

DUVAL COUNTY DISTRICT SCHOOL BOARD



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintewi8snt

DUVAL COUNTY DISTRICT SCHOOL BOARD

SUMMARY

FINDINGS AND RECOMMENDATIONS

Finding 1: School Safety

State law¹ requires the Board to formulate and prescribe policies and procedures for emergency drills associated with active shooter and hostage situations and the drills must be conducted at least as often as other emergency drills. Pursuant to the Florida Fire Protection Code (Fire Code)² and District procedures,³ fire emergency drills must generally be conducted every month that a facility is in session. In addition, State law⁴ requires that the Board and Superintendent partner with law enforcement agencies to establish or assign one or more safe-school officers, such as school resource officers (SROs), school safety officers (SSOs), or school guardians, at each school facility. To promote compliance with the statutory school safety requirements, the District designated a school safety specialist in July 2018.

District procedures provide that District personnel at each of the 157 District facilities⁵ should document the dates and types of emergency drills conducted. However, for the 2018-19 fiscal year, the Board had not adopted policies, and the District had not established procedures, to require and document verification that active shooter and hostage situation drills and fire emergency drills were conducted each month. Additionally, the District had not established procedures to verify that charter school personnel at the 31 charter school facilities⁶ complied with State law and the Fire Code drill requirements.

To determine whether the required 10 active shooter and hostage situation and 10 fire emergency drills were conducted at each facility during the 2018-19 fiscal year, we requested for examination District records supporting the required 3,140 drills for the 157 District school facilities and charter school records supporting the required 16 drills for 8 selected charter school facilities during October 2018 and April 2019. However, records were not provided to demonstrate that active shooter and hostage situation and fire emergency drills were always conducted as required. Specifically, we found that 155 District schools did not document active shooter and hostage situation drills for an average of 5 months and 139 District schools did not document fire emergency drills for an average of 4 months. Also, 3 of the 8 charter schools and 5 of the 8 charter schools did not document active shooter and hostage situation drills for the months of October 2018 and April 2019, respectively.

District procedures for assigning safe-school officers at each school included employing SSOs who were assigned to each middle and high school, employing individuals trained by the local law enforcement agency to act as full-time school guardians⁷ who were assigned to each elementary school, and contracting with the local law enforcement agency for SROs at District school facilities that did not employ an SSO or a school guardian. In June 2019, District personnel prepared a listing of safe-school officers

¹ Section 1006.07(4), Florida Statutes, as amended by Chapter 2018-3, Laws of Florida (The Marjory Stoneman Douglas High School Public Safety Act).

² Section 20.2.4.2.3 of the Florida Fire Prevention Code, 6th Edition (2017).

³ While District procedures have been in effect for several years, the Board adopted Policy 8.96, *Critical Incident Preparedness* in June 2019, to require fire emergency drills.

⁴ Section 1006.12, Florida Statutes.

⁵ The 157 facilities include a District facility that housed a District special program, not considered a separate school, and excludes facilities that do not house students and are used by the two District virtual schools.

⁶ The 31 charter school facilities exclude a facility that does not house students and is used by a virtual charter school.

⁷ The District refers to these employees as school safety assistants.

assigned to each District school by school day indicating whether a safe-school officer was assigned or

Education (SBE) rules,¹⁵ District records did not evidence such approval or any other authority for these payments. In response to our inquiries, District personnel indicated that they received the FDOE memorandum allowing the use of scholarship program funding to pay the applicable employer payroll taxes; however, because resources were available from the additional program funding received, and due to oversights in processing the scholarship award payments, District personnel did not detect the payroll processing errors.

During the 2018-19 fiscal year, the District awarded Florida Best and Brightest Teacher Scholarship Program scholarships totaling \$6,800,435 to 6,004 District employees and \$690,840 to 492 charter school employees. According to District personnel, charter schools are required to submit to the District the number of charter school teachers determined to be eligible for the scholarships. However, the District had not established procedures to verify that scholarships are only awarded to eligible charter school classroom teachers. We examined District records supporting the eligibility of 40 (33 District and 7 charter school teachers) scholarship recipients who were awarded a total of \$73,751 during the 2018-19 fiscal year and found that:

Ten prekindergarten instructors were awarded scholarships totaling \$10,038 but did not meet the statutory definition of a classroom teacher and, therefore, were ineligible for the scholarships. We expanded our procedures and identified a total of 78 prekindergarten instructors who were awarded but not eligible to receive scholarships totaling \$74,958.

One charter school teacher was awarded a \$6,000 scholarship but did not achieve a composite score at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the classroom teacher took the assessment as required by State law. The college entrance examination board score report provided was 230 points below the minimum score to be at the 80th percentile for the year the examination was taken.

In response to our inquiry, District personnel indicated that the District considered prekindergarten instructors to meet the definition of a classroom teacher eligible for the scholarships because prekindergarten instructors hold valid Florida teaching certificates as required for all teachers within the District and are required to fulfill the same duties and responsibilities as all other teachers. In addition, District personnel indicated that, based on FDOE guidance, each charter school governing board was responsible for reviewing the eligibility of its teachers and that the District was only required to record the number of eligible teachers submitted by the charter schools.

Notwithstanding this response, prekindergarten students include children who are not yet ready for kindergarten; the scholarship is limited to classroom teachers as defined in State law,¹⁶ which defines classroom teachers as K-12 personnel; and the term "Prekindergarten Instructor" is defined separately in State law.¹⁷ In addition, our discussions with FDOE personnel indicated that, for enhanced accountability over these State-restricted resources, school districts should verify the eligibility of charter school scholarship recipients. Absent effective procedures to limit scholarships to statutorily defined

Recommendation: To ensure appropriate accountability over Florida Best and Brightest Teacher and Principal Scholarship Program scholarship awards, the District should establish effective supervisory oversight procedures to document verification that the programs are properly administered. In addition, the District should:

- For the 2017-18 and 2018-19 fiscal years, document reconciliations of the number of teachers reported to the FDOE for Florida Best and Brightest Teacher Scholarship Program awards to the number of scholarship recipients paid, and promptly return to the FDOE any excess amounts, along with a project amendment showing the decrease in the number of teachers and the amount of the decrease in funding. In addition, the District should establish procedures for documenting these reconciliations and related steps.
- Document to the FDOE the specific authority for District use of Florida Best and Brightest Teacher Scholarship Program funding totaling \$1,154,042 for applicable employer payroll taxes paid for Florida Best and Brightest Teacher and Principal Scholarship Program awards. Absent such authority, the District should refund that amount to the FDOE from unrestricted District resources and obtain clarification from the Board whether to seek and recover from the scholarship recipients the extra amounts paid due to the payroll processing errors.
- Ensure that Florida Best and Brightest Teacher Scholarship Program awards are not provided to prekindergarten instructors contrary to State law.
- Establish procedures to document verifications that Florida Best and Brightest Teacher Scholarship Program awards to charter school classroom teachers are based on qualifying college entrance examination scores reported on reliable and authentic records and, as applicable, highly effective or effective evaluations pursuant to State law.
- Take appropriate actions to remedy the ineligible Florida Best and Brightest Teacher Scholarship Program awards totaling \$80,958.

Finding 3: Ad Valorem Taxation

State law¹⁸

valorem uses that exceeded that limit by \$17,634. We extended our procedures to evaluate similar transfers for the 2017-18 fiscal year and found that District personnel inadvertently overstated by 27 the number of buses provided by private entities, resulting in excess transfers and related ad valorem uses totaling \$266,684. Since the transfers did not comply with the statutory restrictions, the ad valorem tax levy transfers totaling \$284,318 represent questioned costs.

In response to our inquiry, District personnel indicated that supervisory review procedures had not been established to verify the accuracy of the transfers, errors were made in the transfer calculations, and the excess transfers and related ad valorem uses would be restored to the LCI Fund. Without adequate controls to ensure that ad valorem tax levy proceeds are used for authorized purposes, the risk is increased that the District will violate the statutory restrictions governing the use of the proceeds. A similar finding was noted in our report No. 2017-145.

Recommendation: The District should enhance procedures to ensure that ad valorem tax levy proceeds are used only for authorized purposes. Such enhancements should include documented, supervisory review procedures to verify the accuracy of transfer amounts for the cost of school buses provided by private entities. In addition, the District should restore \$284,318 to the LCI Fund or provide documentation to the FDOE supporting the allowability of those costs.

Finding 4: Interest Earnings

State law²⁰ requires the District to credit interest or profits on investments to the specific budgeted fund that produced the earnings. The District invested available cash resources in various pooled investment accounts during the 2018-19 fiscal year; however, for two of the pooled accounts, District personnel did not always credit interest earnings to the fund that produced the earnings. As a result, the District credited interest earnings totaling \$737,674 to the General Fund that were produced by and should have been credited to other funds, including \$414,273 to internal service funds, \$236,282 to the LCI Fund, \$60,826 to the Special Revenue – Food Service Fund, and \$26,293 to various capital projects funds.

In response to our inquiry, District personnel indicated that the interest earnings were not always properly credited due to a lack of employee training and ineffective supervisory oversight, and that the errors would be corrected during the 2019-20 fiscal year. Absent training and effective oversight to ensure interest is properly credited, there is an increased risk that District procedures will not promote compliance with State law and for interest earnings to be used for purposes that do not align with the restrictions governing the earnings.

Recommendation: The District should enhance procedures to comply with State law by properly crediting interest earnings to the funds that produced the earnings. Such procedures should include appropriate employee training and effective supervisory oversight to ensure that interest is credited to the appropriate fund. In addition, the District should take action to properly credit the 2018-19 fiscal year interest earnings totaling \$737,674 to the funds that produced the earnings.

²⁰ Section 1011.09(1), Florida Statutes.

Finding 5: Charter School Capital Outlay Funding

State law²¹ required school districts to distribute to eligible charter schools a portion from the discretionary millage revenue authorized in State law.²² State law also required the FDOE to calculate the eligible charter school funding allocations and reduce the allocation by the school district's annual debt service obligation that will be paid with discretionary millage resources as of March 1, 2017. According to our discussions with FDOE staff, school districts are not required to deduct anticipated Federal interest rate subsidies from the annual debt service obligation amount reported but are required to adjust payments to charter schools when the subsidies are received. To assist in determining charter school funding calculations, the FDOE issued guidance²³ to school districts requesting that school districts report the debt service amount to the FDOE by November 17, 2017, using a template form.

In November 2017, the District reported information to the FDOE, including the District's total annual debt service obligation of \$32,215,974 as of March 1, 2017. According to District personnel, the District anticipated receipt of Federal interest rate subsidies totaling \$2,645,254 (\$1,322,627 in December 2017 and \$1,322,627 in June 2018) for Qualified Zone Academy Bonds and Qualified School Construction Bonds, which reduced the District's total annual debt service obligation to \$29,570,720 and reported this information to the FDOE. Notwithstanding, based on the information reported by the District in November 2017, the FDOE instructed the District to distribute, and the District distributed, \$3,835,131 from the District's discretionary millage revenue to the District's eligible charter schools for the 2017-18 fiscal year.

The District received the Federal interest rate subsidies in December 2017 and June 2018 as anticipated, but did not consider these subsidies and adjust the payments to the charter schools. Using the \$29,570,720 discretionary millage annual debt service obligation (net of Federal interest rate subsidies of \$2,645,254), the District should have distributed \$4,111,370 to the charter schools (i.e., \$276,239 more than was actually distributed). In response to our inquiries, District personnel indicated that the individual responsible for calculating the annual debt service obligation was no longer employed by the District and the specific cause for not adjusting the payments to the charter schools for the Federal interest rate subsidies was not known. Without effective procedures to ensure that funding allocations to charter schools are recalculated when Federal interest rate subsidies are received, the District may not properly distribute the statutorily required funding allocation to eligible charter schools.

Recommendation: The District should enhance procedures to ensure that charter school funding allocations are recalculated when Federal interest rate subsidies are received and that accurate capital outlay amounts are distributed to applicable charter schools. In addition, the District should consult with the FDOE regarding the appropriate disposition of the \$276,239 under-distributed amount.

²¹ Section 1013.62, Florida Statutes (2017).

²² Section 1011.71(2), Florida Statutes.

²³ Technical Assistance Note No. 2017-04, *Local Capital Improvement Revenue for Eligible Charter Schools*.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report No. 2017-145, except that Finding 3 was also noted in report No. 2017-145, as Finding 3.

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 2019 through December 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2017-145.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests,

analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the 2018-19 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed District information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. Specifically, we examined District records supporting selected user access privileges for the 25 employees who were assigned the super user role to the finance and HR applications.
- Evaluated District procedures to prohibit former employee access to electronic data files. We also reviewed selected access user privileges for 21 employees with access privileges to the finance and HR applications who separated from District employment during the audit period to determine whether the access privileges had been timely deactivated.
- Reviewed network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, for the 19 individuals who had access to sensitive personal student information, we examined access privileges of these individuals to evaluate the appropriateness and necessity of the access privileges based on assigned job responsibilities.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2019, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to evaluate the District's ability to make future debt service payments.
- From the population of expenditures totaling \$61.9 million and transfers totaling \$62.4 million during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting

selected expenditures and transfers totaling \$7 million and \$34 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources.

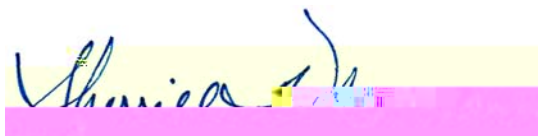
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- Evaluated Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities of employee misconduct which affects the health, safety, or welfare of a student, to determine compliance with Section 1011.42(6), Florida Statutes.
- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were promptly canceled as appropriate based on the Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board approved contributions.
- Evaluated District procedures for bidding and purchasing health insurance and examined related records to determine whether the District complied with Section 112.08, Florida Statutes. We also reviewed the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection

- Evaluated District procedures and examined District records to determine whether the procedures were effective for distributing the correct amount of local capital improvement funds to eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes (2017).
- From the population of non-compensation expenditures, excluding consultant contract expenditures, that exceeded \$10,000 and totaling \$102.5 million for the audit period, examined supporting documentation for 38 selected payments totaling \$2.2 million to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms, and Board policies; and applicable vendors were properly selected.
- From the population of consultant contracts totaling \$342.6 million during the audit period, examined supporting documentation, including the 13 contract documents, for 13 selected payments totaling \$7.7 million related to determine whether:
 - o The District complied with competitive selection requirements.
 - o The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - o District records documented satisfactory receipt of deliverables before payments were made.
 - o The payments complied with contract provisions.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

Finding 1:

Finding 2: The District over reported the number of Florida Best and Brightest Teacher Scholarship Program (Teacher Program) scholarship recipients to the Florida Department of Education (FDOE) and was, therefore, over funded for those scholarships. However, the District did not refund \$1.15 million of the over-funded amount to the FDOE as required but used that amount to pay the employer payroll taxes for 12,970 Teacher Program and Florida Best and Brightest Principal Scholarship Program scholarship recipients without specific authority. In addition, the District disbursed Teacher Program awards totaling \$80,958 to 1 charter school recipient and 78 District recipients who were not eligible for the scholarships.

After extensively researching the discrepancy between the number of DCPS teachers reported to the state as eligible for Florida Best and Brightest Teacher Scholarship Program (Teacher Program), and the number of DCPS teachers actually paid the bonus, we find the following:

The number of teachers reported to the state as effective (5266) was overstated due to the inclusion of teachers in positions not identified as eligible, teachers withdrawn from the District between the date of submission and the date of the bonus payment, and duplicate personnel numbers.

After thoroughly investigating the discrepancy between the initial number of DCPS teachers reported to FDOE as eligible for the Teacher Program, and the number of DCPS teachers actually paid the bonus, the Human Resources department attempted to perform a reconciliation between the two data sets. During the process, it was discovered that a reconciliation was not plausible for the following reasons:

The initial data was derived from a Position Code Report (PCR) that did not include specific names, but rather totals of teachers that achieved the requisite evaluation ratings from a previous school year.

The PCR was generated based on eligible positions at a date certain that was not consistent with eligible positions at the time of the actual payout. Additionally, two separate reports were generated: one report to determine the total of eligible teachers and a second report was created at the time of payment.

As it relates to the District's oversight in the deduction of employer taxes prior to disbursement, it has been determined the inaccurate reporting resulted from a lack of checks and balances at the time of processing.

The District shared the eligibility requirement for the Teacher Program to all Charter Schools. In the case of the charter school inadvertently paying an ineligible teacher, the school misinterpreted the requirements.

The District will be prepared to implement the following corrective actions:

The District will ensure all Pre-K teachers are excluded from the list of eligible teachers submitted to the state for the Best and Brightest awards.

The District will generate eligibility reports based upon the state's definition of a classroom teacher. This will ensure that the correct eligibility pool is being considered.

Before the award is disbursed, the District will reconcile the original classroom teacher listing with current teachers that are deemed eligible. This will ensure the classroom teachers are still serving in a position that is consistent with the state's definition of a classroom teacher and prevent any overpayments.

Human Resources and Payroll will implement a check and balance system to ensure the applicable taxes are deducted before the awards are disbursed to the recipients.

Human Resources and the Charter Department will partner to provide all updated requirements to the charter schools.

The District will consult with the Florida Department of Education regarding the \$1.15 million payment of employer payroll taxes and the \$80,958 payment to recipients not eligible for the scholarship.

Finding 3: District records did not always evidence that ad valorem tax levy proceeds used for school bus costs were limited to statutory thresholds, resulting in questioned costs totaling \$284,318.

Enhanced procedures will include management review to verify the accuracy of transfer amounts and to ensure ad valorem tax levy proceeds are used for their authorized purposes. Additionally, the District will restore \$284,318 to the Local Capital Improvement Fund.

Finding 4: Contrary to State law, the District credited interest earnings totaling \$737,674 to the General Fund that were produced by and should have been credited to other funds.

Management has met with staff to discuss the current interest allocation process and to reiterate that interest must be allocated to the funds that earned the interest. The current interest allocation process and any enhancements have been formalized in a written document. Additionally, the District will properly credit the 2018–2019 fiscal year interest earnings totaling \$737,674 to the funds that produced the earnings.

Finding 5: District distributions of discretionary millage to the District charter schools were \$276,239 less than required by State law.

The District will consult with the Florida Department of Education regarding the appropriate disposition of the \$276,239 amount.