. 2015-105.

Recommendation: The District should continue efforts to ensure that sales surtax and ad valorem tax levy proceeds are expended only for authorized purposes.

Finding 2: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays contracted employees (e.g., administrative and educational support personnel) on a payroll-by-exception basis whereby the employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the District reported salary costs of \$12.8 million for administrative and educational support personnel. The District required contracted employees to maintain records of time worked, such as time sheets, and prepare and sign leave forms for supervisors' review and approval, and school and department personnel were to input leave taken into the payroll system. School principals or department supervisors were to approve biweekly payroll reports, generated by the payroll system, that reflected employee time worked and leave taken.

For the April 16, 2015, through May 6, 2015, payroll period, we examined District records, such as time sheets and other documentation, supporting payments to a total of 18 administrative and educational support personnel and found that:

- While time sheets were maintained to evidence the time worked for 9 of the employees, District records for the 9 remaining employees tested did not document the employees' time worked.
- For 9 of the employees who documented time worked, District records for 7 of the employees did not contain employee signatures or initials to certify the time worked and District records for 5 of

³ Section 1011.71, Florida Statutes.

the employees did not evidence supervisory review and approval. District personnel indicated that these documentation errors occurred because of personnel oversights.

- Although time sheets indicated that 1 employee did not work on April 17th and April 24th and another employee did not work on May 5th and May 6th, the District did not reduce the employees' leave balances for those days. District personnel indicated that the errors occurred because personnel did not properly enter leave information into the payroll system.
- The time sheet for an assistant principal indicated that the employee took personal leave on April 23rd and April 24th; however, the District did not reduce the assistant principal's leave balance for this leave. In response to our inquiry, District personnel provided us a request for leave form signed by the assistant principal and approved by the school principal, showing that the assistant principal was given compensatory time for work on weekends; however, the District's leave policies⁴ for administrative personnel do not provide for earning or using compensatory time.

Without consistently documenting time worked, employee certifications of such time, and supervisory review and approval of the time, along with appropriate accountability for leave taken and related leave balances, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without such records and procedures, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

In April 2015, the Board contracted with a software firm for a new time and attendance management system; however, as of November 2015, the District had not fully implemented the software. Similar findings were noted in our audit report Nos. 2014-151 and 2015-105.

Recommendation: The District should continue efforts to enhance payroll processing procedures to ensure that all employee work and leave time is in accordance with Board policy and appropriately documented, approved, accurately recorded in the payroll system, and reconciled to payroll leave records.

Finding 3: Software Purchases

State Board of Education (SBE) rules⁵ provide that the District may acquire information technology systems, such as software, through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs as determined by the Board. For purchases exceeding \$50,000, SBE rules⁶ also provide that, in lieu of requesting competitive solicitations from three or more sources, the District may make purchases at or below the specified prices from contracts awarded by another governmental entity, such as another school district, when the proposer awarded the contract by the other governmental entity permits District purchases at the same terms, conditions, and prices (or below such prices) awarded in the contract, and the purchases are to the District's economic advantage.

Good business practice dictates that selection and purchase of software include documented considerations of the software costs in relation to the benefits of the software to specific user needs. Effective procurement procedures serve to increase public confidence in the procurement process, and

⁴ Board Policy No. 1430, *Leave of Absence*.

⁵ SBE Rule 6A-1.012(14), Florida Administrative Code (FAC).

⁶ SBE Rule 6A-1.012(6), FAC.

appropriately written software contracts establish the scope of work, deliverables, and related delivery dates.

In April 2015, the Board approved a 5-year contract totaling \$238,558 for the installation and maintenance of an externally hosted Web-based software application to manage certain services provided for exceptional education students. According to District personnel, the contract was based on another school district's competitive negotiation and contract with the vendor. District personnel indicated that, to confirm that the other school district competitively negotiated for the contract, the District relied on the other school district's Web site showing the school district's request for proposals, contract award, and board agenda. While we confirmed that the other school district's Web site contained this information and identified the vendor, District records could not be provided to identify the vendors who responded to the request for proposals, demonstrate the competitive negotiation process, or evidence the District's consideration of the terms and conditions of the other school district's contract.

In January 2016, we requested and obtained records from the other school district that demonstrated that the vendor used by the District was selected pursuant to the other school district's competitive negotiation process. Also in January 2016, a copy of the contract from the other school district was provided to District personnel for comparison with the District's contract. The comparison showed that the terms and conditions of the two contracts were generally the same. For example, the pricing structure for the software license fees, implementation, and on-site training were similar in both contracts. However, the District's contract did not establish the software installation and employee training time frames, number of employees to receive training, or the processes to be used by District personnel to appropriately monitor the receipt of these services.

It is important when relying on another governmental entity's competitive negotiation and contract awarding process to, prior to executing a contract, obtain and review the necessary documentation to evaluate the reliability of the other entity's process and to confirm that the District's contract will be based on similar or better conditions and terms than included in the other entity's contract. Without such, the District cannot demonstrate that using another governmental entity's contract was to the economic advantage of the District. Also, without incorporating all the necessary provisions in District contracts, the risk of misunderstandings between the parties, overpayments, and services inconsistent with Board expectations is increased.

Recommendation: The District should enhance procedures to ensure that District records clearly evidence that purchases were made at the lowest price consistent with desired quality. In addition, future contracts should establish all appropriate contract provisions.

Finding 4: After School Child Care Program Collections

The District operates a fee-supported, school-age child care program that provides after school care at six schools. District personnel developed written fee collection procedures that require school principals to review monthly program fee collection and disbursement reports to determine the reasonableness of program fee collections and disbursements. For the 2014-15 fiscal year, the District recorded fee collections of \$568,000 for the program.

In December 2014, the Horace O'Bryant (HOB) School Principal's review of the October 2014 program fee collection and disbursement report indicated an elevated amount of expenses in comparison to fee collections. The Principal contacted the Finance Department and, upon review of the November 2014 fee collection and disbursement report, it was determined that the School's program had disbursed approximately \$800 more than the fees that were collected. Subsequently, for each school, Finance Department personnel reviewed program collection procedures, compared calculated program revenue based on student attendance sheets to collections per payment registers, and attempted to reconcile calculated program fee revenue to bank deposits. While these actions disclosed that program procedures at most schools were generally adequate and properly accounted for revenues, the HOB School's bank deposits were \$14,082 less than calculated program fee revenue during the period August 18, 2014, to January 9, 2015.

In April 2015, the District engaged a certified public accounting (CPA) firm to perform certain agreed-upon procedures, such as tests to assess the sufficiency of controls over the HOB School program. Those tests included a comparison of cash collection receipts to bank deposits during the period July 1, 2014, to March 31, 2015. The CPA firm issued a report, dated May 2015, that disclosed various control deficiencies in the HOB School program. For example:

- The program cash collection receipts did not identify the date of the collection. Without such, the ability to reconcile daily collections to the related receipts is limited.
- The program manager did not remit collections daily to the school bookkeeper, increasing the risk of theft to occur.
- School personnel did not sign transfer documents to establish responsibility for the program cash transferred between employees.
- Program cash collections were not independently reconciled to supporting documentation. Such reconciliations would provide additional assurance that cash collections are appropriately accounted for and reported.

In addition, the CPA firm's comparison of cash collection receipts to bank deposits identified bank deposits totaling \$20,739 less than documented collections.

District personnel indicated that, as a result of the HOB School program deficiencies identified, the District purchased new software for accounting and managing program operations at each school. District personnel provided draft revised collection procedures, dated December 2015, which delineate the responsibilities of each employee involved in the program at each school and require school principals to monthly review the fee collection and disbursement report for reasonableness, certify that the reports were reviewed, and then forward the certifications to the District office. District personnel further indicated that all program employees, school office managers, school principals, and certain other District employees received training for the revised collection procedures and new software.

In December 2015, the District referred the CPA-reported control deficiencies and suspected missing program funds to the State Attorney's Office for further investigation. As of January 2016, the matter is still under investigation.

Recommendation: The District should continue efforts to ensure that after school child care fee collections are accounted for properly. Such efforts should include establishing procedures to require that receipts identify the collection dates, collections be deposited daily, transfer documents be signed to establish responsibility for program cash transferred between employees, and collections be independently reconciled to supporting documentation. In addition, we recommend that the District continue to cooperate with the State Attorney's Office so that the amount of unaccounted for collections can be determined and the recovery of any such collections not used for a documented authorized public purpose can be pursued.

Finding 5: Virtual Instruction Program – Policies and Procedures

State law⁷ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law⁸ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 56 part-time and 4 full-time VIP students. Board policies⁹ address certain aspects of the VIP and, during the 2014-15 fiscal year, the District implemented various written policies and procedures that identify certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information related to the VIP. While the written policies and procedures provide a basis for administering the District's VIP, the policies and procedures could be further enhanced to address the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. A similar finding was noted in our report No. 2015-105.

Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should continue efforts to develop and maintain comprehensive, written VIP policies and procedures.

Finding 6: Information Technology – Access Privileges

The Legislature has recognized in State law¹⁰ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause

⁷ Section 1001.41(3), Florida Statutes.

⁸ Section 1002.45, Florida Statutes.

⁹ Board Policy No. 2370, *Educational Options*, and Board Policy No. 2370.01, *Virtual Instruction Program*.

¹⁰ Section 119.071(5)(a), Florida Statutes.

other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

The District maintains student information, including SSNs, in its information technology system. Board policy¹¹ allows designated District school officials and personnel access to student records to perform an administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose. To protect student information from unauthorized disclosure, modification, or destruction, the District implemented various access controls. For example, according to District personnel, monitoring procedures included performing a review of access privileges to student information twice a year. Effective access controls provide designated employees access to student records based on a demonstrated need to view, change, or delete these records.

We examined District records supporting the access privileges for 27 employees selected from the 226 employees with access to student information. We found that the access privileges for 8 of the 27 employees tested were unnecessary or permitted the employees to perform incompatible functions. Specifically, we found that:

- An assistant principal and a data support assistant had unnecessary access to student SSNs at 5 and 2 schools, respectively, other than their assigned school. In response to our inquiries, District personnel could not provide an explanation for why the unnecessary access privileges had been granted and the District terminated the unnecessary access privileges for these 2 employees.
- Three K-8 school data entry employees, a K-8 school bookkeeper, a K-8 school administrative assistant, and an elementary data support assistant had access to high school student SSNs. In response to our inquiries, these employees indicated that they needed access to student information at other schools for student enrollment and class scheduling purposes. However, since high school students have already completed their K-8 school curriculum, it was not evident why these employees needed access to student SSNs at District high schools in order to perform their assigned job responsibilities.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against District students. A similar finding was noted in our report No. 2015-105.

Recommendation: To ensure access to sensitive student information is properly restricted, the District should enhance the process for periodically reviewing access privileges to student information and timely remove or adjust any unnecessary or inappropriate access detected.

¹¹ Board Policy No. 8330, *Student Records*.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our reports, except as noted in Findings 1, 2, 5, and 6 and shown in Table 2.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Operational Audit Report No. 2015-105, Finding	2012-13 Fiscal Year Operational Audit Report No. 2014-151, Finding
1	2	Not Applicable
2	4	4
5	9	Not Applicable
6	10	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 2015 to January 2016 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in our report No. 2015-105.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify

problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of records and transactions. 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 District management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed District written information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated District procedures to prohibit former employees' access to IT data. We selected and examined access privileges for 20 of the 103 former employees who separated from District employment during the 2014-15 fiscal year to determine whether access privileges had been timely deactivated.
- Evaluated the District's written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information. We selected and examined IT access privileges for 27 of the 226 employees that had access to student confidential information to determine whether the access privileges were consistent with the employees' assigned job responsibilities.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Determined whether a written, comprehensive IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate comprehensive IT security awareness and training program was in place.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's finance and human resource system.

- Evaluated the adequacy of procedures related to security incident response and reporting.
- Reviewed the data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the data center.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, ready access of minutes to public, and maintenance of minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. We also examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balance at June 30, 2015, to the Fund's revenues was less than the 3 percent specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the reasonableness of, and ability of the District to make, future debt service payments.
- Examined the District's Web site to determine whether it showed the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- From the population of \$6.5 million total expenditures and \$18.6 million total transfers made during the 2014-15 fiscal year from nonvoted capital outlay tax levy proceeds, and other restricted capital project funds, selected and examined documentation supporting 27 expenditures totaling \$954,852 and 11 transfers totaling \$15.1 million to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- Determined whether the District, prior to purchase, evaluated the effectiveness and suitability of a software application purchased for \$238,558 and whether the purchase was made through a competitive vendor selection process. We also examined support for the prepayment of the \$238,558 contract amount to determine whether the deliverables met the terms and conditions of the contract.
- Analyzed Workforce Development Funds expenditures totaling \$1.1 million 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 587 adult general education instructional students reported for 101,542 contact hours, selected and examined District records related to 34 students with 3,671 reported contact hours to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Examined 19 statements of financial interests for the District Superintendent, Board members, Executive Director of Finance and Performance, Purchasing Supervisor, and certain other purchasing agents to determine whether the statements of financial interests were appropriately filed pursuant to Section 112.3145, Florida Statutes.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For District employees required to file statements of financial interests, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and District records to identify any potential relationships that represent a conflict of interest with District vendors.
- From the population of 74 facility use agreements, selected and examined 25 agreements and the related documentation to determine whether the District promptly collected and deposited facility use fees approved by the Board and contained in related agreements, and if facility users provided proof of insurance as required.

- From the population of 75 vehicle logs, selected and examined 23 logs to determine whether the logs contained travel descriptions, starting and ending mileage readings, travel dates, reasons for travel, driver signatures, and evidence of supervisory review and approval.
- Examined District records to determine whether the Board adopted, in compliance with Section 1012.22(1)(c)4.b., Florida Statutes, a salary schedule with differentiated pay for both instructional personnel and school-based administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
- Evaluated salary schedule and personnel records for initial placement or adjustments of noninstructional personnel salaries.
- Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon an employee's separation from District employment. From the population of 839 active and retired employee participants, and 969 dependent participants, we selected and examined District records for 15 active and retired employee participants and 15 dependent participants to determine the individuals' eligibility for health insurance. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of 1,390 employees compensated a total of \$53.3 million, selected and examined District records for 40 employees compensated a total of \$105,715 for one pay period to determine whether the salary payments were accurate and whether supervisory personnel reviewed and approved employee time worked and reconciled employee leave requests to payroll leave records.
- Determined whether the District had adequate policies and procedures regarding the District's Virtual Instruction Program (VIP).
- Reviewed District records to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- For each of the two FDOE-approved VIP providers that contracted with the District through the North East Florida Educational Consortium, determined whether the District obtained a list of provider employees and contracted personnel who could interact with students and verified that background screenings were completed in accordance with Section 1012.32, Florida Statutes.
- Examined the contract documents for the two FDOE-approved VIP providers to determine whether the contracts contained required statutory provisions. Also, we:
 - Reviewed the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
 - Reviewed contract fee provisions and inquired as to how fees were determined for services rendered.
 - Evaluated District-established controls to determine whether residual VIP funds were restricted and used for the District's local instructional improvement system or other technological tools, as required by law.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

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

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

MARK T. PORTER
Superintendent of School



Members of the Board

District # 1
BOBBY HIGHSMITH

District # 2
ANDY GRIFFITHS
Chairman

District # 3
ED DAVIDSON

District # 4
JOHN R. DICK
Vice Chair

District # 5
RONALD A. MARTIN

February 16, 2016

Ms. Sherrill F. Norman, CPA
Auditor General
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111 West Madison Street
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Dear Ms. Norman,

I have reviewed the list of preliminary and tentative findings and recommendations based on your operational audit of the Monroe County District School Board. My response to each finding is as noted below:

Finding No 1:

District records did not always evidence that the District used sales surtax and ad valorem tax levy proceeds only for authorized purposes, resulting in questioned costs totaling \$336,713 and \$75,449, respectively.

Response:

The District concurs with this finding. Upon notification from the auditors, the District reviewed and enhanced its procedures to ensure that only authorized expenditures are made from sales surtax and ad valorem tax levy proceeds. The questioned costs were moved to an appropriate funding source in the 2015-16 fiscal year.

Finding No. 2:

Payroll processing procedures continue to need enhancement.

Response:

The District will continue its efforts to ensure that all employee work time is appropriately documented and approved, accurately recorded and reconciled to payroll leave records. The District is in the process of implementing a new electronic time and attendance system that will address the noted concerns. Implementation is schedule to be complete by April 15, 2016.

Office of the Superintendent
241 Trumbo Road • Key West, FL 33040
Tel. (305) 293-1400 • Fax (305) 293-1408
www.KeysSchools.com

Finding No. 3:
Controls over the software vendor selection process and related payments could be enhanced.

Response:

The District will enhance its procedures to demonstrate that purchases were made at the lowest price with desired quality prior to executing the contract by documenting such as part of the Board rationale.

Finding No. 4:
After school child care program collection controls at District schools, including the Horace O'Bryant School, could be improved.

Response:

As noted in the preliminary and tentative findings, the District has already taken action to ensure that after-school child care fee collections are accounted for properly. The District has fully cooperated with the State Attorney's Office and an investigation by the School Board's legal counsel. The District will take any further action as recommended.

Finding No. 5:
Controls over virtual instruction program (VIP) operations and related activities continue to need improvement by developing and maintaining comprehensive, written VIP policies and procedures.

Response:

The District will continue its efforts to enhance current written policies and procedures to address the issues noted by the auditors.

Finding No. 6:
Access to student confidential information was not always properly safeguarded.

Response:

The District is very mindful regarding the protection of our student data. The District's transition to a new Student Information System effective July 1, 2016, will allow the District the opportunity to further enhance security protocols relating to student confidential information.

We appreciate the professionalism of staff throughout the audit process.

Sincerely,



Mark T. Porter, Superintendent
Monroe County Schools