

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2016-081  
January 2016

**POLK COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2014-15 fiscal year, Kathryn LeRoy served as Superintendent and the following individuals served as members of the School Board:

	<u>District No.</u>
Hunt Berryman, Vice Chair from 11-18-14	1
Lori Cunningham	2
Hazel Sellers	3
Dick Mullenax, Chair	4
Kay Fields	5
Debra Wright to 11-17-14, Vice Chair	6
Lynn Wilson from 11-18-14	6
Tim Harris	7

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by David A. Blanton, CPA. For the information technology portion of this audit, the team leader was Vikki Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at [dougconner@aud.state.fl.us](mailto:dougconner@aud.state.fl.us) or by telephone at (850) 412-2730.

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# POLK COUNTY DISTRICT SCHOOL BOARD

## **SUMMARY**

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This operational audit of the Polk County District School Board focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2013-071 and District findings in report No. 2013-094. Our audit disclosed the following:

### **Payroll and Personnel**

**Finding 1:** The Board had not adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. A similar finding was noted in our report No. 2013-071.

**Finding 2:** The District did not always timely perform required background screenings for applicable instructional and noninstructional employees.

**Finding 3:** The District needs to implement procedures to ensure documented supervisory review and approval of employees' work time.

### **Procurement and Payments**

**Finding 4:** Statements of financial interests were not always timely filed and District procurement procedures could be enhanced by providing for the Purchasing Department's routine review and consideration of required statements of financial interests.

**Finding 5:** As similarly noted in our report No. 2013-071, District controls over contractual arrangements for legal services could be enhanced.

### **Insurance**

**Finding 6:** The District could enhance controls to ensure that participation in the District's self-insurance program is limited to eligible employees and their dependents.

### **Virtual Instruction Program**

**Finding 7:** The virtual instruction program provider contracts did not contain certain necessary provisions. A similar finding was noted in our report No. 2013-094.

### **Information Technology**

**Finding 8:** The District needs to continue efforts to develop a written, comprehensive information technology risk assessment.

**Finding 9:** The District needs to continue efforts to develop and implement a comprehensive security awareness training program.

## **BACKGROUND**

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The Polk 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 Polk County. The

governing body of the District is the Polk County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2014-15 fiscal year, the District operated 116 elementary, middle, high, and specialized schools; sponsored 25 charter schools; and reported 97,877 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2013-071 and District findings noted in our report No. 2013-094. 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 separate reports.

## ***FINDINGS AND RECOMMENDATIONS***

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### PAYROLL AND PERSONNEL

#### **Finding 1: Compensation and Salary Schedules**

State law<sup>1</sup> requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees. State law<sup>2</sup> also provides that, for instructional personnel, the Board must provide differentiated pay based on District-determined factors including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in State law.<sup>2</sup> Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The salary schedule and union contract provided for certain types of differentiated pay; however, without a Board-established documented process for determining which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2013-071.

**Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in State law.**

#### **Finding 2: Background Screenings**

State law<sup>3</sup> requires that each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students undergo background screenings. In addition, State

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<sup>1</sup> Section 1001.42(5)(a), Florida Statutes.

<sup>2</sup> Section 1012.22(1)(c)4.b., Florida Statutes.

<sup>3</sup> Section 1012.32(2) Florida Statutes.

law<sup>4</sup> provides that instructional and noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo a level 2 background screening<sup>5</sup> at least once every 5 years. To promote compliance with the statutory background screening requirements, District procedures require the Human Resources Department to ensure employees who have access to school grounds undergo required background screenings.

During the 2014-15 fiscal year, the District employed 6,211 and 7,399 instructional and noninstructional personnel, respectively. To determine whether required background screenings had been performed timely for these employees, we analytically compared background screenings maintained by the Florida Department of Law Enforcement and District records, as of May 2015, for all employees and noted 19 instructional and 8 noninstructional employees who did not obtain the level 2 background screening at least once in the last 5 years. District personnel indicated that background screenings were not performed for these employees due to a programming error in the District's information system used to track screening dates. Subsequent to our inquiry in July 2015, District personnel obtained background screenings for these 27 employees and noted no inappropriate background information. However, the dates of the screenings ranged from 68 days to 6 years after the applicable 5-year period elapsed. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

**Recommendation: The District should ensure that required background screenings are timely performed for District employees.**

### **Finding 3: 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 noninstructional employees (e.g. administrative, clerical, and other support employees) on a payroll-by-exception basis whereby 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 approximately \$43.4 million for noninstructional employees. According to District personnel, to document leave taken, noninstructional employees file completed leave forms with their supervisors who review and approve the forms and then provide the approved forms to the applicable department assistant. The department assistant ensures that supervisory approval is obtained for all leave taken and enters the leave into the District's payroll system. While noninstructional employee time sheets and leave forms evidence the employees' leave taken, District records did not evidence the time worked by the employees.

In response to our inquiry, District personnel indicated that the payroll-by-exception basis was an acceptable practice. However, without evidence of time worked and documented supervisory review and

<sup>4</sup> Sections 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

<sup>5</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

approval of noninstructional employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

**Recommendation: The District should require noninstructional employees to report time worked on their time sheets and ensure that supervisory review and approval of such time is documented.**

PROCUREMENT AND PAYMENTS

**Finding 4: Purchasing Procedures – Conflicts of Interest**

Board policy<sup>6</sup> prohibits conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the District’s invitation to bid requires proposers to identify the name of any officer, director, or agent who is also an employee of the District. State law<sup>7</sup> requires the Superintendent, Board members, Chief Financial Officer (CFO), and all employees with purchasing authority greater than \$20,000 to file statements of financial interests no later than July 1 of each year with the appropriate agency, such as the Commission of Ethics.

The Legislature has found that public interest requires the law to protect against any conflict of interest and establish standards for the conduct of elected officials and government employees in situations where conflicts may exist.<sup>8</sup> The State’s Code of Ethics for Public Officers and Employees<sup>9</sup> requires, among other things, that local officers, such as the Superintendent, file a statement of financial interests within 30 days of appointment.<sup>10</sup>

As of November 2015, our procedures found that the CFO had not filed the required statement of financial interests due July 1, 2015. Our audit procedures also found that, while other District personnel filed statements of financial interests as required, the Purchasing Department did not review the statements to identify potential conflicts of interest. Although District procedures provide some assurance of detecting conflicts of interest, the Purchasing Department’s routine review and consideration of required statements of financial interests would enhance the District’s procurement practices and reduce the risk of conflicts of interest related to procurements or contractual obligations.

**Recommendation: The District should ensure that statements of financial interests are timely filed. The District should also enhance procurement procedures to provide for the Purchasing Department’s routine review and consideration of required statements of financial interests.**

<sup>6</sup> Board Policy 6320, *Purchasing for Goods and Services* and 6460 – *Vendor Relations*.

<sup>7</sup> Section 112.3145, Florida Statutes.

<sup>8</sup> Section 112.311(1), Florida Statutes.

<sup>9</sup> Chapter 112, Part III, Florida Statutes.

<sup>10</sup> Section 112.3145(2)(b), Florida Statutes.

## Finding 5: Contract Administration

Pursuant to State law,<sup>11</sup> the Board is the contracting agent for the District. Good business practice dictates that contractual arrangements be evidenced by written contracts embodying all provisions and conditions of the arrangements. Properly written contracts could protect contracting party interests, identify the responsibilities of contracting parties, define services to be performed, and provide a basis for payment.

During the 2014-15 fiscal year, the District paid \$14,975, \$15,086, and \$16,105, respectively, to three firms for legal services based on hourly rates ranging from \$75 to \$200 per hour. District personnel indicated that the District obtained the services through coordination with the Board Attorney and that District personnel and the Board attorney reviewed the services identified on the related invoices prior to payment for the services. However, District records did not evidence Board-approved written contracts to establish the basis for the services and related payments. District personnel indicated that, since the Board Attorney had worked with these firms for years, no written contracts were prepared. Without Board-approved written agreements defining the responsibilities of both parties, there is an increased risk of misunderstandings between the parties, overpayments, or that services received may not be consistent with the Board's expectations. A similar finding was noted in our report No. 2013-071.

**Recommendation:** The District should ensure that contractual arrangements be evidenced by written contracts to document essential elements of the arrangements, such as the nature of the services to be performed and the amount of compensation to be provided, and that such contracts be subject to Board approval.

### INSURANCE

## Finding 6: Health Insurance Plans – Premiums and Participant Eligibility

The District's self-insurance plan provides health and prescription coverage for eligible participants including employees, retired former employees, and eligible dependents. Pursuant to State law,<sup>12</sup> the District contracted with a third-party-administrator (TPA) to administer its health and prescription coverage plan and to process, investigate, and pay claims. During the 2014-15 fiscal year, the District reported health insurance plan expenses totaling \$90.6 million, including claims expenses of \$82.5 million, administrative expenses of \$7.7 million, and other expenses of \$0.4 million.

The District's Risk Management Department is responsible for deducting the insurance premium costs from employee pay, collecting insurance premiums from retirees, depositing payments to its self-insurance program account, and notifying the TPA to remove from the District's plan employees (and their dependents) who separate from District employment or fail to pay plan premiums. Our comparison of District records of current employees to TPA records of 13,286 plan participants as of May 2015 disclosed that:

- Three former employees and their five dependents were permitted to participate in the District's health insurance plan even though the required premiums had not been paid for 11 to 30 months.

<sup>11</sup> Section 1001.41(4), Florida Statutes.

<sup>12</sup> Section 1011.18(6)(b), Florida Statutes.

After the individuals' eligibility to participate in the District's plan expired, the District paid medical claims totaling \$249,189 and funded monthly Board premium contributions totaling \$36,184 for these ineligible plan participants.

- One former employee paid insurance premiums totaling \$8,957 to participate in the District's insurance plan for 13 months after the individual's eligibility to participate as a District employee in the plan expired. Also, during this period, the District paid claims totaling \$4,749 and funded monthly Board premium contributions totaling \$12,628 for the former employee.
- Another former employee continued to participate in the District's health insurance plan 7 months after the individual separated from District employment. During this period, the District paid medical claims totaling \$2,611 and funded monthly Board premium contributions totaling \$1,722 for this former employee. In May 2015, subsequent to our inquiry, the District removed the former employee from the plan.

These instances occurred because the District did not have procedures for reconciling the TPA listing of health insurance participants and related premiums to District records supporting participant eligibility, such as payroll records and insurance premium billings. Without adequate procedures for verifying health insurance participant eligibility and reconciling monthly health insurance premiums to payroll records and related billings, there is an increased risk that the District's self-insurance plan may incur unnecessary claim payments, resulting in increases in future Board contributions toward health insurance premiums.

**Recommendation: The District should enhance procedures to ensure the eligibility of health insurance program participants. Such procedures could include monthly reconciliations of TPA listings of health insurance participants and related premiums to payroll records and insurance premium billings. In addition, the District should seek reimbursement of the ineligible claims payments totaling \$256,549.**

## VIRTUAL INSTRUCTION PROGRAM

### Finding 7: Provider Contract

State law<sup>13</sup> requires that each contract with a Florida Department of Education (FDOE) approved Virtual Instruction Program (VIP) provider contain certain provisions. In addition, to ensure appropriate controls over data quality and provider contract compliance, VIP provider contracts need to contain other provisions necessary to establish the District's expectations for these providers. District records also need to evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios established in the VIP provider contracts.

The District entered into a contract with an FDOE-approved VIP provider. Our review of this contract and other records disclosed that:

- State law<sup>14</sup> requires FDOE-approved VIP providers to publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to the applicable section of State law. Although the contract with the FDOE-approved provider established student-teacher ratios, the ratios appeared disproportionate, as the ratios ranged from 30:1 to 65:1 (for kindergarten through grade 8) and from 50:1 to 250:1 (for grades 9 through 12). Further, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios.

<sup>13</sup> Section 1002.45(4), Florida Statutes.

<sup>14</sup> Section 1002.45(2)(a)8.e., Florida Statutes.



Without records documenting the reasonableness of established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.

- The contract did not include data quality requirements. The provider is to maintain significant amounts of education data used to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.<sup>15</sup> Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contract contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,<sup>16</sup> without specified minimum required security controls, there is an increased risk that provider information security and other information technology controls may not be sufficient to protect the education data.
- The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

A similar finding was noted in our report No. 2013-094.

**Recommendation: The District should ensure that VIP provider contracts include a provision for monitoring provider compliance as well as provisions necessary to promote quality instruction and education data integrity. In addition, District records should document the reasonableness of the student-teacher ratios established in the FDOE-approved VIP provider contract.**

## INFORMATION TECHNOLOGY

### Finding 8: Risk Assessment

Management of information technology (IT) related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps entity personnel understand the entity's greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although District management had informally considered external and internal risks and identified security controls to mitigate these risks, a written, comprehensive IT risk assessment that considers threats and vulnerabilities at the Districtwide, network, system, and application levels and documents the

<sup>15</sup> Section 1008.31, Florida Statutes.

<sup>16</sup> The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

range of risks that the District's systems and data may be subject to, including those posed by internal and external users, had not been developed. Subsequent to our inquiry, the District contracted with a vendor for the development of a written risk assessment plan that was provided to the District in October 2015. The absence of a written, comprehensive IT risk assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through appropriate security controls. A similar finding was noted in our report No. 2013-071.

**Recommendation: District management should continue efforts to develop a written, comprehensive IT risk assessment plan to provide a documented basis for managing IT-related risks.**

### **Finding 9: Security Awareness**

A comprehensive security awareness training program apprises new employees of, and reemphasizes to existing employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive and confidential information) are included in the data maintained by the District's IT systems.

Although District management informed new employees of some responsibilities related to network security during employee orientation, District management had not developed a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities, including password protection and usage, copyright issues, malicious software and virus threats, workstation and personal mobile device controls, and handling of sensitive and confidential information. The absence of a comprehensive security awareness training program increases the risk that the District's employees may not be aware of the importance of information handled and their responsibilities for maintaining the confidentiality, integrity, and availability of District data and IT resources.

In response to our inquiry, District management indicated that a security awareness training video had been developed for the 2013-14 school year but had not been distributed to District employees. District management also indicated that, subsequent to our inquiry, the security awareness training video had been updated and would be incorporated in new employee orientation as well as distributed to current employees. Additionally, District management will monitor and track employee participation and acknowledgement of District security policies. A similar finding was noted in our report Nos. 2010-171 and 2013-071.

**Recommendation: District management should continue efforts to develop and implement a comprehensive security awareness training program.**

## ***PRIOR AUDIT FOLLOW-UP***

The District had taken corrective actions for findings included in previous audit reports, except as noted in Findings 1, 5, 7, 8, and 9 and shown in Table 1.

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

<b>Finding</b>	<b>2011-12 Fiscal Year Operational Audit Report No. 2013-071, Finding</b>	<b>2008-09 Fiscal Year Operational Audit Report No. 2010-171, Finding</b>	<b>Virtual Instruction Program Operational Audit Report No. 2013-094, Finding</b>
1	1	Not Applicable	Not Applicable
5	4	Not Applicable	Not Applicable
7	Not Applicable	Not Applicable	4
8	17	Not Applicable	Not Applicable
9	14	13	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 April 2015 to November 2015 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 previous audit reports.
- 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, and systems development and maintenance.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We also examined all access privileges over the finance and human resources applications for 6 critical finance functions and 13 critical human resource functions to determine the appropriateness and necessity based on employees' and contractors' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. In addition, we examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned and managed.
- Evaluated District procedures to prohibit former employees' access to the network and electronic data files. We examined access privileges for all 54 former employees who separated from District employment during the 2014-15 fiscal year to determine whether their 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.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a 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.
- Reviewed procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Reviewed the adequacy of written policies and procedures related to security incident response and reporting.
- 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, meetings readily accessible to the public, and properly maintained meeting 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. Also, we 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 General Fund total unassigned and assigned fund balances 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 and ability of the District to make its future debt service payments.
- Examined the District's Web site to determine whether it included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
- Examined District records to determine whether the District established an audit committee and followed proper procedures in their selection process for audit services pursuant to Section 218.391, Florida Statutes, for the 2 preceding fiscal years.
- Examined supporting documentation to determine whether required internal funds audits for the current and 2 preceding fiscal years were timely performed pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.
- Reviewed audit reports for the District's direct-support organizations and charter schools to determine whether the audits were performed pursuant to Section 1001.453, Florida Statutes, and Chapters 10.700 and 10.850, Rules of the Auditor General, as applicable.
- Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored charter schools.
- For the six charter schools that were not renewed or were terminated in the current or 2 preceding fiscal years, reviewed District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school, except as previously agreed by the District.
- Examined District records to determine whether deposits of District moneys were secured in a qualified public depository, unless exempted by law, as required by Section 280.03, Florida Statutes.
- Reviewed the policies and procedures to evaluate controls over the transportation parts inventory to determine the adequacy of District controls over the safeguarding of transportation parts. From the population of 14,336 inventory items totaling \$458,934 at June 30, 2015, we also selected

and examined the accuracy of inventory counts and pricing for 31 inventory items totaling \$26,276 to determine whether the transportation parts inventory was properly valued.

- From the population of eight construction projects, with total contract costs of \$9,000,025, that were in progress during the 2014-15 fiscal year, selected and examined District records for two construction projects with contract costs totaling \$4,954,049 to determine whether the District properly selected architects and engineers engaged during that period and, when applicable, obtained evidence of required insurance from the architects and engineers. Also, for construction management contracts, we determined whether the District monitored the selection process of architects and engineers, construction managers, and subcontractors.
- From the population of \$46,948,458 total expenditures and \$32,993,489 total transfers made during the 2014-15 fiscal year from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, selected and examined documentation supporting expenditures and transfers totaling \$2,298,902 and \$3,313,964, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation for all \$12.5 million Workforce Development funds expenditures to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 63 industry certifications eligible for performance funding that were attained by students during the 2013-14 and 2014-15 fiscal years, selected and examined 21 certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 2,421 adult general education instructional students reported for 477,386 contact hours, selected and examined District records for 30 students reported for 1,668 contact hours to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Reviewed severance pay provisions in six employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Reviewed District procedures to determine whether adequate controls had been established to ensure documented supervisory review and approval of noninstructional employees' time worked.
- Examined supporting documentation 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 administrators based on District-determined factors including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
- From the population of 13,610 instructional and noninstructional employees, examined District records to assess whether personnel who had direct contact with students were subjected to the required background screenings in compliance with Sections 1012.56(10), 1012.465, and 1012.467, Florida Statutes.
- Examined Department of Highway Safety and Motor Vehicle and District records for the District's 557 bus drivers who drove buses during the 2014-15 fiscal year to assess whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
- Reviewed District policies and procedures to determine whether health insurance was provided only to eligible employees, retirees, and dependents and if such insurance was timely canceled upon employee separation from employment. We performed an analysis comparing the databases of current employees maintained in the District's personnel system to health insurance claims paid by the District's third-party administrator and calculated the related costs of any participants ineligible to participate in the District's insurance plan. We also determined whether

the District had appropriate procedures to reconcile health insurance costs to employee and Board-approved premium contributions.

- From the population of 182 payments totaling \$58,940 paid to employees for other than travel reimbursements and payroll payments during the 2014-15 fiscal year, selected and examined documentation for 5 payments totaling \$13,314 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Examined all payments and transfers, totaling \$20,140, made to the District's direct-support organization during the 2014-15 fiscal year to determine the allowability of such transactions.
- Evaluated District procedures for selecting claims administrative services for workers' compensation, general liability, and fleet liability. Also, we reviewed the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practices.
- From the population of purchasing card (P-card) transactions totaling \$2,918,948 during the 2014-15 fiscal year, selected and examined documentation supporting 30 transactions totaling \$24,728 to determine whether P-cards were administered in accordance with District policies and procedures. Also, we determined whether all 20 employees assigned a P-card and who separated from employment during the 2014-15 fiscal year had their P-card timely canceled upon separation from employment.
- Determined whether rebate revenues totaling \$55,335 received from the P-card program were allocated to the appropriate District funds.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For District employees required to file statements of financial interests forms, 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.
- Determined whether statements of financial interests were filed by the Superintendent, Board members, Chief Financial Officer, and certain purchasing agents in accordance with Section 112.3145, Florida Statutes.
- Examined the District's policies and implementation of policies regarding cellular telephone allowances to determine whether the District had evaluated the reasonableness of such allowances and limited related costs. We also compared the telephone allowance list to the payroll file to evaluate whether there were any unauthorized users.
- From the population of 494 consultant contracts totaling \$6,619,597 and in progress during the 2014-15 fiscal year, selected and examined documentation supporting 33 consultant contracts payments totaling \$155,559 to determine whether the District complied with competitive selection requirements; whether the District contracted with its employees for services provided beyond that provided in their salary contracts contrary to Section 112.313, Florida Statutes; and whether the contracts clearly specified deliverables, time frames, documentation requirements, and compensation. Also, we selected and examined documentation supporting the 33 payments for adequacy and compliance with contract terms. For certain consultants, we requested District personnel to provide documentation of the basis for classifying the consultant as an independent contractor rather than an employee.
- Determined whether the District used supplemental academic instruction and research based reading instruction allocations to provide, to the applicable schools pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, school-wide. Also, pursuant to the 2014 General Appropriations Act, we determined whether

the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school by September 30, 2015.

- Examined financial records of the District's self-insured health insurance program to determine whether the program was fiscally sound.
- Evaluated policies and procedures regarding the District's facility operations and examined District records supporting the evaluation of the effectiveness and efficiency of facility operations.
- Determined whether the District had adequate policies and procedures regarding its 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 the one FDOE-approved VIP provider that contracted with the District, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes, and whether the District obtained documentation to verify that the screenings had been obtained.
- For the one FDOE-approved VIP provider that contracted with the District, examined the contract to determine whether the contract contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, we reviewed the contract to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties.
- Compared the certification coverages listed on the teachers' certificates to the required coverages for courses taught, as listed on the FDOE's Course Code Directory, to determine whether the 31 VIP teachers were properly certified.
- 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**

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



Sherrill F. Norman, CPA  
Auditor General



# MANAGEMENT'S RESPONSE

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## SCHOOL BOARD OF POLK COUNTY

P.O. BOX 391  
BARTOW, FLORIDA 33831

(863) 534-0500

1915 SOUTH FLORAL AVENUE  
BARTOW, FLORIDA 33830

January 8, 2016

**Board Members**

BOARD CHAIR  
KAY FIELDS  
DISTRICT 5

HUNT BERRYMAN  
DISTRICT 1

LORI CUNNINGHAM  
DISTRICT 2

HAZELSELLERS  
DISTRICT 3

DICK MULLENAX  
DISTRICT 4

LYNN WILSON  
DISTRICT 6

TIM HARRIS  
DISTRICT 7

C. WESLEY BRIDGES, II  
General Counsel

**Administration**  
KATHRYN M. LeROY  
Superintendent

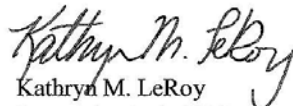
Sherrill F. Norman  
State of Florida Auditor General  
Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The responses to the Preliminary and Tentative Findings on the operational audit for fiscal year ending June 30, 2015 have been completed. Please accept this letter along with the attached as the submission from the Polk County Schools operational audit.

We understand that additional comments could be shared upon final review. If you have any questions on the responses, you may contact Pennie Zuercher, Director of Accounting, at (863) 534-0539 or by email at [pennie.zuercher@polk-fl.net](mailto:pennie.zuercher@polk-fl.net).

Sincerely,

  
Kathryn M. LeRoy  
Superintendent of Schools

Attachment

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*Polk County Schools -  
an equal opportunity  
institution for education  
and employment*

*The Mission of Polk County Public Schools is to provide a high quality education for all students*

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**Polk County District School Board  
Management Response to Preliminary and Tentative Findings  
Operational Audit for Fiscal Year 2014-15**

**Payroll and Personnel**

**Finding 1:** The Board had not adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. A similar finding was noted in our report No. 2013-071.

**Management Response:** Following receipt of the Florida Auditor General's report No. 2013-071, Board Policy 3410-Compensation of Instructional Staff addressing differentiated pay was adopted by the Board. The District will review this policy further to ensure that there is a Board-established process in place for determining which instructional personnel are to receive differentiated pay. The District is moving toward establishing a documented process to comply with the statutory requirement of having differentiated pay based on District-determined factors.

**Finding 2:** The District did not always timely perform required background screenings for applicable instructional and noninstructional employees.

**Management Response:** Human Resources will establish procedures to ensure that required background screenings are performed timely for District employees.

**Finding 3:** The District needs to implement procedures to ensure documented supervisory review and approval of employees' work time.

**Management Response:** The District will review procedures developed by other school districts within the State of Florida and implement best practice.

**Procurement and Payments**

**Finding 4:** Statements of financial interests were not always timely filed and District procurement procedures could be enhanced by providing for the Purchasing Department's routine review and consideration of required statements of financial interests.

**Management Response:** Procedures will be reviewed and implement enhancements to provide for routine review and consideration of required statements of financial interests.

**Finding 5:** As similarly noted in our report No. 2013-071, District controls over contractual arrangements for legal services could be enhanced.

**Management Response:** The District will review all legal services provided to departments other than the School Board Attorney's office and make corrections as necessary. In addition, the District will provide training on the correct procedures for obtaining legal services.

**Insurance**

**Finding 6:** The District could enhance controls to ensure that participation in the District's self-insurance program is limited to eligible employees and their dependents.

**Management Response:** The District is reviewing the process for managing employees placed on inactive status during a leave of absence. Risk Management will work with Human Resources to enhance procedures for verifying the eligibility of employees and properly terminating ineligible employees. Procedures have been put into place to ensure notifications for inactive and terminated employees are made timely. On or before September 15, 2015, the District retroactively terminated the health insurance benefits for the identified former employees. Ineligible claims occurred in the last year of coverage have been reprocessed and reimbursement will be made to the plan.

**Virtual Instruction Program**

**Finding 7:** The virtual instruction program (VIP) provider contracts did not contain certain necessary provisions. A similar finding was noted in our report No. 2013-094.

**Management Response:** After the Auditor General's finding noted in our report No. 2013-094, Polk County (as well as other Florida School Districts) worked with K12 Inc./Fuel Education and the Florida Amendment was added to the contracts to address the similar findings reported in report No. 2013-094. This finding indicates that the Florida Amendment does not meet the audit expectations. As a result, the District began taking steps to make implement recommended changes for the 2016-2017 contracts.

**Information Technology**

**Finding 8:** The District needs to continue efforts to develop a written, comprehensive information technology risk assessment.

**Management Response:** The District has done a comprehensive risk assessment analysis and has developed a plan to mitigate the risks identified. A documented plan will be developed as part of the implementation.

**Finding 9:** The District needs to continue efforts to develop and implement a comprehensive security awareness-training program.

**Management Response:** The District has updated the security awareness training and will include this training as part of new employee orientation. In addition, existing employees will be required to annually review the security awareness training video. District management will monitor and track employee participation and acknowledgement of District security policies.