

**Audit and Investigation Activities Report
For
Fiscal Years 2013 and 2014**

November 15 2013

Report #2013-14



MISSION STATEMENT

The School Board of Palm Beach County is committed to providing a world class education with excellence and equity to empower each student to reach his or her highest potential with the most effective staff to foster the knowledge, skills, and ethics required for responsible citizenship and productive careers.

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Superintendent of Schools

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MEMORANDUM

TO: Honorable Chair and Members of the School Board
E. Wayne Gent, Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Lung Chiu, Inspector General

DATE: November 15, 2013

SUBJECT: Office of Inspector General *Annual Report For Fiscal Year 2013*

Submitted for your information is our *Annual Report for Fiscal Year 2013*. This report summarizes the School District's auditing and investigation functions, activities, and related statistics during Fiscal Year 2013.

Our audits and investigative efforts help foster an atmosphere of greater accountability in our School District. While performing those functions, we are committed to working cooperatively with all District administrators and maintaining our objectivity and independence.

In light of the increasing demand in resources and the reduction in funding from the State and local sources, it is crucial that the means are found to increase revenues and reduce costs, improve operation efficiency and effectiveness, and improve controls. We will continue to serve the School District in these activities.

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**Office of Inspector General
Annual Report
For
Fiscal Year 2013**

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Office of Inspector General Annual Report For Fiscal Year 2013

Inspector General, (School Board Policy 1.092).

Purpose. The School Board of Palm Beach County established the Office of Inspector General (OIG) to:

- Incorporate a full time program of investigation, audit, inspection, and program review.
- Provide increased accountability, promote fiscal responsibility, assist management in the establishment and maintenance of effective systems of control, and provide increased oversight in improving District operations.
- Assist in improving operations, including deterring, and identifying fraud, waste, abuse, and illegal acts.

Annual Report. The Inspector General is required to prepare an annual report summarizing the activities of the office during the immediately preceding fiscal year. The annual report is to be furnished to the Audit Committee, the School Board, and published on the Inspector General's website.

Audit and Investigative Functions (School Board Policy 1.092). School Board Policy 1.092 grants the auditors and investigators of the OIG with complete access to the records of all District departments. The auditors and investigators use this unrestricted access and authority in performing independent investigations and assessment of programs and activities. Audit work is to be conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. These standards require due professional care in conducting audits, professionally qualified staff, adequate supervision, and planning of audit work, and reporting audit findings. Two major types of audits are performed by the OIG:

1. **Financial Audits.** Financial audits provide an independent assessment of whether an entity's reported financial information is presented fairly in accordance with recognized criteria. Financial audits performed in accordance with GAGAS include financial statement audits and other related financial audits:
 - a. Financial statement audits: The primary purpose of a financial statement audit is to provide an opinion about whether an entity's financial statements are presented fairly in all material respects in conformity with an applicable financial reporting framework. Reporting also includes reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
 - b. Other types of financial audits include auditing compliance with applicable compliance requirements relating to government programs.

2. **Performance Audits.** Performance audits provide findings or conclusions based on evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and the School Board in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. Performance audit objectives include assessments of program effectiveness, economy, and efficiency; internal control and compliance.
 - a. Audit objectives that focus on program effectiveness typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.
 - b. **Internal control** audit objectives relate to an assessment of one or more components of the School District's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.
 - c. **Compliance** audit objectives relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, grant agreements, or School Board Policy.

Benefits of Auditing. Maximum benefits of auditing can only come from implementation of audit recommendations. Audit recommendations should leave no doubt that implementation would result in improvements. Recommendations must be practical, implementable, and the cost of implementation should not exceed the benefits to be derived from the change. Audit reports should present convincing and accurate information, which clearly demonstrates the benefits of implementing audit recommendations.

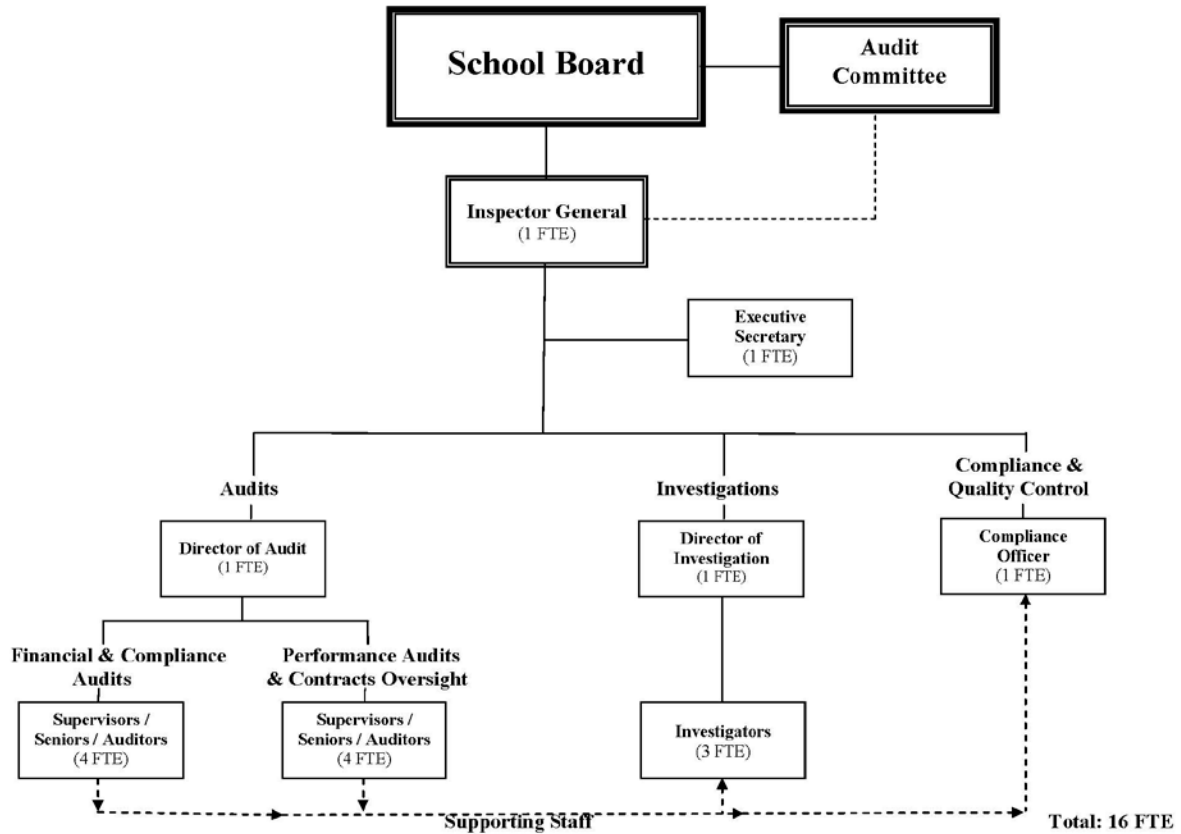
One approach of measuring the value of auditing is by determining (1) program improvements, (2) increase in revenues, and (3) cost savings resulting from implementing audit recommendations. These improvements include better controls and safeguards against potential loss due to fraud, theft, errors, and mismanagement, improved resource utilization, and increased productivity. All these improvements should ultimately result in providing the maximum support for instructional services at schools and improving student achievements.

Auditors bring to staff's attention issues and concerns in a timely manner so that corrective actions can be implemented immediately. As a result, changes are sometimes implemented before the audit report is released. More commonly, audit recommendations are implemented after staff has had the opportunity to study the issues and modify program operations accordingly.

Investigations. Investigations are designed to detect, deter, prevent, and eradicate fraud, waste, financial mismanagement, fiscal misconduct, and other abuses in District government.

Audit Committee (School Board Policy 1.091). To promote independence and objectivity of the audit function in the School District, the School Board established the *Audit Committee Charter* and created the Audit Committee in 1993. The Audit Committee is to ensure broad audit coverage, adequate consideration of audit reports, and appropriate staff actions on audit reports. The Audit Committee is comprised of seven voting members appointed by individual School Board Members, and six non-voting representatives including two School Board Members, the Superintendent, the General Counsel to the School Board, one representative from the Classroom Teachers Association, and one representative from the school principals.

Office of Inspector General
Organization Chart and Staffing
June 30, 2013



Staffing

- 14 professional, 1 administrative, and 1 vacant position
- Collectively
 - 10 advanced degrees,
 - 24 professional certificates, including Certified Inspector General (CIG), Certified Inspector General Auditor (CIGA), Certified Inspector General Investigator (CIGI), Certified Fraud Examiner (CFE) , Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), Chartered Global Management Accountant (CGMA), Certified Management Accountant (CMA)

SCHOOLS WITH NO SIGNIFICANT NONCOMPLIANCES

We would like to recognize the 23 schools in which no significant noncompliances were identified during the Fiscal Year 2012 Audits. While not every error or control weakness is necessarily identified during our audit engagement, no significant noncompliance or weaknesses were found in the samples examined at the following 23 schools.

Acreage Pines Elementary	Loxahatchee Groves Elementary
Allamanda Elementary	New Horizons Elementary*
Belvedere Elementary	Royal Palm Beach Elementary
Diamond View Elementary*	Sandpiper Shores Elementary*
Dwight D. Eisenhower Elementary	Sunrise Park Elementary*
Elbridge Gale Elementary*	Timber Trace Elementary
Heritage Elementary	Boca Raton Middle
Hope-Centennial Elementary	Lake Worth Middle
J.C. Mitchell Elementary	Lantana Middle
Jupiter Elementary	A. W. Dreyfoos School of the Arts
Lantana Elementary	Palm Beach Virtual*
Lighthouse Elementary	

Six of the above 23 schools marked with * also did not have significant noncompliance during the Fiscal Year 2011 Audits. We have notified the Area Superintendents of the above schools for the extraordinary performance in complying with *School Board Policies* and in maintaining their records.

MAJOR CONCLUSIONS OF INTERNAL FUND AUDITS

I. DISBURSEMENTS

During Fiscal Year 2012, all 175 schools in the School District disbursed a total of \$75.9 million in payments for purchases of goods, services, and other expenditures through the Internal Funds. Two findings were noted in the area of disbursements.

1. Disbursements Not Properly Documented or Approved

The District continues to increase fiscal training opportunities for staff, both web-based and face-to-face. The 2012 Audit found that 104 schools (59%) were in compliance with the *Internal Accounts Manual* and related District guidelines for disbursements. However, the audit also revealed that in 71 (41%) of the schools, some disbursements did not have the required documentation such as a vendor invoice, a paid receipt, or other form of documentation from an independent source. The documentation noncompliance was attributable to a variety of reasons, including:

- Nine schools (5%) issued checks with no supporting documentation.
- Eight schools (5%) made payments based on insufficient documentation, such as account statements or packing lists.
- 41 schools (23%) did not issue the required written *Purchase Orders* for purchases in excess of \$1000.
- 27 schools (15%) paid contracted services without a properly prepared or approved *Consultant Contract*.

Without adequate supporting documentation, there is no assurance that the related expenses were appropriate.

2. Noncompliance in P-Card Transactions

The School District authorizes the use of Purchasing Cards (P-Cards) in order to expedite small dollar purchases in materials, supplies, and other items needed for daily operations. During Fiscal Year 2012, there were 68,767 P-Card transactions, totaling more than \$13.1 million in P-Card purchases across the district.

We recognize that management's efforts have resulted in a steady decrease in P-Card noncompliance. For the Fiscal Year 2012 Audit, 30 (17%) schools had issues with missing or insufficient transaction documentation. Without adequate supporting documentation for purchases, there is no assurance that disbursements were appropriate and approved. Also, without proper descriptions of the items purchased, there is no assurance that the purchase is appropriate.

II. MONEY COLLECTIONS

During 2012, all 175 schools in the School District collected a total of \$76.7 million in Internal Funds, mostly from (1) fundraising, (2) special trust accounts, and (3) program fees. Three findings were noted in the area of money collections.

3. Inadequate Fundraising Documentation

Fundraising activities were not always documented or completed in 92 (53%) of the schools. Some fundraisers were not approved by the school principals; some inventory count and ticket selling records were not maintained; and revenue and inventory discrepancies for some schools were not always investigated, documented, and resolved. Without accurate information on the *Fundraiser Application/Recap Forms*, *Sales Item Inventory Reports*, and *Ticket Sellers Reports*, there is no assurance that all revenues are properly accounted for.

4. Monies Not Deposited Timely

Monies collected by staff were not turned in timely to the bookkeeper for deposit in 45 (26%) of the schools, with delays ranging from one to 75 working days, and an average of 16 working days. Delay in turning in the monies for deposit could result in potential irregularity and increase the risk exposure for staff.

5. Cash Collection and Deposit Procedures

We recognize management's efforts to improve controls in money collection in the schools; however, we noted some instances of noncompliance with maintenance of *Drop-Safe Logs* and MCR related procedures.

Drop-Safe Logs. Staff did not always record information for the deposits on the *Drop-Safe Log* in 21 (12%) of the schools. In some instances, staff did not record the deposit information or entered incomplete information on the *Drop-Safe Log*, dollar amount was missing, and the bookkeeper did not sign on the Log after removing the monies from the safe for processing. Moreover, the *Drop-Safe Log* was missing in whole or part at two schools. However, at one school, the missing pages were subsequently located.

Monies Collected Reports (MCR). Activity account sponsors did not always retain the yellow copies of the MCR in 16 (9%) of the schools.

Keeping a copy of the MCR by the sponsor will assist in (1) ensuring that the dollar amount printed on the *Official Receipt* provided by the bookkeeper agrees with the monies collected and submitted for deposit, (2) tracking the account balance periodically, and (3) providing documentation for revenue collections if bookkeeping errors should occur.

III. AFTERSCHOOL PROGRAM

During 2012, Afterschool Programs were offered in 97 elementary schools and collected a total of \$21.6 million in fee revenues. Findings in the after school program have been significantly reduced during the last several years. The 2012 audits noted only one finding in this area.

6. Program Deficit In Five Schools

Although the Afterschool Program is a fee-based self-supporting program, five of the 97 elementary schools with an Afterschool Program incurred a deficit in 2012, totaling \$80,773. Deficits ranged from \$80 to \$49,972 in those five schools. To ensure fiscal accountability, schools with significant deficit balances should monitor their revenues and expenditures closely. Staffing levels and program expenditures should be adjusted accordingly and be consistent with student enrollment and revenues collected.

IV. LEASING OF SCHOOL FACILITIES

Four findings were noted in the area of leasing of school facilities.

7. Inadequate Proof of Insurance

While the Tririga System requires insurance certificates be scanned and attached prior to the approval of the lease, staff must continue to verify that the certificate is current and meets the required limits for liability coverage, and specifically includes the School Board as an additional insured party. In 2012 audits, 47 (27%) of the schools did not receive proof of adequate insurance from some of their lessees.

8. Late Payments

The District's leasing procedures require that all rental charges be collected prior to the use of facilities. However, due to certain technicalities in receiving lease payments from some long term leases, some lessees for 46 (26%) of the schools did not comply with this requirement. Noncompliance did decrease but remained similar to 2010 (50 or 29%) and 2011 (57 or 33%).

9. Lease Agreements Not Properly Completed

Incomplete or missing information was noted on some leases for 43 (25%) of the schools. Missing or untimely signatures of lessee and school principal and missing information for location and time for use of facilities were noted. Moreover, there was no *Lease Agreement* prepared for some of the leases at eight schools. Without proper signatures on *Lease Agreements*, there is no assurance that the *Lease Agreements* can be legally enforced. Moreover, without the information on the *Lease Agreement* for the number of hours the facilities are to be used, there is no reliable basis for determining the accurate amount of rental charges.

10. Rental Charges Incorrectly Allocated and Recorded

At 16 (9%) of the schools, some rental charges were not correctly allocated and recorded in the appropriate accounts, often resulting in under- or over-transmitting of the District's portion. Moreover, insurance premiums and sales taxes collected by the schools were not always forwarded to the Central Office.

V. COMMUNITY SCHOOL PROGRAM

The Community School Program is a fee-based self-supporting function that offers classes for the general public in (1) general interest, and (2) workforce development designed to train persons to meet the needs of the local community. During 2012, twenty-two (22) schools in the School District offered Community School Program, and collected a total of \$1.3 million in fee revenues. Findings in this area have also been reduced significantly during the last several years. Only one finding in the Community School Program was noted in the 2012 audits.

11. Program Deficit in Four Schools

At the end of School Year 2012, four of the 22 schools had a total deficit balance of \$13,564 in their community school program. To ensure self-sufficiency, financial conditions of the program should be monitored closely. Timely adjustment to staffing and expenditures should be made based on the actual student enrollment. In addition, the District should establish guidelines to ensure that classes offered to the public have sufficient students and generate enough revenues to fund the program.

Performance Audits
During Fiscal Year 2013

1. Audit of Revenue Collection Procedures for Athletic Events (August 17, 2012)
2. Audit of Title I Program Expenditures (September 14, 2012)
3. Audit of Leasing of School Facilities by Title I Supplemental Educational Services Tutoring Service Providers (September 14, 2012)
4. Audit of School Food Service Revenue Collection (November 16, 2012)
5. Audit of Inventory Controls at Transportation Services Department (November 16, 2012)
6. Audit of Time Collection Device Expenditures (November 16, 2012)
7. Audit of District's Cellular Phones (January 10, 2013)

Special Requests
During Fiscal Year 2013

1. Investigation of Title I Migrant Office (July 11, 2012)
2. Special Audit of Leasing Arrangement Between The South County Sports Camp, Inc., and Boca Raton Community High School (September 14, 2012)
3. Special Audit of Indian Ridge School's Student Government Money Collections (October 24, 2012)
4. Investigation of Suncoast High School's Auctioning of Lockers and Parking Spots and Funeral Payment (October 24, 2012)
5. Audit of Mavericks High at Palm Springs Enrollment Records (January 10, 2013)
6. Special Report on Charter Schools Department As Related to Mavericks High at Palm Springs (January 10, 2013)
7. Special Review: Unannounced Cash Count at Pahokee High School on November 19, 2012 (March 8, 2013)
8. Investigation of Supplemental Pay to Staff at Boca Raton Middle School (March 8, 2013)
9. Follow-up on the District's Implementation of Corrective Actions in Response to the February 2012 Grand Jury Report (April 26, 2013)

Performance Audits

1. Audit of Revenue Collection Procedures for Athletic Events (August 17, 2012)

The primary objectives of the audit were to (1) assess whether existing controls over receipts from athletic ticket sales are adequate, and (2) determine the extent of compliance with related District's policies and procedures, as well as State and *Florida High School Athletic Association (FHSAA)* guidelines. This audit produced the following major conclusions:

1. Mandatory Training Needed

Control procedures were not consistently followed at all the sample schools we visited. Many of the noncompliance issues identified could be attributed to staff not following or not aware of existing procedures and guidelines. Mandatory training in existing procedures and requirements should help resolve the findings.

2. Non-Compliance with Existing Procedures

- Missing Documentation. For eight, or 67% of the 12 sample schools, important documentation for ticket sales and revenue collections for some athletic events was either missing or not complete.
- At one event, cash was observed being collected from patrons at one gate without issuing pre-numbered tickets.
- Inaccurate Information. *Ticket Sellers Reports* were not always completed correctly.
- Review of *Ticket Sellers Reports* Needed. The *Ticket Sellers Report* was not required to be signed or reviewed by the ticket seller, or other staff.
- Instructions Needed. There were no instructions for completing the *Ticket Sellers Report*.
- Updated Formal Procedure Manual Needed. The District did not have an updated formal internal accounts procedures manual that addressed all the revenue collection requirements.

3. Inadequate Inventory Control over Pre-numbered and Season Tickets

4. Tickets Not Defaced by Ticket Takers

5. Ticket Stubs Accepted for Re-entry

6. Inconsistent Requirements for Pre-numbered Tickets

7. Inadequate Internal Controls over Parking Cash Receipts

8. Parking Fee Misleading; No Indication of Parking Fees as Donations

9. Inadequate Segregation of Duties

10. Monies Not Always Turned in Timely for Deposit

11. Non-compliance with Change Fund Procedures

12. Issues with Concessions

- No Health Department Permits for Concession Stands
- No Lease Agreements or Contracts with Outside Vendors

2. Audit of Title I Program Expenditures (September 14, 2012)

The primary objective of this report was to determine the appropriateness of expenditures funded by the Title I Program. This audit produced the following major conclusions:

1. Expenditures Appeared Appropriate

2. Non-Compliance with School Board Policy 6.01, Authorized Travel Expense Reimbursement

- Travel taken was not the most economical
- *Leaves/Temporary Duty Elsewhere (TDE) Application* for out-of-county travel not pre-approved, and travel expenses incurred before approval
- *TDE* did not indicate estimated travel costs

3. Uses of Purchasing Cards (P-Cards) in Excess of \$1,000

- Required approval requests were not made for two of the eight purchases

4. Inventory Not Labeled

- A review of physical inventory of computer and furniture purchased with Title I money by six sample schools revealed that five of them did not have the items labeled as *Title I*.

5. \$6,155 Paid for Cancelled Classes

- Our review of the vendor's attendance and billing records for November 2010 indicated the District paid \$6,155 for 64.65 instructional group hours for services not rendered.

3. Audit of Leasing of School Facilities by Title I Supplemental Educational Services Tutoring Service Providers (September 14, 2012)

This audit produced the following major conclusions:

1. Immediate Corrective Actions

In April 2011, while providing assistance to the School Police in the investigation of potential fraudulent billings by a SES Tutoring Service Provider, instances of non-payment and under-payment for rental charges by Providers were noted. Due to the indication of noncompliance with leasing arrangements for use of District facilities by Providers,

- In August 2011, we notified the Department of Federal and State Programs of the non-payment and under-payment of rental charges by Providers, and recommended that immediate corrective actions be taken to ensure full compliance with provisions of the *SES Agreement* and *School Board Policy 7.18* for leasing of school facilities.
 - On March 5, 2012, we met with the Departments of State and Federal Programs, Planning and Real Estate Services, Accounting, and Legal Services to discuss the need for developing and implementing procedures for collections of overdue or unpaid leasing charges.
2. \$96,245.24 in Uncollected Rental Charges Identified
 3. Causes for Non-Payment and Under-Payment included:
 - Lax Oversight of Providers' Actual Use of School Facilities
 - Enhancement of Tririga System Needed
 4. Conflict of Interest for Teachers in Tutoring Their Own Students

Our review of the District's Student TERMS records found that 101 District teachers provided the fee-based SES tutoring services to 316 students who were also enrolled in **regular classes taught by the same teachers. This practice has put the 101 specific teachers** in potential conflict of interest, in violation of the Collective Bargaining *Agreement* and *Florida Ethics Commission Opinion CEO 04-17*.
 5. Monthly SES Attendance & Payment Record Forms Not Available to Schools

4. Audit of School Food Service Revenue Collection (November 16, 2012)

The primary objective of the audit was to review procedures for money collection. The audit produced the following conclusions:

1. School Food Service's Net Cash Resources (Fund Balance) Exceeded USDA Allowable Limits by \$2,424,512
2. All Expenses Not Captured by Charter and Alternative School Income Statements

While revenue amounts were reported, some major expenses were not included, such as salaries and benefits of District staff who prepared food for these schools, energy expenses, material and supplies, and capital outlay.

3. Incomplete and Inaccurate Cooperative Sales Daily Reports

Two of the eight sampled high schools participated in the Cooperative Sales Program. Both schools had neither fully completed nor entered correct information on the *Cooperative Sales Daily Reports*.

4. *Courier Logbook* Procedures Not Followed
5. Non-Compliance with School Board Policy 6.031, School Food Service Meal Accounts
 - Overdrawn Meal Accounts Exceeded Limits.
 - Unclear and Incomplete Collection Guidelines.

5. Audit of Inventory Controls at Transportation Services Department (November 16, 2012)

The primary objective of this audit was to assess the adequacy of controls and procedures for maintaining optimal inventory levels for parts, and ordering, receipting, issuing, and safeguarding of inventory items. The audit produced the following conclusions:

1. No Written Procedures for Ordering, Receiving, Issuing Parts and Determining the Optimal Level of Inventory
2. Inventory Items Deleted from Records Without Justification
3. Discrepancies in Physical Inventory

Our inventory observation noted 20 items with more physical inventory quantity than those on record. On the other hand, we noted that 13 items with physical inventory quantity less than those on record.

4. Inaccurate and Incomplete Receipting Procedures

The review of selected invoices found that:

- Two invoices could not be traced to Work Orders.
 - Three invoices included parts with quantities less than the invoice quantities.
 - Two invoices had parts with credits worth \$110 could not be traced to refunds.
 - Twelve invoices did not have receiving signatures.
5. Inaccurate Year-End Inventory Balance in PeopleSoft General Ledger Due to Human Errors
 - Due to an adjustment done twice for items that had not been counted.
 - The final inventory amount did not include the adjustments made after the July 19, 2011, physical inventory count.
 - Unit prices for parts were not included in the inventory system, resulting in understatement.

6. Audit of Time Collection Device Expenditures (November 16, 2012)

The primary objectives of this audit were to determine (1) if the *School Board Agenda Report* indicated the amount of funding to be approved by the School Board, (2) whether the direct negotiation for the TCD procurement was properly documented, (3) whether the expenditures were within the original amount approved by the School Board, (4) whether payments to vendors were appropriate, and (5) whether disbursements were made with proper *Purchase Orders*. This audit produced the following major conclusions:

1. Ambiguous Funding Request and Approval

The District spent a total of \$2,442,770 on the TCD project between March 2006 and January 2011. However, at least \$161,736, or 10%, of the \$1.6 million paid to one of the vendors, TimeLink, was not originally included in the *December 2005 Master Agreement* approved by the School Board and did not have the School Board's approval. Due to the ambiguity of the exact amount of funding request in the *Agenda Report* for School Board approval, the funding approval by the School Board could be interpreted in three different scenarios, resulting in three different total funding levels ranging from \$1,254,181 to \$1,400,000.

2. Direct Negotiation

We found the School District has no written procedures, guidelines or records for negotiation requirements governing this direct negotiation process. There was no evidence indicating that records and documentation had been created for the vendor negotiation and selection. Failure to create and retain records and justification for vendor negotiation and selection does not promote transparency and public accountability for use of tax dollars.

3. Consequence of Lack of In-House Expertise: Unforeseen Interruptions, Unforeseen Additional Expenditures, Vague Contract Language, and Potential Duplicated Services

Due to the lack of in-house expertise at the time to implement the TCD in the PeopleSoft environment, the District was less likely to be able to identify potential processing issues prior to the final decision to purchase the TCD system. As a result, the TCD System was used for only one payroll period in July 2006 and was discontinued due to the extensive processing issues with the PeopleSoft Payroll System. The unsuccessful implementation of the TCD System had caused unforeseen interruptions to District operations and payroll processing; and considerable amount of staff overtime was needed in order to control the damages.

To make the TCD System operational, additional programming and support services for both the TCD and PeopleSoft Systems were needed, resulting in a \$946,860 unforeseen expenditures. Moreover, the TimeLink *Master Agreement* contained vague language as to what specific deliverables should be provided by the vendor (TimeLink). The review of Labor Source's contract and its amendments revealed that there appeared to be some duplicated services provided by both vendors.

4. \$9,900 in Consultant Contract with TimeLink Should Have Been Approved by the School Board

5. Inconsistent Contract Provisions regarding Warranties and Maintenance

6. Disbursements

Several instances of overbilling, duplicated payments, payment without a *Purchase Order*, and no documentation for consultants' travel expenses were noted during the audit totaling more than \$15,000.

7. Payments Charged to Unrelated Purchase Order

7. Audit of District's Cellular Phones (January 10, 2013)

The primary objective of the audit was to assess the efficiency and effectiveness of the District's oversight and utilization of cell phones. This audit produced the following major conclusions:

1. Loss of \$94,411 in E-Rate Discounts for Cell Phones Purchased by Schools through Internal Funds
2. Required *Form 2317* to Approve the Issuance of Cellular Devices Not Implemented

Effective July 7, 2010, ***School Board Policy 3.29*** requires the **approval** and justification for issuance of District's cellular devices be documented on Form *PBSD 2317* entitled *District Cellular Device Request*. However, all 654 cell phones and 96 (74%) of the 131 air-cards issued to District employees were not authorized through the use of *Form 2317*. Moreover, the Division of Information Technology did not implement the required form until May 2012.

3. \$14,898 Spent on Cell Phones Not Being Used For a Period of Three to Six Months
4. Airtime Minutes Paid But Not Used and Personal Use of District Issued Cell Phones
 - 51% of Airtime Minutes Paid But Not Used.
 - Personal Use of District Issued Cell Phones - Our review of cellular phone bills for eight major user-departments during the three sample months found that eight employees from four departments had 288 personal calls, totaling 685 minutes.

5. Lack of Procedures to Deactivate Unused Devices

There were no procedures to notify IT regarding cell phone devices issued to employees who later transfer to other departments/schools or terminate employment with the District, although ***School Board Policy 3.29 Section 8.e.ii*** outlines the transfers and cancellation of these devices.

6. Personal and Confidential Information, if any, Stored in Discarded Cell Phone Might Not Have Been Deleted

Special Requests

1. Investigation of Title I Migrant Office (July 11, 2012)

In response to an anonymous complaint, the District Auditor's Office conducted an investigation concerning the Title I Migrant Office. This investigation produced the following major conclusions:

1. Did some employees use public transportation (Palm Tran) and also claim reimbursement for the mileage?

Result. The information obtained did not support the allegation.

2. Did some employees with multiple positions clock-in under a higher paid position while performing duties of a lower paid position?

Result. The information obtained did not support the allegation.

3. Did some employees make unnecessary trips in order to collect mileage reimbursement?

Result. The information obtained did not support the allegation.

4. Did some employees inappropriately use the department's cargo vans for home visits?

Conclusion. The information did not support the allegation.

5. Did some employees claim mileage reimbursements for trips made with the department's vehicles?

Result. The allegation could not be substantiated due to inconclusive, incomplete, and inconsistent information.

6. Did some employees clock-in at a location other than their home office so they would not appear to be late for work?

Result. The information did not support the allegation.

Other Issues

7. Some In-County Reimbursement Claim Forms reported incorrect miles.
8. Incomplete and inconsistent information on *Van Check-Out Sheets*.

2. Special Audit of Leasing Arrangement Between the South County Sports Camp, Inc., and Boca Raton Community High School (September 14, 2012)

This audit produced the following major conclusions:

1. Has South County Sports Camp, Inc., completed the Lease Agreement, as required by School Board Policy 7.18 – Community Use of School Facilities and School Board Policy 7.185 – Community Use of School Board Swimming Pool Facilities?

Result: As of June 5, 2012, SCSC had completed the required facilities leasing arrangements with the School District.

2. Did the Assistant Principal Comply with *School District Policy 3.02 – Code of Ethics*, specifically using his position for personal gain?

Result: There was no personal gain for the 2012 South County Summer Camp program.

3. Did the camp director comply with *School Board Policy 3.29 – Acceptable Use of Technology by Employees*, specifically the use of District email and technology resources to conduct personal business?

Result: The use of District’s technology resources by the assistant principal, who was the president of SCSC, appeared to be consistent with *School Board Policy 3.29, Section 2.b*, but inconsistent with *Section 7*.

3. Special Audit of Indian Ridge School’s Student Government Money Collections (October 24, 2012)

This audit produced the following major conclusions:

1. Minor Noncompliance Noted
 - Fundraiser Application/Recap Form Not Pre-Approved by Principal.
 - No Fundraiser Application/Recap Form for Two Other Fundraisers
2. Decimalized Accounts Not Established
3. Sale of Outside Food During Lunch Period

4. Investigation of Suncoast High School’s Auctioning of Lockers and Parking Spots and Funeral Payment (October 24, 2012)

The primary objectives of the investigation were to (1) determine whether both activities complied with related *Department of Education’s Rules* for Internal Funds, *School Board Policies*, and District’s procedures, and (2) determine whether District’s property, staff and time were misused.

A. Auctioning of School Locker and Parking Spot Choices

1. Did the auctioning of school locker choices and parking spot choices for students violate *School Board Policy*?

Result. The auctioning of locker choices and parking spot choices for students did not violate *School Board Policy*, although allowing students to purchase a choice of student lockers and parking spots might appear to give special priority to some students.

2. Did the school violate District procedure by accepting credit card payments for PTSA fundraisers?

Result. Accepting credit card payments through the school’s bank account for PTSA fundraisers was inconsistent with the *Internal Accounts Manual*, specifically the rules related to banking activities on behalf of outside organizations. Even though the PTSA’s use of the school’s credit card processing did not conform to the Internal Accounts

procedures, the school and students were the direct beneficiaries of the PTSA's ongoing fundraising activities.

3. Did school staff perform bookkeeping functions for the PTSA during normal working hours?

Result. School staff performed bookkeeping functions for two events on behalf of the PTSA during normal working hours.

Although school staff performing bookkeeping work for the PTSA's fundraiser during normal work hour was inconsistent with *DOE's Redbook*, the school and students were the ultimate beneficiaries of the PTSA's fundraisers.

B. Payment of Funeral Expenses of an Employee

4. Was the school in compliance with *DOE's Redbook* and District's *Bulletin #P-12224-CAO/COO* in paying the funeral expenses of an employee?

Result. The school did not comply with *DOE's Redbook* and District's *Bulletin #P-12224-CAO/COO* in advancing funds to pay for funeral expenses of a deceased employee.

5. Audit of Mavericks High (Charter School) at Palm Springs Enrollment Records (January 10, 2013)

The primary objectives of this audit were to determine (1) whether Mavericks' 2011-2012 Student FTE Surveys 2 and 3 were accurate, and (2) the causes for reporting errors, if any, in the student counts for FTE Surveys 2 and 3.

1. Fiscal Year 2012 FEFP Funding for School Potentially Overstated by \$158,815

Based on the school's initial over-reporting, on July 18, 2012, the School District notified Mavericks that there was an overpayment of \$122,070 in FEFP funding to the school. As of June 30, 2012, the school received \$2,771,859 in FTE revenue payments. The \$122,070 in overpayment was deducted from the August 2012 payment for Fiscal Year 2013. The estimated total FTE Funding for Mavericks would be \$2,649,790.

2. Causes for Overstatement in FTE

- Poor Documentation in Attendance
- Discrepancies Between Manual Attendance and TERMS

6. Special Report on Charter Schools Department as Related to Mavericks High at Palm Springs (January 10, 2013)

During the audit of Mavericks High at Palm Springs Enrollment Records, we noted two issues pertaining to the Charter Schools Department regarding employee's conflict of interest and the process in handling complaints.

1. Conflict of Interest

The son of an employee of the District's Charter Schools Department was working in an administrative position at Mavericks. Although the Charter Schools Department was aware of this situation since the beginning of School Year 2012, that particular District employee continued to perform periodic program monitoring of Mavericks as of April 24, 2012, including the Mid-Year Review that was performed on March 1, 2012.

Immediate Corrective Action

In response to our April 24, 2012, inquiry, the Assistant Superintendent of Choice and Career Options instructed the Director of Charter Schools to immediately assign the duty of program monitoring for Maverick to another staff, and requested the specific employee not to contact Mavericks.

2. FDOE Complaint Not Followed Through by the Department

The Charter Schools Department received an email from FDOE on February 23, 2012, which contained an abstract of an anonymous allegation against Mavericks High. FDOE received the complaint on February 16, 2012.

Instead of initiating an investigation to determine merits and validity of the complaint and resolve the issue, if any, on February 24, 2012, the Charter Schools Department forwarded the FDOE complaint to the school administrator of Mavericks for necessary actions. Moreover, no follow-up on the complaint was performed by the Charter Schools Department. As of July 29, 2012, no response has been provided to FDOE.

7. Special Review: Unannounced Cash Count at Pahokee High School on November 19, 2012 (March 8, 2013)

The primary objective of this unannounced visit was to determine if (1) monies collected were timely deposited and (2) monies to be deposited into the bank agreed with the collection records. This review produced the following major conclusions:

1. No money missing.
2. Collections were not deposited timely, with delays ranging from five to ten working days after the monies were collected.

8. Investigation of Supplemental Pay to Staff at Boca Raton Middle School (March 8, 2013)

The primary objectives of this investigation were to determine (1) if the Additional Period Supplement was paid to qualified instructional staff, (2) if the supplement was paid to qualified paraprofessionals, and (3) if supply funds earmarked for ELL (English Language Learners) program were misused.

1. Allegation: Teachers have not received their contracted supplemental pay for the extra class they taught each day.

Result: The information obtained *did not support* the allegation.

2. Allegation: Paraprofessionals have not been paid for the additional duties they have been performing.

Result: The information obtained *partially supported* the allegation.

We concluded that the allegation concerning the Paraprofessional Supplemental Pay was partially substantiated because certain paperwork needed was delayed during the submission. However, it should be noted that the Department of ESE receives hundreds of supplemental pay requests at the beginning of each school year and timely processing is a challenge.

3. Allegation: The principal misused funds earmarked for the Multicultural Department.

Result: The information obtained *did not support* the allegation.

9. Follow-up – The District’s Implementation of Corrective Actions in Response to the February 2012 Grand Jury Report

The primary objective of this Special Review was to determine the extent to which the School District has implemented the corrective actions in response to the February 2012 Grand Jury Report. As of January 31, 2013, the following corrective actions were noted:

Five Web-Based Training Session. Five web-based training sessions have been developed, and rolled out. These training sessions included (1) General Cash Collection, (2) General Cash Disbursements, (3) Ticket Sales at School Events, (4) Fundraising, and (5) Field Trips.

Mandatory Web-Based Training. All internal accounts bookkeepers, principals, and teacher/sponsors who transact business within school internal accounts are required to complete the mandatory web-based training sessions in the related areas as required by the September 26, 2012, *Bulletin #P-14406-CAO/COO*.

Additional Training. The District also provided two face-to-face training sessions to all principals on June 11 and 12, 2012.

Report of Deficits to the Audit Committee. The Accounting Department submitted a report of schools with year-end deficit in Internal Funds for Fiscal Year 2012 to the Audit Committee at its November 16, 2012, meeting.

As of October 13, 2012, only one school still had deficit accounts.

Mandatory Prior Approval. The *Field Trip/Activity Roster Form* (PBSD 2149) has been revised effective October 3, 2012, to include that the form is mandatory for out-of-state, out-of-county, or overseas trips and should be approved approximately two weeks prior to the departure date.

Controls to Ensure Monies Are Available. *The Field Trip/Activity Roster Form* (PBSD 2149) has been revised effective October 3, 2012, to incorporate the total trip cost, payments received, relationships of non-students participants, other funds generated and additional funds needed, if any.

INVESTIGATIVE ACTIVITIES

The OIG established its investigative section with the addition of two full time investigative employees in November and December 2012.

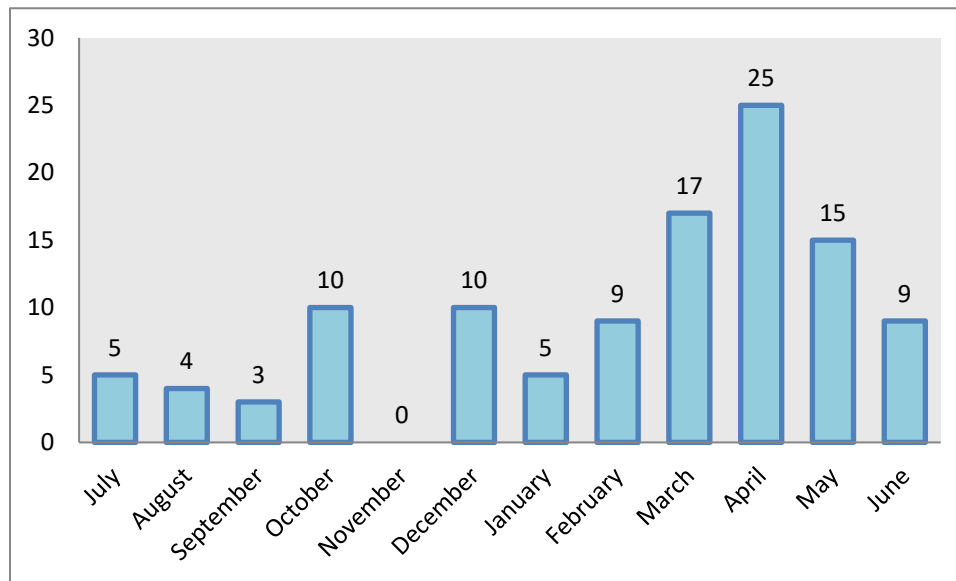
Hotline Established. The OIG structured, designed, and implemented a Hotline (855-561-1010) in March 2013, to facilitate the receipt of information associated with allegations of corruption, fraud, waste, mismanagement, etc. The Hotline, operated by a third party vendor, facilitates the reporting of information via telephone or the internet, 24-hours a day.

The OIG worked in conjunction with the Public Information Officer to establish and implement a comprehensive roll-out and communications plan for the Hotline.

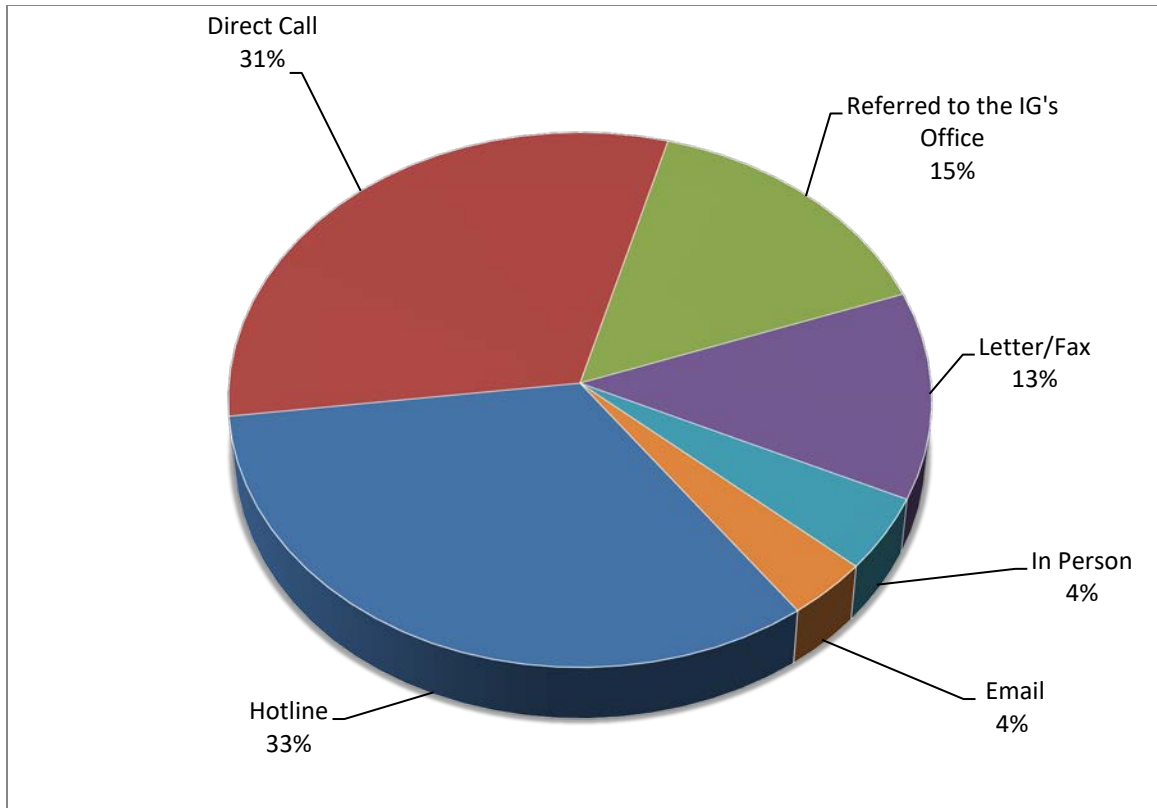
For the four-month period subsequent to Hotline implementation, the OIG received 37 intakes via the Hotline.

In addition, the OIG established internal investigative procedures for the intake process, case management, and referral criteria.

Intake Activity. During Fiscal year 2012-13, the OIG received 112 intakes from citizens, employees, vendors and other interested parties.



Intake Sources. The OIG receives intakes via the hotline, mail, direct phone call, referral from another department or in person. During Fiscal Year 2013 most of the volume was received via the hotline and direct call.



Intake Disposition. The Director of Investigations and Inspector General review each report intake. Based on the information provided and a preliminary review performed, the intake can be handled in several different ways. Intakes can result in the opening of an investigation or review, referral to appropriate departments, or closed for insufficient/unwarranted information.

The OIG will prepare Case Memorandums when it is determined that the information provided and results of preliminary review do not warrant a full investigation.

In FY 2013, the Office completed 15 cases including:

- Four investigation reports (reports completed pending further action)
- Six Case Memorandums (Intakes that do not warrant a full investigation)
- One Management Review (case completed)

Twenty intakes were closed due to insufficient/unwarranted information, and 44 intakes were referred to other departments for appropriate action.

COMPLIANCE AND QUALITY CONTROL ACTIVITIES

The Compliance and Quality Control function of the OIG oversees the processes for quality assurance and peer review, helps ensure quality audit and investigative reports, and full compliance with all professional standards. This function also (1) follows up on all audit or investigation recommendations issued by the OIG and external auditors and agencies, (2) serves as the liaison to other departments and agencies, (3) monitors necessary professional development, certifications, and training for all OIG staff, (4) assists in developing the Annual Work Plan, and (5) performs other critical support activities.

Quality Assurance Activities. *School Board Policy 1.092* requires audits, investigations, and inspections to be completed in accordance with professional standards. The Compliance and Quality Control function performs periodic assessments of procedures, and coordinate the review of audit work papers, to ensure processes and work are performed in compliance with ***Generally Accepted Government Auditing Standards***.

Specific quality assurance activities consisted of reviews of draft reports and completed engagements. Draft reports and associated work papers were reviewed to ensure the work papers supported statements made by the auditor in the draft report. Completed engagements were also reviewed to ensure compliance with professional standards and OIG procedures. Additionally, updates and revisions to the *OIG Policy and Procedures Manual* were made to further ensure a consistently high level of audit quality. Also, staff meetings were held to train staff on how to implement quality control procedures.

Peer Review. To promote the independence, objectivity, and quality of the work activities of the OIG, the OIG was peer reviewed during the fiscal year as required by *School Board Policy 1.092* and by ***Generally Accepted Government Auditing Standards***. The Compliance and Quality Control function prepared for, and coordinated, the Peer Review that was conducted by the Association of Local Government Auditors during April 2013. The OIG successfully passed the Peer Review, and the final Peer Review Report was submitted to the Audit Committee during its May 10, 2013 Meeting, and subsequently to the School Board.

Audit Recommendation Follow-Up. *School Board Policies 2.62* and *1.092* require monitoring and periodic follow-up on the status of the implementation of recommendations made by the OIG and other audit, investigative and law enforcement agencies. To accomplish these requirements, the OIG maintains a system to monitor corrective actions taken by District staff, and proper resolution and to address audit and investigation findings. Six months after the issue date of each internal, external audit, or investigative report, responsible administrators are required to provide the OIG with the status of corrective actions taken to correct reported deficiencies. If recommendations have not been fully implemented or scheduled for implementation within six (6) months of the issue date of the report, a *Status Report* is provided to the Audit Committee. An *Interim Report of the Status of Corrective Actions* for reports released during Fiscal Year 2012-13 was provided to the Audit Committee during their April 26, 2013 meeting.

Liaison with External Auditors/Agencies. The OIG ensures effective coordination and cooperation between the State Auditor General and other external auditors, the Florida Department of Education, and other government bodies with a view toward avoiding duplication. The Compliance and Quality Assurance function provides a single point of contact for external

agencies auditing the School District. During the fiscal year, we assisted multiple external auditors and investigators including Ernst & Young, the Florida Department of Education's Office of Inspector General, the Florida Department of Juvenile Justice's Office of Inspector General, the Office of State Attorney, and the Association of Local Government Auditors.

Professional Development/Certifications/Training. The OIG encourages all staff members to obtain professional certifications and continuing education in order to enhance their professional skills. The OIG and its staff participate as members of the Association of Inspectors General (AIG), a national organization of state, local and federal Inspectors General and their staffs. Six of the OIG staff received the designation of Certified Inspector General Investigator, Certified Inspector General Auditor, or Certified Inspector General after undergoing training and testing by the AIG during August 2012.

The Compliance and Quality Control function maintains a record of, and monitors, training and education received by each staff to ensure compliance with the continued education requirements outlined by *Government Auditing Standards* and *Principles and Standards for Offices of Inspector General*. Also, in-house continued professional education training is developed and provided to all OIG staff.

Outreach. The OIG participated in the District's training sessions that focused on the goals and key concepts of financial internal controls. The discussion centered on internal controls as they relate to the Internal Funds of the schools, and the Principal's role in enforcement of those control

OTHER CRITICAL SUPPORT ACTIVITIES

School Board Policy Revisions. The OIG provided technical assistance to the Legal Services Department during their revisions to School Board Policies adopted during the fiscal year, including *Policy 6.14, Purchasing Department*. The OIG also provided technical assistance to the Legal Services Department during their contract negotiations with charter schools by determining if there were adequate standards of fiscal management within the terms of the Charter Schools' Agreements.

Ongoing Assistance to Charter Schools Department. The OIG provided ongoing technical assistance to the Charter School Department by (1) performing reviews of some charter schools, (2) receiving, reviewing, and investigating numerous complaints related to charter schools, and (3) assisting District staff in recovering funds from charter schools due to noncompliance with State regulations.

Pre-Award Contract Oversight. In September 2012, the OIG initiated its ongoing Pre-Award Contract Oversight program to help fulfill its responsibility to provide increased oversight in improving District operations. The objective of this ongoing oversight is to promote honesty, integrity, and transparency during the procurement and contracting process by observing selection committee and contract negotiation meetings. OIG staff attended several contract selection and/or negotiation meetings, sometimes unannounced, and provided feedback to staff where appropriate.

Inventory Count. On October 3, 2012, the School Board approved the Integrated Supply Agreement authorizing NAPA Auto Parts (NAPA) to assume the management and control of the District's automotive supplies and repair parts. On December 14, 2012, OIG staff observed and independently verified the inventory count of automobile repair parts and supplies at the Central Transportation location, which totaled more than \$360,000.

Construction Oversight and Review Committee (CORC). OIG staff regularly attended and participated in the all monthly CORC meetings during the fiscal year.

VALUE ADDED TO THE SCHOOL DISTRICT DURING FY2013

Projects	Fiscal	Impact
	Increase in Revenues / Decrease in Costs	Questioned Costs/Expenses
Financial and Compliance Audits		
Estimated Revenue Increases in Afterschool, Summer Camp, Community School, and School Facility Leasing Programs	\$4,664,425 *	
2012 Internal Funds Audits		
- Disbursements		
• Expenses with no or inadequate documentation		\$435,442
• Undocumented gifts		4,930
• Missing and unrecorded classroom technology devices		4,573
• Overpayments and unneeded expenses	3,869	
- Fundraisers		
• Cash and fundraising revenues unaccounted for		90,809
• Undocumented gifts		54,397
- Leasing of School Facilities		
• Undocumented fee waivers		1,225
• Uncollected and undercharged rentals	64,149	
- Afterschool Programs		
• Unapproved/undocumented fee waivers		12,055
• Unaccounted revenues		5,612
• Undercharged and uncollected program fees	35,613	
- Adult and Community Education Programs		
• Overpaid and questionable payroll		7,943
• Unaccounted revenues		2,700
• Undercharged program fees	3,240	
	<u>\$4,771,296</u>	<u>\$619,686</u>
Performance Audits		
- Audit of Mavericks High (Charter School) at Palm Springs Enrollment Records	\$158,815	
- Audit of District's Cellular Phones	133,415	
- Audit of Leasing of School Facilities by Title I SES Tutoring Service Providers	96,245	
- Audit of Time Collection Device (TCD) Expenditures		\$1,108,596
- Audit of Inventory Controls at Transportation Services Department		484,429
	<u>\$388,475</u>	<u>\$1,593,025</u>
Total Fiscal Impact For FY2013	<u>\$5,159,771</u>	<u>\$2,212,711</u>

Total Number of Audit Findings **954**

Total Number of Recommendations to Improve

- Controls	407
- Efficiency, Effectiveness, and Program Results	48
- Improved Compliance	<u>548</u>
	<u>1,003</u>

Sources: Audit and Investigation Reports, and Revenues Analyses.

* Please see next page for estimated revenue increases.

***Estimated Increase in Revenues:**

Afterschool and Summer Camp Programs	\$3,908,664
Community School Programs	456,542
Leasing of School Facility	<u>299,219</u>
Total	<u>\$4,664,425</u>

The above estimated revenue increases represented the differences between the actual revenues collected during Fiscal Year 2013 and the 10-year average annual collections during Fiscal Years 2004 and 2013. Moreover, all actual revenue collections were adjusted to inflation, improvement in economy, changes in enrollment, and changes in program fees. We believe that improved controls resulting from implementing corrective actions as part of the audit process is one of the key factors in improving revenue collections. Although there could be other contributing factors for the increases in revenues, these other factors could not be determined as of the time when this analysis was prepared.

_____End of Report_____