

**Office of Inspector General
Annual Report For Fiscal Year 2014**

January 16, 2015

Report #2015-02

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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PALM BEACH COUNTY, FLORIDA

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LUNG CHIU, CIG, CPA
INSPECTOR GENERAL

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E. WAYNE GENT, SUPERINTENDENT

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: January 15, 2015

SUBJECT: Office of Inspector General *Annual Report For Fiscal Year 2014*

Submitted for your information is our *Annual Report for Fiscal Year 2014*. This report summarizes the School District's auditing, investigation, compliance and quality control functions, and related statistics for Fiscal Year 2014.

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 2014**

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Office of Inspector General Annual Report For Fiscal Year 2014

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, 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.

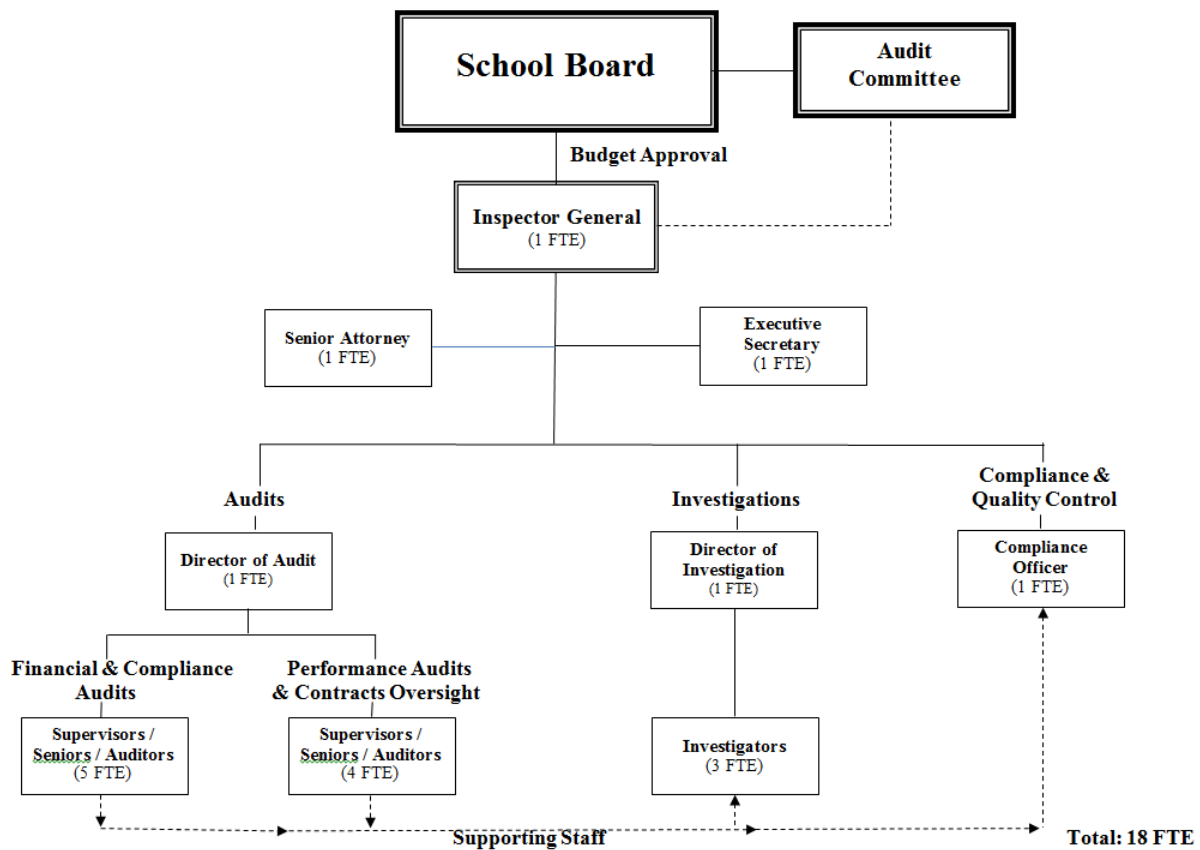
Auditors bring to staff's attention issues and concerns in a timely manner so that corrective actions can be implemented immediately. As a result, changes are sometimes implemented before the audit report is released. More commonly, audit recommendations are implemented after staff has had the opportunity 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, 2014



Staffing

- 15 professional, 1 administrative, and 2 vacant positions
- Collectively, staff have
 - 13 advanced degrees, and
 - 26 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)

2013 Annual Internal Funds Audit

SAMPLING METHODOLOGY

(Source: GAO's "Using Statistical Sampling", May 1992)

Judgmental Sampling. To evaluate the extent of compliance with *School Board Policies*, School District procedures and guidelines, and to detect potential irregularities, we conducted both random and judgmental sample testing. Judgmental sampling is widely used by the U.S. Government Accountability Office (GAO) and professional auditing practitioners to assess the effectiveness of controls and the extent of compliance with laws, rules, and regulations. In judgmental sampling, auditors base on their knowledge and experience to select items and transactions most likely to have a questionable public purpose, and therefore could provide an indicator of potential fraud or irregularity.

Judgmental Sampling Results Cannot Be Generalized to Population. Judgmental sampling is not statistical or scientific sampling, and the rate of occurrence would not be the same in the remaining population of untested items. Therefore, the sampling results cannot be generalized to a population. Applying the occurrence rate from judgmental samples to the entire population of transaction is meaningless and will produce misleading generalization.

SCHOOLS WITH NO SIGNIFICANT NONCOMPLIANCES

We would like to recognize the 26 schools in which no significant noncompliances were identified during the Fiscal Year 2013 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 26 schools.

Allamanda Elementary**	Palm Springs Elementary
Coral Reef Elementary	Panther Run Elementary
Crosspointe Elementary	Pine Jog Elementary
Diamond View Elementary**	Pleasant City Elementary
Egret Lake Elementary	Plumosa School of the Arts
Everglades Elementary	Rosenwald Elementary
Glade View Elementary	Sandpiper Shores Elementary**
Golden Grove Elementary	Starlight Cove Elementary
Hammock Pointe Elementary	Sunset Palms Elementary
Lantana Elementary**	Wynnebrooke Elementary
Liberty Park Elementary	Eagles Landing Middle
Melaleuca Elementary	Osceola Creek Middle
Palm Beach Gardens Elementary	South Intensive Transition School

Schools marked with ** also had no significant noncompliances during Fiscal Year 2012 Audits. We have notified the Area Superintendents of the above schools for their extraordinary performance in complying with *School Board Policies* and maintenance of their records.

Collectively, there were nine findings for the 2013 Internal Funds Audit of 175 schools. These findings were categorized into three areas: Disbursements, Money Collections, and Leasing of School Facilities. Findings for each school were brought to the immediate attention of the Principal after the fieldwork. Individual management response was obtained from the Principal and was included in each school audit.

We recognize that implementing the recommendations outlined in each finding will require staff commitments. However, we believe that the benefits derived will far exceed the cost of implementing these recommendations.

OVERALL FINDINGS FOR 175 SCHOOLS

I. Disbursements

1. Accounts Payable
2. Disbursements Not Properly Documented or Approved
3. Vendors Allowed on Campus without *Consultant Contract*
4. Noncompliance in P-Card Transactions

II. Money Collections

5. Inadequate Fundraising Documentation
6. Monies Not Deposited Timely

III. Leasing of School Facilities

7. Inadequate Proof of Insurance
8. *Lease Agreement* Not Properly Signed
9. Late Payments

I. DISBURSEMENTS

During Fiscal Year 2013, all 175 schools in the School District disbursed a total of \$78.5 million in payments for purchases of goods, services, and other expenditures through the Internal Funds. Four findings were noted in the area of disbursements.

1. Accounts Payable

As of June 30, 2013, four schools, along with the current year's amount due, collectively owed the Central Office \$129,579 of which \$75,005 was incurred prior to Fiscal Year 2013.

School	2008	2009	2010	2011	2012	2013	Total
Lake Shore Middle	\$1,417					\$479	\$1,896
Polo Park Middle	21,993	1,173					23,166
Glades Central High		32,929				1,321	34,250
Palm Beach Lakes High			6,203	5,777	5,513	52,774	70,267
Total	<u>\$23,410</u>	<u>\$34,102</u>	<u>\$6,203</u>	<u>\$5,777</u>	<u>\$5,513</u>	<u>\$54,574</u>	<u>\$129,579</u>

To ensure proper fiscal accountability, schools should (1) ensure that all unpaid bills are accurately reported on the financial reports submitted to the Central Office, (2) develop a payment plan to pay the bills, and (3) timely process payments for all invoices to ensure compliance with the *Florida Prompt Payment Act*.

2. Disbursements Not Properly Documented or Approved

The District continues to provide ongoing training opportunities in financial management for staff, both web-based and face-to-face. The 2013 Audit found that 110 schools (63%) were in compliance with the *Internal Accounts Manual* and related District guidelines for disbursements. However, the audit also revealed that in 65 (37%) of the schools, some disbursements did not have the required documentation such as vendor invoice, paid receipt, or other form of documentation from an independent source. The documentation noncompliance included:

- 12 schools (7%) issued checks with no supporting documentation.
- 12 schools made payments based on insufficient documentation, such as vendors' account statements or packing lists that did not have the details of the purchases.
- 15 schools (9%) issued checks in an amount more than the total of the supporting receipts or invoices, resulting in overpayments.
- 33 schools (19%) did not issue the required *Purchase Orders* for purchases in excess of \$1,000, as required by *Chapter 8 (Cash Disbursements and Checks) of Internal Accounts Manual*.
- 23 schools (13%) paid contracted services without a properly executed *Consultant Contract*.

(Please note that some of the above 65 schools had more than one of the above findings.)

Disbursement procedures should be administered in accordance with *Internal Accounts Manual* and related District guidelines. All disbursements should be adequately documented with *Check Requisitions* approved by the school principal and supported by itemized invoices and receipts. Without adequate supporting documentation, there is no assurance that the related expenses were appropriate.

3. Vendors Allowed on Campus without *Consultant Contract*

In 12 schools, vendors were permitted to perform services at the schools without a properly executed *School District Consultant Agreement (PBSD 1420)*. *Section 8 of the Agreement* specifies the requirements for completing background checks/fingerprinting of vendors in accordance with the *Jessica Lunsford Act (Florida Statutes §1012.465)*. The lack of a *Consultant Agreement* could result in school's failure in enforcing this provision. To protect the safety and welfare of students and ensure that consultants, who will perform services on school campus, have been cleared of the required background and clearance checks as required by *Florida Statutes §1012.465*, all vendors must have a properly executed *Consultant Agreement*.

4. 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 2013, there were 76,106 P-Card transactions for a total P-Card purchases of \$14 million.

The School District requires all P-Card users, P-Card site administrators, Principals, and Department Heads to complete the annual online P-Card user training. Additionally, all P-Card purchase records and documentation is to be scanned and archived in a central online location to assist staff with monitoring. Random testing of receipt documentation is performed by the Central Office.

We recognize that ongoing management's efforts have resulted in a steady decrease in P-Card noncompliance. For the Fiscal Year 2013 Audit, 19 (11%) schools were noted with missing or insufficient documentation for P-Card purchases. Without adequate supporting documentation for purchases, there is no assurance that disbursements were appropriate and approved. We also noted that acquiring adequate supporting documentation when conducting P-Card purchases online can be challenging, especially for those schools with limited support staff, but it is a prudent business practice to ensure that all transactions are thoroughly documented with regards to descriptions, quantities, prices, proof of receipt, and business purpose. More importantly, purchase of certain items and commodities by individual schools is prohibited by the School District. Without proper descriptions of the items purchased, there is no assurance that the purchase is appropriate.

To ensure fiscal accountability and responsibility, District management should enforce compliance of P-Card usage rules mandated by the *Purchasing Card Procedures (Purchasing Manual Chapter 24)*. All transactions should be adequately and sufficiently supported to demonstrate the appropriateness of each purchase.

II. MONEY COLLECTIONS

During 2013, all 175 schools in the School District collected a total of \$78.7 million in Internal Fund revenues, mostly from (1) fundraising, (2) special trusts, and (3) program fees. Two findings were noted in the area of money collections.

5. Inadequate Fundraising Documentation

Fundraising activities are governed by *School Board Policy 2.16 – Fund-Raising Activities Relating to Schools*. Noncompliances were identified at 96 (55%) of the schools in four categories: 1) financial inaccuracy, 2) lack of authorization, 3) insufficient/lack of documentation, and 4) non-compliance with policy.

<u>Noncompliance</u>	<u>Number of Schools</u>
Financial Inaccuracy:	
• Revenue shortage, according to available sales and purchasing records	33
• Revenue recorded in the club's/activity's primary account instead of dedicated decimalized account	10
Lack of Authorization	
• <i>Fundraising Application/Recap</i> form missing (no evidence of principal's authorization)	32
• Fundraising activity started before Principal's authorization	10
Insufficient/Lack of Documentation	
• <i>Sales Item Inventory Report</i> missing or not used	45
• <i>Sales Item Inventory Report</i> incomplete/completed with inaccurate information	13
• <i>Ticket Sellers Report</i> not used/missing	11
• Record of "give-aways" or damaged items not maintained/documentated	34
• Remaining inventory not retained	6
Conducted Activities Disallowed by Policy	
• Fundraising through prohibited "drawings of chance" (i.e. raffles)	2

Staff has addressed some of the issues related to inventory discrepancies beginning in Fiscal Year 2014 by requiring the Principal or Assistant Principal to sign the *Sales Item Inventory Form* attesting to the reported unsold items or those given away. In addition, web-based training for employees involved with fundraising activities was introduced in Fiscal Year 2013.

While we recognize these proactive steps taken by staff to strengthen controls and improve compliance, it is important to input accurate information onto the *Fundraiser Application/Recap Forms*, *Sales Item Inventory Reports*, and *Ticket Sellers Reports*. This will provide a reasonable basis to ensure that revenues are properly accounted for.

6. Monies Not Deposited Timely

In 38 (22%) of the schools, monies collected by staff were not always turned in timely to the bookkeeper for deposit, with delays ranging from one to 44 working days, and an average of 9 working days. Delays in turning in the monies for deposit could result in potential irregularity and increase the risk exposure for staff. *DOE Rules (Chapter 8 of the 2012 Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools)* and District's guidelines require that all monies collected be (1) put in the drop-safe daily and (2) be deposited in the bank within five working days after collection.

III. LEASING OF SCHOOL FACILITIES

The School District recognizes the mutual benefits of the use of school facilities by the community and civic organizations, other government entities, and taxpayers. To meet the needs of the community while protecting the best interests of the schools, certain leasing guidelines were developed by the District and implemented by the schools.

Beginning in Fiscal Year 2011, the District implemented a new Computer Aided Facilities Management software program, the Tririga System, to manage school facility leasing activities. While the concerns related to rental rates and documentation were addressed by this new software, staff still needs to exercise diligence regarding lease agreement preparation, proof of liability insurance coverage, and rental charges collection and distribution. Three 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 \$1 million for liability coverage, and specifically includes the School Board as an additional insured party. For the 2013 Internal Funds Audits, 56 (33%) of the schools did not receive proof of adequate insurance from some of their lessees. To protect the School District from potential unwarranted liabilities, all lessees should provide proof of adequate and proper insurance or purchase the required insurance coverage through the District's insurance pool prior to the use of school facilities.

8. Lease Agreement Not Properly Signed

Lease Agreements were not always executed with all the required dated signatures in a timely manner. Incomplete or missing information was noted on some leases for 54 (31%) of the schools. Beginning in Fiscal Year 2014, management modified the approval process by allowing for an electronic signature of the principal. However, the signature of lessee must still be obtained prior to the use of the facility. To ensure *Lease Agreements* are legally enforceable, they should be properly executed with all the required signatures prior to the lessees' use of facilities.

9. Late Payments

School Board Policy 7.18, requires that "*Fees are to be paid by check or credit card (no cash) at least forty-eight (48) hours prior to the use of a facility.*" However, due to certain technicalities in receiving lease payments from some long term leases, some leases at 42 (24%) of the schools did not comply with this requirement. All rental charges should be collected 48 hours prior to lessees' use of the school facilities in accordance with *School Board Policy 7.18* and related District guidelines.

PERFORMANCE AUDITS AND SPECIAL REQUESTS

1. Special Review of Palm Springs Elementary School Missing Drop Safe Log (September 13, 2013)
2. Special Review of Band Fair Share Collections at Suncoast High School (September 13, 2013)
3. Audit of Two Non-Construction Major Purchases (February 12, 2014)
4. Unannounced Cash Counts at 13 Selected Schools on October 7, 2013 (February 12, 2014)
5. Audit of District's Information Technology Disaster Recovery Plan (April 11, 2014)
6. Audit of Mavericks High at Palm Springs FTE Surveys 2 and 3 for Fiscal Year 2013 (June 17, 2014)

Performance Audits and Special Requests

1. Special Review of Palm Springs Elementary School Missing Drop Safe Log (September 13, 2013)

The primary objectives of this review was to determine whether all monies collected during July 1 through December 31, 2012, were appropriately recorded in the General Ledger and deposited into the school's Internal Funds bank account.

This Special Review produced the following major conclusions:

- a. Drop-safe Log Pages Inadvertently Discarded
- b. No Money Missing

2. Special Review of Band Fair Share Collections at Suncoast High School (September 13, 2013)

In response to a complaint received by our office on October 4, 2012, we reviewed the Suncoast High School Band Fair Share collections. This review produced the following major conclusions.

- a. Was the intended used of Fair Share collections properly documented and the related information shared with stakeholders?

Result: Yes. The purpose of Fair Share collections was documented in the budget and printed in the *Band Handbook*. The handbook was distributed to parents; and parents and students were required to submit a signed statement acknowledging receipt of the handbook.

- b. Was Fair Share contribution used for the benefit of all band members?

Result: Yes. The Fair Share contribution was used for the benefit of all band members.

- c. Were additional fees collected used for the intended purpose?

Result: Yes. The \$10,942 in Fair Share and additional fees collected from auxiliary team members were used for the intended purposes.

3. Audit of Two Non-Construction Major Purchases (February 12, 2014)

The primary objective of this audit was to determine if billings and deliverables were in compliance with terms of the contracts. This audit produced the following major conclusions:

- a. Landscape Services Reports Not Timely/Properly Approved
- b. Insufficient Documentation for Differences Between Contract Amounts and Invoiced Amounts
- c. Discrepancies between Contract Amounts and Invoice Amounts
- d. Quantity of Filters Installed and Billed Not Agreed With *Technical Library*
- e. Filters Not Replaced According to Schedule
- f. *Technical Library* Not Updated Annually
- g. Information in *Technical Library* Accurate

4. Unannounced Cast Counts At 13 Selected Schools On October 7, 2013 (February 12, 2014)

The primary objective of the unannounced visits was to determine if monies to be deposited into the banks agreed with the collection records.

- a. No Money Missing
- b. No Exceptions in Six Schools
- c. Noncompliance in Seven Schools

Our review of collection records at seven selected schools identified certain noncompliance with money collection procedures.

5. Audit of District's Information Technology Disaster Recovery Plan (April 11, 2014)

The primary objective of the audit was to assess the adequacy of the District's Information Technology Disaster Recovery Plan for preserving the integrity of data backups and minimizing disruption to the District's operations should disasters occur. The audit produced the following major conclusions.

- a. Business Impact Analysis (BIA) Not Performed
- b. Disaster Recovery Plans Not Fully Tested
- c. Temperature and Humidity Requirements at Off-Site Tape Storage Facility Did Not Meet Specifications
- d. Back-up Tapes May Not Arrive at Designated Off-site Location
- e. Technology Disaster Recovery Plan Needs Improvement
- f. Procedures for Off-Site Tapes to Designated Recovery Sites Needs Enhancement
- g. Security Enhancements Needed for Off-site Backup Tapes

6. Audit of Mavericks High at Palm Springs Full Time Equivalent (FTE) Surveys 2 and 3 for Fiscal Year 2013 (Draft Report Presented to Audit Committee on June 17, 2014)

In response to request of staff, we have audited the Student Full Time Equivalent (FTE) records for Surveys 2 and 3 for Fiscal Year 2012-13, of Mavericks High School at Palm Springs (Mavericks).

The primary objectives of this audit were to determine (1) whether Mavericks met the daily 5th hour instruction requirement in order to receive the full FTE funding for both survey periods; (2) the sufficiency of documentation for FTE funding; and (3) the causes for FTE reporting errors, if any, in student counts for FTE Survey 2. This Audit produced the following major conclusions:

- a. School Lacked Sufficient Evidence to Document the 5th Hour
- b. \$318,582 in Overpayment Recouped by the School District
- c. Discrepancies Between Mavericks' Student Attendance in the District's TERMS Database and the School's Manual Attendance Records for Fall 2012 Survey 2, Both Maintained by Mavericks.

INVESTIGATIVE ACTIVITIES

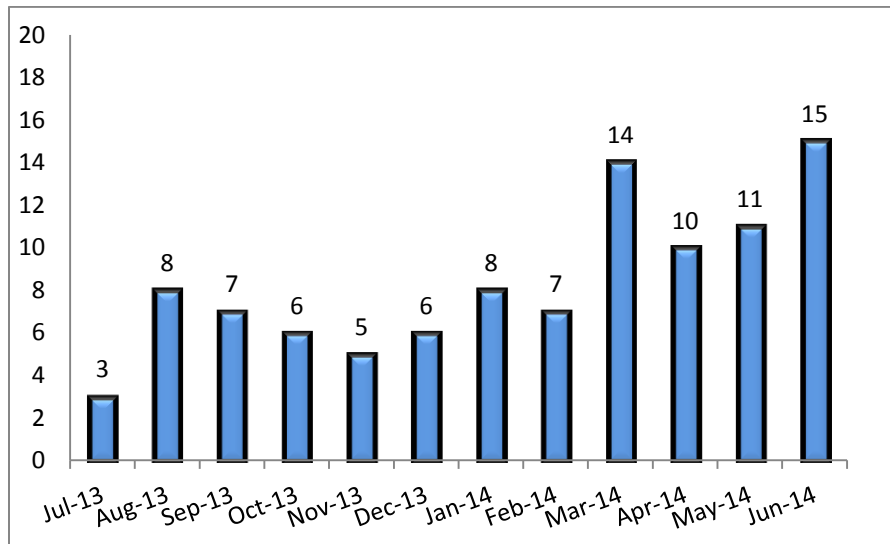
School Board Policy 1.092 (4)(a)(ii) authorizes the Inspector General to investigate, inspect, review and monitor the performance of School District officers, employees, functions and programs either in response to a complaint, or on the Inspector General's own initiative, in order to detect and prevent misconduct, inefficiency and waste within the programs and operations of the District.

The Office of Inspector General investigative function is to provide independent, relevant, thorough, and effective investigative services to detect, deter, prevent, and eradicate fraud, waste, financial mismanagement, fiscal misconduct and other abuses in District government.

School Board Policy 1.092 (4)(a)(iv) provides for the Office of Inspector General (OIG) to receive and consider complaints, and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.

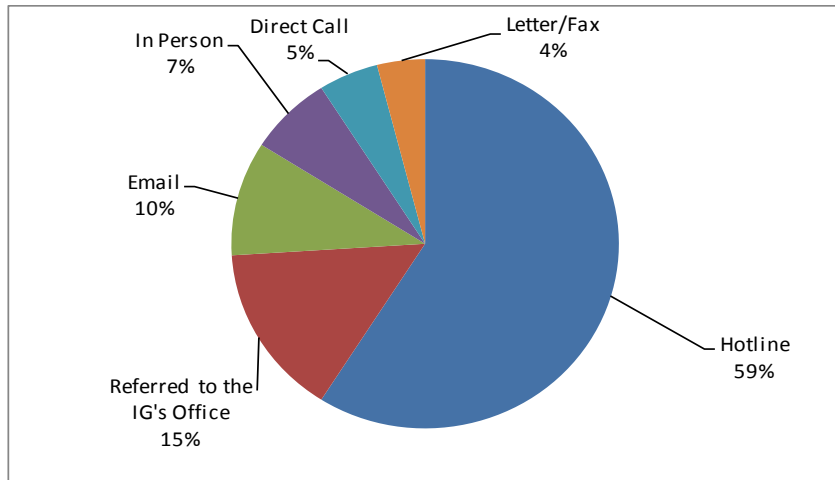
Intake Activity

The OIG received 100 intakes during Fiscal Year 2013-2014



Intake Method

The OIG receives intakes via the hotline, mail, email, telephone, facsimile, referral from another department or in person. During Fiscal Year 2013-2014 the majority of intakes were received via the hotline.



Types of Allegations

Intakes have been categorized into the following allegation types:

Employee Misconduct/Personnel Related	38
Charter School Related	19
Other	13
Financial	8
Student Safety & Welfare	8
Ethics Related	6
Illegal Activity/Theft/Misuse	3
Academics	2
Falsification of Documents/Records	2
Procurement Related	1

Referrals to Other Departments

School Board Policy 1.092 (4)(a)(ix) authorizes the Inspector General to refer to the appropriate offices matters related to collective bargaining agreements, employee performance and misconduct allegations not involving fraud, waste, financial mismanagement, or fiscal abuse.

The OIG referred 49 of the 100 intakes to the appropriate departments as follows:

Office of Professional Standards	29
Charter School Department	9
Chief Academic Office	4
School Police	3
Risk and Benefits Management	2
Purchasing Department	1
Communications Department	1

Disposition of Intakes

The OIG carried over 32 intakes from Fiscal Year 2012-2013. As of June 30, 2014 the disposition of the 100 intakes plus the 32 carry-over intakes, was as follows:

Ongoing	62
Completed	42
Investigated by OIG, pending final report	20
Closed	8
Total	132

COMPLETED

#	Department/School	Allegations	Disposition	Conclusion
1	Suncoast High School	Was the intended use of collections properly documented and the related information shared with stakeholders? Was the contribution used for the its intended benefit? Were additional fees collected used for the intended purpose?	Audited Audited Audited	Confirmed Confirmed Confirmed
2	Seminole Ridge Community High	An employee used his influence as a District employee to provide goods and services to the school from his personal business	Reviewed	Recommendation
3	Benoist Farms Elementary	Unethical behavior by school administration	Reviewed	Resolved
4	Benoist Farms Elementary	Unethical behavior by school administration	Reviewed	Resolved
5	Santaluces High	Employee responsible for handling money is a liar and thief	Reviewed	No wrongdoing
6	Charter Schools	Insufficient bus transportation Certain students taking duplicate classes, school unwilling to make correction Many teachers have resigned	Referred Referred Referred	No wrong doing identified No wrong doing identified Inaccurate statement
7	Charter Schools	Unprofessionalism by Administration	Referred	Recommendation
8	Palm Springs Community Middle	Nepotism	Referred	Violation identified
9	Timber Trace Elementary	Inappropriate use of email	Referred	Reviewed; Addressed with employee
10	Lake Worth Community High	Employee unqualified for position	Referred	Unsubstantiated

# Department/School	Allegations	Disposition	Conclusion
11 School Police	District does not require return of access badges from Children's Services Council	Referred	Reviewed/Addressed
12 Charter Schools	Issues with the facility	Referred	Reviewed/Addressed
13 South Intensive	Issues with the facility	Referred	Reviewed/Addressed
14 Charter Schools	Books not ordered No ESE or ESOL teachers Improperly staffed Issues with staff raises Security/Supervision issues	Referred Referred Referred Referred Referred	Reviewed/Addressed Reviewed/Addressed Reviewed/Addressed Reviewed/Addressed Reviewed/Addressed
15 Risk Management	Retiree issues with benefits	Referred	Reviewed/Addressed
16 Discovery Key Elementary	Parent dissatisfied with behavior of teacher, unfair treatment of student	Referred	Unsubstantiated
17 Benoit Farms Elementary	Improper ESE Services	Referred	Reviewed/Addressed
18 N/A	Illegal activities	Referred	Unfounded
19 Communications	Public records request issue	Referred	Reviewed/Addressed
20 Roosevelt Community Middle	Misuse of technology	Referred	Reviewed/Addressed
21 West Riviera Elementary	Held accountable for providing training/teaching without guidance Sexual harrasment Hostile and aggressive behavior Unfair treatment	Referred Referred Referred Referred	Unfounded Unfounded Unfounded Unfounded

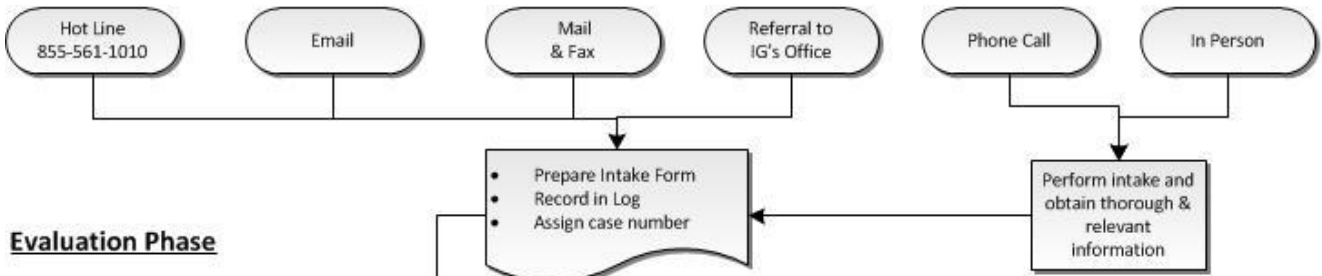
# Department/School	Allegations	Disposition	Conclusion
22 Purchasing	Vendor did not pay subcontractor as agreed	Referred	Reviewed/Addressed
23 Boca Raton Community	Unethical behavior by school administration	Referred	Unsubstantiated
24 Starlight Cove Elementary	Student Safety and Welfare	Referred	Reviewed/Addressed
25 Startlight Cove Elementary	Bullying	Referred	Reviewed/Addressed
26 Park Vista High	No health certificate observed during sale of food Conflict of interest	Reviewed Reviewed	Reviewed/Addressed Reviewed/Addressed
27 Dr. May McLeod Bethune	Fundraiser violation	Referred	Reviewed/Addressed
28 Boca Raton Community Middle	Student potentially providing drugs and alcohol	Referred	Reviewed/Addressed
29 Charter Schools	Employees did not receive mandated pay increase	Referred	Reviewed/Addressed
30 Palm Beach County Jail	Time theft	Referred	Reviewed/Addressed
31 Palm Beach County Jail	Discrimination Falsification of grades	Referred Referred	Unfounded Unsubstantiated
32 Meadow Park Elementary	Discrimination	Referred	Reviewed/Addressed
33 Conniston Community Middle	Bullying	Referred	Reviewed/Addressed
34 Palm Beach Juvenile Correction Facility	Nepotism Ethical misconduct	Referred Referred	Unfounded Unfounded
35 Palm Beach County Jail	Nepotism Teachers salaries being paid from incorrect budgets	Referred Referred	Unfounded Unsubstantiated
36 Palm Beach County Jail	Management disclosure of personal/confidential information	Referred	Unsubstantiated
37 Palm Beach County Jail	Submission of fraudulent grades	Referred	Unsubstantiated

#	Department/School	Allegations	Disposition	Conclusion
38	Palm Beach County Jail	Submission of fraudulent grades Inconsistent record keeping Inappropriate curriculum	Referred Referred Referred	Unsubstantiated Unsubstantiated Unsubstantiated
39	Palm Beach County Jail	Unethical/Unfair treatment by school administration	Referred	Unsubstantiated
40	Palm Beach County Jail	Unethical/Unfair treatment by school administration	Referred	Unsubstantiated
41	Palm Beach County Jail	Unethical/Unfair treatment by school administration	Referred	Unsubstantiated
42	Palm Beach County Jail	Misuse of authority	Referred	Unsubstantiated

OFFICE OF INSPECTOR GENERAL

Investigations

Intake Phase



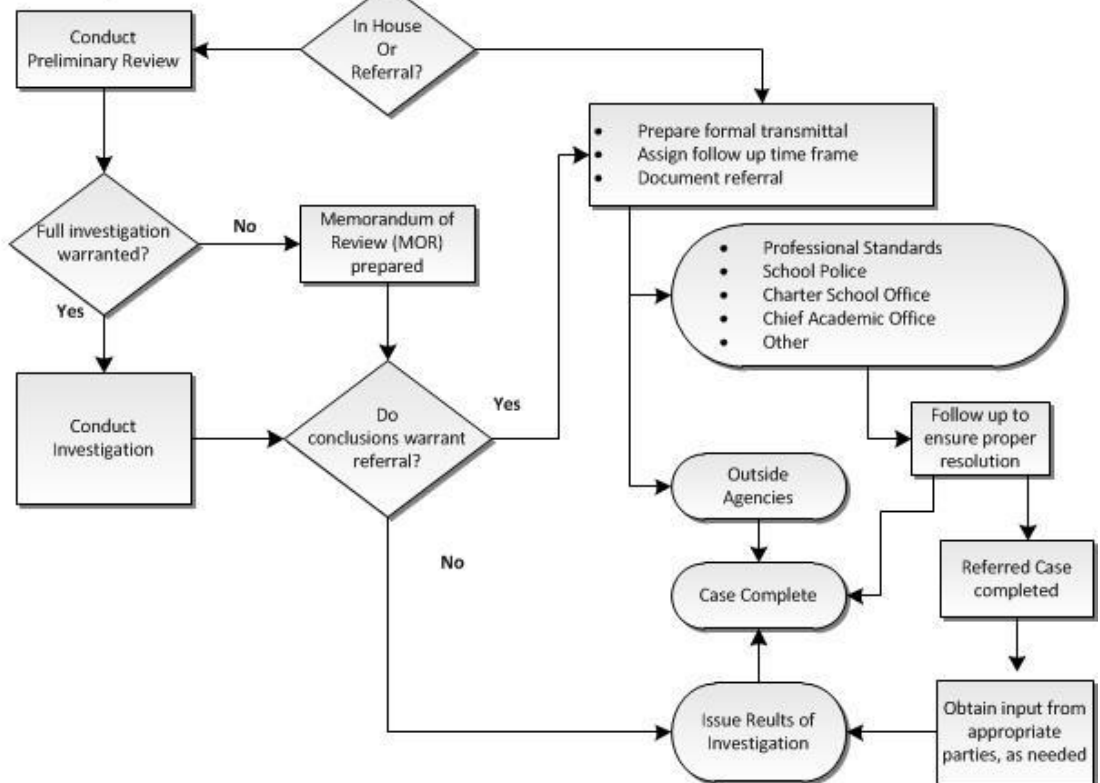
Evaluation Phase



Disposition/Referral / Follow Up Phase



Review / Investigation Phase



COMPLIANCE AND QUALITY CONTROL FUNCTION

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 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 (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 and helps to acquire necessary professional development, certifications, and training for all OIG staff, (4) assists in developing the Annual Work Plan, (5) recommends updates and revisions to the *OIG Policy and Procedures Manual* to further ensure a consistently high level of audit quality, and (6) performs other critical support activities.

The Compliance and Quality Control function performs periodic assessments of procedures, and coordinates the review of work papers, to ensure processes and audit work are performed in compliance with *Generally Accepted Government Auditing Standards*, and investigation work is performed in compliance with *Principles and Standards for Offices of Inspector General*.

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/investigator in the draft report. Completed engagements were also reviewed to ensure compliance with professional standards and OIG procedures. Also, staff meetings were held to train staff on how to implement quality control procedures.

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.

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 point of contact for external agencies auditing or investigating the School District. During the fiscal year, we coordinated investigative efforts related to numerous allegations received by the Florida Department of Education, Office of Inspector General.

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 or Certified Inspector General Auditor after undergoing training and testing by the AIG during August 2013.

The Compliance and Quality Control function monitors and helps to acquire training and education for 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.

Recruitment of Staff

The Office of Inspector General seeks to maintain a workforce committed to performance, excellence, and accountability. The Officer of Compliance and Quality Control directed all recruitment activities of the OIG throughout the year including advertising, screening, interviewing, and selecting and recommending the most qualified candidates to serve.

Other Critical Support Activities

Assistance to Other Departments. The OIG provides technical assistance to other departments as needed. During the fiscal year,

- We assisted 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.
- We assisted 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.

- We assisted the School District's Legislative Liaison by proposing changes to charter school legislation to improve fiscal controls, oversight, and accountability of charter schools.

Pre-Award Contract Oversight. The OIG has an 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.

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 FY2014

Projects	Fiscal	Impact
	Increase in Revenues / Decrease in Costs	Questioned Costs/Expenses
Financial and Compliance Audits		
Estimated Revenue Increases in Afterschool, Summer Camp, and School Facility Leasing Programs	3,141,060 *	
2013 Internal Funds Audits		
- Disbursements		
• Expenses with inadequate documentation		349,440
• Expenses with no supporting documentation		49,303
• Undocumented gifts		349
• Missing assets		8,352
• Overpayments and unneeded expenses	2,662	
- Cash Receipts and Fundraisers		
• Cash and fundraising revenues unaccounted for		46,672
• Undocumented gifts		30,413
• Fundraiser deficits		24,904
- Leasing of School Facilities		
• Undocumented fee waivers		1,063
• Uncollected and undercharged rentals	43,870	
- Afterschool Programs		
• Unapproved/undocumented fee waivers		4,772
• Unaccounted revenues		5,960
• Overpaid and questionable payroll		927
• Undercharged and uncollected program fees	22,671	
- Adult and Community Education Programs		
• Overpaid and questionable payroll		8,754
	<u>\$3,210,263</u>	<u>\$530,909</u>
Performance Audits		
- Audit of Mavericks High at Palm Springs FTE Surveys 2 & 3 for Fiscal Year 2013	\$318,582	
- Audit of Two Non-Construction Major Purchases		\$43,028
	<u>\$318,582</u>	<u>\$43,028</u>
Total Fiscal Impact For FY2014	<u>\$3,528,845</u>	<u>\$573,937</u>

Total Number of Audit Findings **914**

Total Number of Recommendations to Improve

- Controls	450
- Efficiency, Effectiveness, and Program Results	51
- Improved Compliance	<u>413</u>
	<u>914</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	\$2,780,916
Leasing of School Facility	<u>360,144</u>
Total	<u>\$3,141,060</u>

The above estimated revenue increases represented the differences between the actual revenues collected during Fiscal Year 2014 and the 10-year average annual collections during Fiscal Years 2004 through 2013. Moreover, all actual revenue collections were adjusted for 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.

Benchmark

	National Average **	School District of Palm Beach County
Audit \$ to \$ Savings	\$1 : \$0.83	\$1 : \$2.31
Auditor to Number of Organizational Staff	1 auditor per 835 staff	1 auditor per 1,400 staff
Audit \$ to Organization \$ Spending	\$1 : \$1,196	\$1 : \$1,274

*** Based on the 2012 Benchmarking and Best Practices Survey published by the Association of Local Government Auditors (ALGA) for comparable size audit departments.*

– End of Report –